Sub-Saharan Africa

Macro Poverty Outlook

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

Annual Meetings 2021

WORLD BANK GROUP
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ANGOLA

Table 1	2020
Population, million	32.9
GDP, current US$ billion	58.8
GDP per capita, current US$	1787.2
International poverty rate ($1.9)[a]	49.9
Lower middle-income poverty rate ($3.2)[a]	71.5
Upper middle-income poverty rate ($5.5)[a]	88.5
Gini index[a]	51.3
School enrollment, primary (% gross)[b]	113.5
Life expectancy at birth, years[b]	61.1
Total GHG Emissions (mtCO2e)	112.5

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2018), 2011 PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2019).

Angola's economy is returning to modest growth in 2021 after five years of recession, as declining oil prices and production, and then Covid-19, shrank the country's GDP by 10.8 percent from its peak in 2015. The long recession and rising inflation increased poverty. Although the outlook beyond 2021 remains challenging, ongoing economic reforms and active debt management have achieved debt reprofiling, more credible monetary policy, and a larger non-oil revenue base, creating the basis for continued recovery.

Key conditions and challenges

Excessive dependence on oil exposes Angola to macroeconomic instability and hinders inclusive growth and poverty reduction. From a peak of 1.8 million barrels per day in 2015, oil output has declined by 30 percent as existing fields are depleted and Angola's remaining blocks have failed to attract adequate investment. With lower oil prices and production, export receipts have fallen 72 percent in 2020 from their peak in 2012, yet oil still makes up 94 of Angola's exports, highlighting the persistent lack of diversification of the economy. Given global decarbonization, Angola´s transition out of the oil sector becomes even more urgent. Meanwhile, diversification will require investments to adapt Angola's cities and agriculture to the effects of climate change, with the already-growing number of droughts and floods expected to increase further.

Oil wealth allowed Angola to engage in large-scale borrowing and the debt burden rose sharply once oil prices and the currency declined, reaching a peak of 135 percent of GDP in 2020. Debt remains a concern over the medium term, despite a partial rescheduling of external debt service, including under the Debt Service Suspension Initiative.

The government has floated the currency and implemented important macroeconomic reforms since it assumed office in late 2017. However, progress on broader structural reforms has been slower. Pending reforms include privatization of large state-owned enterprises, overhaul of sectoral regulations to enable competition, and removal of high fuel subsidies and price controls.

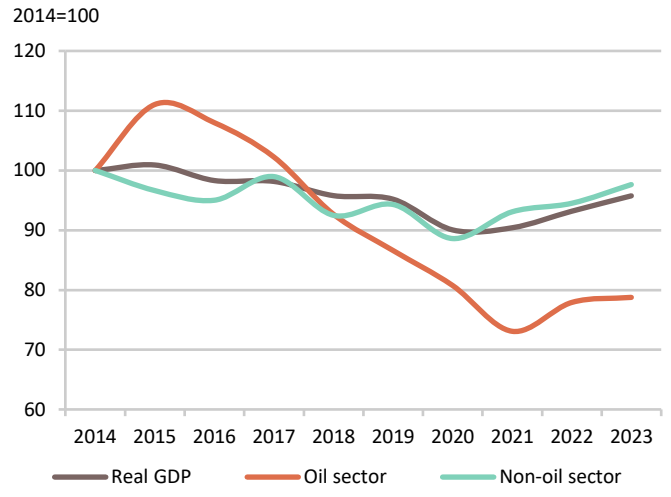
Angola´s income inequality remains high, with about half of its young and fast-growing population living on less than US$1.90 per day (2011 PPP) as of 2019. Years of high inflation, strained public finances, and lack of growth and job creation in non-oil sectors have reversed much of the little progress made on poverty reduction during the oil boom years. Given growing social pressure and upcoming elections, there is a risk of measures such as new subsidies, price controls and import restrictions that may offer some short-term benefits but could further delay the emergence of a productive private sector.

Recent developments

Angola has avoided high infection rates of COVID-19 so far. A total of 47,784 cases (145 per 100,000) were registered as of September 2, 2021, and the 7-day average incidence peaked at 6.2 per 100,000 in May 2021. However, progress on vaccination has been slow to date, with only 2.8 percent of the population fully vaccinated as of September 2.

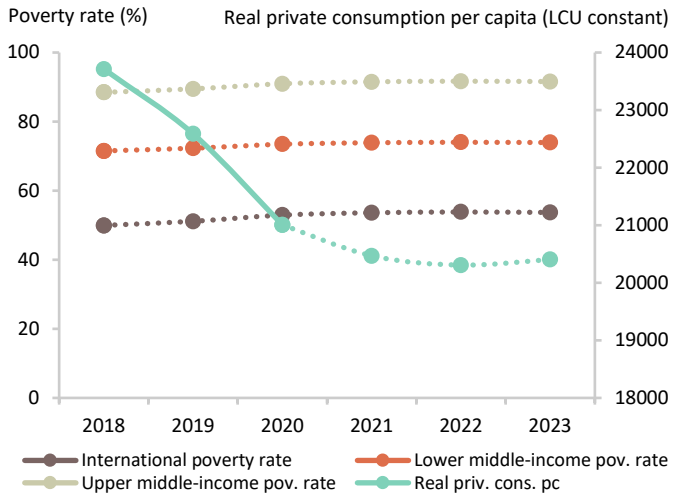
As a result of falling oil output and the COVID-19-related impact on services, GDP contracted 5.4 percent in 2020. This marks the fifth consecutive year of recession, with

FIGURE 1 **Angola** / Real GDP (index, 2014 = 100)



Sources: National Statistics Institute of Angola. World Bank - MTI.

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



Source: World Bank. Notes: see Table 2.

a total GDP decline of 10.8 percent (see Figure 1). In the first half of 2021, oil output remained low but non-oil activity began to recover, rising 3.8 percent year-on-year in the first quarter.

Higher oil prices in 2021 are generating higher fiscal and export revenues, even with falling production. Tax measures introduced since 2019, including the VAT, have resulted in increased non-oil revenues which grew by 45 percent year-on-year in the second quarter.

The exchange rate, sensitive to oil prices and concerns about debt sustainability, depreciated by 37 percent in 2020 but stabilized in 2021. Although central bank net-reserves declined by 25 percent in 2020 and an additional 5 percent by July 2021 (to US$8.3 billion), import coverage remains adequate at about 11 months. Currency depreciation along with rising commodity prices and domestic crop failures from a major drought have fueled inflation, which increased to 25 percent in 2020 and has remained at this level through July 2021. In July 2021, the central bank tightened monetary policy by raising the policy rate to 20 percent (from 15.5 percent) to contain inflation.

The employment rate reached 61.7 percent in the second quarter of 2021, remaining below its 2019 level. Moreover, 76 percent of new jobs are in the informal sector, including a heavy reliance on subsistence activities. The Kwenda cash transfer program was rolled out in 2020 but so far only covers about 9,000 families out of around 2.7 million families living on less than U$1.90 per day. The combination of continued high unemployment and food inflation, along with severe drought in some parts of the country, are expected to have increased food insecurity and poverty.

Outlook

GDP growth is expected to accelerate to about 3 percent in 2022–23 as oil production temporarily recovers and non-oil growth accelerates, benefitting from market creating reforms and the lagged impact of macroeconomic reforms. The outlook is conditional on COVID-19 remaining relatively well controlled in Angola and vaccination covering around 52 percent of adults by the end of 2022.

Monetary tightening and a more stable exchange rate are expected to result in gradual disinflation. Improved supply conditions through structural reforms can also accelerate disinflation in the longer-term. The central government is expected to run sizable primary fiscal surpluses, decreasing public debt-to-GDP levels, though this remains vulnerable to oil price risks.

Projections, tentative due to limited data, suggest that the share of the Angolan population living on less than US$1.90 per day (2011 PPP) is expected to peak in 2022, reaching about 53.9 percent, an increase of nearly 3.5 million people since 2018. In 2023, the poverty rate is expected to fall by 0.2 percentage points. Expansion of the Kwenda program and measures to support job creation, especially for youth, are critical to protect human capital and reduce poverty.

Policy uncertainty and heightened political and social tensions in advance of the August 2022 general elections could result in further delays in the reform agenda.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	-2.4	-0.6	-5.4	0.4	3.1	2.8
Private Consumption	-3.4	-1.6	-4.0	0.6	2.4	3.7
Government Consumption	-1.7	-1.6	-14.1	9.9	1.4	-1.9
Gross Fixed Capital Investment	-5.1	-3.1	-8.9	-2.2	9.7	6.8
Exports, Goods and Services	1.2	0.8	-6.2	-4.3	1.5	1.5
Imports, Goods and Services	-16.9	0.0	-23.5	8.5	7.2	6.0
Real GDP growth, at constant factor prices	-7.5	-1.0	-6.3	0.3	3.0	2.6
Agriculture	-7.6	-4.4	0.8	-1.9	2.6	4.7
Industry	-11.4	-2.8	-10.2	-0.3	4.3	3.6
Services	-1.7	2.0	-2.4	1.3	1.6	1.1
Inflation (Consumer Price Index)	19.6	17.1	22.3	24.4	18.1	10.9
Current Account Balance (% of GDP)	7.3	5.7	-0.4	5.3	6.6	4.6
Net Foreign Direct Investment (% of GDP)	-6.4	-2.0	-3.3	-3.3	-0.3	0.6
Fiscal Balance (% of GDP)	2.8	0.7	-1.9	2.8	2.8	2.7
Debt (% of GDP)	88.6	107.3	134.4	100.1	92.3	88.0
Primary Balance (% of GDP)	7.5	6.0	4.9	8.0	7.5	7.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	49.9	51.1	52.9	53.6	53.9	53.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	71.5	72.3	73.5	73.9	74.0	74.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	88.5	89.5	90.9	91.5	91.6	91.5
GHG emissions growth (mtCO2e)	-9.3	-5.8	-4.2	5.1	1.3	-0.1
Energy related GHG emissions (% of total)	15.7	17.1	16.9	17.4	17.9	18.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU.

(b) Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021to 2023.

BENIN

Table 1	2020
Population, million	12.1
GDP, current US$ billion	15.4
GDP per capita, current US$	1272.7
International poverty rate ($1.9)[a]	49.6
Lower middle-income poverty rate ($3.2)[a]	76.2
Upper middle-income poverty rate ($5.5)[a]	90.6
Gini index[a]	47.8
School enrollment, primary (% gross)[b]	116.7
Life expectancy at birth, years[b]	61.8
Total GHG Emissions (mtCO2e)	29.3

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2019).

Spared a major domestic COVID-19 outbreak, Benin's economy was relatively resilient in 2020 with real GDP growth decelerating to +3.8 percent. The fiscal deficit and external debt increased to support the economy that is expected to rebound in 2021, due to higher commodity prices, the gradual reopening of Nigerian borders, and continued dynamism in the construction sector. Commodity price volatility, the spread of new COVID-19 variants, and vaccine roll-out cloud the outlook.

Key conditions and challenges

Prior to the pandemic, Benin experienced robust real GDP growth averaging 6.4 percent in 2017-2019, thanks to a relatively favorable external environment and commitment to macroeconomic stability. Growth in recent years has been boosted by private investment, higher agricultural production with record-levels of cotton output, and an expanding services sector. The Government Action Plan (PAG) has underpinned investments in infrastructure and focused on strengthening governance. Fiscal consolidation efforts since 2016 enabled the authorities to respond to the COVID-19 crisis with fiscal stimulus, keeping the GDP deceleration among the lowest in SSA.

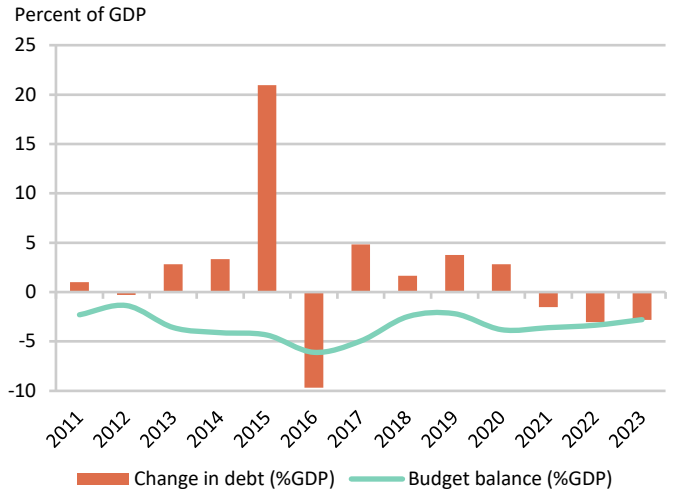
The high growth momentum, however, has yet to result in structural change: agriculture still accounts for 40 percent of employment, and productivity growth in the absorbing services and industry sector has been slow. The increasing fiscal deficit and higher external debt levels since the onset of the global crisis have highlighted the vulnerabilities of the growth model, notably the reliance on exports of raw agricultural commodities and re-export activities with neighboring countries, the low levels of human capital, large gender gaps, and structurally low domestic revenue mobilization that limits productive spending. While the COVID-19 cases remained relatively contained in 2020, the duration and the amplitude of future waves convey substantial downside risks. Price volatility, notably in food products, would negatively impact vulnerable households, increasing food insecurity pressures. A prolonged outbreak would compromise economic recovery, increasing the fiscal and external financing requirements and debt pressures. Weather shocks and increased regional insecurity could further exacerbate spatial inequalities between the North and more urban Southern regions.

Recent developments

Real GDP growth decelerated to +3.8 percent in 2020 (1 percent in per capita terms) driven by lower agricultural output and the impact of social distancing measures on services during the first half of the year. On the demand side, public consumption (+19.6 percent y-o-y) and public investment (+88.4 percent y-o-y) supported growth. Activity continued to rebound in the first quarter of 2021, with growth up +3.9 percent y-o-y. Industrial production and services were up for the first half of 2021. Inflation reached 3 percent in 2020, driven by higher food prices, before stabilizing at 2.7 percent at end-July 2021.

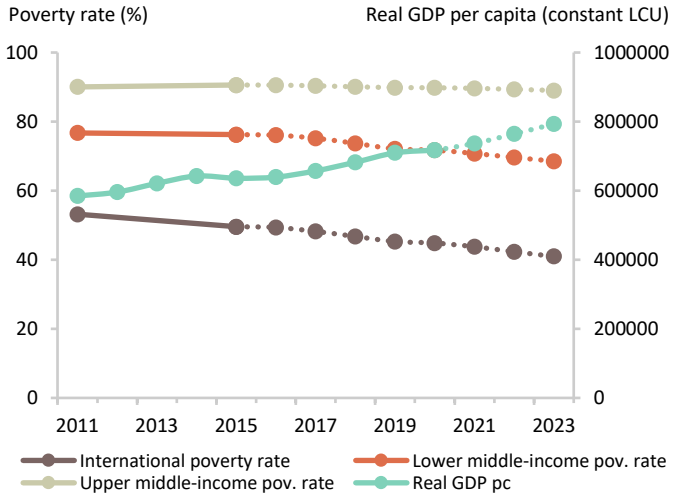
The current account deficit (including grants) was almost unchanged at 3.9 percent of GDP in 2020 as lower re-export activities with neighboring countries contained goods and services imports, and current transfers were higher due to increased remittances. As the border with Nigeria opened up, the trade balance deteriorated in Q1 2021 with imports up +9.4 percent for re-export activity.

FIGURE 1 Benin / Budget balance and change in PPG debt



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

Fiscal policy was expansionary with the deficit (including grants) increasing from 0.5 percent of GDP in 2019, to 4.7 percent in 2020. Capital expenditures were up +75 percent as infrastructure projects were used to support the economy. Despite a drop in customs revenue (due to border closures and disruptions in trade), total tax revenues were almost unchanged mostly due to the outperformance of excise taxes on oil products. Public and publicly guaranteed (PPG) debt increased to 46.1 percent of GDP in 2020 (+4.9 ppt compared to 2019), with concessional borrowing representing the bulk of the additional financing. Benin's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA Franc and the Euro. Its reserves have remained stable since 2019 and reached an estimated 5.8 months of imports in 2020 due to donor support and Eurobond issuance in Cote d'Ivoire. To support the regional economy and COVID-19 related extra spending, the BCEAO implemented a set of monetary and macroprudential measures beginning in March 2020, including a policy rate cut and extended refinancing operations with 3-month COVID-19 bonds. These measures were extended into 2021.

Poverty and vulnerability remain high. The poverty rate based on the national poverty line was 38.5 percent in 2019 with strong spatial disparities, rural poverty stands at 44.2 percent, +12.8 ppts higher compared to urban areas. World Bank estimates suggest that $1.9 a day (2011 PPP) poverty reduction significantly slowed down in 2020 (-0.9 percent reduction y-o-y) versus 2019 (-3.2 percent reduction y-o-y). Employment data and social indicators from the first half of 2021 suggest that poverty reduction trends gradually revert to their pre COVID-19 trends.

Outlook

Real GDP growth is expected to rebound to 5.5 percent in 2021 (2.7 percent in per capita terms). On the supply side, agriculture, fostered by higher cotton prices, and the continuous dynamism of the construction sector will be the main drivers of the recovery. On the demand side, exports, public investments, and a gradual increase in private investment will drive growth. After reaching 3 percent in 2021, inflation should ease to 2 percent in 2022. The current account deficit (including grants) is expected to widen slightly to 4 percent in 2021. It will be largely financed by portfolio flows due to large issuances in international markets (EUR 1.5 billion). In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF, which have been temporarily onlent to member countries. The fiscal deficit (including grants) is expected to decline slightly at 4.5 percent of GDP in 2021, as authorities continue to support the recovery, but should return to around the WAEMU ceiling of 3 percent of GDP by 2023 as authorities gradually reduce current spending. PPG debt is expected to peak at 52.3 percent of GDP at end-2021, before gradually receding to 40 percent of GDP by 2026. External debt remains sustainable. In July 2021, Benin issued the first Sustainable Development Goals (SDG) Bond in Africa.

Poverty reduction is expected to gradually revert to its pre-crisis levels during the 2021-2022 period as the economy rebounds, and on the back of improved employment indicators as COVID-19 restrictions ease and businesses adapt their operations to the new environment. The $1.9/day PPP poverty headcount rate is expected to decrease to 43.8 percent in 2021 (-2.4 percent y-o-y), and to 42.4 percent in 2022 (-3.2 percent y-o-y).

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.7	6.9	3.8	5.5	6.5	6.5
Private Consumption	3.5	3.5	3.0	5.0	6.0	6.5
Government Consumption	6.0	5.8	19.6	-1.0	7.7	4.7
Gross Fixed Capital Investment	16.3	8.4	-1.1	9.6	7.4	7.8
Exports, Goods and Services	5.0	-1.6	-29.5	28.0	7.0	8.1
Imports, Goods and Services	4.8	-6.1	-24.7	22.5	6.9	8.2
Real GDP growth, at constant factor prices	6.7	6.9	3.8	5.5	6.5	6.5
Agriculture	7.3	7.2	5.6	5.5	7.8	8.6
Industry	6.2	6.2	5.2	5.8	7.0	5.7
Services	6.7	7.1	1.1	5.3	4.8	5.1
Inflation (Consumer Price Index)	0.8	-0.9	3.0	3.0	2.0	2.0
Current Account Balance (% of GDP)	-4.5	-4.0	-3.9	-4.0	-4.3	-4.4
Net Foreign Direct Investment (% of GDP)	1.2	1.3	0.5	1.5	1.0	1.0
Fiscal Balance (% of GDP)	-2.9	-0.5	-4.7	-4.5	-3.8	-3.0
Debt (% of GDP)	41.1	41.2	46.1	52.3	48.9	46.3
Primary Balance (% of GDP)	-1.3	1.1	-2.7	-2.4	-2.2	-1.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	46.8	45.3	44.9	43.8	42.4	41.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	73.7	72.1	71.7	70.8	69.6	68.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	90.1	89.9	89.8	89.6	89.3	89.0
GHG emissions growth (mtCO2e)	4.1	3.0	1.0	3.6	4.2	4.6
Energy related GHG emissions (% of total)	35.0	35.8	36.1	36.4	37.4	38.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2015-EMICOV.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

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

BOTSWANA

Table 1	2020
Population, million	2.4
GDP, current US$ billion	15.1
GDP per capita, current US$	6291.7
International poverty rate ($1.9)[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]	69.6
Total GHG Emissions (mtCO2e)	64.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2019).

Botswana's economy is expected to rebound to 8.5 percent in 2021 following an 8.5 percent contraction last year. Careful management of mineral resources allowed Botswana to enter the pandemic with more fiscal space than most peers. Addressing structural impediments to higher medium-term growth is needed to improve living standards. The unemployment rate currently stands at 24.5 percent. Poverty is expected to decline by 2 percentage points to 57.6 percent, based on the upper middle-income country poverty line in 2021.

Key conditions and challenges

Botswana's macroeconomic policy framework is anchored on prudent macroeconomic policies and good governance. However, the economy is largely dependent on a single commodity, diamonds, making it vulnerable to external shocks. The ongoing COVID-19 crisis and structural rigidities mean that Botswana's growth outlook remains vulnerable to external shocks.

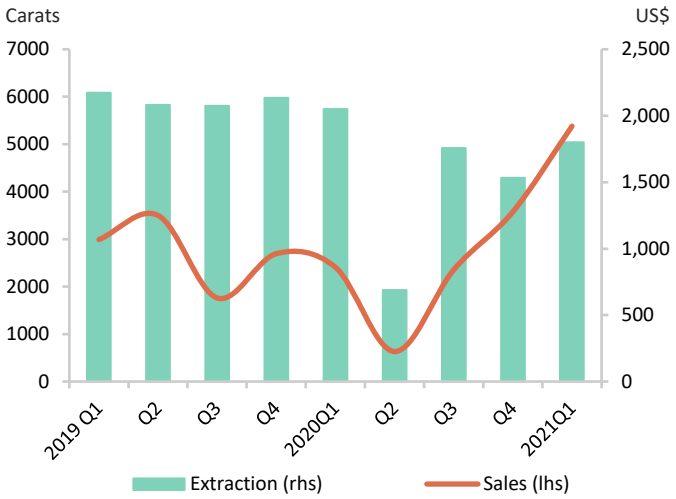
Structural challenges pre-dating the pandemic led to weak growth and widening fiscal deficits over the past 4 years. This highlighted the need for Government to support policies to diversify the economy and to speed up implementation of the planned fiscal consolidation to create sustained, high, job-rich growth and preserve macroeconomic stability. Unemployment is structurally high, at 19.8 percent over the last 5 years. Inequality remains among the highest in the world, while the COVID-19 crisis set back the gains in poverty reduction from the previous 4 years. Measures to improve export competitiveness, encourage inward investments by promoting a favorable business environment, and preserve fiscal sustainability would all support higher inclusive growth.

The country experienced a spike in COVID-19 cases over the winter, with rising infections and deaths amidst shortage of vaccines leading to a slower than anticipated vaccine rollout. In response, government maintained containment measures translating in a slower rebound in economic activity. Key risks to the economy include continued resurgence of COVID-19-related cases and rising deaths domestically and globally. Economic activity remains stagnant amid fears of travelling amongst tourists; delays in roll out of vaccines and potential lockdowns. The resurgence of cases also has the potential to cause great uncertainty in the global, regional and domestic economies, with implications on demand, especially for diamonds.

Recent developments

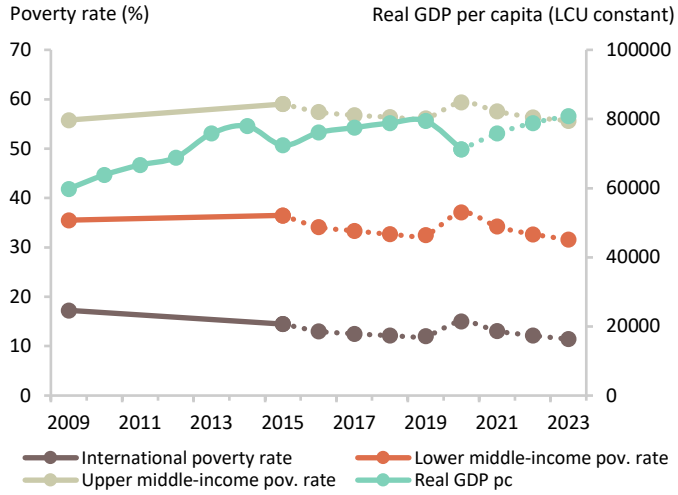
Real GDP increased by 0.7 percent in Q1 on an annual basis, driven by diamond trading and wholesale and retail trade. Provisional results for the seven sights of 2021 show an increase in diamond sales, highlighting recovering demand for the key export. Other sectors' activity remained subdued as the third wave of local infections prompted additional restrictions. The latest figures show unemployment at 24.5 percent in Q4 2020, an increase from previous years, while poverty under the upper middle income poverty line also increased in 2020 by 3 percentage points. Household consumption contracted by 2.7 percent in Q1 on an annual basis. Though rising, household debt remains manageable at 25 percent of disposable income in Q12021 compared to 23.7 percent in Q12020.

FIGURE 1 Botswana / Diamond sales and diamond extraction



Source: Statistics Botswana.

FIGURE 2 Botswana / Poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

CPI inflation averaged 5.2 percent over January-July 2021 compared to 1.9 percent in 2020. Inflationary pressures are on an upward trajectory following the rebound in oil prices, and increases in fuel levy, VAT rate, and administered prices. Bank of Botswana maintained an accommodative monetary policy stance, keeping the repo rate at 3.75 percent to support the recovery as it anticipates inflationary pressures to be transitory. Real exports of goods and services increased by 84.3 percent in Q1 2021, driven by diamonds. Foreign exchange reserves declined to an estimated P50.8 billion as of July 2021, but import coverage, at 9.4 months, remains sound.

Government expenditure has faced pressures from the pandemic. On the other hand, measures to increase revenue mobilization have been implemented, including broadening the tax base, increasing VAT by two percentage points to 14 percent, fuel and sugar levies, a tax on plastic bags and withholding tax adjustments, all estimated to yield about 1 percent of GDP. A tax amnesty to reduce tax arrears and an increase in service fees should increase revenue collection this year by an additional 0.5 percent of GDP. Nevertheless, amid elevated financing needs, Botswana has sought budget support from multilateral banks amounting to US$387 million.

Outlook

Growth is expected to be robust in 2021, at 8.5 percent, although GDP is projected to remain below its 2019 level until 2022. The recovery will be driven by a rebound in mining, supported by the global recovery. This will mainly translate into a positive contribution to growth from net exports while the domestic drivers of growth will remain constrained by the pandemic. Poverty levels under the upper middle-income poverty line are expected to decline to 57.6 percent in 2021 due to the economic recovery. The vaccination rollout has gained traction with 21.6 percent of the eligible 1.5 million population fully vaccinated adding renewed optimism to economic activity. Improved domestic demand will boost the recovery of other sectors as the implementation of the Economic Recovery and Transformation Plane (ERTP) unfolds to pursue an outward looking growth strategy that spurs private sector development and competitive external trade. Growth is expected to average around 5.1 percent over 2022-23 and poverty is projected to decline further to around 56 percent.

The current account deficit is expected to narrow to 2.6 and 2.2 percent of GDP in 2021 and 2022, respectively, as the rebound in diamond production and favorable terms of trade are expected to more than offset the projected drop in SACU revenue. The recent allocation of SDR 189m by the IMF will strengthen reserve buffers and resilience in the medium term. The fiscal deficit is expected to decline to 6.6 percent of GDP in 2021/22, driven by higher revenue collection (mining and revenue mobilization measures) while expenditure remains. Public debt is estimated to reach 28.3 percent this year and 30.2 percent by 2023, driven by a rise in external borrowing.

The pandemic continues to pose a major risk to the anticipated upturn in economic activity as new variants and uncertainties surrounding vaccines could lead to further lockdowns and subsequently weaken global demand for diamonds in the future.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.0	3.0	-8.5	8.5	5.9	4.4
Private Consumption	4.4	3.5	-2.7	2.3	3.7	4.1
Government Consumption	1.4	9.8	3.6	-0.3	-3.4	-0.6
Gross Fixed Capital Investment	8.6	10.2	-7.7	6.6	13.1	4.9
Exports, Goods and Services	11.9	-7.1	-18.1	41.8	9.0	7.9
Imports, Goods and Services	15.9	11.9	5.2	5.3	5.5	5.5
Real GDP growth, at constant factor prices	4.0	3.2	-8.9	8.5	5.9	4.4
Agriculture	10.3	3.0	-1.7	3.0	3.0	2.8
Industry	5.5	-1.5	-20.6	40.6	9.0	4.4
Services	2.7	6.8	-0.8	-9.7	3.2	4.4
Inflation (Consumer Price Index)	3.2	2.8	1.9	5.0	4.5	4.1
Current Account Balance (% of GDP)	0.7	-8.4	-10.6	-2.6	-2.2	-0.1
Net Foreign Direct Investment (% of GDP)	1.2	1.3	-0.1	1.4	1.5	1.5
Fiscal Balance (% of GDP)[a]	-5.1	-6.2	-8.9	-6.6	-4.6	-1.3
Debt (% of GDP)	19.9	21.4	21.2	28.1	30.4	29.9
Primary Balance (% of GDP)[a,b]	-4.5	-5.5	-8.1	-5.7	-3.3	0.1
International poverty rate ($1.9 in 2011 PPP)[c,d]	12.1	12.0	15.0	13.1	12.1	11.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	32.7	32.5	37.1	34.2	32.7	31.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	56.4	56.2	59.4	57.6	56.3	55.7
GHG emissions growth (mtCO2e)	-1.7	-0.1	-2.3	4.7	1.2	1.1
Energy related GHG emissions (% of total)	27.1	27.0	25.1	26.4	27.1	27.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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: 2016-2020. Forecast are from 2021to 2023.
(d) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.

BURKINA FASO

Table 1	2020
Population, million	20.9
GDP, current US$ billion	15.9
GDP per capita, current US$	760.8
International poverty rate ($1.9)[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]	94.5
Life expectancy at birth, years[b]	61.6
Total GHG Emissions (mtCO2e)	65.5

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2019).

Economic growth is expected to rebound slightly above its potential in 2021 associated with some inflationary pressure, especially of food products. The current account deficit will widen with less favorable terms of trade and strong import demand. The fiscal deficit will remain large at 5.5 percent of GDP in 2021 before gradually returning to the WAEMU convergence criteria by 2024. Over the medium term, annual per capita income growth is projected at around 2.4 percent, contributing to a modest pace of poverty reduction.

Key conditions and challenges

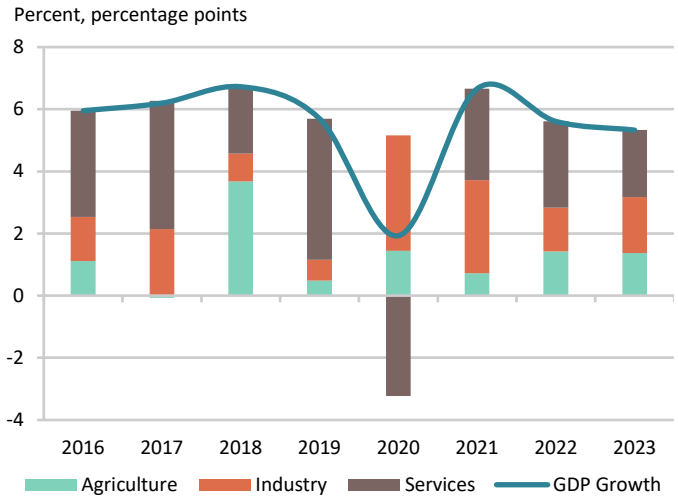
The primary sector contributes a quarter of the country's GDP. Cotton, once the largest export commodity, remains the major cash crop. The secondary sector contributes a similar share to the economy, almost 75 percent of which is generated by a booming mining industry, with gold now accounting for about 85 percent of export proceeds. Services account for about half of GDP, with retail, transportation, and the public sector generating most jobs and value addition. Public service delivery has been facing an increasingly difficult security context outside the capital city of Ouagadougou with growing violence and conflict and an unprecedented increase in internally displaced persons (IDPs). For the poor, access to basic services such as electricity and water is extremely limited and has seen little progress over time. Absolute levels of access are still very low compared to the regional average, while the gap in progress between those at the top 60 percent and bottom 40 percent of the consumption distribution has widened.

Burkina Faso's prospects are fraught with uncertainties. The COVID-19 pandemic continues to subject the economy to significant risks, as lockdowns and slow vaccination rollout could lead to further waves of infections and subdue domestic demand. An extended negative shock to foreign demand could impede foreign investment inflows and keep the tourism and hospitality sector in a state of crisis. The terms of trade could also quickly shift back to the disadvantage of Burkina Faso, expanding the trade deficit. The security crisis could further destabilize an already fragile situation, affecting mining activities and/or disrupting labor supply in the agricultural sector. Finally, the agricultural sector remains highly vulnerable to climate shocks and natural disasters, particularly droughts, floods, and locust invasion.

Recent developments

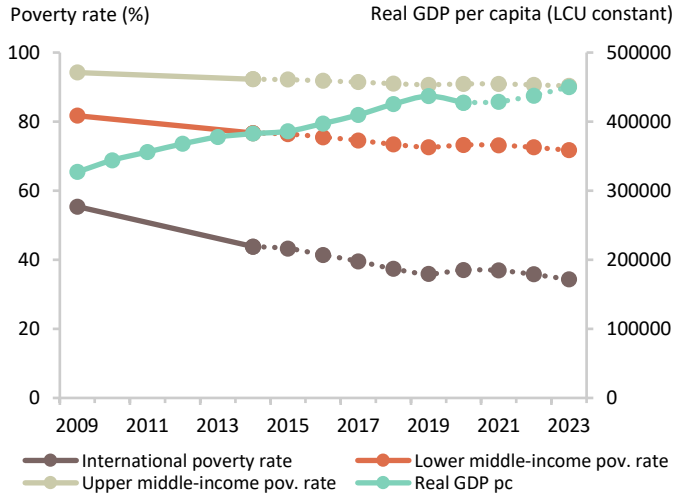
In the wake of the COVID-19 shock, real GDP only rose by 1.9 percent (-1 percent in per capita terms) in 2020. The primary sector sustained relatively high production levels throughout the year, both for subsistence crops and cotton. The secondary sector suffered some early losses in the year but bounced back strongly, supported by gold extraction (+25 percent). In contrast, the tertiary sector contracted in 2020, severely affected by mass closures of businesses and social distancing measures. Strong growth was reported in 2021-Q1 (+14.7 percent y/y). By August 2021, CPI inflation picked up to 2.8 percent (y/y), driven by a rise in food prices (+6.3 percent y/y) that continues to put pressure on food security. High gold and low oil prices positively impacted the country's trade balance. The fiscal balance deteriorated to 5.7 percent in 2020, mostly on account of unforeseen COVID-19-related expenditures, translating into an

FIGURE 1 **Burkina Faso** / Real GDP growth and contributions to real GDP growth



Source: World Bank staff estimates.

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



Source: World Bank. See Table 2.

increase in public debt. Burkina Faso's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA Franc and the Euro. Its reserves have remained stable since 2019 and reached an estimated 5.8 months of imports in 2020, due to large donor support and Eurobond issuances. To support the regional economy and COVID-19 related extra spending, the BCEAO implemented a set of monetary and macroprudential measures beginning in March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds. These measures were extended into 2021.

The extreme poverty rate measured by the US$1.9 a day (2011 PPP) poverty line was 38 percent in 2019. Simulations suggest that in 2020 the COVID-19 crisis increased the extreme poverty rate by about one percentage point. This increase in the poverty rate combined with the fast increase in population growth results in additional 330,000 extreme poor people. Findings from eight waves of high frequency surveys conducted between 2020 and 2021 suggest that the pandemic negatively impacted economic activities and led to an increase in unemployment and a sharp reduction in households' incomes. With less or no sources of income, many households were not able to make ends meet, and about 50 percent of the interviewees reported that they can no longer meet their dietary needs. At the same time, the intensifying insecurity in the country has put more people (especially the poor and vulnerable) at risk of being displaced and deprived of employment opportunities and access to basic services. The coverage and generosity of social protection programs have been limited and not always well targeted. Only 8.8 percent of households declared receiving COVID-19-related assistance.

Outlook

The economy is expected to rebound in 2021 with growth projected at 6.7 percent—before falling back to its medium-term potential of around 5.3 percent (2.4 percent per capita). CPI inflation is projected to stabilize at around 2.5 percent in the medium term. The CAD is expected to increase in 2022 as the negative trade balance continues to widen on account of higher imports in the mining and health sectors and a deterioration in the terms of trade. The fiscal deficit is projected to remain high at 5.5 percent of GDP in 2021, but to gradually converge toward WAEMU's 3 percent of GDP target by 2024. As grants are projected to decline to about 2 percent of GDP, an increase in mining revenues and further improvements in tax collection are expected to support the revenue base. Public debt is projected to peak at below 50 percent of GDP in 2023 and to decline thereafter. With about half of the debt stock on concessional terms the risk of debt distress remains moderate. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF. The SDRs have been temporarily on-lent to member countries, with Burkina Faso receiving the equivalent of 0.9 percent of its 2020 GDP.

The poverty rate is projected to fall back to pre-COVID (2019) levels by 2021. However, due to fast population growth, the number of poor people will fall back to pre-COVID (2019) levels only in 2023.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.7	5.7	1.9	6.7	5.6	5.3
Private Consumption	2.0	3.5	1.2	11.0	7.9	6.9
Government Consumption	8.1	13.4	8.0	7.7	0.9	-2.1
Gross Fixed Capital Investment	16.1	3.3	-19.8	21.3	13.3	6.9
Exports, Goods and Services	10.1	4.8	15.4	8.0	5.7	3.4
Imports, Goods and Services	7.7	2.5	-0.7	25.2	12.0	4.3
Real GDP growth, at constant factor prices	6.7	5.7	1.9	6.7	5.6	5.3
Agriculture	13.3	1.7	5.2	4.7	5.0	5.0
Industry	2.8	2.3	12.2	7.9	4.1	5.5
Services	5.6	9.6	-5.1	7.0	6.8	5.3
Inflation (Consumer Price Index)	2.0	-3.2	1.9	3.5	3.0	2.5
Current Account Balance (% of GDP)	-4.1	-3.3	-0.1	-2.5	-4.1	-4.3
Net Foreign Direct Investment (% of GDP)	1.2	0.9	0.6	0.5	0.5	0.6
Fiscal Balance (% of GDP)	-4.3	-3.2	-5.7	-5.5	-4.8	-4.0
Debt (% of GDP)	39.4	43.9	47.8	49.5	49.8	49.8
Primary Balance (% of GDP)	-3.2	-1.9	-4.4	-3.9	-2.9	-2.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.7	38.1	38.6	36.6	35.2	34.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.6	73.8	74.1	73.0	72.2	71.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.5	91.2	91.3	90.9	90.5	90.3
GHG emissions growth (mtCO2e)	0.9	4.1	4.1	4.1	4.1	4.1
Energy related GHG emissions (% of total)	9.0	9.3	9.7	10.0	10.3	10.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2009-ECVM and 2014-EMC.Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

(b) Projection using annualized elasticity (2009-2014) with pass-through = 1based on GDP per capita in constant LCU.

BURUNDI

Table 1	2020
Population, million	11.9
GDP, current US$ billion	3.2
GDP per capita, current US$	268.9
International poverty rate ($1.9)[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]	119.0
Life expectancy at birth, years[b]	61.6
Total GHG Emissions (mtCO2e)	9.5

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2013), 2011 PPPs.
(b) Most recent WDI value (2019).

Economic growth is projected at 2 percent in 2021 from 0.3 percent in 2020, driven by a recovery in services and continued growth in agriculture. Industrial growth will be subdued due to mining disputes. Growth is expected to improve further to 2.5-3 percent in 2022-2023, but it remains below population growth, resulting in rising extreme poverty, which is estimated to reach 87.1 percent in 2021. Burundi faces severe macroeconomic challenges, including large external imbalances, fiscal pressures, and growing public debt.

Key conditions and challenges

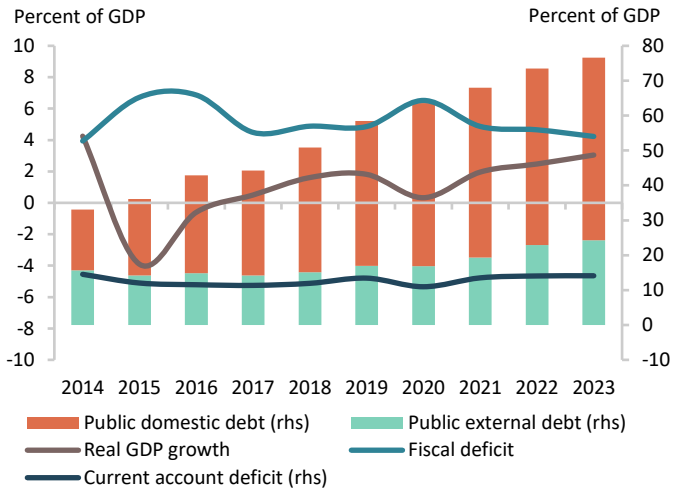
Burundi's development has been hampered by structural weaknesses. The challenges are numerous and can be most readily summarized in the persistent over-reliance on low-productivity subsistence agriculture, which reflects limited job-creating, productivity-enhancing private sector growth. An unconducive business climate, weak governance, high aid dependence, and low and volatile public and private investments constrain development of the private sector. High population growth and food insecurity add to the human development challenges. These weaknesses have been exacerbated since 2015 by large external imbalances, fiscal pressures, constrained access to forex, exchange rate overvaluation and fiscal dominance of monetary policy.The COVID-19 pandemic poses additional challenges to households, firms, and macroeconomic performance. A survey revealed large proportions of households with declining off-farm incomes and facing food insecurity as well as large proportions of businesses with declining sales, difficulty accessing inputs and cash flow crunches because of the pandemic. The effects of the pandemic have also intensified macroeconomic imbalances with lower economic growth and persistently high fiscal and external deficits. The National Development Plan 2018-2027 outlines growth drivers, associated with the objectives of improving infrastructure provision, human development, and environmental management. However, acceleration of economic growth will depend on adequate financing and reforms to address key weakness in economic management.

Recent developments

Growth in 2021 is projected at 2 percent, up from 0.3 percent in 2020. This has been supported by an easing of COVID-19 related restrictions, including a lifting of quarantine requirements and re-opening of borders. The services sector is expected to rebound, while agricultural growth is also expected to pick up slightly. Industrial sector growth is expected to decline due to a suspension of mining. On the demand-side, growth was supported by private consumption and recovery in investment. Inflation is projected to remain high at 7 percent in 2021 mainly due to higher food prices and likely by the monetization of the fiscal deficit.

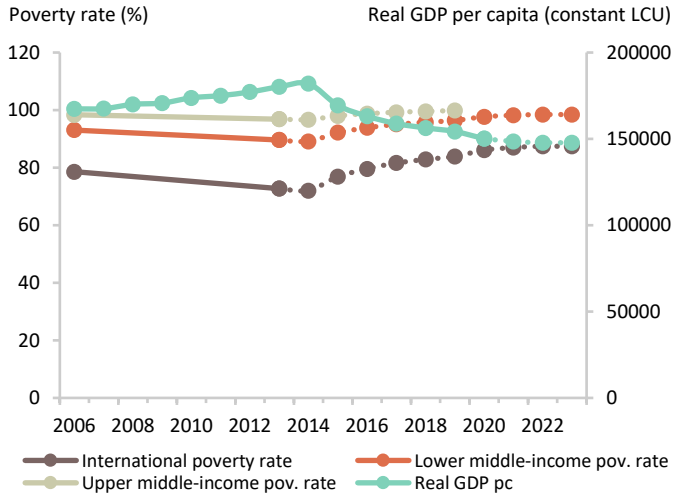
The fiscal deficit is expected to decline but remain high at 4.9 percent of GDP in 2021 from 6.5 percent of GDP in 2020 and 4.9 percent in 2019. The projected increase in revenue collection is insufficient to offset expenditures, especially with costly recurrent COVID-19 related expenditures. Fiscal deficit financing led to further increases in public debt projected to reach 68 percent of GDP (of which 74 percent is domestic).

FIGURE 1 Burundi / Real GDP growth, public debt, fiscal and current account 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.

Driven by higher oil prices, the current account deficit (CAD) remained high at an estimated 13.5 percent of GDP, reinforcing concerns about its financing and sustainability. The rebound in exports was limited by weak mining exports as the government suspended the activities of multinational mining companies to renegotiate contract. The exchange rate remained overvalued with the parallel market premium averaging 70 percent in end-June 2021, while the official exchange rate depreciated only by 3.2 percent year-on-year. International reserves remained low covering 0.8 months of imports in June 2021.

GDP growth per capita remains negative. Poverty has been estimated at 87.1 percent in 2021 (based on international poverty line of $1.90/capita/ day, in 2011 PPP), up from 72.8 percent in 2013 (the last year with data availability). Progress has been made in education and health, yet Burundi's Human Capital Index remains low at 0.39. Literacy rates remain particularly low among women and rural residents and stunting rates are alarmingly high, affecting an estimated 57.6 percent of children under 5. COVID-19 is likely exacerbating these vulnerabilities.

Outlook

Considering only the limited economic reforms that have been announced, economic growth is projected at 2.5-3 percent during 2022-23, supported by gains in all sectors. Assuming favorable rainfall, agriculture will grow faster in 2022 as borders are reopened for regional trade. Industrial activity is projected to pick up assuming a resolution in mining disputes and increased power generation from a regional hydroelectric dam that is expected to be completed by end-2021. On the demand side, private consumption and investment in public and private sectors are projected to remain high under the gradual economic recovery.

The fiscal deficit is expected to narrow in 2022-23, driven by measures to bolster revenue collection. However, it will remain above 4 percent of GDP as the pace of increase in revenue mobilization and external support will only pick up gradually. With limited external grants, public debt is expected to rise further to 77 percent of GDP in 2023 due to issuance of new external and domestic debt. The CAD is expected to remain high at around 14 percent of GDP in 2022–23, as the overvalued exchange rate leads real growth in imports to outstrip export growth (expected to be driven by minerals alongside traditional exports). The deficit will continue to be financed primarily by trade credits and external government borrowing. Forex reserves are expected to improve significantly with SDR allocations. Poverty (measured against the US$ 1.90 poverty line) is projected to reach 87.5 percent in 2022–23.

Given the country's continued dependence on agriculture and growing risks of weather variability due to climate change, the growth outlook is subject to especially high risks. The outlook is also vulnerable to the COVID-19 pandemic as Burundi has only now taken a first step towards the AVAT initiative but has not yet started a national vaccination campaign. On the upside, the Government's efforts to reengage with development partners could help resume aid flows though it is likely to take time to translate into significant increases in external support. Reforms such as in forex, monetary policy and public financial management would accelerate growth.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	1.6	1.8	0.3	2.0	2.5	3.0
Private Consumption	3.5	3.1	0.3	2.7	3.1	3.3
Government Consumption	6.7	8.3	19.2	0.4	0.5	1.1
Gross Fixed Capital Investment	24.9	32.9	-16.6	14.4	11.8	11.9
Exports, Goods and Services	11.0	-0.5	-14.9	4.8	7.7	7.9
Imports, Goods and Services	19.0	17.1	3.4	6.0	5.8	5.7
Real GDP growth, at constant factor prices	1.7	1.8	0.3	2.0	2.5	3.0
Agriculture	3.0	3.1	2.8	3.1	3.2	3.2
Industry	2.4	2.1	1.8	1.6	2.2	2.5
Services	0.7	0.9	-1.7	1.4	2.1	3.0
Inflation (Consumer Price Index)	-2.6	-0.8	7.5	7.0	6.0	5.4
Current Account Balance (% of GDP)	-11.9	-13.4	-10.9	-13.5	-14.1	-14.1
Net Foreign Direct Investment (% of GDP)	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Fiscal Balance (% of GDP)	-4.9	-4.9	-6.5	-4.9	-4.6	-4.2
Debt (% of GDP)	50.9	58.5	63.6	68.0	73.5	76.6
Primary Balance (% of GDP)	-4.5	-4.3	-5.2	-3.3	-3.0	-2.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	82.9	84.0	86.2	87.1	87.5	87.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	95.8	96.5	97.7	98.3	98.5	98.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	99.6	99.9				
GHG emissions growth (mtCO2e)	1.3	2.4	2.9	4.3	4.1	4.5
Energy related GHG emissions (% of total)	14.5	14.4	14.1	12.2	11.5	10.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2006-QUIBB and 2013-ECVMB.Actual data: 2013. Nowcast: 2014-2020. Forecast are from 2021to 2023.

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

CABO VERDE

Table 1	2020
Population, million	0.6
GDP, current US$ billion	1.7
GDP per capita, current US$	2833.3
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]	73.0
Total GHG Emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

The COVID-19 crisis led to a contraction in real GDP of 14.8 percent in 2020, exacerbating pre-existing fiscal, debt, and external imbalances. Progress in poverty reduction since 2015 was erased. A modest recovery is projected in 2021, led by the gradual recovery of tourism. Over the medium-term, growth should pick up as tourism and foreign direct investment rebound. The outlook is subject to substantial downside risks stemming from new COVID-19 variants, the speed of global recovery, and climatic shocks.

Key conditions and challenges

Political stability, democratic institutions, and pro-market reforms have generated significant economic and social progress since independence in 1975. However, Cabo Verde's development model, based on tourism and Foreign Direct Investment (FDI) has shown signs of fatigue since the 2008 Global Financial Crisis. The subsequent sluggish recovery in Europe reduced the influx of funds, with dwindling private investment and growth. Ineffective expansionary fiscal policy between 2010-2015 led to growing fiscal financing needs and public debt. To put public debt on a sustainable path, authorities initiated a fiscal consolidation program in 2016, including reform of key loss-making State Own Enterprises (SOEs).

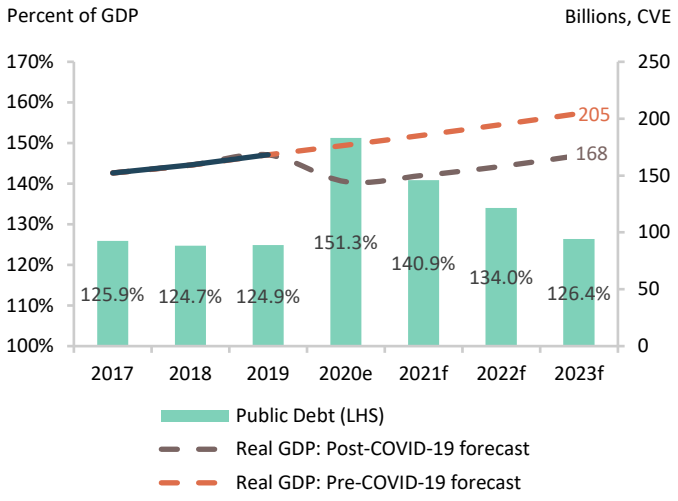
The impact and persistence of the COVID-19 pandemic exacerbated the vulnerabilities of the growth model. In addition to the adverse economic effects of domestic containment and mitigation measures, international travel restrictions led to a sharp contraction in tourism and related activities. Rising global uncertainty also depressed FDI. Authorities responded to the crisis by expanding public health services and social protection programs, as well as providing financial support to small businesses and hard-hit sectors. However, poverty reduction gains made over the past five years were reversed driven largely by substantial temporary job losses, particularly in the tourism sector. The pace of the economic recovery is tied to the duration of the pandemic, the emergence of new COVID variants, and the speed of global recovery, particularly international tourism from Europe. Fiscal risks are high as the government is exposed to contingent liabilities in sectors that are particularly vulnerable to the crisis. A protracted pandemic would aggravate the current crisis, potentially triggering these liabilities and leading to macroeconomic instability. Cabo Verde remains significantly exposed to natural disasters that could further weigh on external and fiscal balances.

Recent developments

Economic activity contracted by 14.8 percent in 2020, the largest contraction on record. The deceleration was driven by the shutdown of the tourism sector. The services sector contracted by 19.2 percent, while industrial and agriculture output declined by 2 and 6.3 percent, respectively. During the first quarter of 2021, real GDP continued contracting by 10.9 percent (year-on-year). Leading indicators show that growth resumed in the second quarter, driven by a small recovery in tourism.

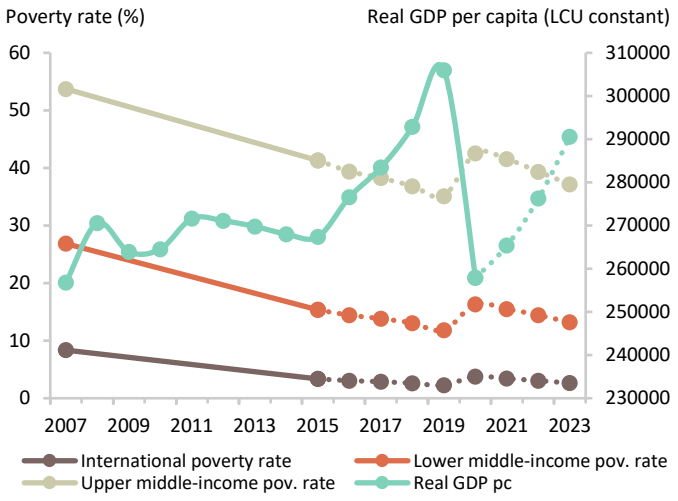
The Current Account Deficit (CAD) increased from 0.4 percent of GDP in 2019 to 16.5 percent in 2020, due to the collapse in services exports. The CAD was financed primarily by grants and concessional loans. International reserves stood at 7.8

FIGURE 1 **Cabo Verde** / GDP per capita 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.

months of imports. In the first quarter of 2021, the CAD improved, relative to the previous three quarters, as the trade and service balance deficits declined.

The overall fiscal deficit reached 8.8 percent of GDP in 2020, driven by a fall of 20 percent in tax revenue and an increase of 0.7 percent in current expenditure. Financing needs of 11 percent of GDP were covered by concessional credits, grants, domestic borrowing, and resources freed by the Debt Service Suspension Initiative (DSSI). The stock of public debt climbed to 155.2 percent in 2020. The risk of external and total debt distress is high but public debt remains. The overall deficit continued deteriorating in the first quarter of 2021, recorded a deficit of 2.1 percent of GDP.

Cabo Verde's monetary policy is aligned with the Eurozone, as the Escudo is pegged to the Euro. Despite an accommodative monetary policy stance, inflation remained subdued at 0.6 percent in 2020.

The pandemic erased gains in poverty reduction achieved since 2015. The population living under the lower-middle income country poverty line of $3.2/day (2011) increased from 11.8 percent in 2019 to 16.3 percent in 2020. The large contractions in tourism and related sectors, particularly Boa Vista and Sal islands influence the increase in poverty.

Outlook

The economy will recover modestly from the pandemic. Real GDP growth is projected to be 4 percent in 2021 and gradually accelerate to 6.1 by 2023 with GDP per capita reaching the 2019 level by 2024. In the short-term, the recovery will be driven by a gradual reactivation of the tourism sector. Over the medium-term, private consumption and investment in tourism and the blue economy will contribute to closing the output gap. The outlook is subject to substantial downside risks stemming from climate shocks, delays in the recovery of tourism, financial flows, and SOE reforms.

The CAD is projected to reach 13.5 percent of GDP in 2021, converging to 3.7 by 2023. Medium-term external financing needs are expected to be covered mainly by FDI, which is expected to reach 4.2 percent of GDP in 2023. International reserves would remain steady at about 6 months of imports.

Authorities are committed to macroeconomic stabilization in the short-term and fiscal consolidation in the medium-term. Consolidation measures will include the removal of some COVID-19 measures, enhanced management of fiscal risks, notably from SOEs, and revenue mobilization. The primary deficit is projected to reach 11.1 percent of GDP in 2021 and improve over the medium term to 1 percent by 2023. The public debt-to-GDP ratio is expected to fall to 139.6 by 2023. The decision to reverse the privatization of Cabo Verde Airlines further exacerbate fiscal risks. Inflation is projected to remain below 1.5 percent over the medium-term.

The poverty rate (using the low-middle income poverty line of $3.2/day) is projected to decline to 15.5 percent in 2021 and 13.2 percent by 2023. Social protection reforms in response to COVID-19 supporting the poorest and most vulnerable households will support poverty reduction. In 2020, 5,450 additional households received emergency cash transfers, more than doubling the regular coverage. And In 2021 the Government further expanded the temporary emergency cash transfers, reaching a total of over 22,000 households in July 2021.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.5	5.7	-14.8	4.0	5.2	6.1
Private Consumption	1.5	5.9	-11.3	3.8	4.9	5.8
Government Consumption	2.2	4.8	0.8	1.9	1.1	1.0
Gross Fixed Capital Investment	4.1	-6.3	19.7	1.1	4.3	4.0
Exports, Goods and Services	11.7	8.7	-58.4	20.2	28.1	17.6
Imports, Goods and Services	5.7	0.8	-22.5	7.9	13.1	8.6
Real GDP growth, at constant factor prices	4.5	5.7	-14.8	4.0	5.2	6.1
Agriculture	-18.5	-6.8	-6.3	0.1	0.8	1.1
Industry	8.1	7.5	-2.0	3.1	4.7	5.3
Services	6.3	6.3	-19.2	4.7	5.8	6.8
Inflation (Consumer Price Index)	1.3	1.1	0.6	1.0	1.5	1.5
Current Account Balance (% of GDP)	-6.6	-0.4	-16.5	-13.5	-7.5	-3.7
Net Foreign Direct Investment (% of GDP)	4.7	4.2	4.2	4.1	4.2	4.2
Fiscal Balance (% of GDP)	-2.7	-1.8	-8.8	-13.7	-5.4	-3.7
Debt (% of GDP)	124.7	124.1	155.2	158.8	151.9	139.6
Primary Balance (% of GDP)	-0.2	0.8	-5.9	-11.1	-2.4	-1.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	2.6	2.3	3.8	3.4	3.1	2.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	13.1	11.8	16.3	15.5	14.4	13.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	36.8	35.1	42.5	41.5	39.3	37.1
GHG emissions growth (mtCO2e)	4.4	3.9	-6.0	-1.7	2.6	3.9
Energy related GHG emissions (% of total)	87.2	88.4	89.1	92.2	92.7	92.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2015-IDRF.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

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

CAMEROON

Table 1	2020
Population, million	26.5
GDP, current US$ billion	39.6
GDP per capita, current US$	1494.3
International poverty rate ($1.9)[a]	26.0
Lower middle-income poverty rate ($3.2)[a]	47.0
Upper middle-income poverty rate ($5.5)[a]	71.0
Gini index[a]	46.6
School enrollment, primary (% gross)[b]	105.7
Life expectancy at birth, years[b]	59.3
Total GHG Emissions (mtCO2e)	124.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2019).

Cameroon's economy is recovering, with real GDP growth projected to reach 3.4 percent in 2021 (up from 0.7 percent in 2020) and 4.4 percent by 2023. The pandemic is likely to have increased poverty for the first time in a decade. Continued expenditure controls and improved revenue mobilization will support fiscal consolidation in the medium term. The country remains at high risk of debt distress, but public debt is assessed as sustainable.

Key conditions and challenges

Cameroon is a commodity- and oil-dependent country, representing 45 percent of the Central African Economic and Monetary Community's GDP in 2020, making it the largest economy in the region. The oil sector accounted for 2.9 percent of GDP in 2020, 13.6 percent of fiscal revenues and more than 40 percent of export earnings, highlighting the country's high dependency on commodities and vulnerability to demand and prices.

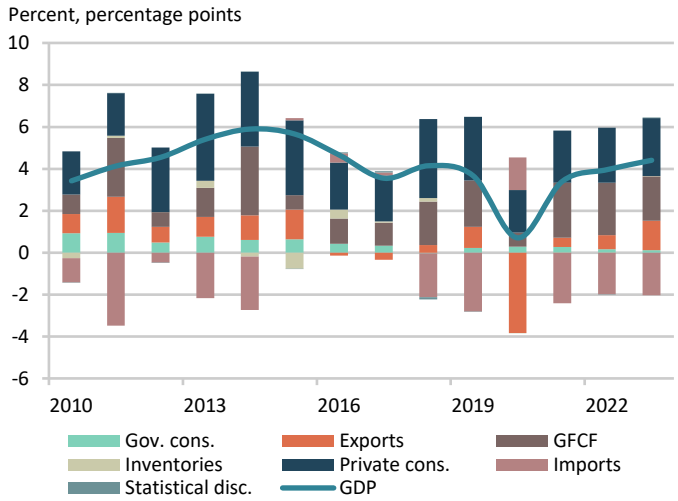
In addition to the challenges brought in by the pandemic, Cameroon faces significant development challenges including high risk of debt distress, incomplete implementation of fiscal reforms, climate change issues, attacks by Boko Haram in the Far North, and a sociopolitical crisis in the North-West and South-West regions. The debt stock has been increasing since 2016, which calls for improved debt sustainability to support the economic recovery and attracting new investment. Between 2007 and 2014, the country managed to reduce the share of the population living in extreme poverty, but the poverty rate at $1.90 a day has stagnated at around 25 percent since then. The COVID-19 crisis has reversed progress in poverty reduction, with the poverty rate estimated to have increased in 2020. Going forward, improving governance, and achieving greater transparency to build public trust are critical to achieve more inclusive and sustainable growth.

Recent developments

Economic activity started to pick up in 2020Q3 and has been sustained since then. On the supply side, this performance is attributable to the positive contribution of the secondary sector, including the textile and chemical industries and the strong performance of construction and public works in the run-up to the 2021 and 2022 football competitions. The primary sector has also had a positive contribution to growth as the Cameroon Development Corporation (CDC), one of the major agribusiness companies, resumed its banana exports after shutting down due to conflicts in the South-West and North-West regions since 2016. Domestic consumption improved in 2021Q1, as reflected by increased food, beverage, and housing prices. The current account deficit widened by 0.2 percent of GDP, year-on-year, at end-2021Q1, driven by an increase in imports since early 2021.

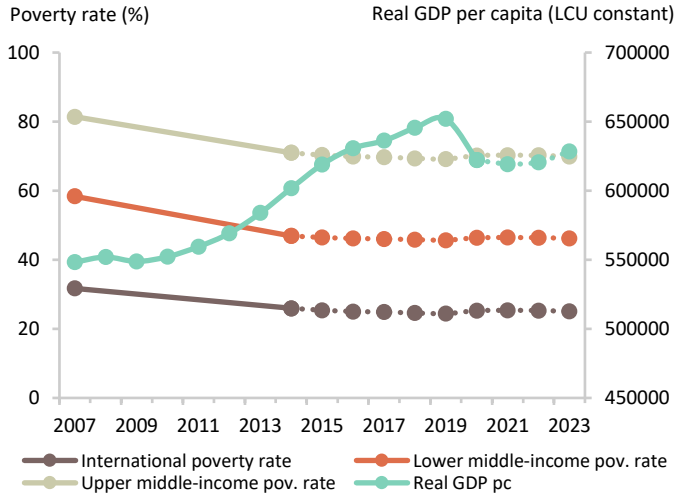
Higher-than-expected oil prices, good VAT collection due to light containment, and public spending reprioritization, helped contain the fiscal deficit at 3.8 percent of GDP in 2020 (from 3.3 percent of GDP in 2019). Since the beginning of 2021, recovering oil prices as well as digitalization of tax and customs procedures further supported the increase in public revenues. Meanwhile, expenditure control measures reduced public spending by 0.4 percent of GDP, year-on-year, in 2021Q1, reflecting reduced staff expenses and savings from Cameroon's renewed participation in the Debt Service Suspension Initiative (expected to last until

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



Source: World Bank.

FIGURE 2 Cameroon / Poverty rate and GDP per capita



Source: World Bank. Notes: see Table 2.

December 2021). The overall fiscal balance showed a surplus of 0.3 percent of GDP at end-March 2021. The latest Debt Sustainability Analysis (July 2021) assessed Cameroon at high risk of external and overall public debt distress.

A national phone survey on the COVID-19 impact revealed a slowdown in business activities, and job and income losses. Containment measures, including the closure of the air and land borders, have impacted vulnerable jobs in both the formal and informal sectors.

The vaccination campaign started in mid-April 2021, with the gradual supply of vaccines from COVAX, AVATT and Sinopharm. However, only 2.6 percent of the population has received at least one dose of the vaccine.

Outlook

Cameroon's economic activity is expected to gradually recover from 2021 onwards on the back of dynamic secondary and tertiary sectors, coupled with improved external demand. Higher oil production and prices, together with a rebound in services and external demand, are expected to translate into more robust private consumption and investment. With an average real GDP growth rate of 3.9 percent over 2021-2023, per capita GDP should return to its pre-COVID-19 level by 2023. The steady rollout of COVID-19 vaccines across the world will support a faster growth recovery. As imports and transfers from abroad increase, the current account deficit is projected to widen from 3.4 percent of GDP in 2020 to 3.7 percent of GDP in 2021 but will narrow to 3.5 percent of GDP by 2023. The deficit will be financed through foreign direct investment and the Eurobond issuance of US$812.20 million to partially buy back the 2015 Eurobond. Meanwhile, the country's fiscal deficit is expected to narrow from 3.8 percent of GDP in 2020 to 2.8 percent of GDP in 2023, reflecting the government's fiscal consolidation efforts. The new allocation of Special Drawing Rights from the International Monetary Fund, equivalent to $370 million (0.87 percent of GDP) will provide additional liquidity to meet some of the country's financing needs. Poverty projections suggest that the rate of extreme poverty will remain high (around 25 percent) and almost unchanged between 2021 and 2023. The number of poor households will continue to increase, with an additional 166,000 people falling into extreme poverty in 2021. Poverty rates are expected to remain above pre-pandemic estimates till 2023. Poverty reduction efforts are expected to resume in the medium term as economic growth returns to pre-pandemic levels. Downside risks include possible renewed restrictions due to the recent surge in COVID-19 cases and a slower rollout and take-up of vaccines.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.1	3.7	0.7	3.4	4.0	4.4
Private Consumption	5.7	4.5	3.0	3.6	3.8	4.0
Government Consumption	-0.2	1.8	2.3	2.1	1.4	1.0
Gross Fixed Capital Investment	7.9	8.1	2.4	9.1	8.2	6.7
Exports, Goods and Services	1.8	5.1	-19.1	2.8	4.1	8.8
Imports, Goods and Services	8.1	10.5	-5.4	9.0	7.0	7.0
Real GDP growth, at constant factor prices	4.1	3.6	0.7	3.4	4.0	4.4
Agriculture	5.1	2.8	0.1	4.1	4.8	5.6
Industry	3.1	3.6	1.3	4.1	4.4	4.5
Services	4.4	3.9	0.6	2.9	3.5	4.0
Inflation (Consumer Price Index)	1.1	2.5	2.5	2.5	2.5	2.5
Current Account Balance (% of GDP)	-3.6	-4.4	-3.4	-3.7	-3.2	-3.5
Fiscal Balance (% of GDP)	-2.5	-3.3	-3.8	-3.6	-3.4	-2.8
Debt (% of GDP)	39.3	43.0	45.8	44.3	41.2	38.4
Primary Balance (% of GDP)	-1.6	-2.4	-2.9	-2.5	-2.3	-1.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	24.7	24.5	25.3	25.4	25.3	25.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	45.9	45.7	46.4	46.5	46.4	46.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	69.4	69.1	70.2	70.3	70.3	70.0
GHG emissions growth (mtCO2e)	0.4	1.4	-0.6	5.0	2.6	2.6
Energy related GHG emissions (% of total)	9.3	9.6	10.0	10.9	11.4	11.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2009- and 2014-ECAM-IV.Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

(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	2020
Population, million	4.9
GDP, current US$ billion	2.2
GDP per capita, current US$	449.0
Gini index[a]	56.2
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	53.3
Total GHG Emissions (mtCO2e)	89.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2008), 2011 PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2019).

Renewed insecurity is expected to push the Central African Republic's (CAR) economy into a recession in 2021. The outlook is subject to downside risks arising from a fragile security environment and uncertainties related to the COVID-19 pandemic, especially with delays in deploying vaccines—only 7 percent of adults are fully vaccinated as of August 24, 2021. The republican dialogue which was announced in June 2021 to normalize the political climate following the recent conflict is important to pave the way for peace and reconciliation.

Key conditions and challenges

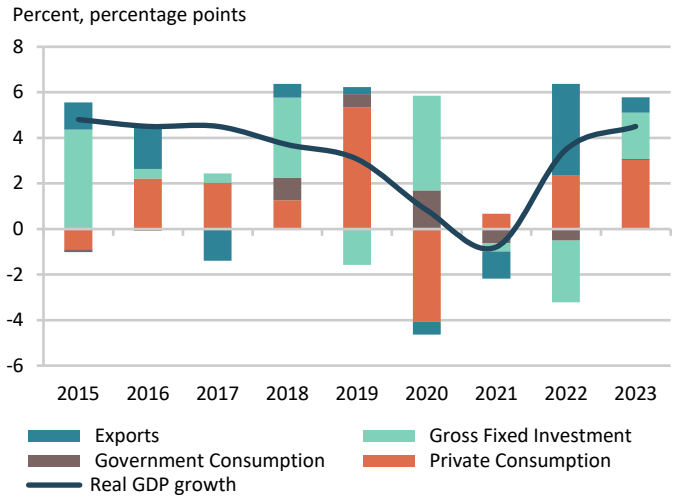
Continued political instability and cycles of violence since independence have made CAR one of the most fragile and poorest countries in the world. While endowed with ample natural resources, CAR's economy is poorly diversified, with agriculture and forestry constituting the backbone of economic activities. The agriculture sector accounts for more than 75 percent of total employment, and timber, cotton, coffee, diamond, and gold represented more than 75 percent of total exports in 2020. Poverty is elevated, with more than seven in ten Central Africans living below the international poverty line (US$1.90 per day, 2011 PPP). Inadequate social protection systems and limited access to education and healthcare facilities are major bottlenecks for human capital accumulation. The formal private sector is small and constrained by several structural challenges, including limited access to medium- and long-term financing, a weak regulatory framework, poor infrastructure (e.g., energy and transportation), lack of skilled labor, and a volatile security environment. The humanitarian situation remains precarious, with 57 percent of the population facing food insecurity, and has been exacerbated by the COVID-19 pandemic and renewed conflicts. As of July 2021, there were 699,000 refugees outside the country—the highest level since December 2013—and 691,000 internally displaced persons.

Recent developments

CAR's economic growth decelerated from 3.1 percent in 2019 to 0.8 percent in 2020 due to the COVID-19 pandemic. Disruption in global value chains delayed private investment in the construction, telecommunication, and manufacturing sectors. Public investment increased from 5.6 percent of GDP in 2019 to 11.4 percent of GDP in 2020. The Constitutional Court's decision in December 2020 to block a former president from running in the presidential elections amid an already tense political situation sparked a new round of conflict. Renewed insecurity, coupled with the protracted effects of COVID-19, is expected to push CAR's economy into a recession in 2021. Economic growth is projected to decline by 0.8 percent in 2021. Containment measures contributed to significant inflationary pressures in the first half of 2020. However, inflation decelerated markedly during the second half of 2020 as containment measures abated. As a result, inflation reached an average of 2.3 percent in 2020—below the 3 percent regional ceiling. Post-election disputes led to a blockade of the Bangui-Douala corridor for three months, which had a significant impact on prices in 2021Q1. Although inflationary pressures have abated, inflation is projected to settle above the regional convergence criteria in 2021, before declining in the medium term.

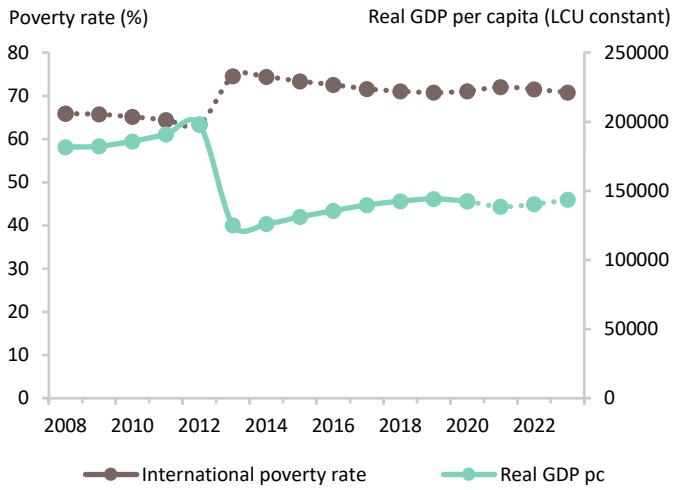
The overall fiscal balance worsened from a surplus of 1.7 percent in 2019 to a deficit of 3.3 percent in 2020, driven by higher

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

public spending to fight and contain the COVID-19 pandemic. Pressures on public finances are projected to remain high in 2021 and lead to a wider fiscal deficit. Security expenses are also on the rise because of the war effort. Meanwhile, budget support from development partners has been paused or delayed for a variety reasons, including the lack of clarity and transparency surrounding the financing of certain security services and customs-related technical assistance. The recent cash flow plan indicated a potential liquidity shortage ('fiscal cliff'), implying that the government will accumulate domestic arrears and be unable to pay wages and salaries. To prevent such a situation, the government borrowed on the domestic market in May and August 2021.

The current account deficit widened from 4.8 percent of GDP in 2019 to 8.7 percent in 2020 because of weak external demand and high non-oil imports. The increase in project grants improved the capital account, while global uncertainty related to COVID-19 translated to a sharp contraction of foreign direct investment by more than 60 percent. The current account balance is projected to improve in 2021, owing to lower imports as internal demands slows.

Conflict and COVID-19 are hampering progress in reducing extreme poverty, with an expected 72 percent of the population living in extreme poverty in 2021.

Outlook

Provided that stability and security returns and the COVID-19 vaccination campaign is effectively rolled out, economic growth is expected to average 4 percent in the medium term, supported by solid agricultural and industrial output on the supply side and high private consumption on the demand side. Under these assumptions, per capita income is expected to return to its pre-COVID-19 level by 2023, implying 4 years of loss in per capita income growth. Extreme poverty is projected to remain at a high level, with a slow decline between 2021 and 2023.

Inflation is expected to remain below the convergence criteria in the medium term, contingent on stable and improved security conditions in the Douala-Bangui corridor. The fiscal position is projected to improve in 2022 onward, driven by a gradual increase in domestic revenue collection, sound expenditure management, and greater donor financing. CAR has received a new allocation of Special Drawing Rights from the International Monetary Fund equivalent to 5.8 percent of 2021 GDP, providing additional liquidity to meet some of its financing needs. Public debt is projected to remain sustainable and fall below 40 percent of GDP in 2023. The current account balance is projected to improve in the medium term, reflecting an improvement in the trade balance, but should remain structurally in deficit.

This outlook remains subject to significant improvement in the security situation throughout the country. A deterioration of the security context could delay the pace of reforms and increase poverty and vulnerabilities. The humanitarian situation could deteriorate further and fuel a renewed cycle of violence and fragility. A protracted conflict could lead to a high-country risk premium, heighten investment uncertainty, and undermine private sector development. Finally, prolonged delays in rolling out COVID-19 vaccines could expose CAR to a new wave of contamination.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	3.7	3.1	0.8	-0.8	3.5	4.5
Private Consumption	1.3	5.7	-4.2	0.7	2.5	3.3
Government Consumption	14.1	7.7	21.1	-6.5	-5.5	0.6
Gross Fixed Capital Investment	26.0	-9.6	28.9	-2.0	-14.9	13.6
Exports, Goods and Services	3.8	1.9	-3.5	-7.9	28.8	3.9
Imports, Goods and Services	8.0	4.9	1.0	-2.1	-1.0	4.0
Real GDP growth, at constant factor prices	3.6	2.6	0.8	-0.8	3.5	4.5
Agriculture	3.4	3.1	4.5	2.3	3.2	4.5
Industry	1.5	2.1	0.0	-0.2	0.3	1.0
Services	4.4	2.3	-1.3	-3.1	4.8	5.7
Inflation (Consumer Price Index)	1.6	2.8	2.3	3.8	2.6	2.5
Current Account Balance (% of GDP)	-8.0	-4.8	-8.7	-6.2	-6.2	-5.6
Fiscal Balance (% of GDP)	-1.0	1.7	-3.3	-7.1	-0.6	1.5
Debt (% of GDP)	50.0	47.9	44.1	46.2	44.0	39.5
Primary Balance (% of GDP)	-0.6	2.0	-3.0	-6.8	-0.1	2.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	71.1	70.7	71.1	72.1	71.5	70.8
GHG emissions growth (mtCO2e)	0.5	1.4	1.2	-2.0	1.1	2.0
Energy related GHG emissions (% of total)	39.2	39.3	39.1	40.1	40.7	41.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2008-ECASEB.Actual data: 2008. Nowcast: 2009-2020. Forecast are from 2021to 2023.

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

CHAD

Table 1	2020
Population, million	16.4
GDP, current US$ billion	10.6
GDP per capita, current US$	646.3
International poverty rate ($1.9)[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]	89.2
Life expectancy at birth, years[b]	54.2
Total GHG Emissions (mtCO2e)	114.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2011), 2011 PPPs.
(b) Most recent WDI value (2019).

The COVID-19 pandemic led to a GDP contraction of 0.9 percent in 2020, with the poverty rate increasing to 41.7 percent and highlighting Chad's difficulties in servicing external debt. The sudden death of the President exacerbated socio-political tensions and paralyzed economic activities in the second quarter of 2021. The pandemic, growing insecurity, and climate risks, along with the dependence on oil, have heightened Chad's economic vulnerabilities. Recovery will be fragile and subject to significant downside risks related to these sources of vulnerability.

Key conditions and challenges

Since the 2015-2016 oil prices shock, Chad's oil-dependent economy has been performing below potential, keeping the country at the bottom of most development rankings. Notwithstanding a recovery during 2018-19, annual GDP growth contracted by 0.9 percent on average over the past five years, which, given the rapidly growing population, translated into an annual decrease in per capita income of 3.9 percent. Living conditions and access to essential services remain poor due to the combined effects of severe weather conditions, cyclical insecurity, political unrest, weak governance, including in the management of oil revenues, poor trade networks, low human capital investment, and the lack of infrastructure.

The pandemic and the political uncertainty have exacerbated Chad's socio-economic vulnerabilities linked to its oil dependency and exposure to conflict and climatic shocks. The combination of the global recession, disruptions in supply chains, COVID-containment measures, and financial disruptions have taken a heavy toll on the economy. In an already fragile setting, Chad has not been able to strengthen regional integration, economic transformation, or social inclusion, with poor quality health care and limited access to electricity and digital technologies.

Recent developments

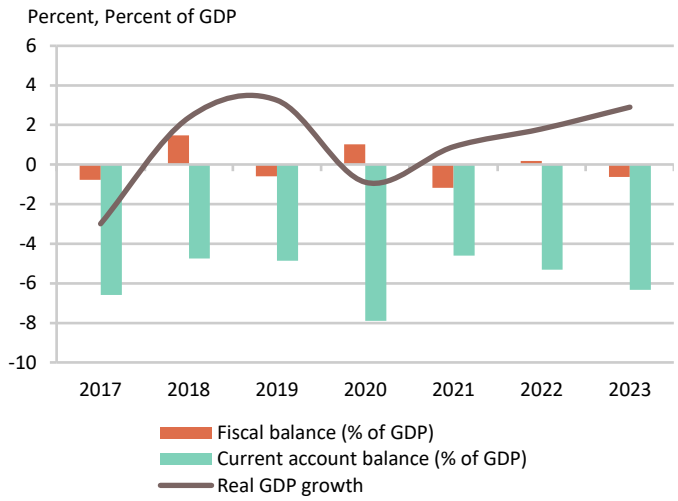
Chad entered into recession in 2020 as the economy contracted by 0.9 percent, and the output gap widened to 4.3 percent. Agriculture and the oil sector remain the main growth drivers, contributing 1.1 percentage points (pp), while services contributed negatively (-2 pp). The impact of containment measures on domestic supply chains pushed up prices, and inflation rose from -1 percent in 2019 to 3.5 percent in 2020. The passing of President Deby deepened the slowdown in economic activity in the second quarter of 2021, as the new authorities shifted public resources from critical investments toward the political transition and security-related spending.

The current account deficit widened from 4.9 percent of GDP in 2019 to 7.9 percent in 2020. The value of exports decreased by 32.4 percent, driven by a sharp drop in oil prices, although exports grew by 1.1 percent in volume terms. Import growth did not adjust proportionately.

Chad's monetary and exchange rate policies are managed by the regional Bank of Central African States (BEAC). In order to cushion the pandemic's impact, BEAC relaxed the monetary stance by cutting the policy interest rate from 3.5 to 3.25 percent in March 2020. Regional reserves stayed at their 2019 level of 3.5 months of imports in 2020 and in the first half of 2021.

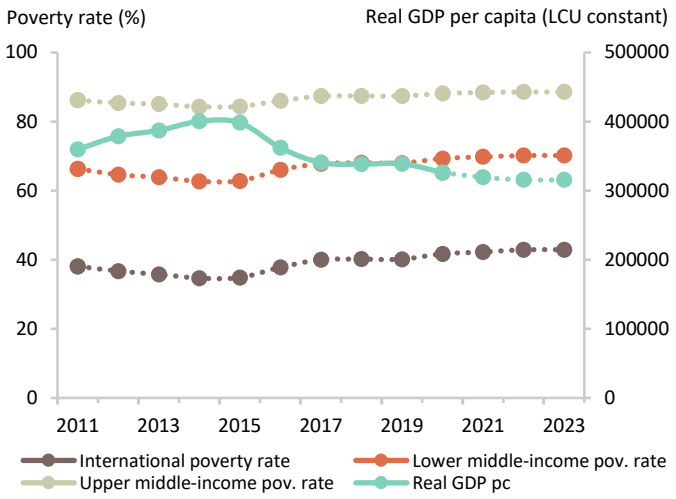
Despite a significant increase in oil revenue, due to the one-year lag in oil-revenue taxation, Chad posted a fiscal deficit, excluding grants, of 3.5 percent of GDP in

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



Source: The World Bank.

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



Source: World Bank. Notes: See table 2.

2020, as it increased spending to mitigate the impact of the pandemic. A significant increase in grants resulted in an overall fiscal surplus, including grants and on a commitment basis, of 1 percent of GDP. Nevertheless, increasing liquidity needs, partly stemming from growing political and security expenses and high levels of debt service relative to domestic revenue, have constrained Chad's ability to improve the delivery of basic services and infrastructure. Hence, the Government requested a debt restructuring to help restore a sustainable fiscal balance.

The international poverty rate (US$1.9/day, 2011 PPP) has increased by 1.6 pp between 2019 and 2020 to stand at 41.7 percent. It implies an increase in the number of poor from 6.4 to 6.8 million. In 2020, two-thirds of households reported a loss in their total income, 57 percent of the recipients of transfers, a decline in this source of income, and a fifth of households, not getting access to health care when needed.

Outlook

Economic growth is projected to gradually rise due to the recovery in global oil markets, international trade, and economic activity in agriculture and industry. While oil exports have already picked up, the recovery is projected to be modest in 2021, with a growth of 0.9 percent due to economic disruptions resulting from insecurity and political unrest that heavily affect services. The rollout of COVID-19 vaccines in 2021-22 might slightly boost the recovery in 2022-23, with economic growth reaching 2.4 percent on average. However, the delay in debt restructuring (necessary for donor support) could hamper the economic recovery in 2021. Inflation should decelerate to 3 percent in 2021 and remain below the CEMAC convergence criteria as the effects of supply chain disruptions subside.

The current account deficit is projected to narrow, driven by stronger crude oil export growth. Still, the current account deficit will remain substantial, averaging 5.2 percent of GDP over 2021-23. Foreign direct investment and financial support from donors are expected to help finance the deficit. CEMAC regional reserves are projected to remain below five (5) months of imports by 2023.

The fiscal balance, including grants, will turn into a deficit of 1.2 percent of GDP in 2021. Fiscal revenues are projected to decrease by 13.8 percent due to a sharp fall in oil revenue in 2020. An increase in security spending will dampen the effect of the gradual removal of COVID-related spending. By 2022, the fiscal balance should reach a surplus of 0.5 percent of GDP owing to the government's efforts to mobilize domestic revenues, a rise in oil revenue, and the gradual removal of COVID-related spending. In the absence of a significant debt restructuring, Chad will not be able to service its debts while increasing social and investment spending to meet the population's basic needs.

The adverse effects of the COVID-19 crisis on poor and vulnerable households are expected to last for several years, with the poverty rate expected to increase to 42.9 percent by 2023 and the number of poor reaching 7.7 million. The downside risks related to domestic and external shocks put at risk of falling back into poverty a large share of vulnerable households living just above the international poverty line. Moreover, the low coverage of social protection programs and lack of structural economic transformation limit the space for poverty reduction.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	2.4	3.2	-0.9	0.9	1.8	2.9
Private Consumption	0.7	1.4	0.3	0.8	2.3	2.6
Government Consumption	-11.8	1.7	11.1	-4.4	3.4	2.8
Gross Fixed Capital Investment	5.4	6.6	-9.2	-3.0	8.8	16.3
Exports, Goods and Services	4.6	6.0	1.1	5.0	0.7	0.4
Imports, Goods and Services	1.4	4.0	1.8	4.0	4.1	4.1
Real GDP growth, at constant factor prices	2.3	3.3	-0.9	0.9	1.7	2.9
Agriculture	4.0	4.6	2.4	4.8	3.2	2.8
Industry	0.6	0.9	-0.2	0.8	1.6	1.6
Services	1.0	2.5	-5.3	-4.3	-0.6	3.4
Inflation (Consumer Price Index)	4.0	-1.0	3.5	3.0	3.0	3.0
Current Account Balance (% of GDP)	-4.7	-4.9	-7.9	-4.6	-5.3	-6.4
Fiscal Balance (% of GDP)	1.5	-0.6	1.0	-1.2	0.2	-0.8
Debt (% of GDP)	49.1	51.1	49.4	45.9	46.1	46.2
Primary Balance (% of GDP)	3.0	1.0	2.7	0.3	1.5	0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	40.2	40.1	41.7	42.2	42.9	42.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	68.0	68.0	69.3	69.8	70.1	70.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.4	87.4	88.2	88.4	88.6	88.6
GHG emissions growth (mtCO2e)	2.8	4.7	4.3	5.5	5.0	4.8
Energy related GHG emissions (% of total)	1.6	1.5	1.4	1.3	1.2	1.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECOSIT-III.Actual data: 2011. Nowcast: 2012-2020. Forecast are from 2021to 2023.

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

COMOROS

Table 1	2020
Population, million	0.9
GDP, current US$ billion	1.2
GDP per capita, current US$	1333.3
International poverty rate ($1.9)[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]	64.3
Total GHG Emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2013), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

Comoros has been negatively affected by the COVID-19 pandemic as the economy marginally contracted in 2020. Subject to the containment of the virus at the national and international levels, and an adequate vaccine roll-out, real GDP growth could pick-up in 2022 and 2023. However, the economic expansion will be constrained by limited fiscal space to increase the aggregate demand, poor business environment and weak institutions. Poverty at the lower middle-income poverty line ($3.2) is projected to remain above 39 percent in 2021-2023.

Key conditions and challenges

Comoros pronounced institutional weaknesses and structural challenges explain the stagnant per capita GDP growth of 1 percent recorded over the past decade. Challenging geography, characterized by remoteness, a small and fragmented domestic market, and red tape, hinder private sector development. Most jobs are concentrated in informal and low-skilled sectors, as the private sector remains small. Limitations to public service delivery, particularly in healthcare and education, undermine the contribution of human capital to productivity growth. Overreliance on remittances has underpinned a consumption-driven growth trajectory and uneven progress towards shared prosperity. The monetary agreement with France (peg to the Euro) has contributed to relatively low inflation rates, with no signs of significant currency misalignment in recent years.

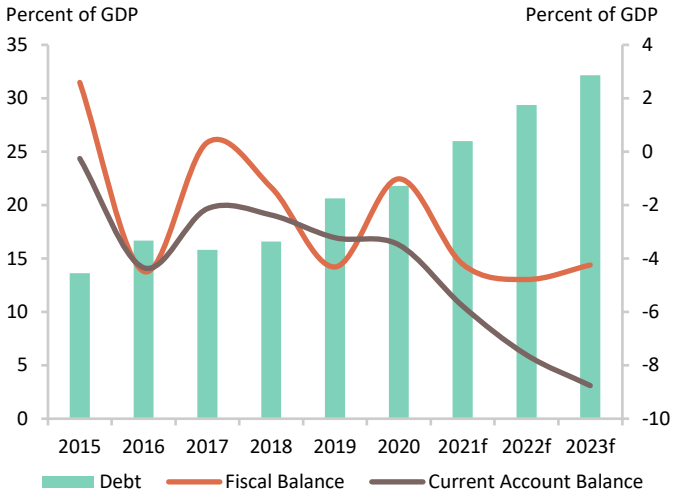
Effective state policies prevented the spread of the virus, but the consequences of the Covid-19 pandemic nonetheless increased pre-existing vulnerabilities in the financial and public sectors. Limited fiscal space and the deterioration of debt sustainability have left Comoros in a weak position to extensively use the fiscal policy to support the real economy and reduce poverty.

There are significant downside risks to these outlooks, including a third wave of Covid-19 linked to variants and existing vulnerabilities in the financial sector. Fiscal risks are high as the government is exposed to contingent liabilities from financially weak SOEs. Comoros remains highly exposed to climate shocks, which could further weigh on external and fiscal balances. Finally, GDP growth will remain below its potential due to challenging business environment and weak institutions.

Recent developments

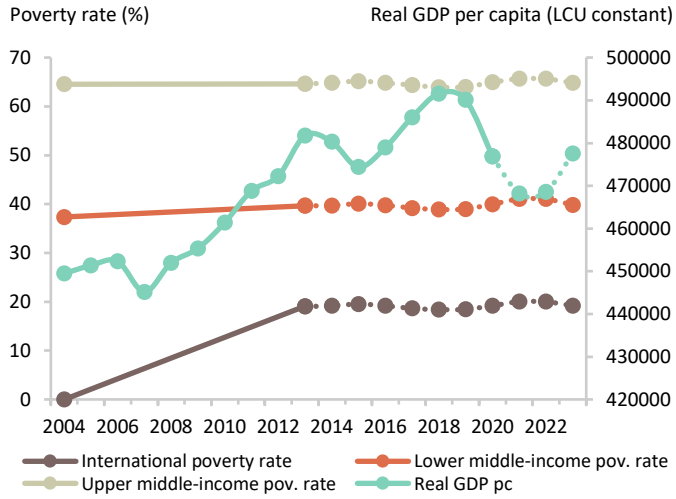
Mobility restrictions and the suspension of international travel slowed down the first wave of the pandemic, but affected economic activity, with GDP contracting by 0.1 percent in 2020. Throughout 2020, the government introduced a series of policy measures, including increased spending on health, subsidized pay for workers in key SOEs and cash transfers to the poor, which helped to mitigate the economic and social costs of the pandemic. The elevated financial needs were met by significant external budget support, including through savings from the debt service suspension. As a result, the current account deficit deteriorated to 3.5 percent of GDP in 2020 from 3.2 percent of GDP in 2019 and the fiscal deficit improved to 1.0 percent of GDP in 2020 from 4.3 percent of GDP in 2019. Supported by government measures to reduce imported prices, inflation remained contained in 2020. However, the risk of debt distress increased to high from medium following a new non-concessional loan to finance a government's project in the tourism sector.

FIGURE 1 Comoros / Selected macroeconomic indicators, 2015-2023



Sources: National authorities, and World Bank staff estimates and forecasts.

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



Source: World Bank. Notes: see Table 2.

The first semester of 2021 was characterized by the impact of a second Covid-19 wave which resulted in the reinstatement of controls on movement and activities. Despite data limitations, it is estimated that private consumption and investment, and the tertiary sector were significantly affected. Private credit growth decreased by 0.1 percent in 2021Q1 (year-on-year), and non-performing loans remained at 23 percent of total loans at end-Q1.

Amidst this challenging economic situation, consumer prices fell slightly in 2021Q1 (-5.4 percent, year-on-year) but rising inflationary pressures were observed in July 2021 (+3.1 percent, m-o-m, for food products) because of higher food and oil prices, supply chain and logistic issues. Based on the poverty line for middle-income countries (US$3.20), poverty has increased from 39.0 percent in 2019 to 40.0 percent in 2020. High frequency phone surveys, indicate that a significant share of household heads lost their jobs during the pandemic, faced food shortages and difficulty in accessing health services.

Outlook

Despite a resurgence of Covid-19 in early 2021, economic recovery is expected to be faster than projected earlier (1.3 percent compared to 0.2 percent in April 2021). Growth drivers are linked to the progressive pick-up of economic activity associated with deconfinement, and an increase in domestic demand.

As public capital expenditures and social transfers increase in 2021, the fiscal deficit is projected to widen to 4.2 percent of GDP in 2021. With imports representing about 38.9 percent of GDP and tourism arrivals being still subdued, rising domestic demand will widen the current account deficit to 5.8 percent of GDP in 2021. A deterioration of the twin deficits is envisaged within the ongoing IMF Staff Monitored Program (SMP). Inflation is projected to increase on the back of rising international prices.

Growth is expected to rebound during 2022-23 to an average of 3.1 percent if the spread of the Covid-19 is contained at the global and national levels, and Comoros accelerates the vaccine rollout. As of August, only 14 percent of Comorians were fully vaccinated. These projections assume a broad-based return to normality in the tertiary sector and stronger demand for agricultural products.

In the post-pandemic stage, it is expected that poverty will remain at a higher level in 2022 at 41.0 percent and decline slightly to 39.8 percent in 2023. This pandemic is likely to have long lasting consequences, exposing the most vulnerable. In the medium run there is an even stronger case to make growth more inclusive and broad-based, accompanied by job creation.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	3.6	1.8	-0.1	1.3	3.2	2.9
Private Consumption	2.4	3.6	0.4	3.5	3.2	3.3
Government Consumption	0.0	1.6	2.5	5.3	5.5	-6.2
Gross Fixed Capital Investment	19.2	-8.4	0.1	0.5	0.8	4.6
Exports, Goods and Services	19.2	9.0	-31.4	5.0	14.1	16.2
Imports, Goods and Services	12.1	5.5	-10.9	9.0	6.0	6.2
Real GDP growth, at constant factor prices	3.0	1.8	-0.3	1.3	3.2	2.9
Agriculture	5.5	0.9	0.3	4.0	3.0	1.3
Industry	2.6	4.0	-1.0	2.7	2.2	1.8
Services	2.0	1.8	-0.5	-0.2	3.5	4.0
Inflation (Consumer Price Index)	1.7	3.3	1.4	0.9	1.4	1.5
Current Account Balance (% of GDP)	-2.4	-3.2	-3.5	-5.8	-7.6	-8.8
Fiscal Balance (% of GDP)	-1.3	-4.3	-1.0	-4.2	-4.7	-4.0
Debt (% of GDP)	16.6	20.6	21.8	26.0	29.4	32.2
Primary Balance (% of GDP)	-1.2	-4.1	-0.8	-3.9	-4.3	-3.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	18.4	18.5	19.2	20.0	20.0	19.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	38.9	39.0	40.0	41.0	41.0	39.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	63.9	64.0	65.0	65.7	65.7	64.9
GHG emissions growth (mtCO2e)	2.5	0.6	0.5	1.9	2.7	2.4
Energy related GHG emissions (% of total)	45.4	46.0	45.6	45.6	46.1	46.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2013-EESIC.Actual data: 2013. Nowcast: 2014-2020. Forecast are from 2021to 2023.

(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	2020
Population, million	89.5
GDP, current US$ billion	47.8
GDP per capita, current US$	534.1
International poverty rate ($1.9)[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]	118.5
Life expectancy at birth, years[b]	60.7
Total GHG Emissions (mtCO2e)	682.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2012), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

Economic growth in the DRC is expected to rebound to 3.6 percent in 2021 despite pandemic-related uncertainties. With favorable global commodity prices and demand, the current account deficit shrank while consolidation efforts narrowed the fiscal deficit and helped maintain relatively stable exchange and inflation rates. Growth prospects for 2022 are favorable and poverty is expected to slightly decline, but uncertainty around the pandemic as well as political stability continue to weigh on medium-term prospects for economic growth and poverty reduction.

Key conditions and challenges

The DRC economy relies heavily on extractives as key drivers of economic growth, while the country's infrastructure remains weak. Copper and cobalt account for over 80 percent of exports, 40 percent of which are absorbed by China. This exposes the country to volatile global commodity prices and demand. With large untapped potential in agriculture, DRC is a net food importer with adverse effect on food security. Meanwhile, major structural constraints lead to under-developed service and manufacturing sectors. Improving the business environment and narrowing the infrastructure gap are needed to achieve economic diversification. Additionally, improving domestic revenue mobilization to sustainably widen fiscal space is crucial to unlock long-term growth constraints.

Political stability and good governance have also been long-standing challenges. Following a period of political stalemate, president Tshisekedi launched in late 2020 a new governing coalition. While raising the prospects for reforms, risks associated with fragile and nascent alliances, given broad coalitions of several parties and their diverging political considerations, might affect policymaking.

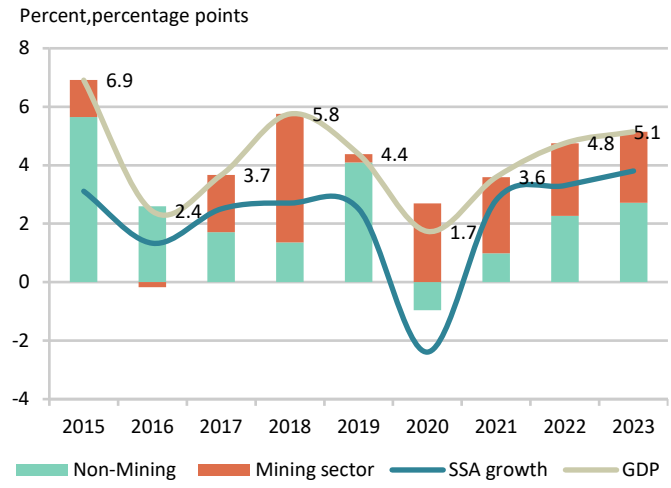
Strengthening the healthcare system remains a key challenge as the country continues to address both COVID-19 and Ebola outbreaks. A slow pace of vaccination, weak public health system and resurgent waves of the virus mean the pandemic will continue to loom over economic growth even without restrictions on most activities. With weak digital development, a prolonged pandemic could weigh negatively on private consumption and investment thus delaying economic recovery. This could also widen fiscal deficit as the Government raises spending on health to tackle COVID-19.

DRC is second only to Nigeria in Sub-Saharan Africa on the number of extreme poor (estimated at 77.2 percent in 2012, representing over 53 million people). Poverty remains widespread in the country, including in urban areas, although significant geographical disparities exist, with extreme poverty concentrated in central and northwestern provinces. Despite some improvement, social and human development indicators remain weak with the country ranking at the bottom end in terms of human capital level (HCI: 0.37).

Recent developments

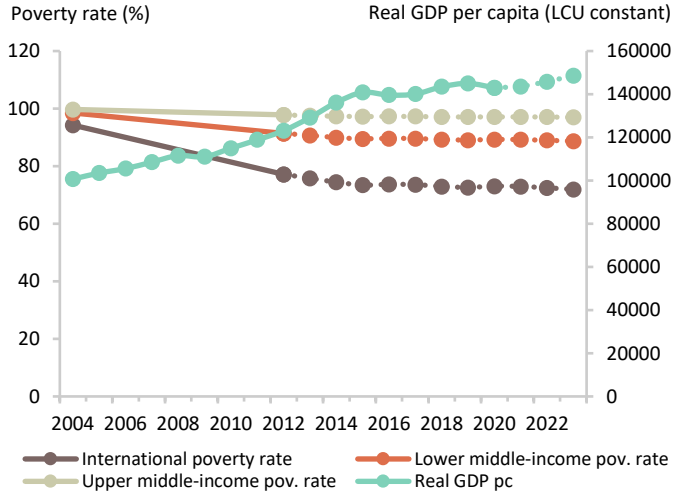
After a pandemic-induced slowdown to 1.7 percent in 2020, economic growth is expected to moderately rebound to 3.6 percent in 2021 driven by a robust growth in mining (8.7 percent), owing to rising commodity prices and production capacity expansion since May 2021 with the Kamoa-Kakula copper project commencing production. Non-mining sectors (particularly agriculture and services) are expected to gradually recover, growing at 1.4 percent

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



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

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



Source: World Bank. Notes: see Table 2.

in 2021 as the economy remains open despite some COVID-related restrictions.

The current account deficit (CAD) is projected to narrow to 2.0 percent of GDP in 2021 (from 2020: 2.3), reflecting a strong growth in mineral exports and global prices of copper and cobalt. FDI and international support (including the recent SDR issuance by the IMF) are likely to finance the CAD and raise international reserves to an estimated 3.4 weeks at end-2021 (from 2020: 1.9 weeks), putting downward pressures on local currency and inflation. As inflation moderated, the central bank also eased monetary policy to support economic recovery.

The fiscal deficit is projected to narrow to 1.7 percent of GDP in 2021, from 2.1 percent in 2020 . The deficit will be partially funded by the IMF ECF disbursements and project loans, which offset the repayment of T-bills. Domestic revenue collection is expected at 10.2 percent of GDP (up from 2020: 8.7), as economic recovery generates higher income taxes and VAT. This may allow the government to increase current expenditures to address high public sector wage bills, COVID-19-related spending and emergency expenditure related to the Goma volcano eruption of May 2021 while remaining on a path of fiscal consolidation.

Poverty is estimated at 73.1 percent in 2020, an increase of 0.5 percentage points compared to 2019, due to the pandemic. This increase may be underestimated since, according to COVID-19 High Frequency Phone surveys in Kinshasa, adverse socio-economic consequences of the pandemic include declines in labor and non-labor income (over 10 percent of households have seen members lose their jobs while remittances also dropped) and disruptions in both goods and services (mainly health and education) markets.

Outlook

In the medium term, the DRC economy is expected to recover gradually its pre-crisis path. Real GDP growth is projected at 4.8 percent in 2022, before reaching 5.1 percent in 2023. The mining sector remains among the key drivers of growth, thanks to favorable commodity prices, and following the second phase of production of the Kamoa-Kakula copper project expected in late 2022. Recovery in service sectors, mainly trade and telecommunications (digital development), would also positively contribute to growth.

The fiscal deficit should decline slightly given moderate economic recovery and efforts to improve domestic revenue mobilization. The CAD is also projected to narrow to 1.6 percent by 2023 as higher commodity prices improve terms of trade.

Given the lingering adverse effects of COVID-19 and with high population growth likely to partially offset economic growth, extreme poverty is projected to only slightly decline by 1.1 percentage points between 2020 and 2023.

Risks to the outlook are substantial. The Covid-19 crisis may re-emerge given potential new variants and delays in vaccination campaigns. Resurgence of Covid at a global level could dampen commodity prices and demand, while at the domestic level it may lead to renewed restrictions on mobility. Underperformance in the projected revenue mobilization coupled with substantial spending pressure associated with a prolonged pandemic, could worsen fiscal imbalances and generate further arrears. Finally, renewed political uncertainty might weaken investment.

Thus, the immediate challenge for DRC is to maintain political stability and mitigate macroeconomic imbalances to avoid tensions that may lead to major decline in economic activity. In addition, diversification is indispensable to overcome vulnerabilities associated with the high concentration of exports.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	5.8	4.4	1.7	3.6	4.8	5.1
Private Consumption	2.7	1.4	-1.0	1.6	1.5	1.0
Government Consumption	8.4	20.2	7.4	6.8	8.0	6.7
Gross Fixed Capital Investment	-29.5	14.4	-20.8	13.6	36.4	32.3
Exports, Goods and Services	25.7	-2.5	13.9	7.6	6.3	6.3
Imports, Goods and Services	5.9	-7.6	5.6	8.8	9.7	8.0
Real GDP growth, at constant factor prices	5.9	4.3	1.7	3.6	4.8	5.1
Agriculture	1.5	2.8	1.9	2.8	3.2	3.2
Industry	12.1	6.8	4.4	5.1	6.4	4.4
Services	1.3	2.1	-1.6	2.0	3.2	7.0
Inflation (Consumer Price Index)	29.3	4.7	11.2	10.5	7.0	5.0
Current Account Balance (% of GDP)	-3.6	-3.2	-2.3	-2.0	-1.8	-1.6
Fiscal Balance (% of GDP)	0.1	-2.0	-2.1	-1.7	-1.2	-1.1
Debt (% of GDP)	10.4	10.2	10.8	10.3	9.8	9.7
Primary Balance (% of GDP)	0.4	-1.6	-1.9	-1.5	-0.9	-0.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	73.0	72.6	73.1	72.9	72.5	71.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	89.2	89.1	89.3	89.2	89.0	88.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	97.2	97.1	97.2	97.2	97.1	97.0
GHG emissions growth (mtCO2e)	-0.7	0.0	0.1	0.9	0.4	0.4
Energy related GHG emissions (% of total)	2.1	2.2	2.2	2.3	2.4	2.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2012-E123.Actual data: 2012. Nowcast: 2013-2020. Forecast are from 2021to 2023.

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

REPUBLIC OF CONGO

Table 1	2020
Population, million	5.5
GDP, current US$ billion	10.8
GDP per capita, current US$	1963.6
International poverty rate ($1.9)[a]	39.6
Lower middle-income poverty rate ($3.2)[a]	64.1
Upper middle-income poverty rate ($5.5)[a]	83.9
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	106.6
Life expectancy at birth, years[b]	64.6
Total GHG Emissions (mtCO2e)	20.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2011), 2011 PPPs.
(b) WDI for School enrollment (2012); Life expectancy (2019).

In 2020, the Republic of Congo's economy contracted for the sixth consecutive year, with GDP growth estimated at -7.9 percent. It continues to be impacted by the pandemic and is expected to further contract by 1.2 percent in 2021, while the poverty rate is projected to increase from 48.5 percent in 2019 to 53.3 percent in 2021. Although the country is in debt distress because of outstanding arrears, recent debt restructuring agreements, higher oil prices, and improved debt management are moving the country back to debt sustainability.

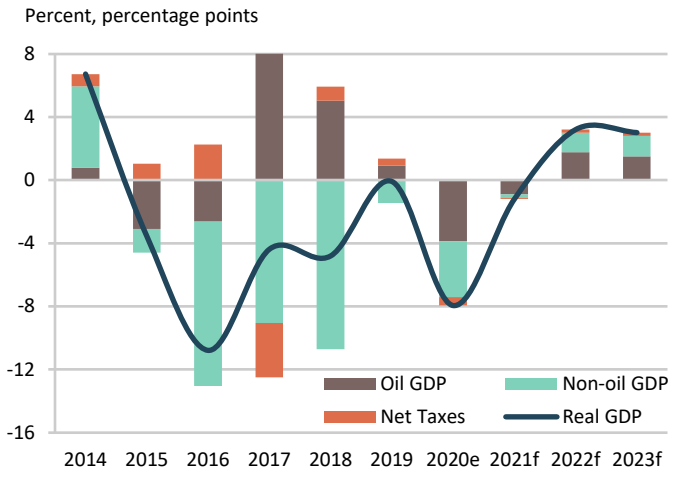
Key conditions and challenges

The Republic of Congo's (ROC) economy has been contracting since 2015, with GDP growth averaging -5.3 percent in 2015–20, primarily due to the country's high dependency on oil. The exposure to swings in oil prices and weak governance, reflected in high levels of non-concessional borrowing, have resulted in debt distress, with the debt-to-GDP ratio increasing from 42.3 percent in 2014 to 81.9 percent in 2019. While debt restructuring agreements, higher oil prices, and improved debt management, including restricting new external financing to concessional terms, are moving the country back to debt sustainability, the ROC is still running arrears with some external and domestic creditors. Natural resource revenues have not translated into higher growth and human capital development, owing to the undiversified economy and weak governance in key sectors. The proportion of the population living below the international extreme poverty line of US$1.90 PPP per day increased from 39.1 percent in 2015 to 48.5 percent in 2019. While employment is gradually returning to pre-pandemic levels, recent households surveys show that 56 percent of surveyed households still experienced income losses related to the pandemic in April 2021. As a result, one-third of households are unable to pay their rent and health fees and meet their food needs. The pandemic continues to be a risk to the ROC's economic stability, and the slow pace of vaccination threatens the recovery. The country began its vaccination campaign in March 2021, but only about 2.7 percent of the population has been fully vaccinated, as of September 7, 2021.

Recent developments

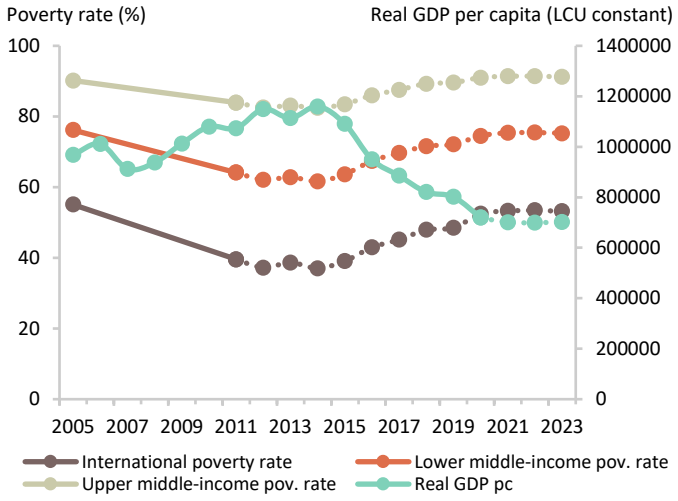
In 2020, the ROC's economy was hit hard by lower global and domestic demand as well as COVID-19 containment measures that disrupted oil operations and delayed investments, resulting in a GDP contraction of 7.9 percent (Figure 1). The pandemic continues to impact the country, and while oil prices have recovered from the COVID-19 slump, oil production in the ROC declined further in 2021H1, partly due to postponed investments, technical challenges, and maturing oil fields. With the decline in oil production, government finances remain under significant pressure. Although revenues were up 6.6 percent, year-on-year, in 2021H1, they were lower than expected, and the budget registered a deficit in 2021H1. This prompted the government to revise its 2021 budget law in August. As a result of the pandemic, public debt reached 102.6 percent of GDP at end-2020. The ROC's participation in the G20 Debt Service Suspension Initiative resulted in the suspension in debt service payments of US$146 million between May and December 2020 and of US$116 million between January and June 2021, freeing up fiscal space for

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

the country to fight the pandemic. Despite lower oil production in 2021H1, recent higher oil prices have increased the value of exports, and the external position is set to improve compared to 2020.

The crisis has also worsened existing social challenges. GDP per capita fell by 10.3 percent in 2020, raising the poverty rate to 52.5 percent in 2020, an increase of 4 percentage points in one year (Figure 2). Headline inflation stood at 1.4 percent in 2020 and remained moderate in 2021H1, averaging 1.6 percent. However, with COVID-19 restrictions, transport inflation rose above 4 percent in 2020 and 2021H1, disproportionally affecting low-income households.

Outlook

The economy is set to contract by 1.2 percent in 2021, driven primarily by a contraction of the hydrocarbon sector by 1.8 percent. The non-oil sector also remains fragile, with the sector expected to contract by 0.5 percent in 2021 due to the slow pace of the COVID-19 vaccine rollout and the remaining domestic arrears. The overall GDP contraction is estimated to be deeper than the Spring World Bank forecast of -0.1 percent, owing to lower-than-expected oil production in 2021.

Economic activity is expected to pick up in 2022 as both the oil and non-oil sectors recover, with growth averaging 3.1 percent in 2022-23. The new allocation of Special Drawing Rights from the International Monetary Fund equivalent to US$221 million will provide policy space that could be used to enhance the recovery. The poverty rate is expected to rise to 53.3 percent in 2021–23, consistent with GDP per capita growth. Assuming the economy grows by an annual average of 5 percent starting in 2024, GDP per capita will only return to pre-COVID-19 levels by 2028, and it will remain below the 2014 level. Meanwhile, the poverty rate is projected to return to pre-pandemic levels by 2026. Lower growth will further delay the recovery of income per capita. This highlights the importance of reforms to protect and develop human capital and infrastructure, as well as to improve the business environment for faster, sustained, and inclusive economic growth.

Consistent with the 2021 revised budget law, fiscal consolidation is expected to resume in 2021, owing to high oil prices and contained public expenditure. Meanwhile public debt is projected to fall sharply to 86.6 percent of GDP in 2021, driven by high external debt amortization payments tied to oil prices, and higher nominal GDP. The government is also taking steps to improve domestic resource mobilization, including the ongoing digitalization of tax declaration and tax payments, the ongoing implementation of the new Forest Code and a one-stop-shop for tax payments, and the increase in excise taxes on tobacco and old vehicles in 2021. Downside risks include highly volatile oil prices, uncertainties related to the pandemic and oil production, and low vaccination rates.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	-4.8	-0.1	-7.9	-1.2	3.2	3.0
Private Consumption	4.6	1.6	-4.2	-1.3	2.2	2.0
Government Consumption	-4.7	-18.7	-1.4	-1.7	-1.3	-1.8
Gross Fixed Capital Investment	-25.2	-2.3	-15.4	-0.1	4.3	8.4
Exports, Goods and Services	11.4	7.4	-9.2	-1.3	4.6	4.5
Imports, Goods and Services	5.1	3.2	-10.4	-1.0	4.5	6.5
Real GDP growth, at constant factor prices	-6.0	-0.6	-7.9	-1.2	3.2	3.0
Agriculture	-1.1	0.2	-6.0	2.7	2.3	2.3
Industry	-7.9	0.2	-7.7	-1.8	3.5	3.0
Services	-4.2	-1.8	-8.7	-1.2	3.0	3.2
Inflation (Consumer Price Index)	1.2	2.2	1.4	2.0	2.2	2.5
Current Account Balance (% of GDP)	8.9	-0.8	-1.0	8.5	6.4	4.2
Net Foreign Direct Investment (% of GDP)	3.0	3.2	2.0	2.5	3.0	3.4
Fiscal Balance (% of GDP)	5.4	3.4	-1.3	2.7	2.5	2.2
Debt (% of GDP)	77.0	81.9	102.6	86.6	78.3	73.4
Primary Balance (% of GDP)	7.6	8.0	0.5	4.6	4.3	4.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	47.9	48.5	52.5	53.3	53.4	53.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	71.6	72.1	74.5	75.3	75.4	75.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	89.3	89.6	91.0	91.3	91.4	91.2
GHG emissions growth (mtCO2e)	2.1	0.3	-1.5	-0.3	0.9	0.8
Energy related GHG emissions (% of total)	20.1	20.0	18.7	18.5	18.8	19.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECOM .Actual data: 2011. Nowcast: 2012-2020. Forecast are from 2021to 2023.

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

CÔTE D'IVOIRE

Table 1	2020
Population, million	26.4
GDP, current US$ billion	60.3
GDP per capita, current US$	2284.1
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]	100.3
Life expectancy at birth, years[b]	57.8
Total GHG Emissions (mtCO2e)	49.9

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2019).

The Ivorian economy proved relatively resilient throughout the pandemic, growing by 2 percent in 2020. However, poverty rose as per capita growth declined by 0.6 percent. A strong rebound in private investment and exports underpins the recovery in 2021, despite temporary electricity supplies disruptions. Headwinds prevail, including from further waves of COVID, a slower global recovery and security vulnerabilities. In the medium-term, the new National Development Plan (NDP) should bolster private investment, growth, and poverty reduction.

Key conditions and challenges

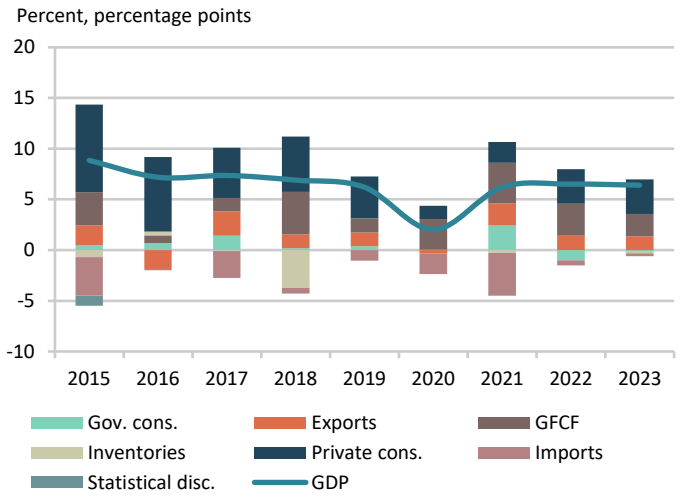
Over the last decade, Côte d'Ivoire has been one of the fastest-growing economies in sub-Saharan Africa. Real GDP growth averaged 8.2 percent annually (5.7 percent in per capita terms) over 2012–2019 reflecting post-conflict recovery, strong public investment, reforms induced-credit expansion, and sound macroeconomic policies. The sources of growth have diversified somewhat, with a greater contribution from services and manufacturing, favoring total factor productivity gains. Employment has gradually shifted away from agriculture, accounting for less than half today as compared of two-thirds in 2008. The country, through the new NDP, aspires to foster structural transformation and inclusiveness by leveraging private investment. The key reform areas focus on increasing productivity through capital deepening and improving human capital, addressing climate change risks, and strengthening governance.

Downside risks remain significant and stem mostly from the pandemic. Domestic cases have recently increased alongside with the number of fatalities, especially among the unvaccinated. Further waves could trigger trade shocks, global and domestic downturns, depress market sentiment, and exacerbate debt vulnerabilities while slowing the recovery of FDI. Subsequent restrictive measures could severely impact employment and household welfare. A sharp rise in global risk premia could thwart access to international markets. The security situation in the north of the country could deteriorate. Continued weak domestic revenue mobilization may strain the rollout of the NDP.

Recent developments

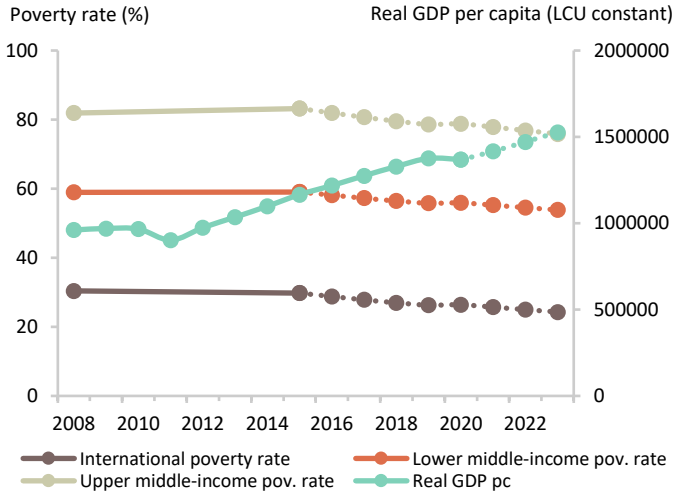
The economy appeared relatively resilient throughout the pandemic, posting a real GDP growth of 2 percent in 2020 (-0.6 percent in per capita) thanks to strong pre-COVID fundamentals, low dependency on remittances and tourism, and a swift government's reaction. However, in Q2, the informal sector cut 20 percent of salaried and 33 percent of non-salaried jobs while the formal sector cut positions by 22 percent. Higher public investment, fueled by the government's response package (1.4 percent of GDP), coupled with sustained private consumption and investment more than offset the COVID-related decline in exports and mitigated job losses. Higher cocoa production and a rebound in manufacturing and services supported a recovery during the second semester. Inflation rose from 0.8 percent in 2019 to 2.4 percent in 2020 driven by food prices due to supply disruptions and higher global prices. The current account deficit widened to 3.8 percent of GDP in 2020 from 2.7 percent, mainly reflecting lower global demand. High-frequency data show a marked rebound in the first half of 2021 compared to 2020, but with rising inflation. Exports, industry, and business climate index increased by 15.5,

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.

5.7 and 12.6 percent respectively. Private consumption increased despite temporary electricity shortages, supported by higher employment (+6.8 percent). The substantial increase in imports of capital goods (+43.4 percent) suggests that private investment increased significantly. Cash crop production including cocoa (+20.9 percent) and cashew (+42.6 percent) featured a stronger-than-expected increase. Inflation increased to 3.4 percent in H1, fueled by higher local food prices (+5.3 percent). The COVID response caused the fiscal deficit to widen from 2.3 percent of GDP in 2019 to 5.6 percent in 2020, driven by higher government spending as revenues remained stable at 15 percent of GDP. The expansion of social programs (cash transfers, universal health care, education, water, and electricity) drove the additional spending. Financing needs were met with significant concessional support and a successful EUR 1 billion Eurobond issuance, resulting in 9.3 percentage points increase in public debt to 49.8 percent of GDP in 2020.

Côte d'Ivoire's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA Franc and the Euro. Its reserves have remained stable since 2019 and reached 5.8 months of imports in 2020 thanks to significant donor support and Eurobond issuance by Côte d'Ivoire. To support the regional economy and COVID-related extra spending, the BCEAO implemented a set of monetary and macroprudential measures beginning in March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID bonds. These measures were extended into 2021. The incidence of extreme poverty measured with the US$1.9 a day (2011 PPP) international poverty line declined from 29.8 percent in 2015 to 26.3 percent in 2019, which lifted around 159,000 people out of extreme poverty. The pandemic stalled this progress in 2020, keeping the projected poverty rate almost at the same level as in 2019, although population growth likely induced an increase in the number of people in extreme poverty (+200,000).

Outlook

Real GDP growth is projected at 6.2 percent in 2021 and average 6.4 percent over 2021–23. In 2021, the recovery should be underpinned by public and private investment, and consumption, partly supported by the Covid recovery package. Continued structural and business climate reforms alongside positive developments in the national reconciliation process following the peaceful parliamentary elections in March should bolster private investment.

Inflation should gradually decelerate to 2.9 percent in H2 of 2021, close to the WAEMU target and 2.5 percent over 2022-23. The current account deficit should narrow to 3.6 percent of GDP by 2023 supported by improved trade balance. The fiscal deficit would remain stable at 5.6 percent in 2021 and gradually consolidate towards the WAEMU criterion of 3 percent by 2024, financed through regional borrowing, Central Bank's COVID bonds, and with the support of the recent IMF's SDR allocation. Increased digitalization in revenue administration, tax policy reforms, gradual withdrawal of COVID spending and control over current spending should enhance fiscal space. The incidence of extreme poverty is expected to resume a downward trend in 2021 driven by the government's crisis mitigation measures and the economic recovery. It is projected to decrease to 25.8 percent by 2021 and to 24.3 percent by 2023.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.9	6.2	2.0	6.2	6.5	6.4
Private Consumption	8.0	6.0	1.9	3.0	5.1	5.2
Government Consumption	1.9	4.1	0.3	27.6	-9.6	-1.7
Gross Fixed Capital Investment	18.7	5.5	12.2	14.7	10.7	7.2
Exports, Goods and Services	5.6	5.7	-1.3	9.5	6.0	5.7
Imports, Goods and Services	2.2	4.4	8.8	17.0	1.7	1.1
Real GDP growth, at constant factor prices	6.8	6.3	2.0	6.2	6.5	6.4
Agriculture	5.3	5.3	2.7	-1.5	1.6	1.7
Industry	4.3	11.5	1.6	6.0	11.1	7.0
Services	8.2	4.7	1.9	8.4	6.0	7.3
Inflation (Consumer Price Index)	0.6	0.8	2.4	2.9	2.5	2.5
Current Account Balance (% of GDP)	-3.5	-2.7	-3.8	-4.4	-4.3	-3.6
Net Foreign Direct Investment (% of GDP)	1.2	1.0	0.2	1.3	1.6	1.6
Fiscal Balance (% of GDP)	-2.9	-2.3	-5.6	-5.6	-4.8	-3.8
Debt (% of GDP)	40.1	41.2	51.3	49.4	50.6	50.7
Primary Balance (% of GDP)	-1.6	-0.8	-3.7	-4.0	-2.0	-1.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.0	26.3	26.4	25.8	25.0	24.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	56.5	55.8	56.0	55.3	54.6	53.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	79.6	78.7	78.8	77.9	76.9	75.9
GHG emissions growth (mtCO2e)	-0.4	0.8	0.0	4.8	2.3	3.1
Energy related GHG emissions (% of total)	21.8	21.6	21.5	18.3	18.1	18.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2008-ENV and 2015-ENV.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

(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	2020
Population, million	1.4
GDP, current US$ billion	9.6
GDP per capita, current US$	6857.1
School enrollment, primary (% gross)[a]	61.8
Life expectancy at birth, years[a]	58.7
Total GHG Emissions (mtCO2e)	22.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) WDI for School enrollment (2015); Life expectancy (2019).

After a six-year recession and despite the COVID-19 crisis, growth is expected to rebound in 2021 and 2022 owing to stronger hydrocarbon production. In the medium term, however, the economy is projected to fall back into recession, as existing oil wells speedily reach maturity. A protracted COVID-19 pandemic is a key downside risk to this outlook, and there is currently no reliable data to track poverty.

Key conditions and challenges

Weak governance, a poor business environment, and a slow build-up of human capital have delayed Equatorial Guinea's economic diversification from a dominant hydrocarbon sector. While it is classified as an upper-middle-income country, Equatorial Guinea ranks consistently among the worst performers globally on control of corruption (percentile rank of 0.5 in 2019) and on business climate, and it has a low life expectancy at birth of only 58.7 years.

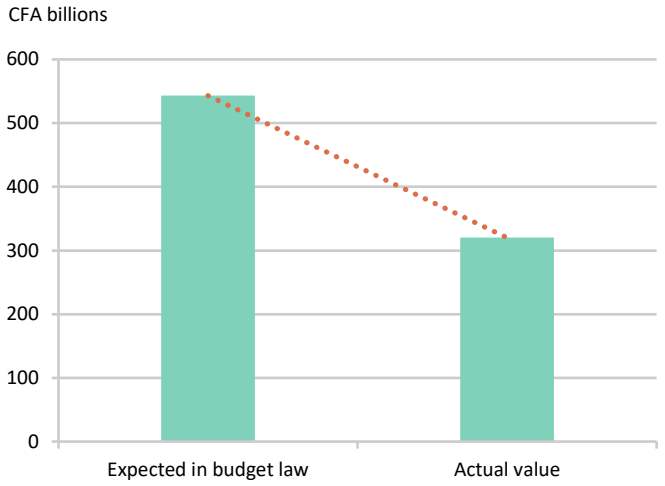
In recent years, the economy has contracted, and fiscal and external imbalances have increased due to both lower hydrocarbon prices and a declining oil sector, resulting in inadequate resources to address social inequalities and widespread poverty. The impact of the COVID-19 pandemic highlighted the need to diversify the economy and undertake deep structural and governance-related reforms to secure social cohesion and put the country on a fiscally sustainable development path. In a context of data paucity to track poverty, the Living Standard Measurement Survey (LSMS), planned for 2021Q4, will be key to benchmark poverty incidence. The LSMS will be used as a basis for a poverty assessment, with the aim to understand challenges faced by low-income households and inform policies aimed at reorienting the current National Economic and Social Development Plan (2021-2035).

Recent developments

After a six-year recession and despite the COVID-19 crisis and related containment measures, economic growth is expected to rebound and reach 3.8 percent in 2021 (up from a contraction of 4.9 percent in 2020), mainly due to stronger hydrocarbon production, especially of liquefied natural gas, which benefited from a backfilling project related to the Alen production field. However, workers in the service sector have been particularly affected by income losses during the pandemic, and the share of the population living below the poverty line is expected to have increased because of the country's limited social safety nets. Credit growth remains affected by the continuous decline in public infrastructure projects, with banks' balance sheets suffering from the government's domestic arrears with construction companies.

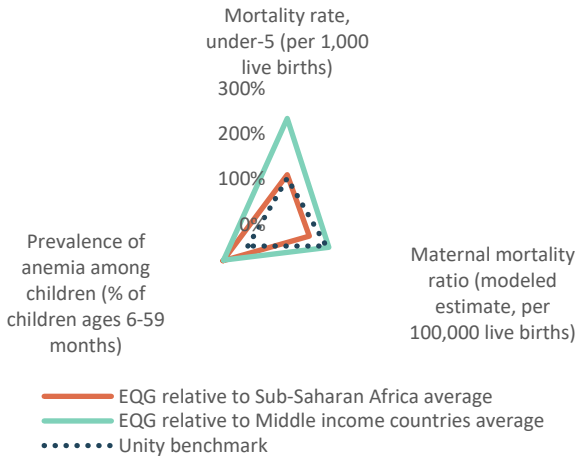
Stronger hydrocarbon revenues from higher production and prices, coupled with government expenditure moderation, are expected to narrow the country's fiscal deficit from 3.3 percent of GDP in 2020 to 0.7 percent of GDP in 2021. As of end-June, the expenditure execution rate remained very low (59 percent) compared to what was planned in the 2021 budget (Figure 1). It is, however, expected to improve in the second half of the year, as a delay in expenditure recording has been observed in previous budget cycles. The narrowing of the fiscal deficit underlines the government's limited financial support

FIGURE 1 Equatorial Guinea / Expected versus actual government expenditures (as of end-June 2021, CFA billions)



Source: National authorities.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Development Indicators (WDI).

to households and the private sector throughout the COVID-19 crisis.

Higher hydrocarbon export receipts and the exceptional allocation of additional Special Drawing Rights (estimated to be about two thirds of the country's total international reserves) are expected to improve Equatorial Guinea's external position in the short term. The current account balance is, however, projected to remain negative in 2021 (-4.7 percent of GDP), although it is expected to improve compared to 2020 (-10.9 percent of GDP).

Outlook

After a short-lived rebound in 2021 and 2022, the economy is projected to fall back into recession in 2023, as existing oil wells will reach maturity and reduce production. Also, major projects, such as the Fortuna gas project, would remain in the pipeline. Under this baseline, GDP per capita will fall to 13 percent below the pre-pandemic level in 2019 at the end of the forecast horizon. In the absence of meaningful efforts to diversify the economy away from hydrocarbons, GDP per capita would take close to two decades to return to its pre-pandemic level. With growth expected to slow down in the medium term, unemployment and poverty are likely to increase. The forthcoming LSMS should help to overcome the limited information on social indicators and design an effective social policy going forward.

This outlook is subject to downside risks related to the management of the pandemic at the national and global level, and to a further degradation of banks' balance sheets due to the accumulation of the government's domestic arrears. Increased spending pressures linked to a prolonged COVID-19 crisis and government difficulties in securing external financing could further negatively affect the fiscal and current account balances. In particular, slow implementation of critical structural and governance reforms could not only delay budget support disbursements under the current International Monetary Fund program but could also affect total factor productivity. On another hand, a stronger-than-projected performance of the hydrocarbon sector (due to higher-than-expected capacity and prices) represents a major upside risk to the outlook.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	-6.2	-6.0	-4.9	3.8	1.5	-0.9
Private Consumption	3.4	3.4	3.4	2.9	2.0	1.5
Government Consumption	1.6	-4.5	-5.3	0.8	-1.3	0.0
Gross Fixed Capital Investment	-10.1	-55.8	-42.1	-16.0	-12.0	-14.0
Exports, Goods and Services	-5.7	-6.2	-9.0	3.5	1.8	-1.8
Imports, Goods and Services	6.2	-9.0	-7.8	-0.8	0.5	0.3
Real GDP growth, at constant factor prices	-6.2	-6.0	-5.0	3.8	1.5	-0.9
Agriculture	-2.4	-5.8	0.4	2.8	1.4	1.4
Industry	-11.7	-8.7	-6.8	5.1	1.1	-2.0
Services	5.8	-1.2	-2.1	1.8	2.2	0.8
Inflation (Consumer Price Index)	1.3	1.2	5.8	3.5	3.4	3.3
Current Account Balance (% of GDP)	-2.8	-1.6	-10.9	-4.7	-5.2	-4.8
Net Foreign Direct Investment (% of GDP)	3.0	5.3	3.9	5.5	5.1	5.1
Fiscal Balance (% of GDP)	0.1	2.0	-3.3	-0.7	-1.9	-2.1
Debt (% of GDP)	42.1	45.9	52.3	44.8	44.7	45.9
Primary Balance (% of GDP)	0.8	2.7	-2.0	0.8	-0.4	-0.6
GHG emissions growth (mtCO2e)	2.5	-3.5	1.7	1.6	1.1	0.5
Energy related GHG emissions (% of total)	26.0	25.6	24.8	26.6	28.0	29.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

ERITREA

Table 1	2020
Population, million	3.5
GDP, current US$ billion	2.1
GDP per capita, current US$	600.0
School enrollment, primary (% gross)[a]	68.4
Life expectancy at birth, years[a]	66.3
Total GHG Emissions (mtCO2e)	8.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) WDI for School enrollment (2018); Life expectancy (2019).

Real GDP growth is expected to rebound to 2.9 percent in 2021 after plummeting to -0.6 percent in 2020, supported by external demand uptake and the resumption of domestic activity. A significant boost to growth is expected in 2022 supported by new mining developments, although heightened risks still cloud the medium-term outlook due to the country's isolation and lack of access to external financing. Poverty data, like national accounts information, have not been produced over the last decade.

Key conditions and challenges

The lifting of UN sanctions in November 2018 marked Eritrea's emergence from a decade of international isolation. 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, enabled by severe import restrictions in a context of low foreign exchange reserves. The banking system is largely lending to the government and lacks international correspondent banks, while payment and settlement systems are absent. The country is among the most vulnerable and least adapted to climate change in Sub-Saharan Africa, and frequent weather shocks pose a heavy burden for the economy and rural livelihoods. The mining sector, which started operating in 2011, accounts for over 90 percent of total exports, yet contributions to budget revenues are limited.

The Covid-19 crisis hit Eritrea amid a hiatus in its reengagement with development partners, leaving it without needed external funding. In addition, informal cross-border trade was affected by the conflict in northern Ethiopia. Yet, Eritrea's isolation moderated the magnitude of the initial external shock.

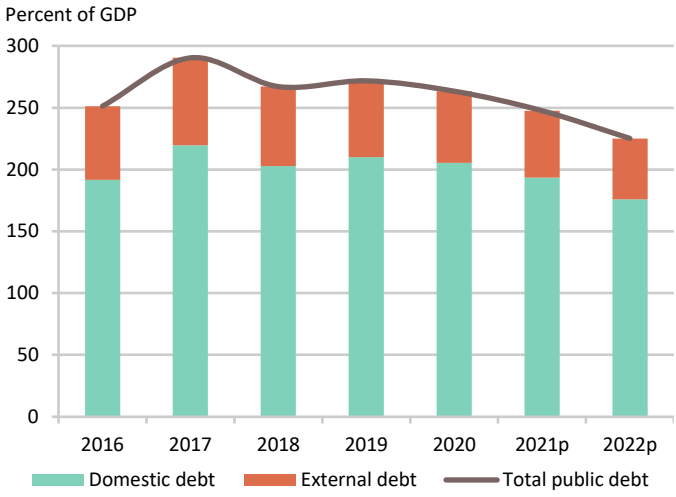
The emergency conditions prevailing in the country over the past decade have led to data production capacity constraints. National accounts data are limited to unofficial GDP estimates by the Ministry of Finance, inflation estimates cover only the capital, Asmara, and full balance of payments accounts are missing. The last population census in Eritrea took place more than 25 years ago. Therefore, 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

Real Real GDP growth is expected to rebound to 2.9 percent in 2021 after plummeting to -0.6 percent in 2020 amid the Covid-19 crisis. Recovery comes on the back of external demand uptake and the resumption of economic activity following the phasing out of restrictions imposed at the onset of the Covid-19 pandemic. Inflationary pressures that build up following the closure of the border with Ethiopia after its temporary opening for two months in 2019 are expected to ease in 2021, and inflation to hover at 4.3 percent.

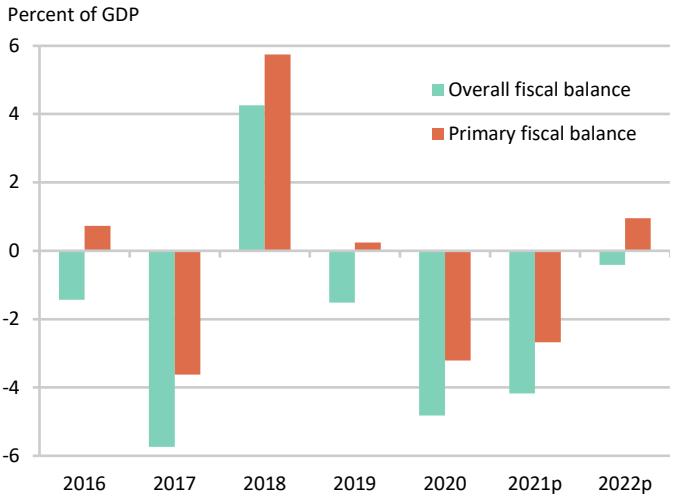
The external current account surplus is set to increase to 12.4 percent of GDP in 2021 from 11 percent the year before as the growth in commodity exports exceeds the recovery in imports, allowing for foreign exchange reserves to rise to around three months of imports from two months in 2020. Results disclosed in June 2021 after extensive testing over a period of six

FIGURE 1 **Eritrea** / Evolution of total public debt



Source: Ministry of Finance, Planning and Economic Development.

FIGURE 2 **Eritrea** / Primary and overall fiscal balances



Source: Ministry of Finance, Planning and Economic Development.

months by the Colluli Mining Share Company confirmed that the project's sulphate of potash production rates align with a previous front-end engineering and design study. Furthermore, results indicated that production can be carried out using filtered seawater, thus improving the project's environmental footprint and lowering its opex, capex and maintenance costs. Following restrictions on potash trade with Belarus introduced by the EU in June 2021, the US, UK and Canada imposed sanctions on August 9 on the large Belarusian SOE Belaruskali, one of the largest world producers of potash fertilizers accounting for 21% global supply in 2019. UK and Canada sanctions are effective immediately, while US sanctions will go into effect on December 8, prospectively reducing global availability of the crop nutrient and pushing up its prices.

As economic activity bounces back, the rise in government revenues is expected to shrink the fiscal deficit to 4.2 percent in 2021 from 4.8 in 2020. Public spending is expected to remain roughly unchanged, with the construction work associated to the Colluli and Asmara mines driving the continued capital expenditures. Public debt is expected to hover at 247.5 in 2021, of which 80 percent is owed to domestic banks. Nevertheless, fiscal and domestic debt outcomes remain uncertain given frequent data revisions due to reporting lags driven by widespread manual processes.

Outlook

Real GDP is expected to grow at 4.8 percent in 2022 as the Colluli mine starts exporting at full capacity. Over the medium term, growth of real output could continue at about 4 percent, supported by sustained mineral exports and positive spillover effects from the new potash mine to fertilizer production, enhancing agricultural productivity and improving livelihoods and food security. With sanctions restricting Belarusian exports of potash, exports of other producers could see a boost in volume and value that could potentially benefit Eritrea.

However, downside risks are significant. The emergence of new vaccine-resistant Covid-19 variants could hamper global economic recovery, negatively impacting exports. Additionally, Eritrea is currently the only African country that has not yet started vaccinating its citizens against Covid-19 within the scope of a national campaign, which heightens health risks and could set back economic recovery if a new outbreak forces the return of restrictions. Finally, severe climate vulnerabilities continue to burden Eritrea and could worsen in coming years. The fragile macroeconomic situation and severe credit constraints leave the country with little space to boost preparedness facing these risks, and to control damages should they materialize.

Against this backdrop, the reengagement with the international community could result in a pathway to significantly reduce external arrears and provide much-needed financing to build essential infrastructure over the medium term, to help abate the risks associated with climate change and jump-start the private and financial sectors.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	13.0	3.8	-0.6	2.9	4.8	3.8
Private Consumption	13.2	5.5	-1.9	3.4	7.5	5.9
Government Consumption	0.8	39.3	16.4	9.1	7.4	5.0
Gross Fixed Capital Investment	-62.8	67.5	152.2	17.8	-9.7	0.7
Exports, Goods and Services	8.9	-5.0	-5.4	46.4	11.1	3.9
Imports, Goods and Services	18.7	1.4	-3.5	41.4	9.2	4.7
Real GDP growth, at constant factor prices	12.8	3.7	-0.7	2.9	4.8	3.8
Agriculture	24.0	27.0	-0.5	4.5	3.1	2.5
Industry	11.1	13.0	-0.7	1.4	10.2	7.6
Services	4.9	-26.0	-1.0	1.9	1.1	0.9
Inflation (Consumer Price Index)	-14.4	-16.4	4.8	4.3	4.2	2.5
Current Account Balance (% of GDP)	15.4	12.1	11.0	12.4	12.7	11.6
Net Foreign Direct Investment (% of GDP)	2.9	3.9	3.8	3.6	3.4	3.3
Fiscal Balance (% of GDP)	4.3	-1.5	-4.8	-4.2	-0.4	-0.2
Debt (% of GDP)	267.1	271.8	263.4	247.5	225.1	211.1
Primary Balance (% of GDP)	5.7	0.2	-3.2	-2.7	0.9	1.0
GHG emissions growth (mtCO2e)	1.9	4.3	-2.8	3.1	4.9	3.8
Energy related GHG emissions (% of total)	26.6	26.1	26.3	26.6	27.6	27.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

ESWATINI

Table 1	2020
Population, million	1.2
GDP, current US$ billion	4.0
GDP per capita, current US$	3333.3
International poverty rate ($1.9)[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]	114.7
Life expectancy at birth, years[b]	60.2
Total GHG Emissions (mtCO2e)	2.9

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

Preliminary estimates for the first quarter of 2021 suggest that growth was on the rebound, but this has been reversed due to the political unrest that happened in June 2021, and the second-round effects of the COVID-19 pandemic. The fiscal deficit is narrowing in 2021 as domestic revenues are recovering while an increase in capital expenditure is partly offset by declining recurrent expenditure. Despite signs of economic recovery in the face of COVID-19, poverty levels have stagnated.

Key conditions and challenges

Eswatini is trapped in a low investment and growth path since the end of apartheid in South Africa. Private investment has been low, constrained by unfavorable investment climate. As a result, Eswatini, a small state, remains over reliant on the public sector and the sugar monoculture.

The public sector largely depends on volatile Southern African Customs Union (SACU) revenues, which translate into significant fluctuations in public spending and pose a challenge to the management of fiscal resources. SACU revenues have been declining mainly due to the instability in the global economy, trade liberalization, the associated tariff reductions, and low growth of the South Africa economy. Domestic revenue mobilization is improving but slowly.

Poverty levels have historically been high, compounded by high inequality, unemployment as well as high prevalence of HIV. Progress toward reducing poverty has been slow, with close to a third of the population living below the US$1.90/day (2011 PPP) international poverty line. This, together with high inequality levels – with a consumption per capita Gini index of 54.6 in 2017 – increases vulnerability to economic shocks. Unemployment was high even before COVID-19, affecting 23 percent of the labor force in 2016. At about 27 percent, Eswatini has the world's highest HIV prevalence rate among adults aged 15 to 49. Vulnerability to drought in the context of heavy reliance on smallholder agriculture, is associated with high incidence of food insecurity.

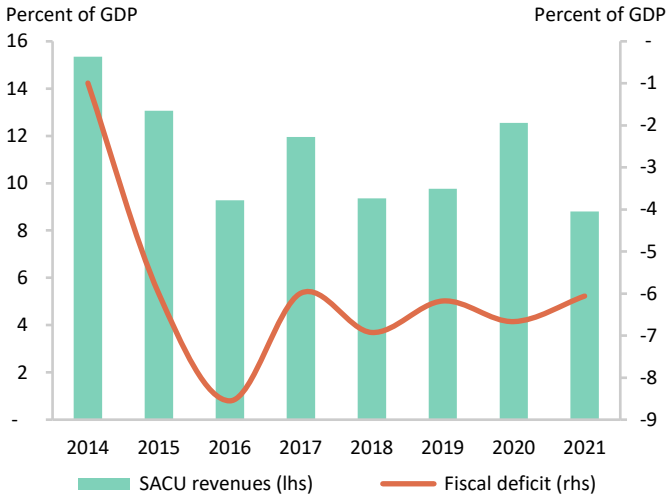
COVID-19 exposed Eswatini's structural weakness further. Overall, economic recovery remains uncertain and hinges on the evolution of the pandemic, rollout of the vaccines and the pace of recovery of the global and regional economies, particularly that of South Africa. The political unrest that happened in June 2021 further exposed the governance challenges and without a comprehensive solution to the underlying causes of the unrest, the risk of future unrest will continue to linger and create uncertainty for medium term private investment.

Recent developments

Real GDP increased by 9.0 percent (year-on-year) in 2021Q1 driven, by a strong industry performance. Manufacturing recovered due to a peak in export demand following the easing of lockdown measures in key destination markets in the region, and construction has also improved. However, political unrest interrupted economic recovery, with an estimated loss of 3 billion Emalangeni ($210 million) of business assets (through arson and pillaging), and about 5,000 people losing their livelihoods. Sectors that were largely affected by the unrest include retail and wholesale, manufacturing, and transport.

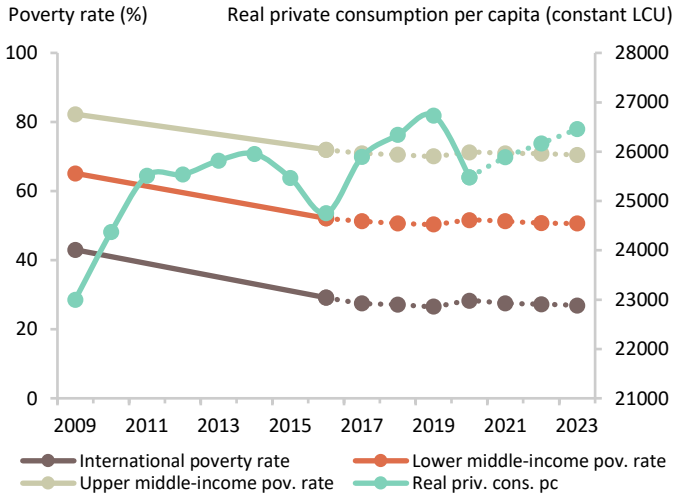
Total government revenue fell (due to declining SACU revenues) by 8 percent

FIGURE 1 Eswatini / Fiscal deficit and SACU revenue



Source: Ministry of Finance, Eswatini.

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



Source: World Bank. Notes: see Table 2.

during the first seven months of 2021, compared to the same period in 2020, although domestic revenue collection recovered. Government expenditures increased over the period compared to the same period in 2020, driven by capital spending, while recurrent spending was contained, mainly due to COVID-19 measures that limited expenditure on goods and services. However, the political unrest has led to unbudgeted spending on public order expenditures to contain the protests, and a US$35 million in funds have been released to compensate businesses that were destroyed during the unrest.

The central bank has maintained an accommodative monetary policy stance since the start of the COVID-19 pandemic. The discount rate has been kept at 3.75 percent since July 24, 2020. Meanwhile inflationary pressures remain low, averaging 3.9 percent (year-on-year) for the first seven months of 2021.Cumulative January -July 2021 trade balance was in deficit as imports grew more than exports.

Despite signs of economic recovery in the face of COVID-19, poverty reduction is estimated to have slowed down. This is one of the main causes of political unrest that led to loss of livelihoods and thus reversed the gains the country had made as part of recovery from the pandemic. Food insecurity remains a challenge, linked to vulnerability to economic shocks as well as variable and generally low performance of the agriculture sector.

Outlook

The economy is projected to recover modestly in 2021 and inch further in 2022, as the economy recovers from the shocks induced by the COVID-19 pandemic and the political unrest. Inflation is expected to increase in 2021, partly due to rising oil and domestic administered prices, but would remain within the 3-6 percent target band in 2022. Economic recovery is expected to support a modest reduction in poverty levels, with the US$1.90/person/day international poverty rate projected to reach 28.4 percent in 2022 and 28.3 percent in 2023.

Though the second-round effects of the pandemic are anticipated to manifest through a further reduction in SACU revenues in 2022, the fiscal deficit is projected to fall in the medium term, as domestic revenues recover, and authorities start to implement three-year Fiscal Adjustment Plan. However, uncertainty on further political unrest and COVID-19 may continue to keep government expenditure high. The expected disbursement by the World Bank and AfDB will help to cushion the financing gap and keep domestic expenditure arrears low in 2021 and 2022. Debt levels will remain high in the medium term, as the country continues to borrow, responding to domestic challenges.

The current account surplus is projected to decline in 2022, partly reflecting declining SACU revenues. However, exports are projected to increase following the rollout of vaccines in key export markets while implementation of fiscal adjustments will contain the growth of imports. Gross international reserves are projected to remain above the 3-month international benchmark in 2022, boosted by IMF SDRs and access to external loans from World Bank and African Development Bank.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	2.4	2.6	-1.9	1.5	1.8	1.7
Private Consumption	1.3	-1.5	0.5	1.4	1.8	2.1
Government Consumption	-4.3	-2.0	6.7	7.2	0.7	0.6
Gross Fixed Capital Investment	35.7	1.0	-5.9	2.8	3.8	3.1
Exports, Goods and Services	-3.6	16.3	-2.4	3.0	3.2	3.5
Imports, Goods and Services	4.7	1.5	-0.7	5.5	3.1	3.6
Real GDP growth, at constant factor prices	2.0	2.7	-1.7	1.5	1.8	1.7
Agriculture	5.9	0.9	-5.4	3.7	4.1	3.5
Industry	-0.3	5.5	-9.7	3.3	3.4	1.9
Services	2.9	1.1	4.5	0.1	0.4	1.3
Inflation (Consumer Price Index)	4.8	2.6	3.9	4.0	4.2	4.3
Current Account Balance (% of GDP)	1.6	4.7	6.5	5.2	4.8	5.1
Net Foreign Direct Investment (% of GDP)	-1.0	-2.4	-0.2	-0.7	-0.8	-0.8
Fiscal Balance (% of GDP)	-7.0	-6.2	-6.7	-6.1	-5.3	-1.8
Debt (% of GDP)	34.3	40.0	41.7	46.1	50.5	51.7
Primary Balance (% of GDP)	-5.7	-4.9	-4.5	-4.3	-2.4	0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.5	28.5	28.6	28.6	28.4	28.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	51.3	51.9	52.0	51.9	51.8	51.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	71.0	71.6	71.7	71.6	71.4	71.1
GHG emissions growth (mtCO2e)	2.5	0.7	-2.5	1.2	1.5	1.3
Energy related GHG emissions (% of total)	45.7	46.4	46.1	45.7	45.2	44.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2016-HIES.Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

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

ETHIOPIA

Table 1	2020
Population, million	115.0
GDP, current US$ billion	110.2
GDP per capita, current US$	958.3
International poverty rate ($1.9)[a]	30.8
Lower middle-income poverty rate ($3.2)[a]	68.9
Upper middle-income poverty rate ($5.5)[a]	90.2
Gini index[a]	35.0
School enrollment, primary (% gross)[b]	101.0
Life expectancy at birth, years[b]	66.6
Total GHG Emissions (mtCO2e)	211.1

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2019).

While data confirms the recovery of exports and foreign direct investment, a significant reduction in agriculture production growth and stagnant electricity and cement production suggest growth was sluggish in FY21. According to phone surveys, poverty had increased by December 2020. Inflation surged in June and July 2021, and the authorities have responded by halting money creation and freezing bank loan disbursements. Prospects for economic rebound in FY22 and beyond may be jeopardized by escalation in the ongoing armed conflict.

Key conditions and challenges

Ethiopia has been among the fastest growing countries in the world, with GDP expanding at an average rate of 10 percent during 2004-2020. Growth has been driven by 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 that saw fast growth, and inequality has increased 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. The financing of the large capital investments coupled with a loss in competitiveness, caused by an overvalued exchange rate, have put the country at high risk of debt distress. Acknowledging these shortcomings, the authorities launched a Homegrown Economic Reform Agenda in September 2019, aiming to foster efficiency and introduce competition in key growth-enabling sectors (energy, logistics, telecom), improve the business climate, and address macroeconomic imbalances. Among other measures, authorities are expected to adopt a market-determined exchange rate and introduce a modern monetary policy framework by end-2022.

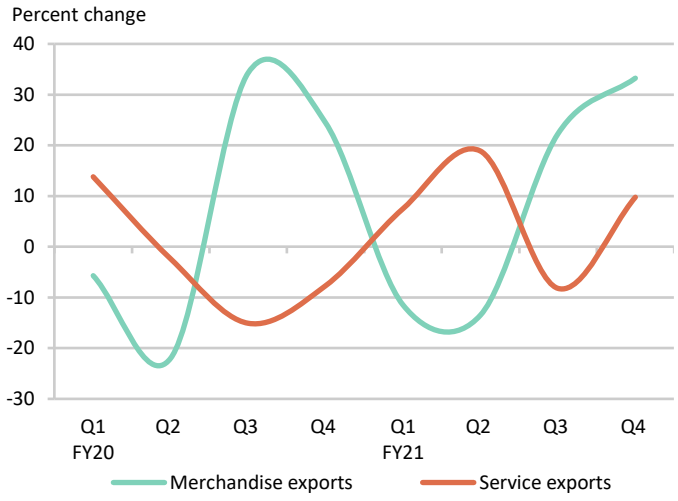
Downside risks loom large over the outlook presented below. The armed confrontation that started in November 2020, initially confined to Tigray, has spread to other regions, and there are risks that further escalation would affect agriculture production, food security, and growth. There are also risks that macroeconomic stability is harmed and economic reforms are delayed or reversed.

Recent developments

Agriculture is estimated to have slowed down, with crop production growth easing to below 2 percent during the main harvest season (fall 2020), compared to 6.2 percent in the same period of the previous year. Electricity generation and cement production stagnated in FY21.

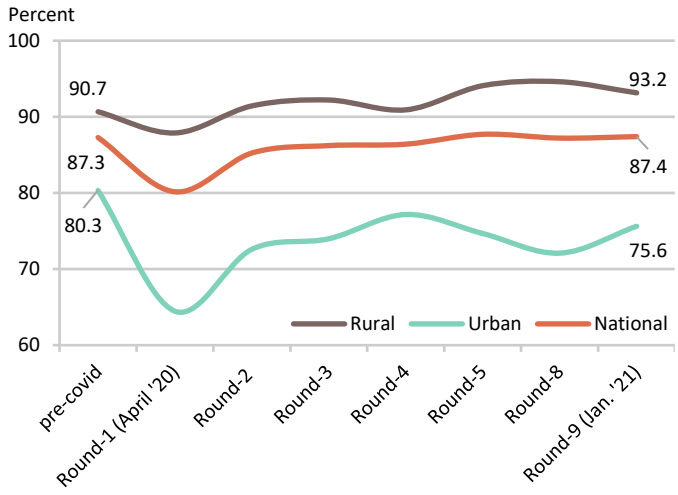
After being harshly hit by the pandemic, most external sector variables rebounded in FY21. Merchandise exports grew at 21.1 percent, boosted by a surge in gold trade. Growth in coffee exports reached 6.3 percent, supported by international prices, and cut flower exports recovered. However, garment and leather exports contracted. Exports of services grew by 3.1 percent despite transport growth, which includes Ethiopian Airlines activities, was negative (-4.4 percent). Net private transfers, including remittances, recovered strongly (22.3 percent). Robust export and remittances performance coupled with contained imports growth resulted in the current account deficit narrowing further in FY21. Net foreign direct investment inflows reached nearly US$ 4 billion in FY21, a 64 percent increase, lifted by the

FIGURE 1 Ethiopia / Export recovery, quarter-on quarter growth



Source: National Bank of Ethiopia.

FIGURE 2 Ethiopia / Share of respondents who worked in the preceding seven days



Sources: WB household surveys on Covid-19 impacts.

award of a new commercial license in the telecom sector to a consortium led by Kenya's Safaricom.

Despite recovery domestic direct and indirect revenue in FY21, revenue collection remained at about 10.5 percent of GDP (similar to FY20), as there was a significant drop in foreign trade tax revenue. On the expenditure side, increases in recurrent expenses are expected to be compensated by some decline in capital spending, with the overall balance estimated to reach 3 percent of GDP in FY21.

Inflation keeps increasing, and reached 30.4 percent in August, driven by rising food prices. Authorities pressed the breaks on base money growth in June, bringing it to just 7.2 percent in FY21, following double-digit-growth for most of the year. Broad money growth is estimated to have remained strong, reaching nearly 30 percent in FY21, but the recent central bank order to freeze bank loan disbursements is expected to cool that trend off. The parallel market premium surged to over 50 percent in early august, driven by uncertainty, prior to declining back to below 30 percent.

While jobs have been recovering after a drop at the onset of the pandemic, the urban employment rate in January 2021 remained lower relative to pre-COVID-19 time. This, coupled with the slow agricultural growth, is expected to have led to a rise in poverty. Indeed, estimates based on the high-frequency phone survey suggest that by December 2020 poverty had increased compared to 2019, particularly in urban areas.

Outlook

While strong lending trends are likely to have supported some growth in industry and services, the slowdown in agriculture and the poor performance of electricity generation and cement production suggest economic activity slowed down overall in FY21; the projected growth rate for the year remains like that of the spring release of the Macro-Poverty Outlook. Meanwhile, the expected recovery in growth in FY22 and FY23 has been revised downwards, as the spread of the armed conflict since June is likely to affect economic activity in several areas and could disrupt key trade corridors. This outlook assumes that the planned macroeconomic and structural reforms are implemented, supporting a recovery in foreign direct investment, exports, and economic growth, as well as a decline in inflation in FY23 and beyond. As stated above, however, there are considerable downside risks.

While employment and income levels have been recovering since the huge drop at the biggening of the pandemic, vulnerability is expected to increase significantly for the following reasons. First, the impact on employment and income was worse on households who were less advantaged to begin with; second, despite the increase in employment since early times of the pandemic, recovery in wage employment has been slow and as a result more people become dependent on informal jobs such as self-employment, casual employment and family work; and third, the ongoing armed conflict which started in Tigray and recently expanded to other parts of the country is already disrupting the livelihoods of many and there is also a risk of famine.

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

	2017/18	2018/19	2019/20	2020/21 e	2021/22 f	2022/23 f
Real GDP growth, at constant market prices	7.7	9.0	6.1	2.4	4.3	6.5
Private Consumption	5.3	5.1	5.0	2.5	3.8	5.1
Government Consumption	3.6	7.2	0.6	8.1	13.9	9.9
Gross Fixed Capital Investment	6.8	15.1	5.6	-0.1	2.0	6.8
Exports, Goods and Services	5.0	3.0	3.4	5.5	6.2	8.4
Imports, Goods and Services	0.2	5.4	-1.9	2.0	4.8	5.9
Real GDP growth, at constant factor prices	7.7	9.0	6.1	2.4	4.3	6.5
Agriculture	3.5	3.8	4.3	1.8	2.5	4.0
Industry	12.2	11.5	9.6	2.7	6.5	11.0
Services	8.7	12.0	5.2	2.7	4.2	5.3
Inflation (Consumer Price Index)	14.5	12.5	19.9	20.2	21.9	10.8
Current Account Balance (% of GDP)	-6.0	-5.1	-4.1	-2.5	-3.3	-3.8
Fiscal Balance (% of GDP)	-2.8	-2.5	-2.8	-3.0	-2.6	-2.0
Debt (% of GDP)	60.8	57.3	56.5	57.6	55.0	51.2
Primary Balance (% of GDP)	-2.3	-2.0	-2.4	-2.3	-2.0	-1.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.6	26.5	25.9	25.9	25.6	25.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.6	64.4	63.7	63.8	63.4	62.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	85.8	84.2	83.4	83.4	83.0	82.0
GHG emissions growth (mtCO2e)	0.6	1.7	1.5	0.9	1.2	3.4
Energy related GHG emissions (% of total)	24.9	24.9	24.0	22.7	21.5	22.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

(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	2020
Population, million	2.2
GDP, current US$ billion	15.0
GDP per capita, current US$	6818.2
International poverty rate ($1.9)[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]	66.5
Total GHG Emissions (mtCO2e)	13.8

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2017), 2011 PPPs.
(b) WDI for School enrollment (2011); Life expectancy (2019).

Gabon's economy contracted by 1.8 percent in 2020 as the COVID-19 crisis induced a downturn in global demand and a fall in oil prices. There were, however, signs of recovery in 2021Q1, driven by the booming mining and wood sectors. The pandemic has led to a significant reduction in revenues, leading to record high debt at end-2020. The medium-term outlook suggests a gradual economic recovery but limited poverty reduction before 2023.

Key conditions and challenges

As in other countries in the Central African Economic and Monetary Community, the COVID-19 pandemic and the sharp fall in oil prices had an adverse impact on Gabon's economy in 2020 and highlighted the vulnerabilities associated with oil dependence. While there were signs of recovery in 2021Q1 and oil prices surged in the first half of 2021, inadequate governance and a poor business climate remain major challenges for Gabon to direct its resource wealth to sustainable development and ensure broad-based improvements in living conditions.

Despite the challenging economic context linked to the pandemic, Gabon needs to diversify the economy and reduce its vulnerability to terms of trade shocks. In addition to creating a credible medium-term fiscal framework that favors enhanced domestic revenue mobilization and more targeted fiscal spending in support of vulnerable groups, it needs to enhance transparency in natural resource management to reduce fiscal vulnerabilities.

Continuing the vaccination campaign will help contain COVID-19 and support the economic recovery. Gabon's abundant natural resources, strategic location, high urbanization, and small population are major assets to accelerate poverty reduction, achieve shared prosperity, and embrace green growth policies and reduce its dependence on hydrocarbons. Given its youthful workforce and fast-growing population, Gabon also needs to prioritize human capital development.

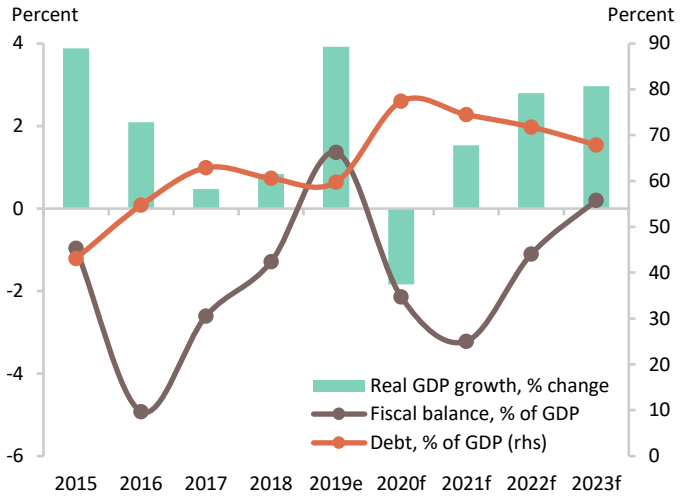
More than a year into the pandemic, living conditions have not returned to their pre-crisis level, suggesting a long-lasting effect of the pandemic on vulnerable groups. Employment continues to suffer from the restrictive measures imposed by the government to prevent new waves of infection, resulting in falling household income, especially for self-employed and informal workers.

Recent developments

GDP contracted by 1.8 percent in 2020, owing to lower oil production and a decline in the service sector. There were signs of recovery in 2021Q1, driven by the booming mining and wood sectors. As of August 20th, almost 76,000 people have received their first vaccine dose (about 3.3 percent of the population) and 55,000 people the second dose (about 2.4 percent).

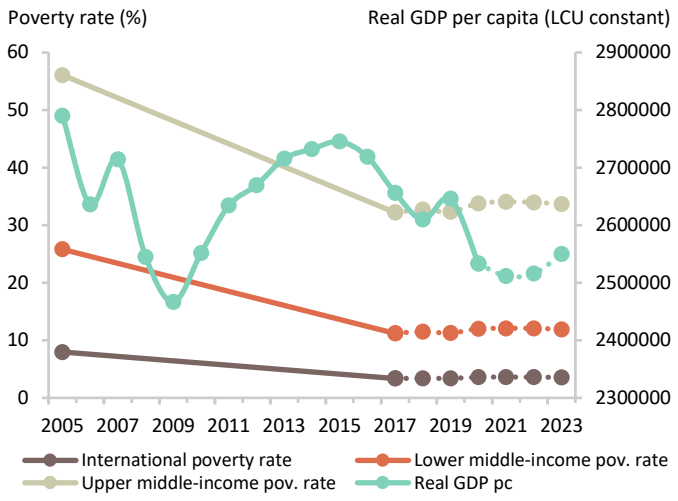
A fiscal deficit of 2.1 percent of GDP was recorded in 2020, reflecting lower oil prices and additional financing needs related to the pandemic. Gabon revised its 2021 budget law to consider measures to protect lives and livelihoods, including the cost of vaccines. Preliminary data for the first two months of 2021 indicate a decline in total revenues and a slight contraction in current spending while investment expenditure rose sharply compared to the same period in 2020.

FIGURE 1 Gabon / Real GDP growth, fiscal balance and government debt



Sources: Official data and World Bank calculations.

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



Source: World Bank. Notes: see Table 2.

The stock of government debt rose to a record high of 77.4 percent of GDP at end -2020, up from 59.8 percent of GDP a year earlier, and Gabon continues to have outstanding external arrears.

The current account deficit widened to 6.0 percent of GDP, year-on-year, in 2020, driven by a smaller trade surplus due to a drop in oil and non-mining exports. Year-on-year exports fell in 2021Q1 due to a drop in oil exports that was not compensated by strong manganese exports. Meanwhile, imports declined, mostly driven by lower imports of manufactured and capital goods.

Despite the government's response to the crisis, the pandemic has had a significant impact on vulnerable groups, and the poverty rate is expected to reach 34.0 percent in 2021. Household survey data suggest that job losses increased from 16.9 percent (of those who were working before the pandemic) in November 2020 to 21.5 percent in April 2021, with workers in retail being the most affected. While wages remain the main income source for 35 percent of households, 20 percent depended on remittances in April 2021. Almost two-thirds of households have experienced income losses since April 2021, and access to essential goods has been deteriorating since November 2020.

Outlook

Gabon's economy is projected to grow by 2.8 percent in 2022 and 3.0 percent in 2023. Assuming the economy grows by 3.5 percent on average per year starting in 2024, GDP per capita will only return to its pre-COVID-19 level by 2027. Medium-term growth depends on the government's commitment to fiscal consolidation, structural reforms, and economic diversification as part of the 2021–2023 Transformation Acceleration Plan. Gabon has received a new allocation of Special Drawing Rights from the International Monetary Fund equivalent to 1.7 percent of GDP, providing additional liquidity and enhancing prospects for recovery.

In 2021, the fiscal deficit is projected to widen to 3.2 percent of GDP. Measures to rationalize tax expenditure will contribute to an increase in revenue, while the rationalization of non-priority expenditure would allow Gabon to increase investment expenditure. The authorities are expected to accelerate fiscal consolidation once the fallout from the pandemic subsides. As a result, the fiscal deficit is expected to narrow gradually over the medium term, and public debt is projected to decline, driven by fiscal consolidation and the economic recovery.

The current account deficit is projected to gradually narrow in the medium term, supported by higher oil prices and a resumption of investments in wood and agri-businesses in the context of a global economic recovery. For the outer years of the forecast horizon, Gabon should be able to benefit from the recent OPEC+ agreement to gradually ease their output cuts.

Projections remain subject to downside risks such as new COVID-19 infection waves and a slow vaccine rollout impacting the recovery. Uncertainty surrounding the pandemic, institutional capacity weaknesses, and the 2023 presidential election could also slow the implementation of structural reforms. Upside risks include a faster global recovery from the pandemic and higher international oil prices.

Due to current economic constraints and the impact of the pandemic on employment and income, the share of Gabonese households living on less than US$5.5 per day is expected to be 1.3 percentage point higher in 2023 than the pre-pandemic poverty rate, reaching 33.7 percent. Assuming the economy grows by 3.5 percent in 2024, the poverty rate could return to its pre-crisis level by 2024.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	0.8	3.9	-1.8	1.5	2.8	3.0
Private Consumption	-0.4	0.9	-2.0	-0.3	1.1	2.7
Government Consumption	-21.5	6.1	5.5	2.8	-4.2	1.7
Gross Fixed Capital Investment	81.7	21.5	-16.7	7.7	0.6	2.9
Exports, Goods and Services	1.4	14.0	10.1	6.8	3.9	3.3
Imports, Goods and Services	51.2	25.5	-6.0	9.5	-0.7	2.7
Real GDP growth, at constant factor prices	0.7	4.2	-1.9	1.5	2.8	3.0
Agriculture	9.5	7.9	5.9	3.0	5.0	4.0
Industry	-0.8	6.8	-2.2	4.3	6.3	4.0
Services	0.5	2.3	-2.8	-0.4	0.3	2.2
Inflation (Consumer Price Index)	6.3	1.0	1.6	2.0	2.0	2.0
Current Account Balance (% of GDP)	-2.1	-0.9	-6.0	-4.8	-3.2	-2.4
Fiscal Balance (% of GDP)	-1.3	1.4	-2.1	-3.2	-1.1	0.3
Debt (% of GDP)	60.6	59.8	77.4	74.5	71.8	67.9
Primary Balance (% of GDP)	1.1	3.6	1.0	-0.2	1.6	3.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	3.4	3.4	3.6	3.6	3.6	3.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	11.5	11.3	12.0	12.1	12.1	11.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	32.7	32.3	33.8	34.0	34.0	33.7
GHG emissions growth (mtCO2e)	-0.5	-0.5	-0.5	1.9	0.9	0.8
Energy related GHG emissions (% of total)	19.1	19.3	19.6	20.1	19.3	18.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2017-EGEP .Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.

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

THE GAMBIA

Table 1	2020
Population, million	2.4
GDP, current US$ billion	1.9
GDP per capita, current US$	791.7
International poverty rate ($1.9)[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]	101.7
Life expectancy at birth, years[b]	62.0
Total GHG Emissions (mtCO2e)	3.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2019).

2020 witnessed a slight recession, driven by the pandemic-induced fall in tourism and private consumption. Despite the crisis, external and fiscal deficits were kept in check due to increased donor support. Remittances continue to break records, but new COVID-19 variants dampen the tourism outlook. 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 vaccine roll-out, and the pace of reforms.

Key conditions and challenges

Since the democratic transition of 2017, the Government has taken important steps to improve the rule of law, restore macroeconomic stability, and reignite growth, which averaged 6 percent between 2017-2019. Following strong economic performance and debt restructuring, The Gambia exited debt distress in early 2020, paving the way for an IMF Enhanced Credit Facility.

Despite progress with COVID-19 vaccination both within The Gambia and in key tourist markets, recovery will be gradual. The December presidential elections may increase security risks and discourage the 2021/22 tourism season starting in October. Prospects of a tourism rebound are hampered by new variants and stringent entry requirements in key markets, which also poses a challenge to poverty reduction. Additionally, recent windstorm and heavy downpours exposes vulnerable households to the risk of being pushed back or sliding deeper into poverty.

As the risk of debt distress remains high, The Gambia has limited fiscal policy buffers to kickstart the economy. The outlook is subject to downside risks stemming from the depth and duration of the pandemic, vaccine-resistant virus mutations, the deployment of vaccines, the reform pace ahead of the elections and climatic shocks.

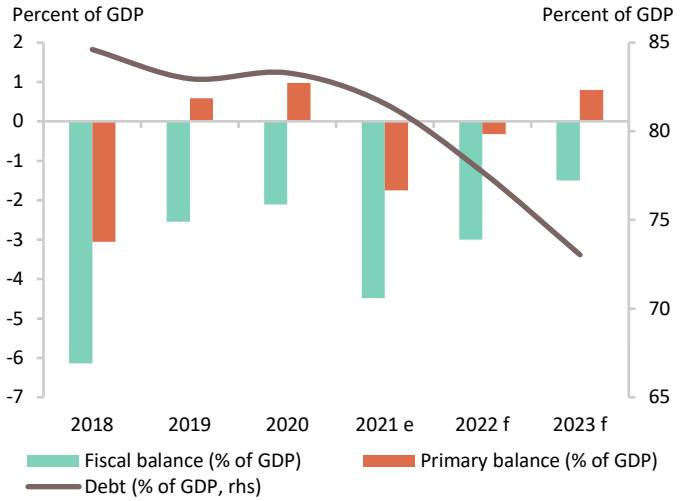
Recent developments

GDP growth fell to -0.2 percent in 2020 (-3.1 percent in per capita terms). The services sector was affected most, as containment measures suppressed private consumption and tourism declined. Nevertheless, flight arrivals are increasing in 2021 but are still 70.7 percent lower in H12021 than during the same period in pre-pandemic 2019. Agricultural productivity and growth look positive thanks to good rains, although early season proved dry. Strong private foreign inflows, especially remittances, continue to support construction and commerce. Private credit is starting to rebound, reflected in a strong growth of 34.7 percent at end-July 2021 in loans to construction sector.

The current account deficit narrowed to 3.6 percent of GDP in 2020 (from 2019), as the tourism drop was offset by remittances and official transfers. FDI financed the deficit, while exchange rate remained stable. Remittances continue to break records, with 59 percent increase in H12021 compared to previous year, and 144 percent higher than in H12019. This has bolstered reserves that reached 4.7 months of next year's imports in end-June 2021.

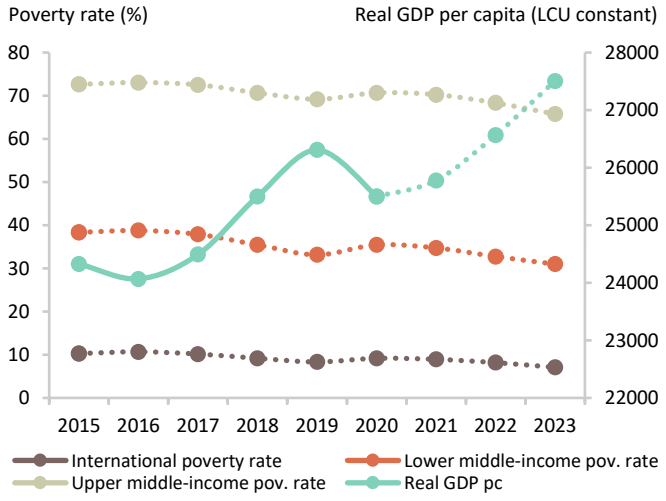
The Government registered a primary surplus in 2020, reducing the fiscal deficit to 2.1 percent of GDP, as donor grants supported most pandemic-related spending. Tax collections reached 99 percent of the pre-COVID-19 target, supported by the revision of reference prices combined with the adoption of transactional-value-based

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.

customs and excise levies. Although expenditure remained stable, recurrent spending increased to accommodate COVID-19 needs, while reallocating funds from lower-priority areas. However, capital expenditure declined due to pandemic-related implementation challenges. Public debt-to-GDP increased from 83 percent in 2019 to 83.3 percent in 2020. Due to previous debt restructuring, relief under the Debt Service Suspension Initiative (DSSI) was modest (0.2 percent of GDP).

Headline inflation increased to 8.2 percent y/y in July 2021, driven by food price increases. This continues the period of high food inflation in 2021, averaging 9.9 percent till July 2021, compared to 6.5 percent in the same period last year. Rising food prices are undermining food security calling for continued government support. The central bank continued with cautious monetary easing, lowering the policy rate from 12.5 percent in end-2019 to 10 percent by May 2020 and maintaining thereafter, while reducing the statutory reserve requirement ratio by 200 basis points to 13 percent in May 2020. Broad money continues to grow, by 23.3 percent at end-July 2021, supported by the build-up of net foreign assets in the banking system.

The pandemic reversed gains in poverty reduction. The international poverty rate increased from 8.4 percent in 2019 to 9.2 percent in 2020, pushing over 25,000 people into poverty. High-frequency phone surveys indicate that job losses (especially in services) peaked with the pandemic, at 26 percent in October 2020 and averaged 21 percent till June 2021, pushing vulnerable households into poverty.

Outlook

The economy is expected to gradually recover in 2021, as private consumption is less constrained by lockdowns and large public infrastructure projects are implemented. Over the medium-term, growth would be spurred by services/tourism, industrial and agricultural activity, and the pandemic-induced adoption of digital technologies. This assumes renewed focus on structural reforms, political stability, and normal weather. Real GDP is projected to grow by 4 percent in 2021 (1.1 percent in per capita terms) and 6 percent in 2022, still below the pre-pandemic rate. Inflation will temporarily increase before dropping to the central bank's 5 percent target by 2025. The current account deficit is expected to widen, driven by the high import content of public investments, as the recovery begins in 2021, and by declining grants and private inflows over time. Exports would grow, supported by revitalized re-exports. The deficit will be financed by FDI and capital transfers. Foreign exchange reserves would hover above 5 months of imports.

The fiscal deficit is projected to widen in 2021, due to lower grants, continued spending on infrastructure, and election-related spending. As the economy recovers, tax revenues should increase, supported by improved tax expenditure monitoring and administrative measures. Expenditures should decrease over the medium-term, as COVID-related spending is withdrawn. Transfers to SOEs are expected to fall, as the Government strengthens corporate governance and balance sheets. The fiscal deficit would gradually start decreasing after 2021, anchored in the Medium-Term Fiscal Framework 2021-25. Savings under DSSI would extend to 0.1 percent of GDP in 2021. Public debt-to-GDP should remain on a downward path.

The international poverty rate is expected to decline to 9 percent in 2021, and 7.1 percent by 2023, driven by the expected recovery in tourism, construction and commerce sectors. Additionally, the cash transfer project in rural Gambia will reduce poverty. Despite an expected favorable cropping season, poor households and those close to the poverty line remain vulnerable, due to adverse weather events.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	7.2	6.2	-0.2	4.0	6.0	6.5
Private Consumption	9.7	4.0	-2.4	4.0	8.4	5.8
Government Consumption	3.7	14.6	10.8	7.8	-3.3	6.0
Gross Fixed Capital Investment	2.0	28.3	41.1	27.5	-1.3	6.4
Exports, Goods and Services	44.2	-10.6	-51.3	18.0	59.5	13.7
Imports, Goods and Services	17.6	-1.7	16.2	27.7	12.2	7.1
Real GDP growth, at constant factor prices	7.2	6.2	-0.2	4.0	6.0	6.5
Agriculture	3.7	-0.5	12.0	3.0	3.3	3.7
Industry	2.0	14.8	9.9	4.9	5.2	7.3
Services	10.1	6.1	-7.3	4.1	7.4	7.2
Inflation (Consumer Price Index)	6.5	7.1	5.9	7.0	6.3	5.8
Current Account Balance (% of GDP)	-9.5	-6.2	-3.6	-12.7	-13.3	-11.2
Fiscal Balance (% of GDP)	-6.1	-2.5	-2.1	-4.5	-3.0	-1.6
Debt (% of GDP)	84.6	83.0	83.3	81.6	77.7	73.0
Primary Balance (% of GDP)	-3.0	0.6	1.0	-1.8	-0.3	0.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	9.2	8.4	9.2	9.0	8.2	7.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	35.5	33.2	35.5	34.8	32.8	31.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	70.7	69.2	70.7	70.3	68.4	65.8
GHG emissions growth (mtCO2e)	2.6	1.5	0.2	8.6	3.6	4.0
Energy related GHG emissions (% of total)	30.2	31.6	31.5	33.5	34.6	36.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2015-IHS.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

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

GHANA

Table 1	2020
Population, million	31.1
GDP, current US$ billion	67.5
GDP per capita, current US$	2170.4
International poverty rate ($1.9)[a]	12.7
Lower middle-income poverty rate ($3.2)[a]	29.3
Upper middle-income poverty rate ($5.5)[a]	55.1
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	104.8
Life expectancy at birth, years[b]	64.1
Total GHG Emissions (mtCO2e)	61.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2019).

Ghana was severely affected by the COVID-19 pandemic: growth decelerated sharply and public finances came under major strain in 2020. While the economy is showing signs of a fragile recovery, the authorities need to balance the need to support the recovery with fiscal prudence. Given the elevated public debt, Ghana needs to maintain continued access to capital markets. The main risk facing Ghana is debt vulnerability heightened by energy sector contingent liabilities.

Key conditions and challenges

The COVID-19 pandemic has halted Ghana's rapid growth spell, and the economy is yet to fully recover. The economy grew at an average of 7 percent in 2017–19, before it experienced a sharp contraction in Q2 and Q3 of 2020, due to a lockdown in the spring and a sharp decline in commodity exports. There was a modest rebound in economic growth 2020Q4, resulting in 0.4 percent growth for 2020.

The economic slowdown had a considerable impact on households. At the height of the pandemic, nearly 3 out of 4 households reported a decrease in their incomes. Data from August/September 2020 show that, as businesses struggled with sales, they reduced wages and worker hours but seldom resorted to layoffs. To cope with the shock, many households reduced their consumption, while many had to rely on savings, borrowing, and the sale of assets to make up for the loss of income. The poverty rate ($3.2) is estimated to have slightly increased in 2020 from 25 percent in 2019 to 25.5 percent in 2020.

The pandemic also had a severe impact on Ghana's fiscal position and halted the government's fiscal consolidation program. As a result, the overall fiscal deficit (including energy and financial sector costs) doubled from 7.6 percent of GDP in 2019 to 15.2 percent in 2020. Meanwhile, public debt increased by almost 16 percentage points to 78.9 percent of GDP in 2020, which means that the risk of debt distress is significant.

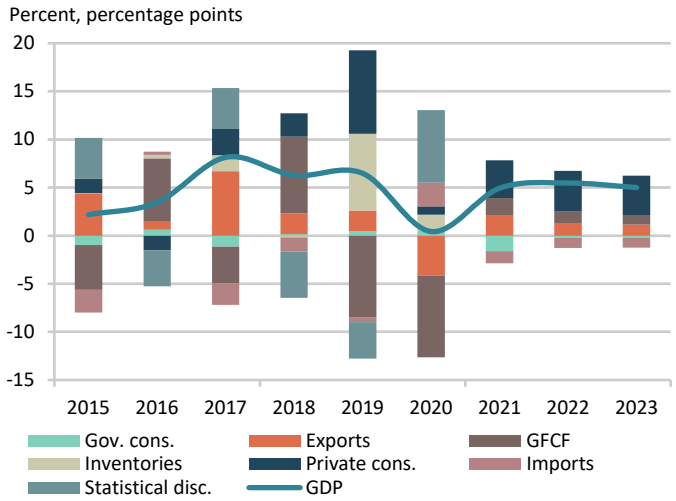
The energy sector continues to pose significant fiscal risks for the country. Sector costs far exceed revenues, costing the budget about 1-2 percent of GDP annually in recent years. The authorities adopted the Energy Sector Recovery Program (ESRP) in 2019 to restore financial and commercial viability, curtail arrears accumulation, and pay outstanding arrears. Implementation of the ESRP is expected to reduce the sector revenue shortfall which will continue to weigh on the fiscal balances.

Low vaccination rates, coupled with the impact of the Delta variant, cloud the outlook. Ghana entered a third wave of the pandemic in July, with new restrictions that dampened economic activity. As of early September, just over 1 million vaccine doses had been administered, only enough to fully vaccinate 2 percent of the population.

Recent developments

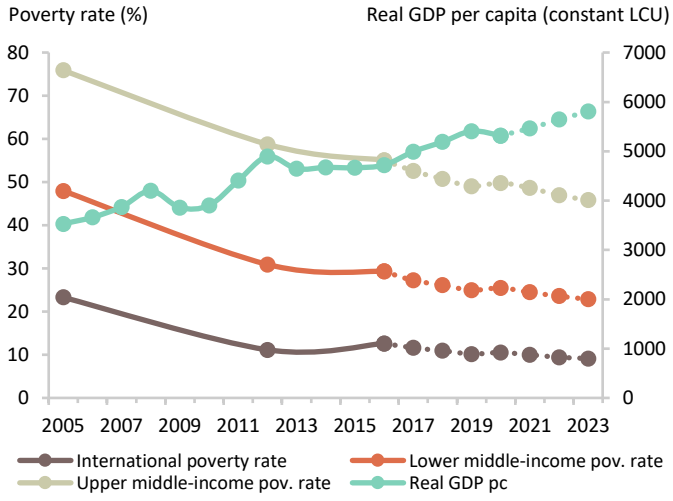
Growth firmed up further in 2021Q1, driven by the strong performance of services (particularly information and communication technologies) and agriculture. Positive growth was recorded despite a sharp contraction in mining and the concurrent second wave of the pandemic. 2021Q2 saw mixed developments: there was some positive demand and trade dynamics, but private sector credit growth slowed. The pandemic has so far only had a moderate impact on the banking sector.

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



Sources: Ghana statistical Service and World Bank.

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



Source: World Bank. Notes: see table 2.

Headline inflation remained relatively low at 7.8 percent in June 2021 as the pandemic-induced food price shock eased and the exchange rate remained stable. With inflation below its 8 percent target, the Bank of Ghana reduced the policy rate by 100 basis points to 13.5 percent in May to support the recovery.

Fueled by the domestic recovery, imports expanded faster than exports in early 2021 while external demand for commodities remained subdued. As a result, the current account deficit widened from 0.8 percent of GDP in 2020Q2 to 1.3 percent of GDP in 2021Q2. However, the deficit was financed by large portfolio inflows and foreign direct investment, which drove the capital and financial account balance to a high of US$3.3billion in 2021Q2. With the proceeds of the March 2021 Eurobonds emission, gross international reserves reached US$11 billion in 2021Q2—equivalent to 5 months' worth of imports of goods and services, up from 4.0 months at end-December 2020.

Provisional fiscal data for 2021H1 suggest that the authorities had to cut spending to make up for revenue shortfalls. The overall fiscal deficit as of end-June 2021 was 5.1 percent of GDP, close to the target of 5.2 percent. Revenue and grants were below target as the pandemic continued to affect business operations and profits, depressing tax revenues. Public expenditure was also below target, notably with lower-than-planned COVID-19-related expenditure (partly because of delays in the vaccination rollout).

Outlook

The economy is projected to recover gradually over the medium term, thanks to commodity price growth and strong domestic demand. Ghana received the equivalent of US$1 billion in the recent IMF SDRs allocation, part of which will go to support economic recovery via the CARES program. Growth is expected to average 5.1 percent per year in 2021–23. After declining by 1.7 percent in 2020, real per capita GDP is projected to return to its pre-COVID-19 level in 2021. Conditional on the recovery benefitting those at the bottom of the distribution, the poverty rate is expected to continue to fall for the foreseeable future. GHG emissions did not fall during the pandemic, and are expected to continue to rise until 2023 as growth resumes. The main risks to the growth outlook are new waves of COVID-19 infections in the region or globally.

The fiscal deficit, including financial and energy sector costs, is expected to remain elevated as the government implements its program to support the economy. The deficit is projected to narrow to approximately 14 percent of GDP in 2021 and to 9.5 percent of GDP by 2023—still well above Ghana's fiscal rule ceiling of 5 percent. Moreover, the public debt stock is expected to rise to 87.4 percent of GDP by 2024, before coming down gradually in the medium term. These projections are dependent on the government meeting its ambitious domestic revenue mobilization targets (starting in 2021), implementing planned spending cuts (starting in 2022), and implementing the ESRP. Finally, continued access to domestic and external financing is critical for Ghana's debt sustainability.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.3	6.5	0.4	4.9	5.5	5.0
Private Consumption	3.8	13.9	1.3	5.8	6.2	6.0
Government Consumption	1.8	5.4	6.4	-18.6	-2.9	-3.5
Gross Fixed Capital Investment	32.7	-27.9	-41.1	14.7	9.2	7.2
Exports, Goods and Services	6.6	6.7	-12.8	7.6	4.5	4.0
Imports, Goods and Services	5.0	1.7	-8.8	4.9	4.2	4.1
Real GDP growth, at constant factor prices	6.2	6.5	0.4	4.9	5.5	5.0
Agriculture	4.8	4.6	7.4	7.9	7.3	3.6
Industry	10.6	6.4	-3.6	4.2	4.9	4.5
Services	2.7	7.6	0.9	4.1	5.0	6.3
Inflation (Consumer Price Index)	9.8	7.9	10.4	9.8	9.6	6.8
Current Account Balance (% of GDP)	-3.1	-2.7	-3.2	-2.4	-4.2	-5.1
Fiscal Balance (% of GDP)	-6.9	-7.6	-15.2	-13.9	-10.5	-9.5
Debt (% of GDP)	58.7	63.3	78.9	83.5	84.9	86.4
Primary Balance (% of GDP)	-1.4	-1.9	-8.8	-5.8	-1.6	-0.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	11.0	10.2	10.5	10.0	9.4	9.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	26.2	25.0	25.5	24.5	23.6	22.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	50.8	49.1	49.8	48.7	47.0	45.9
GHG emissions growth (mtCO2e)	2.8	4.5	2.4	5.5	5.0	5.2
Energy related GHG emissions (% of total)	38.7	39.6	40.3	42.1	43.5	45.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2016-GLSS-VII.Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.

GUINEA

Table 1	2020
Population, million	13.1
GDP, current US$ billion	15.2
GDP per capita, current US$	1160.3
International poverty rate ($1.9)[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]	61.6
Total GHG Emissions (mtCO2e)	43.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2012), 2011 PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2019).

Growth was resilient to the pandemic, accelerating to 7.1 percent in 2020, driven by booming mining production. Capital investment was reduced to contain the increase in the fiscal deficit following COVID-19 measures. Higher donor financing and improved terms of trade supported the fiscal and external deficits. Growth is expected to remain strong, lowering poverty, with down-side risks including prolonged political and social instability triggered by the 2021 coup, persisting COVID-19 impacts, and the deferral of fiscal and structural reforms.

Key conditions and challenges

The Guinean economy has sustained robust growth since 2016, but the economy remains undiversified. It is dependent on mining (17 percent of GDP and 85 percent of exports) while agriculture productivity remains low (which represents 23 percent of GDP). Dependence on bauxite and gold exposes the country to fluctuations in commodity prices. Governance challenges were brought to the forefront by the coup of September 5, 2021. Other constraints to inclusive growth include an underdeveloped financial sector, low investment levels, large infrastructure gaps, and a population with low levels of human capital. Although income inequality is relatively low, gender gaps are widespread in education, earnings, agricultural productivity, and political representation.

Solid macroeconomic and fiscal management have underpinned growth. The nominal exchange rate has stabilized, reducing the gap between the official and parallel exchange rates, although inflation remains high. Fiscal discipline has been achieved by cuts to capital spending to compensate for declining tax revenue since its peak in 2016 (14.2 percent of GDP). The below potential tax revenues can be attributed to ineffective tax administration, and tax exemptions for the mining sector, which contribute to low tax compliance.

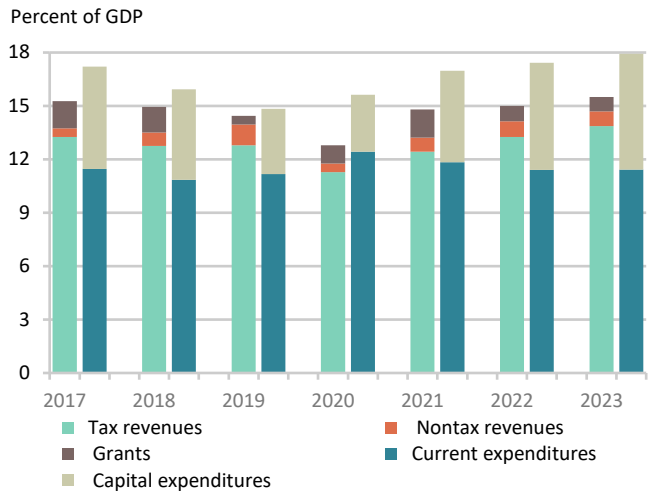
COVID-19 has affected the non-mining sector and exacerbated existing development challenges. Enacting structural reforms to diversify the economy and promote inclusive growth are more urgent now. Guinea is at moderate risk of external debt distress with limited space to absorb shocks. This assessment hinges on commitments to maintain a prudent borrowing plan that maximizes concessional borrowing. Risks to the economic outlook remain skewed to the downside, particularly due to the coup's impact on mining activities, FDI, and delays with the distribution of COVID-19 vaccines.

Recent developments

Economic growth accelerated to 7.1 percent in 2020, 4.1 percent in per capita terms, despite COVID-19. While mining production boomed, the service sector is expected to have contracted by 1 percent due to COVID containment measures. Mining investments boosted bauxite production while higher gold prices bolstered artisanal gold exports. Inflation accelerated from 9.5 percent in 2019, to 11.6 percent in 2020, and 12.4 percent in the first half of 2021, with higher food prices partly due to supply disruptions and an increase in central bank financing to meet the larger fiscal deficit in 2020.

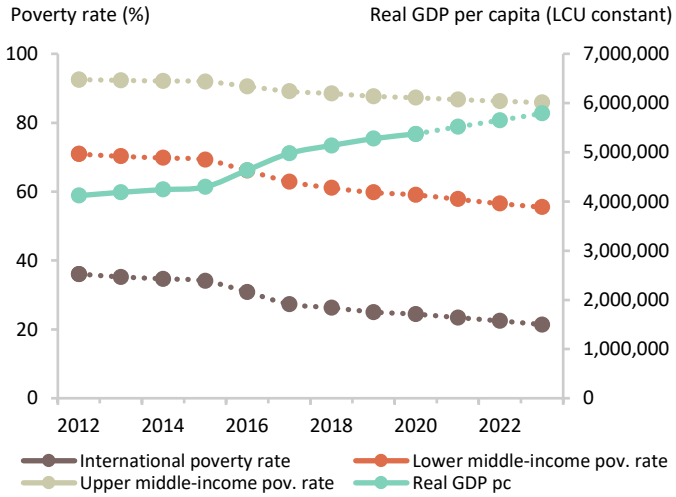
The overall fiscal deficit (including grants) widened to 2.9 percent of GDP in 2020. Tax revenues amounted to 11.3 percent of GDP in 2020, their lowest level since 2011, because of weak tax administration, mining tax exemptions and measures under the

FIGURE 1 **Guinea** / Government revenue and expenditures



Sources: Guinean authorities; and World Bank staff projections.

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



Source: World Bank. Notes: See Table 2.

COVID-19 response plan (e.g., tax exemptions for key products and tax deferrals). Subsidies to the public electricity utility, which had more than doubled in 2019, further increased in 2020 because of subsidies offered under the COVID-19 response plan, and reliance on expensive thermal technology. Under-executed capital expenditures partially offset higher current transfers and social spending to protect vulnerable households. The debt-to GDP ratio increased from 33.8 percent of GDP in 2019, to 43.3 percent in 2021.

The current account deficit widened to 13.7 percent of GDP in 2020, with higher mining exports not totally compensating for higher imports of medicines, sugar, and intermediate and capital goods. Mining-related FDI continued to be the main source of external financing and increased from 9.9 percent of GDP in 2019 to 10.6 percent in 2020. Estimated international reserves increased slightly from 2.1 months of imports in 2019 to 2.2 months in 2020.

Projections based on growth in GDP per capita suggest that the extreme poverty rate, the percentage of the population living below the international poverty line (US$1.90 per capita per day, 2011 PPP), declined from 25 percent in 2019, to 23.6 percent in 2020. This corresponds to over 3.1 million Guineans still living in extreme poverty in 2020. Non-monetary poverty such as deprivations in education, health, and access to basic infrastructure, captured using the Multidimensional Poverty Index, was estimated at nearly 32 percent in 2018, representing a decrease of 4 percentage points from 2012. However, the pandemic will likely reverse gains in human capital. According to survey results, about 5 out of 10 households reported that their children did not engage in any learning activities during school closures, which is likely to lead to high drop-out rates and, consequently, increase poverty among the future generation.

Outlook

Over the medium-term, mining-related investment will continue to drive growth. Growth is likely to decelerate to 5.2 percent in 2021, before accelerating to 6 percent in 2022-2023 as the service sector recovers. Public and private investment in energy and transport will support growth in the construction sector. Better provisioning of agriculture inputs could also improve agricultural productivity. The implementation of structural reforms to strengthen governance and the business climate, as well as more reliable electricity provision, following completion of the Souapiti hydropower project in 2020, should attract private investments and development. Inflation is expected to remain high, but to decline gradually to 7.8 percent by 2023.

The external current account deficit is projected to contract to 9.2 percent of GDP in 2021, reflecting lower imports for infrastructure spending (i.e., completion of the Souapiti dam) and other capital goods. The deficit is projected to increase thereafter, with exports projected to grow slower than imports due to renewed infrastructure spending for road and railways. FDI inflows will meet over 70 percent of financing requirements between 2021 and 2022, with long-term loans meeting the rest.

Extreme poverty is projected to fall steadily to 20.4 percent by 2023. Prospects for poverty reduction are tilted downwards because of the pandemic and any deferral of social reforms and political instability following the coup, which could jeopardize social gains and inclusive development.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.2	5.6	7.1	5.2	6.1	5.9
Private Consumption	3.8	5.4	3.5	3.2	3.1	3.1
Government Consumption	-7.2	-6.3	42.9	5.1	7.9	10.1
Gross Fixed Capital Investment	8.7	-8.4	4.9	20.7	31.8	24.5
Exports, Goods and Services	7.2	-0.6	33.5	5.4	4.8	4.0
Imports, Goods and Services	3.7	-9.5	39.4	7.2	10.2	10.1
Real GDP growth, at constant factor prices	6.7	6.5	7.1	5.2	6.1	5.9
Agriculture	5.4	7.6	6.2	6.9	5.8	6.0
Industry	6.9	7.2	18.5	6.7	7.0	6.7
Services	6.9	5.5	-1.0	3.2	5.4	5.0
Inflation (Consumer Price Index)	9.8	9.5	11.6	9.9	8.0	7.8
Current Account Balance (% of GDP)	-19.5	-10.8	-13.7	-9.2	-11.2	-12.1
Net Foreign Direct Investment (% of GDP)	15.9	9.0	9.9	10.6	12.9	12.9
Fiscal Balance (% of GDP)	-1.1	-0.5	-2.9	-2.2	-2.4	-2.4
Debt (% of GDP)	38.4	33.8	39.1	43.3	42.4	41.7
Primary Balance (% of GDP)	-0.3	0.0	-2.2	-1.3	-1.4	-1.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	26.3	25.0	23.6	22.7	21.4	20.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	61.1	59.8	57.9	56.8	55.4	54.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	88.5	87.7	86.8	86.4	85.8	85.0
GHG emissions growth (mtCO2e)	0.1	3.3	2.7	8.4	4.5	4.6
Energy related GHG emissions (% of total)	14.7	14.8	15.1	15.0	15.1	15.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2012-ELEP.Actual data: 2012. Nowcast: 2013-2020. Forecast are from 2021to 2023.

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

GUINEA-BISSAU

Table 1	2020
Population, million	2.0
GDP, current US$ billion	1.4
GDP per capita, current US$	700.0
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]	58.3
Total GHG Emissions (mtCO2e)	4.5

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2010), 2011 PPPs.
(b) WDI for School enrollment (2010); Life expectancy (2019).

Real GDP contracted by 1.4 percent in 2020, driven by COVID-19 containment measures, adverse weather, and weak external demand for cashew nuts. The fiscal deficit widened considerably which led to an increased debt-to-GDP ratio. Growth is projected to recover in 2021, as the cashew market recovers. The medium-term will require fiscal consolidation to maintain debt sustainability. The 2020 floods highlight the country's vulnerability to climatic shocks. Poverty has increased and is projected to remain high in the medium-term.

Key conditions and challenges

Exports of raw cashew nuts, which account for 90 percent of merchandise exports, determine economic performance in Guinea-Bissau. Cashew production is dispersed among many smallholder farmers, whose income supports overall economic activity. Annual GDP grew 5.4 percent on average between 2015 and 2017 (3.2 percent in per capita terms) as cashew prices reached record highs, but Guinea-Bissau is structurally vulnerable to terms-of-trade shocks and climatic risks. Raw cashew prices have been on a downward trajectory since 2018, adversely affecting economic growth, poverty, and government finances. Around 15 percent of tax revenue is directly related to cashew exports.

Limited diversification and low productivity in the primary sector keep the country highly dependent on food and capital imports. As COVID-19 has accentuated the need for transformation, the government launched a new development plan aiming to i) modernize public institutions, ii) accelerate job creation iii) boost the productive sector and infrastructure iv) improve human capital and living conditions v) promote regional integration and vi) preserve biodiversity. However, progress has been slow given the country's limited fiscal space and high debt levels.

The pandemic and high primary deficits and externally financed infrastructure projects led to considerable debt accumulation and high debt servicing costs. However, political stability is expected to enable reforms in public expenditure management and increase revenue mobilization to gradually reduce the fiscal deficit while supporting growth.

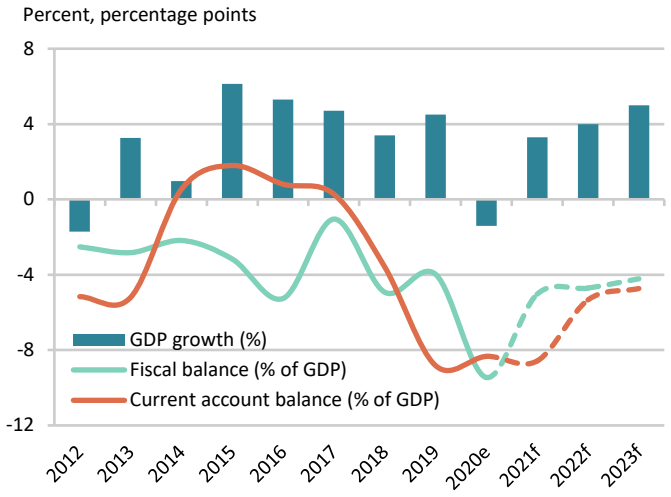
Recent developments

The economy contracted 1.4 percent in 2020 (3.5 percent in per capita terms), down from 4.5 percent in 2019. This was driven by a collapse in agriculture, which contributed 5.8 percent to GDP growth in 2019, but negative 0.8 percent in 2020. Private consumption fell from 1.4 percent in 2019 to a contraction of 3.8 percent in 2020 and government consumption fell from 16.6 percent to 9 percent. Severe flooding in September also had a negative impact. High frequency indicators show growth in the first quarter of 2021 of 2.7 percent.

The trade deficit widened to 16.3 percent in 2020, driven by reduced cashew exports and prices, which fell 21 and 9.8 percent respectively between 2019 and 2020. The current account deficit (CAD) stood at 8.8 percent in 2020. The pandemic related trade disruptions caused capital inflows and FDI to reduce to 0.9 percent and 0.8 percent of GDP in 2020, respectively. The CAD in 2020 was financed mostly by grants and concessional loans.

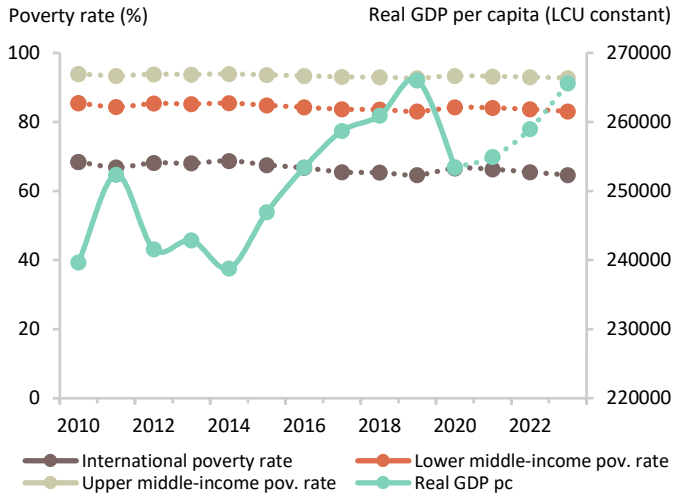
The fiscal deficit increased from 3.9 percent of GDP in 2019, to 9.5 percent in 2020, owing to pandemic affected tax revenues falling to 8.2 percent of GDP and

FIGURE 1 Guinea-Bissau / Evolution of main economic indicators



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes see Table 2.

COVID-related expenditure in health and social protection, and sectoral support for the cashew campaign, in the form of on-lending to the banks, reaching 5.4 percent of GDP, including 2.6 percent on capital expenditure for equipment, infrastructure and vaccines. The primary deficit grew from 2.8 percent in 2019, to 7.8 percent in 2020, and was filled by international donors and treasury issuances with WAEMU commercial banks. The country is at high-risk of overall debt distress and participates in the G-20 Debt Service Suspension Initiative. Inflation increased from 0.3 percent in 2019, to 1.5 percent in 2020 due to COVID-related supply disruptions. Guinea-Bissau's monetary policy is managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA franc and the euro. Reserves have remained stable since 2019, and reached an estimated 5.8 months of imports in 2020, due to donor support and Eurobond issuance in Cote d'Ivoire. To support the regional economy and COVID-19 related extra spending, the BCEAO implemented a set of monetary and macroprudential measures beginning in March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds. These measures were extended into 2021.

The contraction of the economy resulted in an increase in the incidence of poverty from 64.6 to 66.6 percent (US$1.9 per day in PPP 2011) between 2019 and 2020, corresponding to 69,000 additional poor people. High frequency phone surveys for March 2021 indicate that more than 80 percent of households feel food insecure, and 75 percent are unable to cover transport and energy expenses.

Outlook

Real GDP growth is projected to reach 3.3 percent in 2021, as successful vaccine rollout in other countries supports recovery by increasing demand for cashew. Growth should reach 5 percent in the medium term, driven by agriculture production, with per capita growth surpassing 2019 levels in 2023.

The CAD is expected to reach 8.6 percent in 2021, declining to 4.7 percent by 2023, as exports of cashew increase, and imports reduce to pre-COVID levels. Potential investment in rice production, the main staple food, may further reduce imports. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF that may be on-lent to member countries.

Fiscal consolidation is a medium-term objective of the government. Authorities aim to contain the wage bill and number of civil servants, while weekly Treasury Committee meetings and the implementation of a Treasury Single Account will help control expenditure. These reforms, coupled with efforts to broaden the tax base and improve tax administration, should support fiscal consolidation with the deficit declining from 5 percent in 2021, to meet the regional convergence criteria of 3 percent by 2025. Public debt is projected to decline gradually over the medium term, and to 75.7 percent by 2023. Inflation is expected to rise to 1.9 percent in 2021, and remain steady over the medium-term.

Poverty is projected to remain high in 2021, with 66.3 percent living below the poverty line. Poverty is expected to decline by 0.8 percentage points in 2022, and to reach the pre-pandemic level of 64.6 percent in 2023. The high dependance of rural households on cashew crops may limit opportunities for further poverty reduction in a context of lower prices and climatic shocks.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	3.4	4.5	-1.4	3.3	4.0	5.0
Private Consumption	-0.5	1.4	-3.8	2.1	2.3	3.5
Government Consumption	5.1	16.6	9.0	4.6	1.7	4.1
Gross Fixed Capital Investment	7.6	33.8	9.6	10.1	8.7	6.8
Exports, Goods and Services	14.4	8.7	-10.2	4.7	10.4	10.2
Imports, Goods and Services	-8.5	14.1	-3.0	5.0	5.1	5.3
Real GDP growth, at constant factor prices	3.4	4.5	-1.4	3.3	4.0	5.0
Agriculture	3.4	5.8	-0.8	4.1	4.3	5.1
Industry	5.7	4.2	-0.7	2.9	4.8	6.1
Services	2.7	3.5	-2.1	2.7	3.5	4.6
Inflation (Consumer Price Index)	0.4	0.3	1.5	1.9	2.0	2.0
Current Account Balance (% of GDP)	-3.6	-8.8	-8.3	-8.6	-5.3	-4.7
Fiscal Balance (% of GDP)	-4.9	-4.0	-9.5	-5.0	-4.7	-4.2
Debt (% of GDP)	59.2	65.9	79.3	78.4	77.5	75.7
Primary Balance (% of GDP)	-4.3	-2.8	-7.8	-3.4	-2.7	-2.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	65.3	64.6	66.6	66.3	65.4	64.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	83.6	83.0	84.2	84.0	83.6	83.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.9	92.6	93.3	93.1	93.0	92.7
GHG emissions growth (mtCO2e)	1.3	1.9	0.4	2.5	2.6	3.2
Energy related GHG emissions (% of total)	12.6	12.9	13.1	13.5	13.7	13.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2010-ILAP-II.Actual data: 2010. Nowcast: 2011-2020. Forecast are from 2021to 2023.

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

KENYA

Table 1	2020
Population, million	53.8
GDP, current US$ billion	1010
GDP per capita, current US$	1877.3
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]	66.7
Total GHG Emissions (mtCO2e)	97.1

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2019).

Kenya's economy has staged a significant recovery from the COVID-19 shock, helped by supportive policies, although some sectors remain severely affected. After the increase in poverty in 2020, the pre-COVID downward trend is expected to resume as households adapt to changing economic conditions. Near-term growth prospects hinge on the pace of vaccination. Resuming fiscal consolidation in the medium term is essential to reduce debt sustainability risks and support a strong private sector-led recovery.

Key conditions and challenges

Kenya achieved strong GDP growth in the decade prior to the pandemic, averaging 5.0 percent per year, supported by increased public spending reflecting an ambitious development agenda that included plugging the large infrastructure gap and implementing devolution. While this robust growth produced a substantial reduction in inequality and poverty, the debt-financed public spending-led expansion has reached its limit as revenue growth has not kept pace, fiscal space has narrowed, and debt vulnerabilities have mounted. The fiscal deficit increased from 3.1 percent of GDP in 2010/11 to 8.3 percent in 2020/21 and public debt rose from 38.3 percent of GDP in 2010/11 to 68.3 percent in 2020/21. The pandemic caused real GDP to contract by 0.3 percent in 2020, forcing a pause in fiscal consolidation and increasing Kenya's risk of external debt distress to high. The country now faces an urgent challenge to implement fiscal consolidation, strengthen debt management capacity, and reorient the economy towards sustainable, private-sector-led growth.

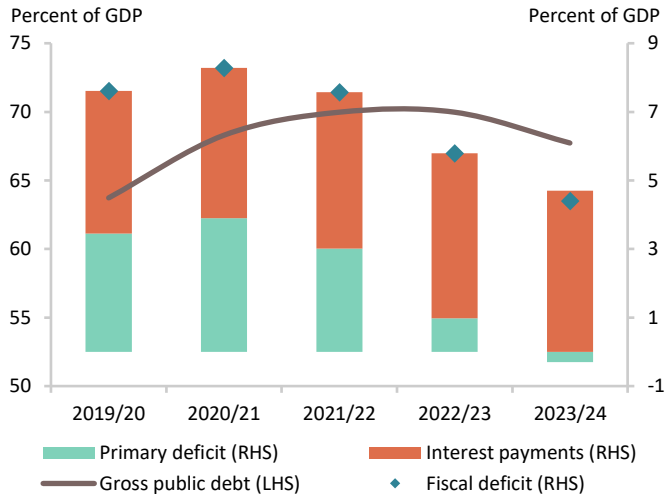
Continued policy and institutional reform progress can support productivity growth, job creation and laying the foundation for green, resilient and inclusive development. Priorities include reforms to address barriers and distortions in key factor and product markets, address the role and performance of state-owned enterprises, improve access to financing (including by reducing public financing needs to open more space for credit to flow to the private sector), and invest efficiently in both human capital and physical infrastructure.

While Kenya plans to inoculate all 30 million people aged 18 and above against COVD-19 by end-2022, the vaccination program still has a long way to go and, like many countries, Kenya has faced considerable challenges in procuring vaccines. As of September 15, only about 8 percent of the target population had received their first free dose. COVID-19 vaccine hesitancy is low, however, with about 82 percent of Kenyans willing to take a free jab, with no difference between poor and non-poor households.

Recent developments

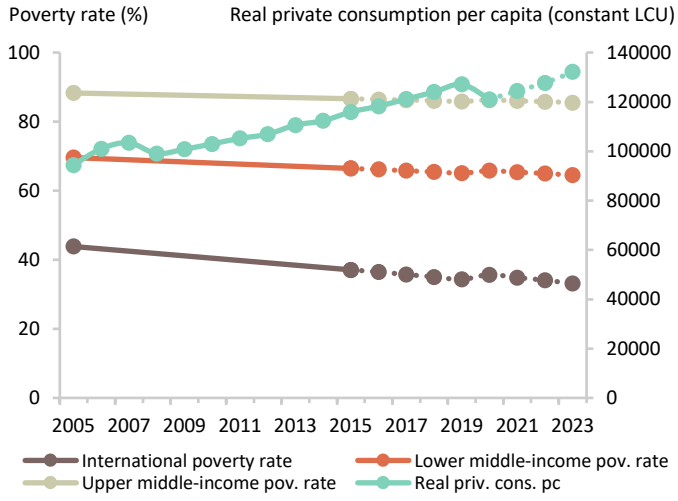
The economy has staged a significant rebound in 2021 so far. The Purchasing Managers' Index shows generally steady expansion in business activity, supported by adequate agricultural harvests, the recovery in global demand, a partial resumption of international travel, and a broad-based recovery in manufacturing. A recent Central Bank of Kenya (CBK) survey shows that most hotels are now open and average bed occupancy has tripled from its low in mid-2020 (although it remains well below pre-COVID-19 levels). GDP growth is projected at 5.0 percent in 2021.

FIGURE 1 **Kenya** / Fiscal deficit and public debt



Sources: The National Treasury and Kenya National Bureau of Statistics.

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



Source: World Bank. Notes: see Table 2.

While monetary and fiscal policies continue to support the economic recovery, many tax and regulatory relief measures have been normalized on the back of improved economic conditions. Since January 2021, pre-pandemic income tax and VAT rates were restored, measures to encourage mobile money use have been withdrawn, and relief on the extension and restructuring of loans has expired. Nevertheless, the government has remained focused on supporting the healthcare system to cope with the pandemic, and also maintained income tax relief for the lowest-earning taxpayers. Monetary policy has remained accommodative, with the CBK retaining the 125 basis point (bp) reduction in the policy rate and 100bp reduction in the cash reserve ratio made at the start of the pandemic.

The international poverty rate is expected to decline by nearly a percentage point from 35.7 percent in 2020 to 34.9 percent in 2021. Kenyan households, particularly those in urban areas, are recovering from a sharp poverty increase during 2020 as also evidenced by rapid response phone surveys. The 2020 poverty uptick resulted in a new group of poor who are younger and more educated than the pre-COVID-19 poor, and typically working in the services sector. Food insecurity increased following the renewed containment measures in April 2021, with lack of food being a major problem for 42 percent of households.

Outlook

The economy is expected to continue to recover in the near term, although uncertainty remains elevated. GDP growth is projected to be 4.8 percent on average in 2022–23, supported by the ongoing vaccination drive, a pickup in wages and household incomes, resilient remittances that will support private consumption, and rising external demand for Kenya's merchandise exports. Strengthening external demand is expected to support agriculture, while the reopening of the economy will help recovery in industry and services, though services are expected to recover more gradually. The baseline assumes that fiscal consolidation efforts resume, reducing debt vulnerabilities and supporting investor confidence and private sector credit growth. The fiscal deficit is expected to narrow to 4.4 percent of GDP in FY2023/24 (Figure 1). General elections are scheduled to be held in August 2022, likely creating headwinds for investment next year, in line with the historical precedent which suggests that some investment activity is paused ahead of elections. A renewed intensification of the pandemic (including due to significant delays in the vaccination rollout), more disruptive election cycle, adverse weather conditions (including if the severe drought currently affecting some areas were to worsen and spread), or a weaker than expected global economic backdrop, are the key risks to Kenya's projected recovery. Realization of these downside risks could result in lower GDP growth of below 4 percent in 2022. Corresponding to the projected economic recovery, poverty is expected to resume its downward trend with a decline of 0.8 percentage points annually in 2022 and just under a percentage point reduction in 2023. However, this will require support for the worst affected households as well providing universal access to the COVID-19 vaccine. Furthermore, investments in inclusive policies that can promote private sector job creation, and the enhancing of safety net programs, are needed to sustainably reduce poverty and inequality in the future.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	5.6	5.0	-0.3	5.0	4.5	5.0
Private Consumption	4.7	4.9	-2.7	5.2	4.9	5.8
Government Consumption	7.0	7.0	4.3	3.5	3.0	2.5
Gross Fixed Capital Investment	-0.4	3.8	3.4	4.0	3.6	4.9
Exports, Goods and Services	6.8	-3.2	-8.2	8.0	5.0	6.5
Imports, Goods and Services	1.4	1.8	-8.5	5.0	4.0	7.0
Real GDP growth, at constant factor prices	5.5	5.2	0.3	5.0	4.5	5.0
Agriculture	5.7	2.6	4.8	3.1	2.5	2.8
Industry	3.8	3.4	4.0	4.8	2.6	3.3
Services	6.0	6.7	-2.2	5.7	5.8	6.2
Inflation (Consumer Price Index)	4.7	5.2	5.3	6.0	5.0	5.0
Current Account Balance (% of GDP)	-5.4	-5.3	-4.6	-5.3	-5.4	-5.5
Net Foreign Direct Investment (% of GDP)	1.6	0.9	0.5	0.5	0.7	1.4
Fiscal Balance (% of GDP)	-7.1	-7.4	-7.9	-7.9	-6.7	-5.1
Debt (% of GDP)	57.9	59.5	65.8	69.2	70.1	69.0
Primary Balance (% of GDP)	-2.7	-3.2	-3.7	-3.8	-2.3	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	35.1	34.4	35.7	34.9	34.1	33.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.5	65.1	65.8	65.4	65.0	64.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	86.1	85.9	86.2	86.0	85.8	85.5
GHG emissions growth (mtCO2e)	1.7	2.7	2.6	3.3	3.6	3.8
Energy related GHG emissions (% of total)	53.6	52.9	50.8	49.6	49.2	49.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2005-IHBS and 2015-IHBS.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

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

LESOTHO

Table 1	2020
Population, million	2.1
GDP, current US$ billion	2.2
GDP per capita, current US$	1047.6
International poverty rate ($1.9)[a]	27.2
Lower middle-income poverty rate ($3.2)[a]	49.9
Upper middle-income poverty rate ($5.5)[a]	73.2
Gini index[a]	44.9
School enrollment, primary (% gross)[b]	120.9
Life expectancy at birth, years[b]	54.3
Total GHG Emissions (mtCO2e)	5.8

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2017), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2019).

Economic growth is expected to recover in 2021, even though output would remain below pre-COVID-19 levels. The economy is expected to rebound and grow by 3.2 percent in 2021 mainly due to the recovery in mining, manufacturing, and construction. Estimates indicate this will be accompanied by a decrease in poverty from 32.1 percent in 2020 to 30.3 percent in 2021, using the international poverty line.

Key conditions and challenges

Since 2017, Lesotho has been experiencing economic contractions, which have been exacerbated overtime by natural disasters, political instability, and the negative impact of COVID-19. In recent years the country has been led by unstable coalition governments characterized by frequent change of cabinet, which has delayed reform progress. More splits in the current ruling coalition are expected ahead of the national elections, scheduled for September 2022.

Unsolved structural impediments to growth in South Africa led recently to attacks on businesses and looting that were predominant in the Kwazulu-Natal and Gauteng provinces. This, together with the impacts of COVID-19 in the neighboring country, are expected to affect remittances to Lesotho. With just 0.6 percent of the population inoculated as of end August, the low pace of vaccination in the country is likely to hinder growth in the short run. Progress in reducing debt levels has been reversed largely due to increased external borrowing associated with the policy responses to mitigate the negative impact of COVID-19.

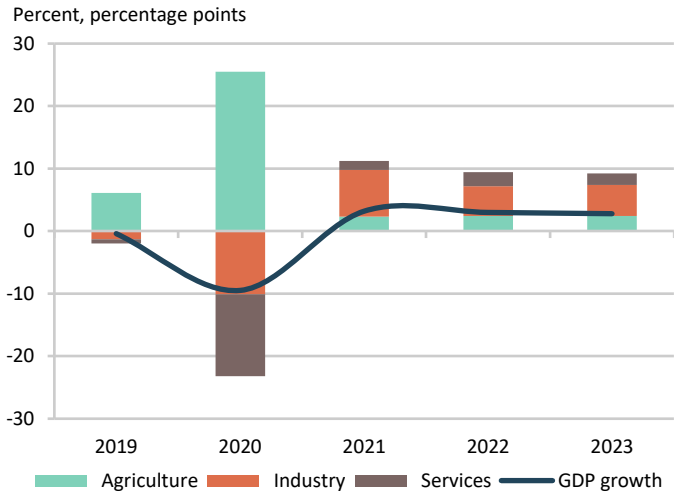
The pandemic is unfolding in a context of high poverty, inequality, and unemployment. About a third of the population still lives on less than US$1.90/person/day (in 2011 PPP terms). Poverty is concentrated in rural regions, which tend to have poorer access to basic infrastructure and services. Rural communities are more vulnerable to climatic shocks, which contributes to erratic and generally low productivity in agriculture, a sector that is a source of livelihoods for most of the rural population. The pandemic has worsened economic vulnerability and food insecurity in the country. The World Food Programme (WFP) projections suggest that about 312,000 people from rural areas and 158,000 people from urban areas will be food insecure between October 2021 to March 2022.

Recent developments

Following a 9.5 percent decline in 2020, GDP growth contracted by 13.8 percent (year-on-year) during the first quarter of 2021, largely due to the COVID-19-related restrictions and lockdowns. The largest declines were recorded in the transport and storage sector (62.2 percent), followed by hotels and restaurants (which contracted by 54 percent). The information and communication sector, and the wholesale and retail trade sector were also significantly affected. The international poverty rate is estimated to have increased from 25.7 percent in 2019 to 32.1 percent in 2020 (at US$1.90/person/day, in 2011 PPP terms).

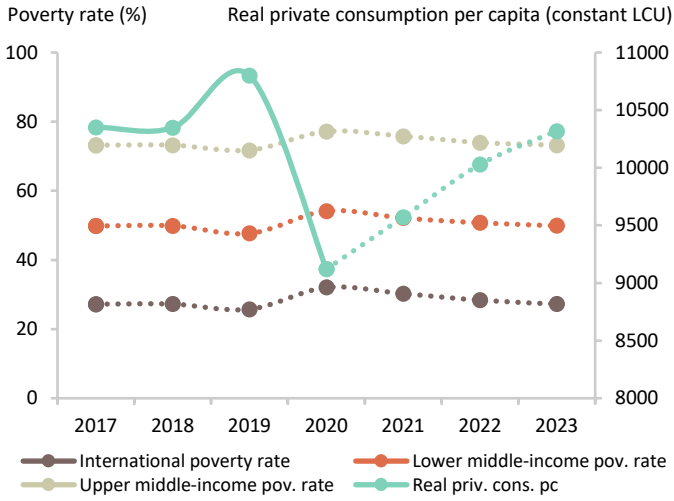
Inflation, at 5.5 percent in July 2021, has remained stable since January, and is largely driven by food and energy prices, amidst supply-demand challenges imposed by closure of borders and domestic lockdown measures during 2020. The

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



Sources: WDI and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

Central Bank of Lesotho (CBL) has maintained the policy rate unchanged at 3.5 percent per annum since July 2020 to facilitate the recovery from the COVID-19 shock and to ensure that the domestic cost of funds remain aligned with the rest of the region.

On the external side, the current account deficit narrowed from a revised 3.4 percent of GDP in 2019 to a revised 2.1 percent in 2020, reflecting a decline in trade flows and low demand, as well as higher Southern African Customs Union (SACU) revenue inflows. Meanwhile, the fiscal deficit has increased, driven by higher public expenditure largely due to temporary COVID-19 response measures and a growing public wage bill.

Outlook

Economic growth is forecasted to rebound to 3.2 percent in 2021, and average 2.9 percent in the medium-term. Agricultural subsidies on fertilizers, seeds and other inputs, are expected to contribute to crop production. Medicinal cannabis farming as well as horticulture farming projects are also expected to contribute to the sector's grow. In addition to agriculture, projected recovery in the medium-term is set to be led by a rebound in the mining, manufacturing (including textiles) and construction activities on the back of supportive external demand conditions and improved business and consumer confidence. The advanced stages of construction activities associated with the commencement of the transfer tunnel and the dam under the second phase of Lesotho Highlands Water Project (LHWP-II) are expected to have a positive impact on growth in the medium term. Services are also expected to recover to near pre-pandemic levels in the medium-term as less restrictions are imposed and more travel is permitted, adding impetus to the growth momentum.

Inflation is expected to follow developments in the regional food and energy prices and could be affected by further restrictions of movement and the closure of borders. Key inflationary pressures are expected to emanate from food prices and administered prices which are likely to be revised upwards in the medium-term. Monetary policy stance is to remain accommodative in the mid run.

The precarious fiscal situation and policy uncertainly are also weighing down the economic outlook. Tax revenues and SACU receipts have been adversely hit, leading to a widening fiscal gap in 2021 and 2022. It remains unclear as how this gap will be financed given the limited government buffers and limited domestic borrowing capacity. Public debt stock is projected to increase steadily from an estimated 51.7 percent of GDP in 2020 to 55.9 percent in 2021, prior to moderating again as growth resumes. The government is in discussion with the IMF for a new program.

With the recovery from COVID-19, poverty is expected to trend downwards but will remain higher than in 2019. The US$1.90/person/day (in 2011 PPP terms) poverty rate is project to fall slightly to 30.3 percent in 2021 and to 28.4 percent in 2022. The poverty levels are projected to remain higher than pre-COVID-19 levels, a reflection of slow labor market recovery from COVID-19-related lockdown measures which led to job and income losses. Accelerating poverty reduction will require support for the worst affected households and providing universal access to the vaccine.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	-1.2	-0.4	-9.5	3.2	3.0	2.8
Private Consumption	0.8	5.2	-14.9	7.8	3.6	3.6
Government Consumption	-1.9	7.8	19.7	-7.1	-0.5	-3.7
Gross Fixed Capital Investment	-49.7	78.1	-9.2	129.8	24.0	37.0
Exports, Goods and Services	6.5	-7.2	-7.7	-0.2	1.6	2.2
Imports, Goods and Services	-4.7	-1.2	-2.1	15.6	6.8	10.3
Real GDP growth, at constant factor prices	-1.2	-0.4	-9.5	3.2	3.0	2.8
Agriculture	-13.2	6.1	25.5	2.3	2.4	2.4
Industry	3.6	-1.3	-10.1	7.5	4.8	5.0
Services	-1.8	-0.7	-13.1	1.4	2.2	1.8
Inflation (Consumer Price Index)	4.0	5.2	5.0	5.4	5.3	5.3
Current Account Balance (% of GDP)	-1.7	-3.4	-2.1	-7.9	-12.6	-11.2
Net Foreign Direct Investment (% of GDP)	1.6	1.5	1.7	1.4	1.4	1.5
Fiscal Balance (% of GDP)	-4.6	-5.6	-1.0	-6.6	-11.8	-8.0
Debt (% of GDP)	45.1	42.9	51.7	55.9	53.8	56.3
Primary Balance (% of GDP)	-3.8	-4.6	-0.1	-6.3	-11.6	-7.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.2	25.7	32.1	30.3	28.4	27.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	49.9	47.7	54.2	52.1	50.8	49.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	73.2	71.7	77.2	75.8	74.0	73.2
GHG emissions growth (mtCO2e)	1.2	0.8	-1.5	-0.2	2.2	2.3
Energy related GHG emissions (% of total)	70.1	71.4	71.6	71.7	71.8	71.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2017-CMSHBS.Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.

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

LIBERIA

Table 1	2020
Population, million	5.1
GDP, current US$ billion	3.2
GDP per capita, current US$	627.5
International poverty rate ($ 1.9)[a]	44.4
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	85.1
Life expectancy at birth, years[b]	64.1
Total GHG Emissions (mtCO2e)	22.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2016), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2019).

Liberia's economy is rebounding after contracting for two consecutive years. Real GDP growth is projected at 3.6 percent in 2021 and an average of 4.9 percent in 2022-23, allowing per capita GDP to increase for the first time since 2016. Nevertheless, poverty is expected to slightly increase as per capita consumption continues to contract, with growth being driven by export of commodities.

Key conditions and challenges

The COVID-19 pandemic unfolded at a time when Liberia's economy was already weak. In 2020, the economy contracted for the second year in a row, and extreme poverty is estimated to have increased. Moreover, Liberia experienced a third wave of COVID-19 infections in June 2021, and data from the latest High-Frequency Survey, conducted in July 2021, suggest that pandemic-related challenges persist.

In the context of large pre-existing imbalances, the authorities have sought to restore macroeconomic stability while responding to the pandemic. Notably, the Central Bank of Liberia (CBL) has maintained a tight monetary policy stance to help contain inflation, and the government has continued fiscal consolidation, with strong revenue efforts that paid off even at the height of the pandemic.

Recent developments

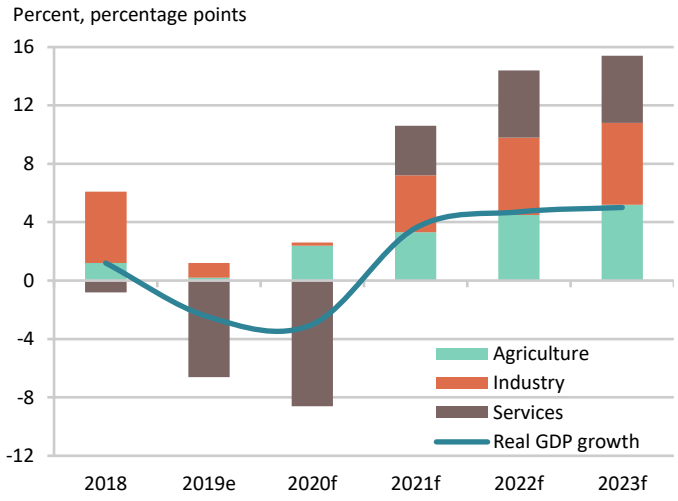
Liberia's economy is recovering, with output expanding in key sectors over the first five months of 2021. In agriculture, rubber and crude palm oil production increased by 29.3 percent and 3.3 percent, year-on-year, respectively, due to a recovery in international prices. In industry, the production of gold, cement, and beverages increased, reflecting favorable international prices as well as an uptick in export, construction, and consumption. While iron ore production increased by 14.6 percent compared to the first five months after the lockdown (from April to August 2020), it fell by 8.3 percent, year-on-year, as production remained below pre-COVID-19 levels.

Notwithstanding the rebound in economic activity, inflationary pressures have moderated. The rate of inflation slowed steadily to 7.1 percent by July 2021 due to a decline in food prices and the CBL's cautious monetary stance. Modest inflationary pressures allowed the CBL to cut its policy rate by 500 basis point to 20 percent in August 2021 to improve liquidity conditions and support growth.

Despite the recovery, poverty is expected to increase to 52.1 percent, as growth in private consumption remains modest because of the COVID-19 pandemic. The last COVID-19 High-Frequency Survey shows the that about 35 percent of the businesses reported a decline in revenue and more than 80 percent of the households were worried about not having enough food to eat.

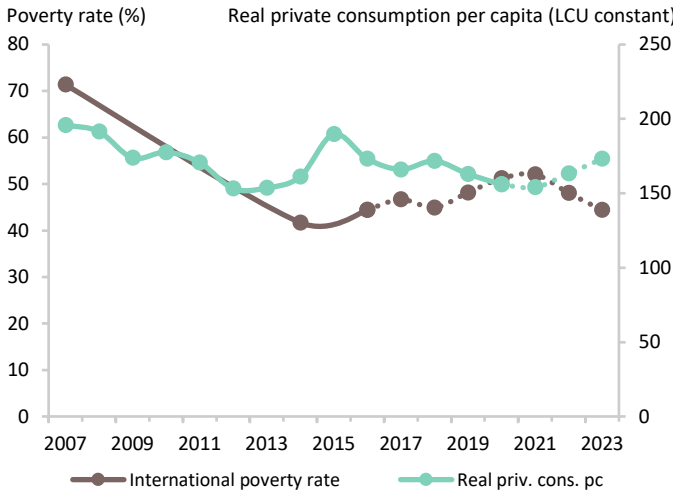
Liberia's fiscal position improved in the first five months of 2021 due to increased revenues and spending consolidation. Total revenues and grants increased to US$249.3 million, while total expenditure reached US$286.4 million, yielding a fiscal deficit of US$37.1 million (1.1 percent of GDP). With the amended PFM act requiring Liberia to align its fiscal year to the calendar year by 2022, the legislature has approved a special budget to fund fiscal operations from July 1 to December 31, 2021. Total revenues and

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



Source: World Bank staff calculations based on IMF and CBL data.

FIGURE 2 Liberia / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: see Table 2.

grants are projected at US$429 million (12.7 percent of GDP) during the period (from July 1 to December 31, 2021), with domestic revenue representing an expected 70 percent of public resources as the government increases the Goods and Service Tax rate to 11 percent and imposes an airport departure tax at US$25 per passenger. Total expenditure is projected at US$458.2 million (13.6 percent of GDP, including donor-financed projects), with current expenditure representing 60 percent of the special budget. The fiscal deficit of the special budget is projected at 0.9 percent of GDP and is expected to be fully financed by external loans.

The recovery in the price of Libera's main export commodities, on the back of renewed international demand, has boosted the value of exports and improved the trade balance. Between January and May 2021, iron ore, gold, and rubber exports increased considerably, resulting in an increase in the value of exports by 71.2 percent, higher than the 40.0 increase in the value of imports.

Outlook

Liberia's economy is projected to expand by 3.6 percent in 2021 and an average of 4.9 percent in 2022-23. Growth will be driven mainly by the mining sector and external demand. Structural reforms are expected to increase activity in mining, agriculture, and construction. Per capita GDP is expected to return to pre-COVID-19 levels by 2023.

Headline inflation is projected to average 9.8 percent in 2021 and remain in single digits in 2022-23. With continued tight monetary policy and sustained fiscal consolidation, it is expected to fall further to 8.5 percent by 2023. The poverty rate is projected to decline to 48.1 percent in 2022, the first time in five years.

Liberia's fiscal and external balances are expected to improve due to continued fiscal consolidation, a strong global economy, and favorable price dynamics for Liberia's main exports. The overall fiscal deficit is projected to fall from 2.9 percent in 2021 to an average of 2.4 percent of GDP in 2022-23, while the current account deficit is projected to narrow from an estimated 16.4 percent of GDP in 2020 to an average of 15.3 percent of GDP in 2021-23.

The outlook is, however, subject to high levels of uncertainty and significant downside risks. External risks include: (i) a resurgence of COVID-19 infections, given low vaccination rates; and (ii) adverse commodity price dynamics. Internal risks are linked to the government's commitment to reform, which needs to be maintained for growth and poverty reduction to materialize.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	1.2	-2.5	-3.0	3.6	4.7	5.0
Private Consumption	6.0	-2.8	-1.9	1.1	8.6	8.6
Government Consumption	-4.3	4.0	-11.6	2.6	-9.8	-17.1
Gross Fixed Capital Investment	-13.6	-4.3	0.2	-0.3	3.4	6.2
Exports, Goods and Services	-0.3	1.6	-10.2	15.4	2.0	2.0
Imports, Goods and Services	-13.8	0.4	-7.4	1.3	3.1	3.1
Real GDP growth, at constant factor prices	0.8	-2.9	-2.9	3.4	4.7	5.0
Agriculture	1.2	0.2	2.4	3.3	4.5	5.2
Industry	4.9	1.0	0.2	3.9	5.3	5.6
Services	-0.8	-6.6	-8.6	3.4	4.6	4.6
Inflation (Consumer Price Index)	20.4	27.0	17.4	9.8	11.0	8.5
Current Account Balance (% of GDP)	-22.3	-20.5	-19.4	-16.5	-15.5	-15.1
Fiscal Balance (% of GDP)	-4.6	-5.6	-3.4	-2.9	-2.5	-1.7
Debt (% of GDP)	38.2	48.5	52.2	56.0	55.2	53.6
Primary Balance (% of GDP)	-4.0	-5.0	-2.2	-1.9	-0.6	0.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	44.9	48.2	51.2	52.1	48.1	44.4
GHG emissions growth (mtCO2e)	0.6	-0.3	-0.7	3.0	3.4	3.5
Energy related GHG emissions (% of total)	36.1	35.9	35.4	35.5	35.7	35.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2016-HIES.Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2016) with pass-through = 1 based on private consumption per capita in constant LCU.

MADAGASCAR

Table 1	2020
Population, million	27.7
GDP, current US$ billion	13.4
GDP per capita, current US$	483.8
International poverty rate ($1.9)[a]	78.8
Lower middle-income poverty rate ($3.2)[a]	91.5
Upper middle-income poverty rate ($5.5)[a]	97.5
Gini index[a]	42.6
School enrollment, primary (% gross)[b]	134.1
Life expectancy at birth, years[b]	67.0
Total GHG Emissions (mtCO2e)	42.5

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2012), 2011 PPPs.
(b) Most recent WDI value (2019).

The COVID-induced recession in 2020 was more severe than anticipated and the second wave of the pandemic hitting Madagascar in 2021 has further delayed prospects of recovery. Historic droughts in the South have led to widespread food insecurity for already vulnerable populations. Following these converging crises, extreme poverty is expected to increase by 5 percentage points between 2019 and 2021 and remain 2 percentage points above pre-COVID levels in 2023. Without a robust policy response, potential growth could be persistently scarred by recent shocks.

Key conditions and challenges

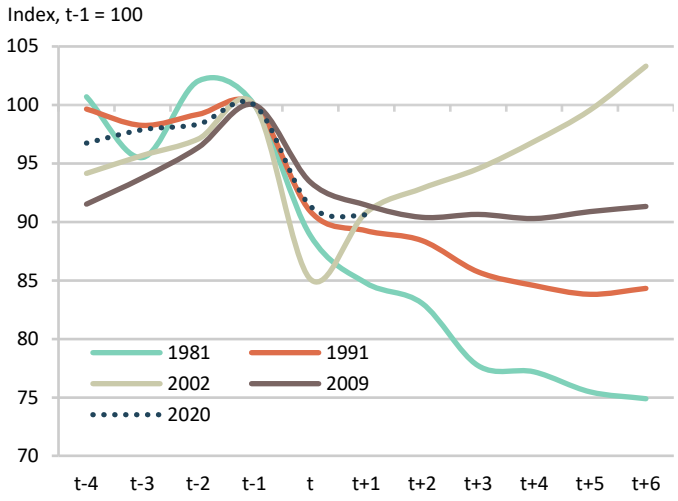
Prior to the COVID-19 crisis, Madagascar was on a modest upward growth trajectory, supported by renewed political stability, which contributed to restore investor confidence, reopen access to key export markets, reinstate flows of concessional financing, and encourage structural reforms. Despite positive momentum, growth peaked at a still modest 4.4 percent in 2019 and averaged only 3.5 percent over the period 2013-19, which barely surpassed population growth and was insufficient to ensure rapid poverty reduction. Despite unique natural resources, a relatively high degree of trade integration and strong comparative advantages, Madagascar has been unable to accumulate productive assets, reflecting an unpredictable business environment, inadequate investments in infrastructure and human capital, weak governance and exposure to frequent climate shocks.

The COVID-19 crisis has plunged the country into its deepest recession in two decades and led to a significant uptick in extreme poverty. The longer lasting effects of the crisis are uncertain but previous recessions contributed to depress potential output through the persistent loss of formal employment and private capital. While emergency measures continue to be critical, including efforts to ramp up vaccination, safely reopen the country, and mitigate the impact of the pandemic on companies and households, a pre-condition to deliver a sustainable recovery is for the government to re-commit to reforms aimed at improving the business climate, basic public services and infrastructure, and public sector governance.

Recent developments

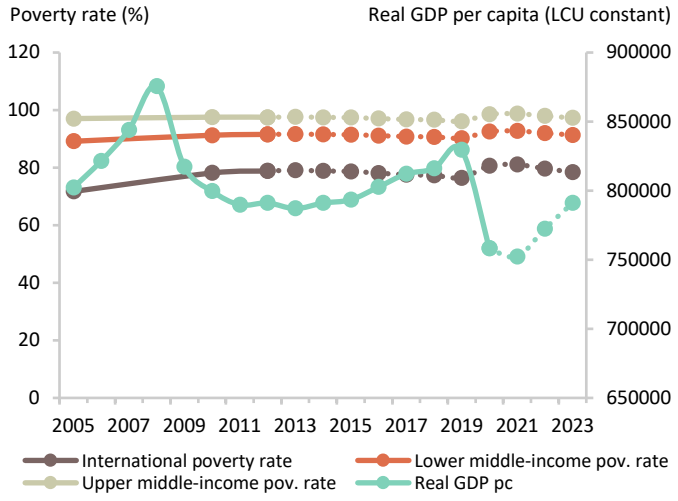
The initial impact of the COVID-19 crisis in has been more severe than previously anticipated, with the collapse of export revenues and private investment resulting in a GDP contraction of 6.2 percent in 2020 (2 percentage points lower than estimated in April 2021). Following a short-lived rebound at the end of 2020, volumes of sales, order books, profits, investment, and employment were again trending down in the first half of 2021, as a second wave of the pandemic hit the country in March and April of 2021 and international borders remained closed. The drought-driven food crisis in the South led nearly 1 in 2 people (more than 1.3 million) living in the region's 10 hardest-hit districts in a situation of acute food insecurity, while nearly 30,000 are expected to experience famine by the end of the year. Against this backdrop, the poverty rate is estimated to have risen from 76.5 percent in 2019 to 80.7 percent in 2020, and further to 81.1 percent in 2021, sending another 2.4 million people under the international poverty line of $1.90/capita/day (in 2011 PPP) over this two-year period. The sudden loss of fiscal revenues contributed to widen budget deficits to 4.2 percent of GDP in 2020 and led to the accumulation of domestic arrears. In this context, public

FIGURE 1 **Madagascar** / GDP per capita around crisis episodes



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

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



Source: World Bank. Notes: see Table 2.

debt reached 45 percent of GDP in 2020, a 7.5 percentage point uptick from 2019. The current account deficit increased in 2020 to reach 5.2 percent of GDP, driven by a 26 percent drop in export revenues. Rising energy and capital goods imports in the first half of 2021 further widened the external deficit. Unexpected fiscal and external financing needs were mostly covered by emergency support operations from multilateral donors, which has helped limit currency pressures and maintain foreign reserves at comfortable levels.

Outlook

Reflecting continued headwinds during the first half of the year, growth is now predicted to reach 1.8 percent in 2021, 0.2 percentage points below April 2021 projections. Overall, income per capita dropped by a cumulative 9.4 percent in 2020 and 2021, representing the largest shock since the political crises of 1991 and 2002. Barring a third wave of the pandemic, further escalation of food insecurity in the South or other natural disasters, a gradual lifting of COVID-related restrictions is expected to result in growth picking up to 5.4 percent in 2022 and 5.1 percent in 2023. This should allow a return to positive GDP per capita gains, but at a slower-than-previously-expected pace. Against this backdrop, the poverty rate is expected to decrease moderately over the next two years but to remain two percentage points higher than the pre-COVID level, at 78.5 percent, in 2023.

The budget deficit is predicted to increase further to 6.2 percent of GDP in 2021, as public investments are scaled up and domestic arrears accumulated in 2020 are being repaid, before stabilizing in 2022-23 around 4 percent. External debt distress risks are assessed to be moderate, assuming ambitious efforts to boost revenue mobilization and prudent management of public debt and contingent liabilities. Food supply disruptions and a rebound in energy prices are expected to bring inflation up to 6.1 percent in 2021, from 4.3 percent in 2020, but this remains consistent with Central Bank's objectives and will allow it to maintain a broadly accommodative policy stance.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	3.2	4.4	-6.2	1.8	5.4	5.1
Private Consumption	1.6	1.2	-3.0	1.4	3.5	3.7
Government Consumption	-7.9	1.9	2.2	7.5	2.0	4.2
Gross Fixed Capital Investment	11.0	12.9	-6.3	2.6	9.7	8.7
Exports, Goods and Services	2.4	10.9	-24.5	3.9	8.8	7.1
Imports, Goods and Services	11.1	4.6	-14.8	4.4	6.5	6.3
Real GDP growth, at constant factor prices	2.3	4.3	-6.2	1.8	5.4	5.1
Agriculture	0.4	5.5	2.2	2.2	3.0	3.0
Industry	2.0	6.6	-19.5	1.4	6.7	6.3
Services	3.3	3.1	-5.9	1.7	6.2	5.8
Inflation (Consumer Price Index)	7.3	5.6	4.2	6.1	6.3	6.1
Current Account Balance (% of GDP)	0.7	-2.3	-5.2	-5.9	-5.4	-5.3
Fiscal Balance (% of GDP)	-1.3	-1.4	-4.2	-6.2	-5.2	-4.1
Debt (% of GDP)	39.5	37.4	45.0	49.8	51.8	52.7
Primary Balance (% of GDP)	-0.5	-0.7	-3.5	-5.3	-4.2	-3.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	77.3	76.5	80.7	81.1	79.7	78.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	90.7	90.3	92.5	92.7	92.0	91.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	96.6	96.1	98.5	98.8	98.0	97.3
GHG emissions growth (mtCO2e)	1.8	4.0	-1.1	0.7	1.5	1.8
Energy related GHG emissions (% of total)	14.4	14.3	14.1	14.6	15.1	15.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2005-EPM and 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2020. Forecast are from 2021to 2023.

(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	2020
Population, million	19.3
GDP, current US$ billion	11.7
GDP per capita, current US$	606.2
International poverty rate ($ 1.9)[a]	69.2
Gini index[a]	44.7
School enrollment, primary (% gross)[b]	144.8
Life expectancy at birth, years[b]	64.3
Total GHG Emissions (mtCO2e)	28.9

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2019).

Malawi's economy continues to be heavily affected by the COVID-19 pandemic, with severe second and third waves striking in 2021. Economic growth is expected at 2.4 percent in 2021, with only a weak rebound in the services and industry sectors. Malawi is benefitting from a onetime boost to maize production in 2021 due to favorable weather and extensive input subsidies. However, it will need to address high levels of debt while investing in diversification in order to sustainably increase growth and reduce persistently high poverty levels.

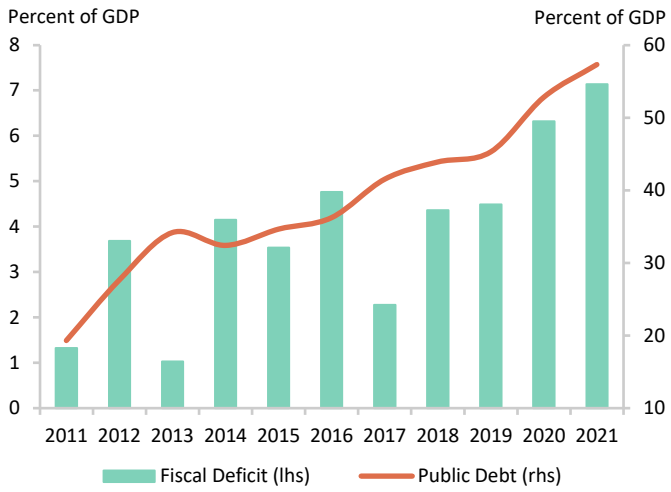
Key conditions and challenges

The COVID-19 pandemic has continued to heavily impact the economy in 2021, with second and third waves continuing to weigh on activity, particularly in the services and industry sectors. Despite vaccination efforts, only 2.2 percent of the population has been fully vaccinated as of August 2021. The pandemic is reducing revenues and increasing expenditure for COVID-response, which together with expansionary policies by the new administration, further weaken an already strained fiscal position. Malawi's economy continues to rely on subsistence, rainfed agriculture, which limits its growth potential, increases its susceptibility to weather shocks, and creates food insecurity. In addition, the main export of tobacco is projected to decline in the medium term. This has been compounded by trade policies and a business environment which impede investment and commercialization, as well as erratic electricity supply that limits value addition and slows economic diversification. Public investment has been low, offset by large and increasing subsidies to maize production. Weak fiscal management and economic policies have contributed to recurring and increasing fiscal deficits, which have been largely funded by high-cost domestic borrowing. Rising domestic debt has already pushed Malawi into high overall risk of debt distress and it is budgeted to continue rising sharply. This is being compounded by recent external non-concessional borrowing. This increasingly reduces fiscal space for development spending and also risks crowding out private sector investment. After several years of 'super-stability,' while the depreciating exchange rate should gradually help to reduce a significant trade imbalance, it will also increase imported inflation and external borrowing levels. These factors have contributed to persistently high poverty levels and limited structural transformation. The share of the population below the international poverty line of $1.90 per day has decreased only marginally in the last decade, reducing from 72 percent in 2010 to 67 percent in 2019. However, this increased to 68 percent in 2020 due to the COVID-19 pandemic.

Recent developments

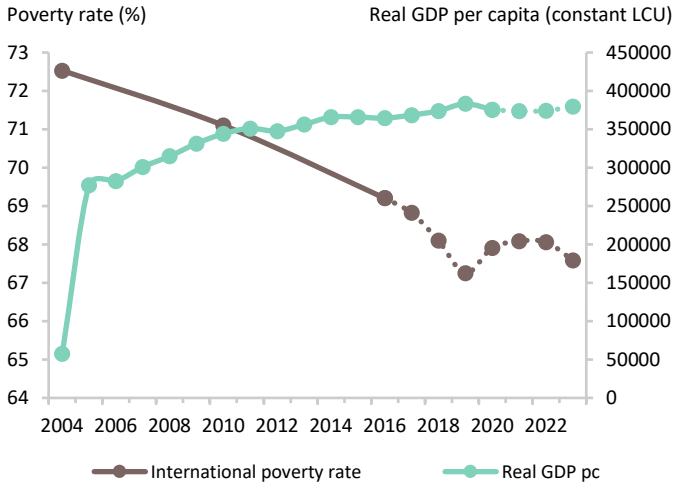
Economic activity has continued to be strongly affected by the COVID-19 pandemic in 2021, although its impact on the services and industry sectors was partially offset by a strong agricultural harvest. Favorable weather and agricultural input subsidies have contributed to a one-time jump in the maize harvest, and tobacco production also increased. This has contributed to stronger employment in rural areas, while urban employment has only shown a slower recovery from the pandemic. Moderate and severe food insecurity has also reduced by June 2021, although poorest households continue to be

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.

the most insecure. Malawi's severe second wave of the COVID-19 pandemic largely subsided by March 2021, but a third wave led to a jump in case numbers from June to August. As a result, the Government increased social distancing policies which impacted the services and industry sectors, although these policies were then lifted in August as conditions improved.

Headline inflation picked up to 8.7 percent in July 2021. Robust food supplies following the strong agriculture season led food inflation to decelerate to 10.3 percent. However, non-food inflation has increased to 7.2 percent partially due to depreciation of the kwacha. The Malawi Kwacha has gradually depreciated by about 10 percent against the US dollar since July 2020. After gradually declining over the past year, Reserve Bank of Malawi (RBM) gross reserves increased to 2.4 months import cover in August 2021, due to the IMF's Special Drawing Rights (SDR) allocation.

Fiscal pressures from the pandemic and government expansionary policies, including the introduction of Affordable Input Program (AIP), contributed to the fiscal deficit widening to 7.1 percent of GDP in FY2021. Expenditure reached the highest levels in recent years due to high levels of expenditure on wages, interest payments, and fertilizer subsidies. Development spending has also been strong, driven by COVID-19 response programs, and irrigation and water projects.

Outlook

The economy is projected to grow by 2.4 percent in 2021, largely due to strong agriculture production. Economic activity is expected to pick up slightly in the services and industry sectors over the last months of 2021 as case numbers from the third wave continue to decline and social distancing policies have been lifted. However, sluggish vaccine availability, vaccine hesitancy, and slow uptake will continue to perpetuate risks of new waves of infection and associated social distancing policies. With GDP per capita growth remaining low, the share of the population below the international $1.90 poverty line is projected to continue to stagnate around 68 percent between 2021 and 2023.

The FY2022 fiscal deficit is expected to widen to 9.1 percent of GDP and there are risks that it could go even higher. Tax revenues are optimistically budgeted to pickup significantly, which, if unrealized, could lead to a larger deficit or the further accumulation of arrears. Expenditure, already at high levels, is increasing further, driven by a surge in domestically-financed development spending and a modest increase in an already high level of recurrent expenditure. The second year of the universal inputs subsidy program, the AIP, will weigh heavily on the budget. The Government continues to finance fiscal deficits through domestic borrowing, thereby increasing domestic debt levels. The external debt-to-GDP ratio may also increase due to financing needs for COVID-19 response, as well as depreciation of the exchange rate. Additional off-budget domestic borrowing of 13 percent of GDP for development projects is planned for the medium term. However, this will call for rigorous cost-benefit analysis of projects to assess if they justify high borrowing costs. In addition, the Government is expected to clear arrears amounting to 3 percent of GDP.

The current account deficit is projected to remain elevated in the medium term. A modest uptick in tobacco production and a projected increase in global tea prices should support exports in 2021 but increasing international oil and fertilizer prices may increase the import bill. Exchange rate depreciation should help improve the trade balance in the medium term, but export growth may be weak due to limited diversification beyond rainfed subsistence agriculture and declining global demand for tobacco.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.4	5.4	0.8	2.4	3.0	4.4
Real GDP growth, at constant factor prices	4.0	6.0	0.8	2.4	3.0	4.4
Agriculture	0.3	5.9	3.4	4.9	1.8	3.2
Industry	7.2	7.7	1.2	1.6	2.4	4.3
Services	4.5	5.5	-0.5	1.7	3.7	5.0
Inflation (Consumer Price Index)	9.2	9.4	8.6	8.8	8.1	7.9
Current Account Balance (% of GDP)	-17.0	-13.8	-11.7	-11.5	-10.7	-9.7
Net Foreign Direct Investment (% of GDP)	1.8	0.7	0.5	0.8	1.2	1.4
Fiscal Balance (% of GDP)	-4.4	-4.5	-6.3	-7.1	-9.1	-8.6
Debt (% of GDP)	43.9	45.3	52.8	57.3	61.9	64.2
Primary Balance (% of GDP)	-1.6	-1.6	-3.3	-3.5	-5.3	-4.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	68.1	67.3	67.9	68.1	68.1	67.6
GHG emissions growth (mtCO2e)	5.6	4.5	3.0	-0.5	2.2	2.8
Energy related GHG emissions (% of total)	34.0	33.4	32.8	33.8	33.8	33.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-IHS-IV.Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

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

MALI

Table 1	2020
Population, million	20.3
GDP, current US$ billion	17.5
GDP per capita, current US$	862.1
International poverty rate ($1.9)[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]	59.3
Total GHG Emissions (mtCO2e)	45.1

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2009), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

The COVID-19 and political crises led to a recession in 2020 and erased the progress in poverty reduction since 2015. A modest recovery is projected in 2021, stabilizing the fiscal balance, while debt pressures will keep building as external imbalances widen. Growth is expected to recover over the medium term, although the outlook is tilted to the downside with risks from the political transition, rising insecurity, the emergence of new COVID-19 variants, and climatic hazards.

Key conditions and challenges

Structural change is limited and the economy remains vulnerable to external shocks. Agriculture is dominated by subsistence crops and livestock with low productivity. Manufacturing concentrates in textiles and agrifoods, while cotton and gold dominate export. Agricultural technologies and infrastructure are vital conditions for structural transformation. There have been mixed results in nonmonetary poverty indicators. Children's schooling improved as the share of households with a child not attending school fell from 62 to 41 percent. However, the percentage of households with sick members unable to consult with a health specialist has increased from 22 to 37 percent.

The recent coups (August 2020 and May 2021) compounded longstanding governance challenges and may further delay the recovery. Newly created regions are not adequately staffed for effective service delivery, hampering implementation of the 2015 Algiers peace agreement. In addition to restoring the presence of the state and strengthening the rule of law, fiscal consolidation and improving public financial management constitute the most pressing tasks. Downside risks also include the emergence of new variants and the slow vaccination rollout.

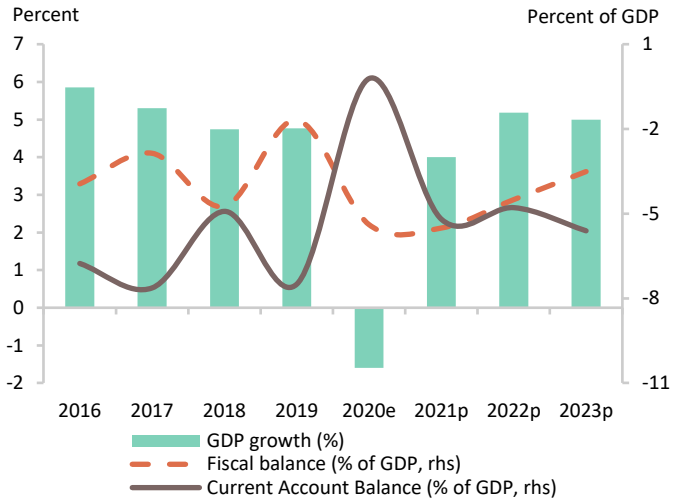
Recent developments

Real GDP contracted by 1.6 percent in 2020 (4.5 percent in per capita terms), due to the pandemic, the coup, and dampened agricultural production (resulting from lower cotton farmgate prices, localized floods and insecurity). On the demand side, private consumption and investment were main factors behind the contraction. The first quarter of 2021 showed signs of recovery in agriculture and services. Industrial activity slowed down particularly in textile and agrifood. Headline inflation (y/y) turned positive in mid-2020, and continued to increase in 2021, reaching 4 percent y/y in June 2021, driven by surging food prices (5.3 percent y/y), which is likely to add to social tensions.

The current account deficit (CAD) narrowed to 0.2 percent of GDP in 2020, with stronger terms of trade and lower domestic demand. External financial inflows dropped in 2020, due to the pandemic and delays in donor support. In 2021Q1, goods exports continued to increase supported by non-gold exports, while goods imports also rose despite declining energy imports.

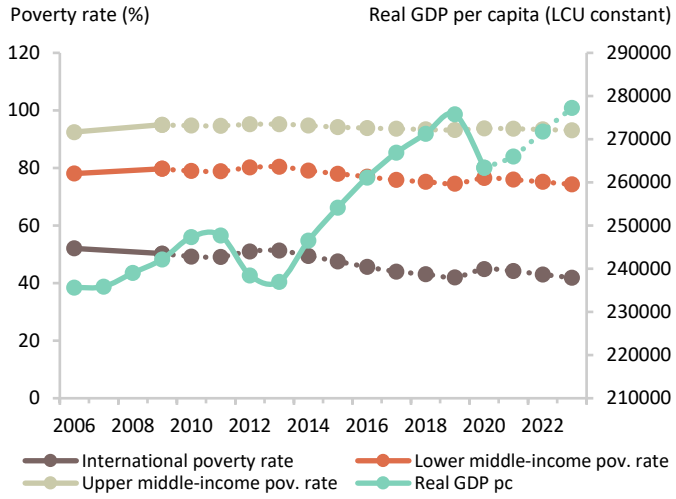
The fiscal deficit reached 5.4 percent of GDP in 2020, due to lower revenues from pandemic-induced spending and tax expenditures, reduced grants, and wage bill increases. Financing needs were covered by concessional credits, grants, increased domestic borrowing and resources freed by the Debt Service Suspension Initiative (DSSI). Public debt reached 47.4 percent of GDP (partly reflecting a data reconciliation

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.

that included previously under-recorded loans), while the country remains at a moderate risk of debt distress. In the first half of 2021, both customs and domestic tax collections showed signs of recovery. Spending in 2021 remains high, driven by fiscal measures to contain food and fuel price, and increases in subsidies and wage bill.

Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA Franc and the Euro. Its reserves have remained stable since 2019 and reached an estimated 5.8 months of imports in 2020 due to large donor support and a large Eurobond issuance in Cote d'Ivoire. To support the regional economy and COVID-19 related extra spending, the BCEAO implemented monetary and macroprudential measures beginning in March 2020 (including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds) which were extended into 2021.

Between 2015 and 2019, Mali experienced significant poverty reduction. Poverty incidence fell from 47.6 percent to 42.1 percent, driven by higher agricultural production and the expansion of the tertiary sector which encouraged rural households' consumption. This positive trend was reversed in 2020 due to growth contraction which increased poverty to 44.9 percent. In high frequency surveys, 12.7 percent of respondents employed before the pandemic report being unemployed in May 2020 due to the crisis. However, the share of respondents reporting unemployed fell to 6.3 percent in September, and to 5.8 percent in October 2020.

Outlook

Real GDP growth is expected to rebound to 4 percent in 2021 and to average 5.1 percent over 2022-2023. Private consumption is expected to continue to recover alongside remittance inflows as the pandemic wanes down. The programmed transition to democratic rule by early-2022 would ease political uncertainty and encourage private investment over the medium-term. Poverty is projected to remain at 44 percent in 2021, before decreasing gradually to the pre-pandemic level of about 42 percent by 2023. Main risks to further poverty reduction remain weather variability, price inflation, and conflict deterioration.

The external position is expected to deteriorate with less favorable terms of trade over 2021-2023. Import demand will rise with the recovery in private consumption. The CAD is projected to increase to 5 percent of GDP in the medium term, financed by official inflows and FDI. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF which have been on-lent to member countries.

The budget deficit is projected to stay at 5.5 percent of GDP in 2021. Spending in 2021 may further increase with election-related activities, the harmonization of allowance and bonus, and extra security spending. In the medium-term, revenue is expected to improve with ongoing reforms and donor reengagement. Spending will stabilize, creating room for fiscal consolidation. The deficit will gradually return to the WAEMU criterion of 3 percent by 2024. The DSSI extension is expected to free resources of over 0.2 percent of GDP in 2021. The debt stock will reach 50.8 percent of GDP in 2022 before declining.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.7	4.8	-1.6	4.0	5.2	5.0
Private Consumption	3.0	3.8	-11.0	8.0	4.0	3.5
Government Consumption	2.0	4.0	20.9	-5.2	-2.0	5.6
Gross Fixed Capital Investment	-0.9	6.3	-16.7	8.7	16.7	11.5
Exports, Goods and Services	-0.1	2.3	-8.4	-6.1	8.0	6.0
Imports, Goods and Services	-12.1	5.9	0.1	4.0	5.3	5.0
Real GDP growth, at constant factor prices	5.3	4.5	-1.6	4.0	5.2	5.0
Agriculture	5.9	4.1	-6.5	8.0	5.2	5.0
Industry	5.5	3.7	0.1	1.5	5.2	5.0
Services	4.8	5.2	1.7	2.1	5.2	5.0
Inflation (Consumer Price Index)	1.7	-2.9	0.5	3.0	2.1	2.0
Current Account Balance (% of GDP)	-4.9	-7.5	-0.2	-5.2	-4.8	-5.6
Net Foreign Direct Investment (% of GDP)	2.7	5.0	3.1	2.4	2.4	2.4
Fiscal Balance (% of GDP)	-4.7	-1.7	-5.4	-5.5	-4.5	-3.5
Debt (% of GDP)	36.1	40.6	47.4	50.8	50.4	50.0
Primary Balance (% of GDP)	-3.9	-0.7	-4.2	-4.0	-2.6	-1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.2	42.1	44.9	44.2	43.1	41.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.3	74.6	76.6	76.0	75.2	74.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.5	93.2	93.8	93.7	93.4	93.1
GHG emissions growth (mtCO2e)	3.8	4.6	-1.5	5.8	4.4	4.4
Energy related GHG emissions (% of total)	18.1	18.2	18.1	18.0	18.5	19.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2009-ELIM .Actual data: 2009. Nowcast: 2010-2020. Forecast are from 2021to 2023.

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

MAURITANIA

Table 1	2020
Population, million	4.7
GDP, current US$ billion	7.7
GDP per capita, current US$	1638.3
International poverty rate ($1.9)[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]	100.4
Life expectancy at birth, years[b]	64.9
Total GHG Emissions (mtCO2e)	13.3

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2019).

In 2020, Mauritania's economy experienced its first contraction in a decade. However, external and fiscal balances remained resilient and contained into 2021, supported by increased donor financing, debt service suspension, and better terms of trade. Growth and poverty reduction are expected to gradually recover in the medium term. Downside risks include sustained pandemic, climatic hazards, slower structural reforms, and regional insecurity. Extreme poverty increased from 5.4 percent to 6.1 percent between 2019 and 2020.

Key conditions and challenges

Macroeconomic stability had improved before the Covid-19 pandemic on the back of improved terms of trade, and reforms to reduce fiscal deficits after the 2014-2015 commodity price shock. Growth increased to 5.8 percent in 2019, with accompanying extractive GDP growth of 14.9 percent, as the country prepared to implement social reforms. However, with the pandemic, the reforms were delayed, the economy remains undiversified and overly reliant on the extractive sector, and subject to global uncertainties. There were no changes in the low future productivity (37 percent) of a child born in Mauritania between 2015 and 2019. This may be partially explained by insufficient investment in human capital and basic infrastructure, and the inability to channel economic gains from trade and fiscal buffers to address development constraints.

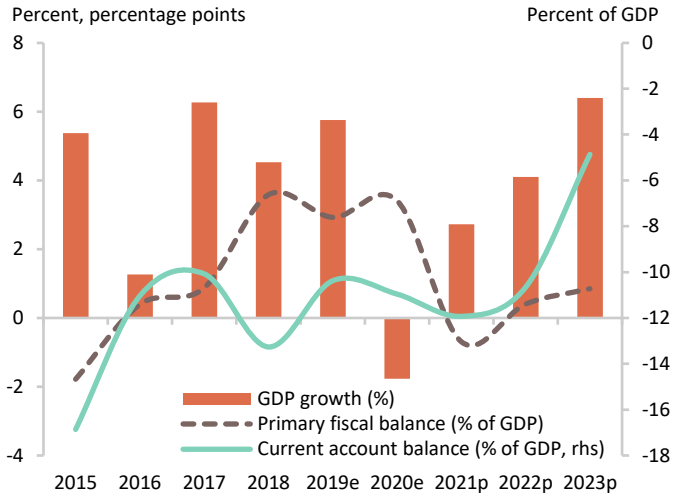
The Covid-19 pandemic continues to impose severe human, economic, and social hardships, despite mitigating measures implemented to contain the impact on the poor. The contraction of the economy in 2020 led to employment and income losses, pushing an estimated 38,000 people into extreme poverty. Addressing high poverty rates and social deprivations requires macroeconomic stability and a focus on poverty reducing programs. In response, the government launched programs to support an economic recovery and sustain growth in 2021 and 2022. The government needs to focus on supporting economic recovery, creating inclusive jobs, preparing the fiscal framework for 2023 gas revenues, and mitigating the impact of climate related shocks on the agricultural sector.

Recent developments

The economy contracted by 1.8 percent in 2020 induced by a global recession and lockdown measures to mitigate the impact of the Covid-19 pandemic. Contractions were observed mainly in the fishing, transport, and ICT sectors. The extractive and manufacturing sectors were resilient, benefiting from rising international prices for extractive exports. Though the exchange rate remained stable in 2020 and the first half of 2021, headline inflation rose from 1.5 percent (y-o-y) in August 2020, reaching 4.4 percent (y-oy) in August 2021. Supply constraints imposed due to the implementation of Covid-19 measures in 2021 continues to fuel higher food prices and offset the removal of import taxes on food consumed by the poor.

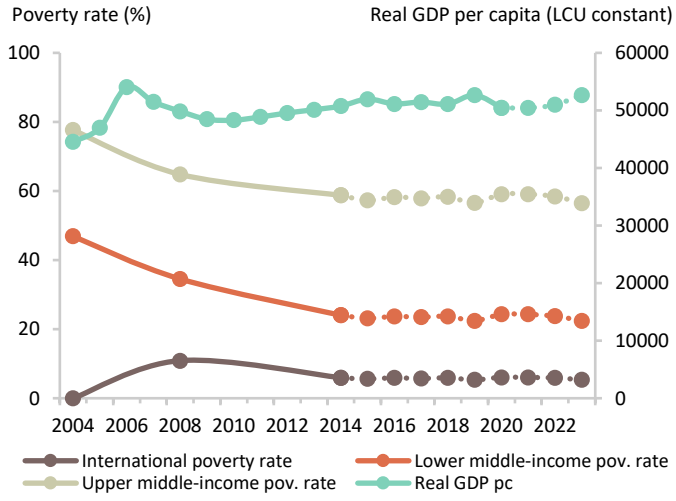
The current account deficit (CAD) widened slightly to 11 percent of GDP in 2020, from 10.4 percent in 2019, mainly on account of stronger imports of food and capital goods for the extractive sector. Despite the pandemic, increased exports of iron ore and gold compensated for a sharp drop in fish exports in 2020. The CAD was financed by strong extractive related FDI, increased donor financing, and lower debt amortization. Gross international reserves (excluding extractive industries) increased

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: See Table 2.

from 4.5 months of imports in 2019, to 5.9 months in 2020.

Fiscal policy was impacted by the economic slowdown in 2020 as the lockdown affected both revenue collection and budget execution. The fiscal surplus remained mostly unchanged between 2019 and 2020 at 2 percent of GDP. A surge in SOE dividends in 2020 partly compensated for the fall in tax revenues, which fell from 12.3 percent of GDP in 2019, to 11.7 percent. On the spending side, increases in current transfers were offset by a reduction in public investments. Public debt increased slightly, to reach 73.2 percent in 2020, but is expected to decline sharply in 2021 aided by some debt forgiveness.

Monetary policy was responsive to impact of the crisis in 2020. The central bank eased its reserve requirement and policy rate and conducted liquidity management operations to absorb excess liquidity. This did not result in lower lending rates, lower domestic prices, nor increased lending to the private sector, reflecting the limited effectiveness of the monetary policy. Nonperforming loans remain high and rose to 25.8 in September 2020 relative to end period level of 21.5 percent in 2019.

The decline in per capita GDP of 4.2 percent between 2019 and 2020, reversed years of poverty reduction. Extreme poverty, measured by US$ 1.9/day (2011 PPP), increased from 5.4 percent in 2019 to 6.1 in 2020, corresponding to nearly 38,000 people falling into extreme poverty. According to a phone survey in March 2021, two-thirds of households reported difficulties in accessing healthy and nutritious food, while 94 percent of households reported being affected by higher food prices. Three out of four households experienced a fall in income due to the pandemic.

Outlook

The economy is expected to recover in 2021, and over the medium term, on the back of the extractive sector. In the short term, successful implementation of measures to curb the spread of the virus and vaccinations is expected to support the recovery of the non-extractive sectors to result in GDP growth of 2.7 percent in 2021. With a favorable outlook over the medium term and the onset of gas production in 2023, GDP growth is expected to reach about 6.4 percent in 2023.

The current account deficit is expected to increase and remain elevated at 11.9 percent of GDP in 2021 as a result of higher imports of food, and capital equipment to support the extractive and hydrocarbon activities. External financing will continue to be met by extractive related FDI and concessional financing, resulting in gross international reserves of more than 5 months of non-extractive imports.

The 2021 budget included most of the measures to fight the ongoing pandemic that were not implemented in 2020, resulting in a projected fiscal deficit of 1.7 percent of GDP in 2021. In the medium term, the budget is expected to be balanced, as Covid related social spending is curtailed, and tax collection improves along with the stronger economic growth.

The economic recovery is expected to support the reversal of poverty trends and bring back the poverty rate to its pre-pandemic level of 5.4 percent by 2023. Nevertheless, the pandemic will continue to represent a significant risk to growth in the medium term if the virus is not contained and further waves trigger stricter containment measures. Rising inflation since August 2020 poses a threat to poverty reduction efforts if maintained over the medium term.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.5	5.8	-1.8	2.7	4.1	6.4
Private Consumption	2.7	2.7	2.7	1.9	2.4	2.7
Government Consumption	-3.4	1.0	9.2	13.1	-1.6	5.1
Gross Fixed Capital Investment	38.0	24.4	-17.8	6.8	7.2	6.3
Exports, Goods and Services	0.0	19.1	-1.9	2.1	6.2	11.2
Imports, Goods and Services	13.1	11.7	2.0	6.5	4.3	5.1
Real GDP growth, at constant factor prices	3.8	6.6	-1.0	1.4	4.2	6.4
Agriculture	2.5	9.4	-3.6	0.7	1.2	2.3
Industry	3.1	6.5	2.6	4.9	5.7	10.5
Services	4.7	5.4	-1.7	-0.1	4.7	5.9
Inflation (Consumer Price Index)	3.0	2.2	2.4	2.6	3.0	3.5
Current Account Balance (% of GDP)	-13.3	-10.4	-11.0	-10.9	-9.8	-5.2
Net Foreign Direct Investment (% of GDP)	10.5	11.2	11.5	12.5	12.1	9.1
Fiscal Balance (% of GDP)	2.4	2.0	2.1	-1.7	-0.6	0.0
Debt (% of GDP)	73.8	70.7	73.2	65.1	62.9	60.5
Primary Balance (% of GDP)	3.6	2.9	3.4	-0.7	0.4	0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	5.9	5.4	6.1	6.1	5.9	5.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	23.8	22.5	24.3	24.3	23.8	22.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	58.3	56.6	59.1	59.1	58.5	56.6
GHG emissions growth (mtCO2e)	1.2	2.8	-0.2	3.6	2.4	3.6
Energy related GHG emissions (% of total)	32.6	33.6	33.1	31.8	32.2	32.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2014-EPCV.Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2014) with pass-through = 0,87 based on GDP per capita in constant LCU.

MAURITIUS

Table 1	2020
Population, million	1.3
GDP, current US$ billion	10.9
GDP per capita, current US$	8384.6
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]	99.5
Life expectancy at birth, years[b]	74.2
Total GHG Emissions (mtCO2e)	6.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2017), 2011 PPPs.
(b) Most recent WDI value (2019).

After a deep pandemic-driven recession in 2020, a second wave of Covid-19 has delayed recovery in 2021 despite the successful rollout of vaccines. Pensions' reform and phased unwinding of Covid-19 support will be key to maintain debt sustainability. Authorities need to strike a balance to avoid a premature withdrawal of support that could compromise recovery, while creating fiscal space to address longstanding structural challenges. The effects of Covid-19 have reversed recent gains in poverty reduction and female labor force participation.

Key conditions and challenges

Mauritius became a High-Income Country in July 2020 based on 2019 data. However, even before the pandemic struck, its development trajectory had become more fragile due to four interrelated challenges that emerged over the past decade: (i) a growth trajectory increasingly driven by consumption, with a declining share of investment and stagnating capital productivity; (ii) a sustained loss in overall export competitiveness; (iii) an ageing population and increasing frictions in the labor market, resulting in high structural unemployment, rising skill shortages and growing inequality; and (iv) persistent fiscal deficits and rising levels of public debt to GDP.

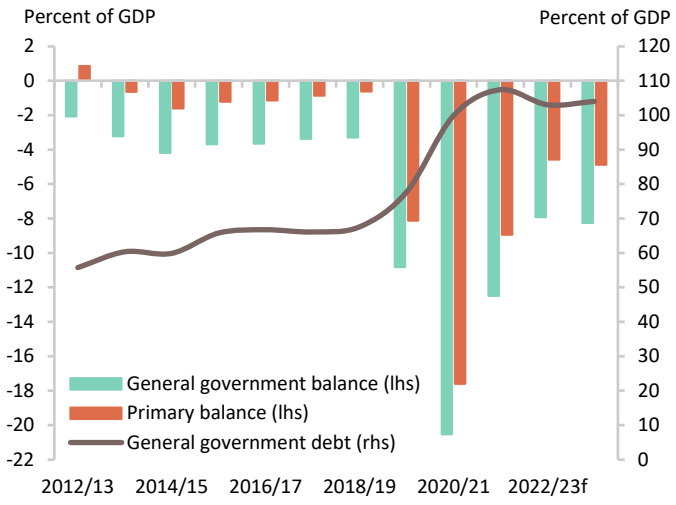
Despite the successful handling of the public health emergency, the economic impact of Covid-19 was severe due to the centrality of tourism in the Mauritian economy. Real GDP plummeted by 14.9 percentage points in 2020, causing Mauritius to slip back into Upper-Middle-Income status in 2021. Government support to households and firms was extensive, totaling over Rs 121 billion, or 28 percent of 2020 GDP. As public debt spiked, following an initial transfer of Rs 18bln (3.5 percent of GDP) from the special reserves fund under the 2019/20 budget, the Bank of Mauritius law was modified to allow for direct non-refundable transfers to government and another Rs 60bln (14 percent of GDP) were transferred.

Achieving inclusive growth in the future will require overcoming constraints to a more inclusive labor market. This includes increasing the participation of youth and women with low educational attainments. Over 50,000 youth 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 participates in the labor market, and only 1 in 3 among women with low education. The impact of Covid-19 reversed recent gains in labor force participation of women. Women were significantly more likely to be displaced during this time, while men and women with a better education were significantly less likely to be laid off overall.

Recent developments

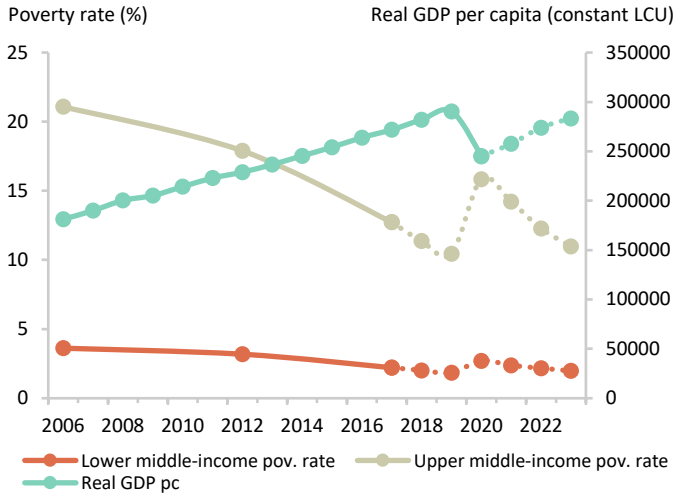
After remaining covid free since April 2020 and partially open to travel since October 2020, albeit with a two-week quarantine requirement for visitors, a second wave of Covid-19 led to new border closings on March 10, 2021, accompanied by a new lockdown. Vaccines' rollout started in February 2021, and 63 percent of the population was fully vaccinated by end-August. Borders began reopening on July 15, although with strict quarantining and testing requirements. Inbound travel remained subdued with arrivals dropping to 12,027 over the first half of 2021, compared to 424,127 in the first semester of 2020, pulling down backward and forward industries. Merchandise exports

FIGURE 1 **Mauritius** / General government balance and debt



Sources: Statistics Mauritius and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

increased 17.9 percent in S1 of 2021 compared to S1 of 2020, driven by manufactures. As merchandise imports increased in a similar percentage, trade and current account deficits widened.

Fiscal deficit escalated to 20.5 percent in FY 20/21, and despite being partially financed through a 14 percent of GDP non-refundable Central Bank transfer, still caused public debt to spike to 99.9 percent of GDP. Moody's downgraded Mauritius' credit rating in March 2021 from Baa1 to Baa2 due to its weakened fiscal and economic stance while maintaining a negative outlook based on risks to the recovery of tourism and the weakening of the BOM balance sheet. The inclusion of Mauritius on the FATF and EU AML/CFT watchlists in 2020 has so far not resulted in GBCs financial flow reversals. In its June 2021 Plenary, the FATF made the initial determination that Mauritius has substantially completed its reform plan and warrants an on-site assessment. Meanwhile, the government suffered a pitfall with the July 14 arbitrage ruling in favor of Betamax in its appeal to the Supreme Court of Mauritius' decision against it. The ruling entitles Betamax to a payment of around Rs 5.68 Billion effective on or before June 22, 2021.

Poverty (Upper-MIC threshold of $5.5 a day 2011 PPP) fell from 18 to 10 percent between 2012 and 2019. However, given the dramatic contraction of GDP in 2020, poverty is estimated to have increased by over 5 percentage points.

Outlook

GDP is expected to rebound by 5.1 percent in 2021 and accelerate to 6.6 percent in 2022, against a backdrop of a gradual resumption of tourism in the second semester of 2021 as travel restrictions are eased, accompanied by a continued recovery of manufacturing exports in line with global demand, and uptakes in construction, wholesale trade, and financial and insurance services.

The current account deficit is expected to reach 18.4 percent of GDP in 2021 before gradually narrowing over the medium term, assuming recovery in tourism and additional efforts to strengthen export competitiveness. The fiscal deficit is expected to moderate to 12.5 percent in FY 21/22 as the economic recovery accelerates and Covid-19 support measures are lifted, aiding a progressive fiscal consolidation. Public debt would peak at 107.5 percent of GDP in FY 21/22, although the expected phase-in of CSG in 2023/24 would put the debt trajectory back on the rise. Projections indicate that poverty will fall to 11 percent, half a point above the pre-COVID -19 level, well into 2023.

Significant downside risks cloud the horizon. The emergence of new Covid-19 variants threatens the rebound of tourism, while failure to address competitiveness challenges and skills mismatches could result in less dynamic exports and lingering unemployment. Pensions' reform and the phased unwinding of Covid-19 support will be key to maintain debt sustainability, while recapitalizing the BOM and strengthening its independence will be critical to sustain effective monetary policy and price stability.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices[a]	3.8	3.0	-14.9	5.1	6.6	4.2
Private Consumption	3.2	3.2	-18.7	3.9	4.6	4.3
Government Consumption	4.2	2.0	-1.2	1.8	2.2	1.1
Gross Fixed Capital Investment	10.9	6.1	-26.4	15.3	12.5	7.2
Exports, Goods and Services	2.7	-4.2	-38.0	7.5	11.4	4.3
Imports, Goods and Services	-0.2	2.1	-28.9	4.8	4.8	2.5
Real GDP growth, at constant factor prices	3.6	3.2	-14.8	5.0	6.6	4.2
Agriculture	-1.3	4.1	-3.1	5.5	2.9	2.4
Industry	2.6	2.4	-19.1	12.2	5.1	5.0
Services	4.1	3.3	-14.3	3.3	7.2	4.1
Inflation (Consumer Price Index)	3.2	0.5	2.5	5.1	6.6	3.0
Current Account Balance (% of GDP)	-3.9	-5.4	-12.6	-18.4	-12.2	-10.5
Net Foreign Direct Investment (% of GDP)	10.3	14.3	26.0	24.2	25.1	24.5
Fiscal Balance (% of GDP)[b]	-3.3	-10.8	-20.5	-12.5	-7.9	-8.3
Debt (% of GDP)[b]	67.6	77.7	99.9	107.5	103.1	104.1
Primary Balance (% of GDP)[b]	-0.6	-8.1	-17.6	-8.9	-4.6	-4.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	2.0	1.8	2.7	2.4	2.2	2.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	11.4	10.5	15.8	14.2	12.3	11.0
GHG emissions growth (mtCO2e)	0.2	1.4	-12.5	5.7	6.6	4.4
Energy related GHG emissions (% of total)	62.4	62.2	61.1	62.2	63.8	64.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Historical demand-side data is being revised due to a consistency problem.

(b) Fiscal balances are reported in fiscal years (July 1st - June30th).

(c) Calculations based on 2017-HBS.Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.

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

MOZAMBIQUE

Table 1	2020
Population, million	31.3
GDP, current US$ billion	14.0
GDP per capita, current US$	447.3
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]	116.4
Life expectancy at birth, years[b]	60.9
Total GHG Emissions (mtCO2e)	109.8

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2019).

Following the first contraction in three decades in 2020, the economy is expected to grow at 2.3 percent in 2021, supported by increased agricultural production and recovery in demand. However, the poverty rate is projected to change marginally from 63.3 to 63.5 percent between 2020 and 2021, as per capita income growth stays flat. Growth is anticipated to reach 9.6 percent in 2023, mainly driven by prospects in natural gas, but considerable uncertainties remain due to COVID-19 and the military insurgency in Northern Mozambique.

Key conditions and challenges

Mozambique's development model, reliant on non-renewable resources, has exposed the country to vulnerabilities in the global market and has limited the pace of poverty reduction. Growth has been dependent on capital-intensive mega-investments and exports of primary commodities, with limited local linkages. Low human and physical capital, and a weak investment climate limit private sector growth and activity in the non-resource sectors. In rural areas, where most of the poor reside, low agriculture performance traps the poor in poverty. Climate shocks have intensified in frequency and magnitude, severely impacting the low growth economy.

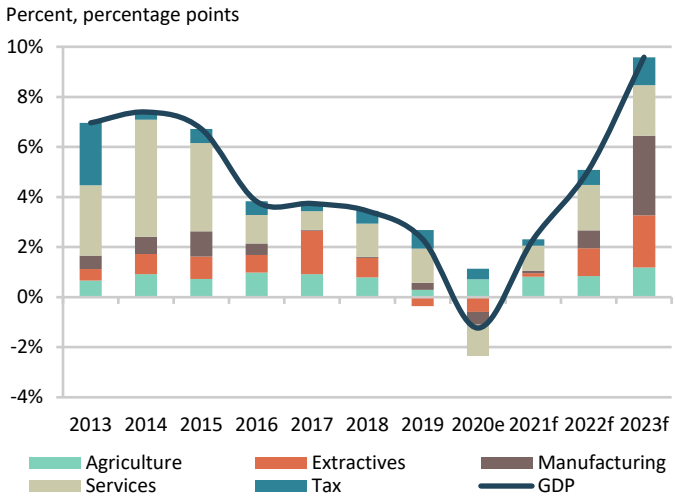
The Liquified Natural Gas (LNG) industry, under development since the discovery of massive gas fields in 2010, is the key driver of growth prospects, but is threatened by a military conflict near major gas projects. Addressing the conflict in a sustainable manner requires tackling the underlying causes of fragility, besides a military intervention. These include regional socio-economic disparities, lack of employment and opportunities for the youth, low access to public infrastructures and services. However, Mozambique needs to deal with these challenges while still recovering from COVID-19, and in a context of considerable fiscal constraints, partly reflecting rising wage bill and high debt burden.

Mozambique's immediate priorities include speeding up the vaccination program to accelerate the reopening of its economy. The delays in LNG development can be used as an opportunity to establish the regulatory and institutional framework for sound management of resource revenues. This implies, among others, improving economic management to prevent adverse effects from the upcoming revenue windfalls, and strengthening linkages between the LNG industry and the local economy. Concurrently, diversifying away from the resources sector is essential, while building resilience to climatic shocks through prevention and mitigation actions. While waiting for the gas revenues, fiscal space should be created, including through acceleration of wage bill and SOE reforms.

Recent developments

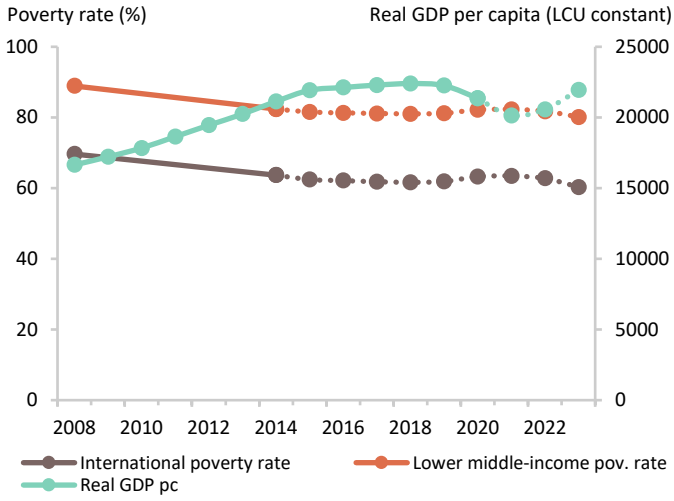
The year started with major challenges. Terrorist attacks near the LNG projects operation site led to the suspension of the Total- led project, and the postponement of the Final Investment Decision of another major LNG project. A surge in COVID-19 cases and the following social distancing measures delayed economic recovery. Despite this, the economy is bouncing back, albeit slowly. GDP grew by 2 percent in the second quarter of 2021, putting half year growth at 1.1 percent compared to the percent contraction in the same period of 2020. The recovery was driven by agriculture and public services, the latter

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.

mostly reflecting increased public investment spending. Private services, manufacturing and extractives still struggled as the third wave of the virus led to tightening of social distancing measures and global trade recovers gradually.

In the first 7 months of the year, annual average inflation surged to 5.2 percent, compared to 3 percent during the same period in 2020. This trend, mainly induced by increased food prices due to currency depreciation, combined with job losses due to COVID-19, is projected to push 6 hundred thousand people into poverty in 2021.

Fiscal revenue increased by 16 percent in the first half of 2021 (y-o-y) owing to higher income, and goods and services tax collection. Expenditure grew by 7 percent, due to salaries, and defense, anticipated to continue to add spending pressures. As a result, the primary and overall deficits are expected to widen to 3 and 6 percent of GDP in 2021, up from 1.2 and 4.6 percent in 2020, respectively. Domestic debt, which increased by a percentage point to 21 percent of GDP in the first semester of 2021, is likely to remain the main financing source.

At US$ 2.2 billion in the first half of 2021, the current account deficit (CAD) dropped by 3 percent (y-o-y). Recovering manufacturing and extractives exports—specifically, coal, and aluminum—offset a relative growth in imports, mainly driven by consumption goods and construction materials. The CAD also reflects delays in the LNG projects, which had been projected to push CAD levels to around 60 percent in the 3 years starting in 2021. As a result, external reserves stood at around US$3.7 billion (equivalent to 8 months of imports, excluding megaprojects).

Outlook

The economy is projected to rebound modestly in the short-term. Growth is anticipated at 2.3 percent in 2021 mainly due to higher agriculture production underpinned by ongoing investments in infrastructure and improved inputs. Despite the third COVID-19 wave, services and manufacturing are expected to recover as mobility is restored. In addition, trade and commodities prices recovery will support extractives production. However, the poverty rate is expected to increase marginally from 63.3 to 63.5 between 2020 and 2021, reflecting a limited growth in per capita income due to fast population growth. GDP growth is anticipated to accelerate from 2022, reaching 9.6 percent in 2023 as gas production kicks-off from 2022, and more LNG projects advance in 2022 and 2023, boosting the business environment and allowing the poverty rate to fall to 60.3 percent by 2023.

As LNG projects resume, the CAD may jump from 32 percent in 2021 to around 40 percent of GDP in 2023, due to higher imports of services and equipment. The financing needs are projected to be covered by foreign direct investment and private debt.

The authorities face significant medium-term financing challenges. Budgetary pressures from military spending, COVID-19, and recurrent natural disasters are likely to keep public expenditure hovering above 30 percent of GDP in 2022 and 2023. Nevertheless, the authorities are expected to resume fiscal consolidation, improving the overall fiscal deficit from 6.2 percent to 3.8 percent of GDP between 2021 and 2023. However, debt challenges will remain high with debt ratios projected to remain above 100 percent in the medium-term.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	3.4	2.3	-1.2	2.3	5.1	9.6
Private Consumption	4.9	3.1	-2.1	9.8	9.5	3.7
Government Consumption	-5.8	3.6	-19.3	16.0	-1.1	-71.3
Gross Fixed Capital Investment	4.2	-0.6	60.1	16.4	32.0	26.7
Exports, Goods and Services	47.9	-9.5	-15.0	20.4	14.5	27.0
Imports, Goods and Services	43.4	-1.5	-0.4	27.9	23.4	1.4
Real GDP growth, at constant factor prices	3.3	1.8	-1.9	2.3	5.1	9.6
Agriculture	3.4	1.3	3.1	3.4	3.4	5.0
Industry	4.2	-0.4	-5.8	1.3	10.2	27.7
Services	2.9	2.9	-2.7	2.2	4.0	4.5
Inflation (Consumer Price Index)	3.9	2.8	3.1	6.2	6.4	5.5
Current Account Balance (% of GDP)	-30.3	-19.6	-27.2	-32.1	-43.5	-44.3
Net Foreign Direct Investment (% of GDP)	18.2	14.4	16.7	16.6	21.9	17.7
Fiscal Balance (% of GDP)[a]	-4.1	-0.4	-4.6	-6.2	-4.5	-3.8
Debt (% of GDP)	108.9	107.5	125.3	121.4	119.9	110.2
Primary Balance (% of GDP)[a]	0.3	2.8	-1.3	-3.4	-1.4	-1.0
International poverty rate ($1.9 in 2011 PPP)[b,c]	61.6	61.9	63.3	63.5	62.8	60.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	81.0	81.1	82.2	82.3	81.7	80.1
GHG emissions growth (mtCO2e)	3.5	0.4	-0.6	-4.6	-0.9	-0.7
Energy related GHG emissions (% of total)	7.8	7.9	7.9	4.7	4.0	3.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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: 2015-2020. Forecast are from 2021to 2023.

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

NAMIBIA

Table 1	2020
Population, million	2.5
GDP, current US$ billion	10.6
GDP per capita, current US$	4240.0
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]	63.7
Total GHG Emissions (mtCO2e)	22.2

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

Namibia's rebound is hampered by the protracted effects of the pandemic. The economy has exited from a devastating third wave of infections that had widespread health and economic impacts. Recession persisted in early-2021 and the projected upper middle-income poverty rate remained high at 65 percent. The trajectory of the pandemic poses significant risk to the outlook and pre-COVID-19 structural constraints will limit the scale of the medium-term recovery and poverty reduction.

Key conditions and challenges

Namibia's growth challenge predates the COVID-19 crisis. Real GDP peaked in 2018 and is not expected to return to that level over the forecast horizon. In the decade to 2015, economic growth averaged nearly 5 percent annually while the years thereafter have been mostly marked by recession. Until the mid-2010s, investments in mineral extraction, a boom in exports and government spending underpinned growth. Namibia subsequently suffered from falling commodity prices, weak growth in key trade partners (notably South Africa) and tight fiscal policy on the back of government's effort to rebalance public finances. In real terms, GDP per capita growth has been negative since 2016, with corresponding projected poverty increases. Weak demand and skills mismatches have constrained job creation with the unemployment rate averaging above 20 percent since 2016.

The government's response to the pandemic was timely but led to a marked deterioration in fiscal balances. The room for additional fiscal stimulus is reduced. Global and regional developments will remain an important driver of Namibia's fiscal and external positions as the country is highly reliant on commodity exports and SACU transfers. Volatility in prices of Namibia's exports, particularly diamonds and uranium, present risks as well as growth prospects in key trade partners.

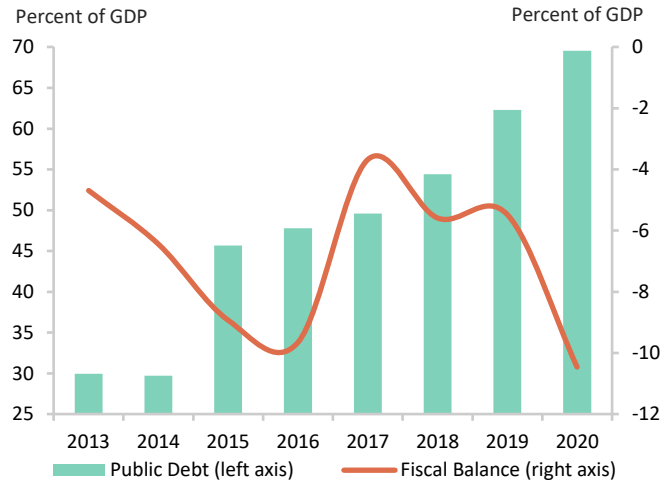
Namibia is amongst the driest countries in the world and severe drought remains a persistent threat for economic performance and for the welfare of poor subsistence farmers.

Uncertainty regarding the outlook combined with an uncompetitive business environment will continue to constrain private investment, leading to weak growth and job creation. COVID-19 vaccinations are proceeding but coverage remains relatively low. The possibility of recurrent restrictive measures domestically remains a significant downside risk to the recovery. The pandemic has further exacerbated Namibia's disparities in economic opportunities and access to services. Globally, Namibia is one of the most unequal countries, with a Gini coefficient of 59.1 in 2015. In addition, in 2020 around 64.5 percent of the population is projected to live on less than US$5.5 daily (2011 PPP).

Recent developments

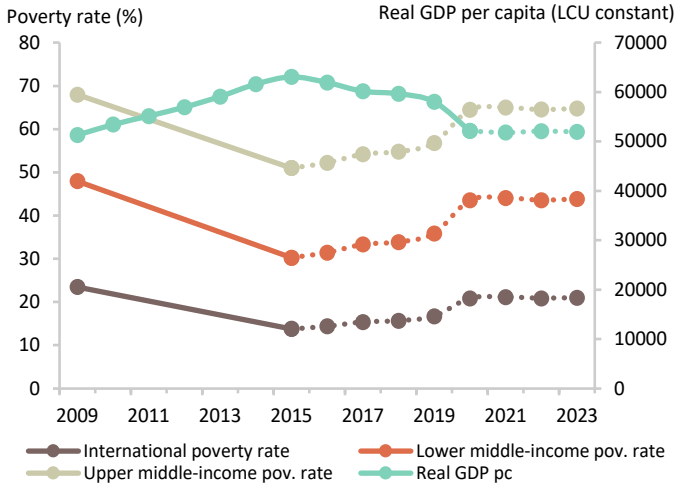
The country experienced a devastating third wave of COVID-19 infections over May-July, which impelled tighter restrictions. As the economy exited the third wave in August, restrictions have begun to be eased, allowing for increased activity. Vaccinations began in March. As of end-August, over 329,000 vaccine doses had been administered, although only about 5 percent of the population has been fully vaccinated. With procurement of more doses and donations, vaccine supply has improved in Q3.

FIGURE 1 Namibia / Budget balance and debt



Sources: Ministry of Finance, Central Bank 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.

Macroeconomic variables confirm that the impact of the COVID-19 shock has extended into 2021. Real GDP declined by 6.5 percent year-on-year in Q1, exceeding the contraction in Q4 2020. This was driven by steep drops in several sectors including mining, manufacturing, finance and trade services. Health as well as information and communication maintained strong growth rates. Aside weak domestic demand, the labor market has deteriorated markedly, restraining disposable income.

The fiscal situation remains fragile, and the government is undertaking reforms to manage risks and support the recovery. The budget deficit is estimated to have widened to 10.5 percent of GDP in FY 2020/21 as the government responded to the multifold challenges of the pandemic. Public debt (including guarantees) rose close to 70 percent of GDP. The government is implementing its Economic Recovery Plan through which it aims to attract private investment. Authorities also launched the Harambee Prosperity Plan II (2021-2025) which prioritizes the implementation of targeted programmes.

The current account widened to 8.7 percent of GDP in Q1 mainly driven by a large contraction in exports. Despite this deterioration, financing from multilaterals and SACU inflows have ensured that foreign exchange reserves remain adequate. Reserves stood at N$42.7 billion in July and are expected to be boosted by the recent IMF SDRs allocation.

Outlook

Economic output is expected to remain below potential in 2021. The improved global demand for commodities is favorable, although the performance is being limited by idiosyncratic factors. This includes lost production from plants which were placed under care and maintenance. Growth and employment creation in sectors which are highly exposed to the impact of COVID-19, such as tourism, will remain muted. Monetary policy remains accommodative and driven by the peg with the South African rand. The scale of the medium-term recovery will depend on the trajectory of the pandemic and the government's ability to address long-lasting challenges to higher growth. The rebound is expected to be slower than initially expected, with growth reaching 1.2 percent in 2021 and 2.4 percent in 2022. Corresponding negative per capita GDP growth and slow job creation are projected to maintain poverty near 65 percent (US$5.50 line).

The authorities are committed to restoring fiscal sustainability, but public finances will remain under pressure. Prospects for weaker SACU revenues, which is acknowledged in the budget, and possible spending pressures as the pandemic extends are main risks to the fiscal outlook. Borrowing requirements will remain elevated – on external debt, Namibia's inaugural US$500 million Eurobond falls due in November 2021. The budget deficit is expected at 9.8 percent of GDP in FY2021/22 while the debt ratio is projected to keep rising in the short term. Financing is expected to be sourced from both domestic (debt and the partial listing of MTC) and external sources. The government has thus far received external funding from the IMF and AfDB. Ensuring fiscal sustainability while preserving social spending will be important to limit the risks of further worsening of poverty and inequality.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	1.1	-0.9	-8.5	1.2	2.4	1.5
Private Consumption	-0.2	0.4	-10.3	4.9	3.5	3.0
Government Consumption	-0.2	1.5	-1.5	-2.6	-1.5	-0.5
Gross Fixed Capital Investment	-6.0	-8.9	-11.2	-3.5	5.8	3.5
Exports, Goods and Services	16.1	-9.0	-17.7	1.5	7.4	4.5
Imports, Goods and Services	1.2	-3.4	-14.7	2.9	6.1	5.0
Real GDP growth, at constant factor prices	1.1	-0.2	-7.1	1.2	2.4	1.5
Agriculture	4.0	-3.2	6.1	1.6	1.4	1.4
Industry	5.3	-2.3	-13.7	-3.1	5.4	2.5
Services	-1.0	1.1	-5.7	2.9	1.4	1.1
Inflation (Consumer Price Index)	4.3	3.7	2.2	3.8	4.5	4.5
Current Account Balance (% of GDP)	-3.4	-1.8	2.6	-6.4	-4.6	-2.9
Net Foreign Direct Investment (% of GDP)	0.8	-1.5	-1.3	0.9	1.4	1.5
Fiscal Balance (% of GDP)[a]	-5.6	-5.5	-10.5	-9.8	-8.6	-7.2
Debt (% of GDP)[b]	54.4	62.3	69.5	81.0	84.9	88.5
Primary Balance (% of GDP)[a]	-2.3	-1.7	-6.0	-5.1	-3.8	-2.3
International poverty rate ($1.9 in 2011 PPP)[c,d]	15.7	16.7	20.8	21.1	20.9	21.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	33.9	35.8	43.5	44.1	43.6	43.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	54.8	56.8	64.5	65.0	64.6	64.8
GHG emissions growth (mtCO2e)	-4.1	-2.0	0.7	-0.1	3.0	0.7
Energy related GHG emissions (% of total)	19.2	19.1	17.7	16.1	18.0	18.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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: 2016-2020. Forecast are from 2021to 2023.
(d) Projection using annualized elasticity (2009-2015) with pass-through = 1based on GDP per capita in constant LCU.

NIGER

Table 1	2020
Population, million	24.2
GDP, current US$ billion	13.5
GDP per capita, current US$	557.9
International poverty rate ($1.9)[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]	66.4
Life expectancy at birth, years[b]	62.4
Total GHG Emissions (mtCO2e)	50.3

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2019).

Niger's economy has weathered relatively well the combination of health, security, and environmental crises in 2020. However, a decline in real per capita GDP is linked to an increase in the poverty rate of 0.4 percentage points, to 41.2 percent. With the global recovery and the start of oil exports, growth should accelerate to 5.5 percent in 2021 and could reach double digits in the medium term. However, future trends remain dependent on political stability, improving governance and climatic risks.

Key conditions and challenges

The Nigerien economy faces adverse structural factors that constrain sustainable inclusive growth. These include unfavorable geographic and climatic conditions, high demographic pressures, weak human capital, widespread informality, low agricultural productivity and insufficient structural transformation, as well as poor governance, weak institutions and other internal factors of fragility. More than four in ten Nigeriens live on less than US$1.9 per day (2011 PPP). A sustained pace of economic growth is required in the next decades to reduce large development gaps.

Beyond these structural factors, persistent insecurity and terrorist attacks are a major risk factor impacting Niger's overall economic performance, public finances, including through the requirement for military expenditures, and more broadly the security and well-being of the population. Another major hazard is the growing exposure to climatic shocks, which has led to large agricultural production fluctuations and heightened food insecurity among the poor. Finally, while official data suggest that the health toll of COVID-19 pandemic has not been severe, low levels of deployment of vaccines (with only 0.4% of the total population vaccinated at the end of August 2021) create additional uncertainty in the short term.

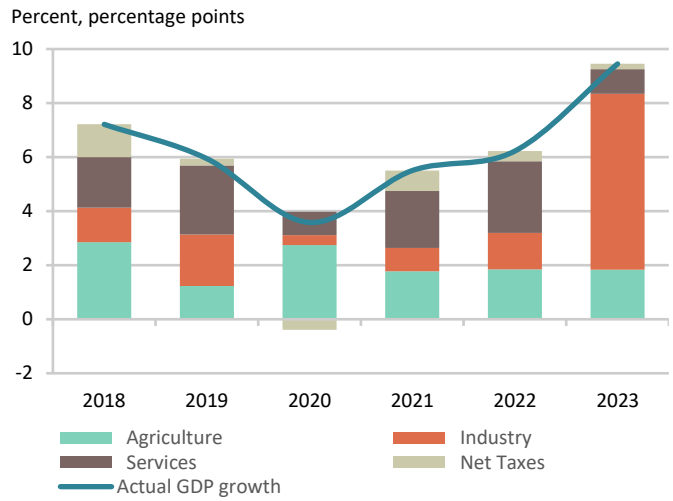
At the same time, the relatively peaceful transfer of power during the recent presidential election and the coming on stream of larger oil export capacities (oil exports are projected to increase by some 385 percent to 97,000 barrels/day by 2023 with the completion of a pipeline) represents a potential opportunity, in terms of attracting investors and mobilizing significant resources for development. Yet, the economic and social benefits of future oil windfalls will hinge on the transparent and efficient governance of theses resource, to the benefit the entire population and future generations.

Recent developments

Economic growth slowed to 3.6 percent in 2020 (real per capita GDP growth of -0.2 percent) from 5.9 percent in 2019. Activity has been supported by the resilience of the agricultural sector, whereas manufacturing sector growth fell because of the global recession and COVID-19 restrictions. Growth was particularly affected by the slowdown in investment (from 13.6 percent in 2019, to 4.9 percent in 2020). From a deflationary situation in 2019, inflation rose to 2.9 percent in 2020, due to supply disruptions.

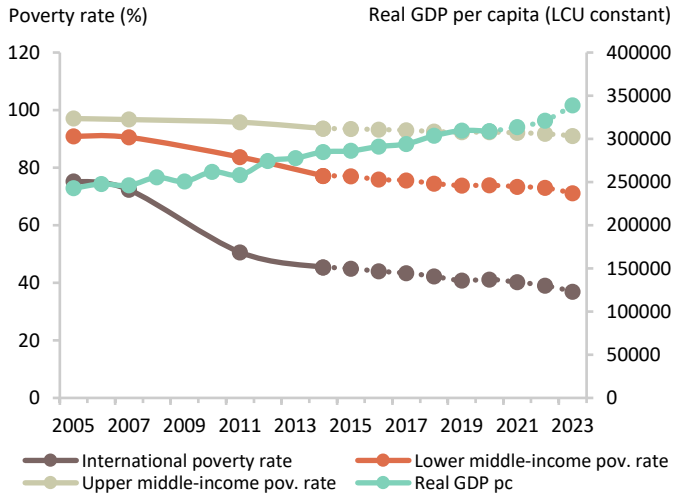
The fiscal deficit widened from 3.6 percent of GDP in 2019 to 4.9 percent in 2020, and public debt increased by more than 3 percentage points of GDP to 45 percent. This deterioration was mainly due to an increase in expenditures (2.4 percent of GDP), especially transfers to protect poor

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



Sources: INSN and World Bank staff estimates.

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



Source: World Bank. Notes: See Table 2.

households and businesses from the effects of the pandemic.

The external current account deficit deteriorated by 0.8 percent of GDP in 2020 because of the deteriorated trade balance due to the closure of the border with Nigeria.

External reserves - managed by the Central Bank of West African States (BCEAO)- have remained stable since 2019 and reached an estimated 5.8 months of imports in 2020 due to large donor support and a large Eurobond issuance in Cote d'Ivoire. To support the regional economy and COVID-19 related extra spending, the BCEAO implemented a set of monetary and macroprudential measures beginning in March 2020 and extended into 2021, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds.

The poverty rate, measured by the international poverty line of US$1.9 (2011 PPP), was estimated at 40.8 percent in 2019. Due to the decline in real per capita GDP growth the poverty rate rose by 0.4 percentage points in 2020, which, combined with one of the highest population growth rates in the world, is expected to increase in the number of poor to almost 10 million. Data from high frequency phone surveys estimate that in 2020 about 40 percent, 27.5 percent and 9 percent of Nigerien households reported having experienced a decline in their income from agriculture, family enterprises and private transfers respectively during the last 12 months.

Outlook

Notwithstanding the high levels of uncertainty, the economic outlook is favorable and economic growth is projected at 5.5 percent. Agriculture, benefiting from the reopening of the border with Nigeria, and industry, from the recovery in global demand and boom in oil production, are expected to contribute most to the recovery. Domestic demand will remain the main driver of growth. In the medium term, real GDP growth rate is expected to accelerate with the coming on stream of oil exports. With prudent management of the oil windfall, inflation should remain around 2 percent.

The fiscal deficit is expected to remain high, at 6.8 percent of GDP in 2021, due to lower than expected revenue as well as an increase in spending to accommodate growing security needs and larger fiscal transfers. Public debt is projected to reach 48.5 percent of GDP in 2021. The external deficit is expected to widen in 2021 with the import of capital goods for major infrastructure projects. In the medium term, the increase in oil exports should strengthen Niger's public finances, with a gradual return to the WAEMU deficit target by 2024, and its external position. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF that could be temporarily on-lent to member countries.

Such a positive economic outlook may support a reversal of the extreme poverty rate, which is projected to fall from 41.2 percent in 2020, to 36.9 percent in 2023. However, downside risks from political instability and insecurity, exposure to climatic shocks, combined with one of the highest demographic growth rates in the world (3.8 percent per year) pose a serious risk to this projected poverty reduction path. The number of poor is projected to remain high and almost unchanged over the medium term.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	7.2	5.9	3.6	5.5	6.2	9.4
Private Consumption	6.6	3.7	4.4	4.4	9.0	5.0
Government Consumption	4.8	8.1	3.7	10.8	-0.2	12.2
Gross Fixed Capital Investment	17.6	13.6	4.9	9.5	10.3	0.2
Exports, Goods and Services	-4.3	1.1	-6.3	-7.8	8.8	58.4
Imports, Goods and Services	9.4	6.2	2.7	4.4	15.4	4.9
Real GDP growth, at constant factor prices	6.3	6.1	4.2	5.4	6.2	9.3
Agriculture	7.9	3.4	7.7	4.8	5.0	5.0
Industry	6.0	9.0	1.7	4.1	6.4	30.9
Services	5.0	7.0	2.3	6.8	7.3	1.3
Inflation (Consumer Price Index)	2.8	-2.5	2.8	2.9	2.5	2.0
Current Account Balance (% of GDP)	-12.6	-12.7	-13.5	-15.3	-16.0	-11.4
Net Foreign Direct Investment (% of GDP)	3.3	5.3	2.6	4.6	5.1	3.2
Fiscal Balance (% of GDP)	-3.0	-3.6	-4.9	-6.8	-5.3	-3.4
Debt (% of GDP)	37.0	39.8	45.0	48.5	49.4	47.5
Primary Balance (% of GDP)	-2.1	-2.5	-3.8	-5.7	-4.0	-2.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	42.2	40.8	41.2	40.2	39.1	36.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.5	73.8	73.9	73.4	73.0	71.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.5	92.3	92.4	92.1	91.8	91.1
GHG emissions growth (mtCO2e)	4.5	4.9	3.5	6.6	5.8	8.3
Energy related GHG emissions (% of total)	14.5	14.4	14.3	14.3	15.2	17.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2014-ECVMA. Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2014) with pass-through = 0.7 based on GDP per capita in constant LCU.

NIGERIA

Table 1	2020
Population, million	206.1
GDP, current US$ billion	440.9
GDP per capita, current US$	2139.3
International poverty rate ($1.9)[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]	54.7
Total GHG Emissions (mtCO2e)	360.6

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

In 2020, Nigeria plunged into a recession due to the combined effects of COVID-19 and oil price shocks. The number of Nigerians living below the international poverty line is expected to rise by 12 million in 2019–23. In 2021, real GDP is expected to grow by 2.4 percent, supported by the rise in oil prices, and fiscal and monetary stimulus. Nigeria's growth outlook remains highly uncertain, however, fiscal, exchange rate, and business climate reforms will be necessary to ensure a robust recovery.

Key conditions and challenges

The Nigerian economy exited the COVID-19-induced recession in 2020Q4, due to the loosening of containment measures, a rebound in oil prices, and the quick response of the authorities to the pandemic. As part of its COVID-19 response, the government carried out several long-delayed policy reforms in 2020, often against vocal opposition. Notably, it: (i) began to harmonize exchange rates; (ii) initiated reforms to eliminate gasoline subsidies; (iii) adjusted electricity tariffs to more cost-reflective levels; (iv) cut non-essential spending; and (v) enhanced debt management and increased transparency in the public sector, especially for oil and gas operations.

In the short term, the biggest challenge remains the loss of welfare arising from the COVID-19 economic shock and the pre-pandemic macroeconomic imbalances. Three immediate policy priorities could help support Nigeria's poor. First, rolling out vaccinations quickly and equitably could help curb the direct health threat and lift restrictions, reinvigorating livelihoods. Second, adopting low-tech remote learning solutions that work for the poor to reduce the long-term adverse impact on human capital from any future school closures due to an increase in COVID cases or other similar factors. Finally, expanding social protection could offset income losses and prevent households from falling into—or further into—poverty.

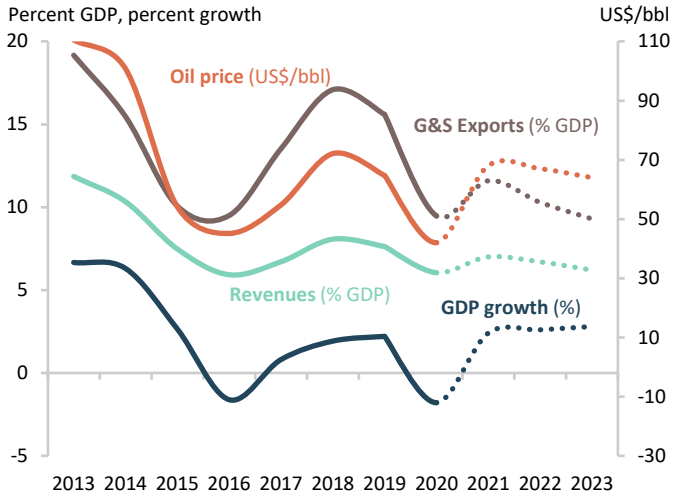
In the medium term, the government needs to sustain its efforts to address the pandemic and ensure a sustainable economic recovery. This includes merging its multiple exchange rates, lowering trade restrictions, improving the business climate, and reducing the monetization of the fiscal deficit. In addition, diversifying the economy, especially decreasing the dependence of revenues on oil, is essential to build resilience against future shocks and subsequently create productive jobs, improve socio-economic indicators, and reduce poverty.

Recent developments

In 2021H1, GDP grew by 2.8 percent, primarily due to the recovery of trade, agricultural production, IT services, and some manufacturing industries. Oil production, however, continued to decline up until 2021Q2 due to a lower OPEC quota and inefficiencies in production and distribution. Inflation remained elevated at 17.0 percent, year-on-year, in August 2021, driven by an increase in domestic food prices. Core inflation for the same period was 13.4 percent, year-on-year, due to higher prices of air and road transportation, medical services, pharmaceuticals, and cars.

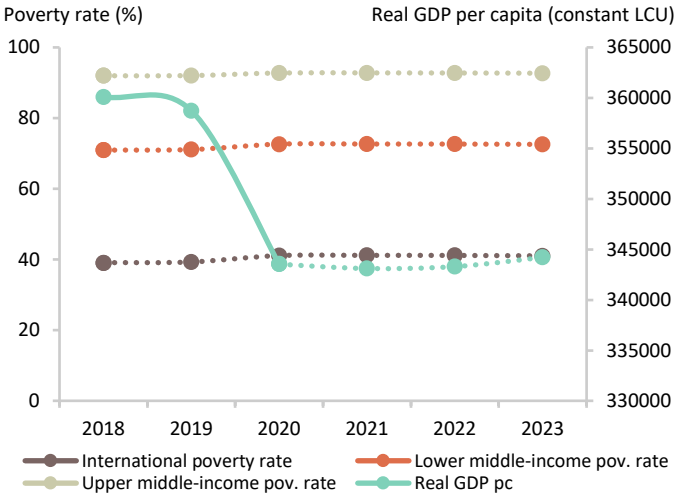
The COVID-19 crisis continues to disrupt Nigeria's labor market. The share of Nigerians working fell dramatically at the start of the pandemic, but it has since recovered and now exceeds pre-pandemic levels. However, labor market improvements have been primarily due to workers turning to

FIGURE 1 Nigeria / Real GDP growth, contributions to real GDP growth, and oil price



Sources: Nigeria Authorities, WDI, and World Bank.

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



Source: World Bank. Notes: see table 2.

small-scale, non-farm enterprise activities in retail and trade, the revenues of which remain precarious.

Narrowing the fiscal deficit continues to be a challenge. In 2020, the fiscal deficit of the consolidated government widened to 5.8 percent of GDP, but the timely passage of the amended budgets at both the federal and state government level helped minimize the need for central bank financing (which, nevertheless, remained significant at 2.8 percent of GDP). In 2021H1, the federation revenues (FAAC) declined by 16.7 percent year-on-year, as oil revenues transferred to the federation account declined by over 50 percent year-on-year, despite an increase in global oil prices. Expenditure growth remained strong as federal expenditure grew by 26 percent, boosted by an increase of more than 25 percent in debt servicing costs and a 193.3 percent increase in capital expenditure. For the first half of 2021, the federal government posted a fiscal deficit of 4.0 percent of half-year GDP.

In 2021Q1, the current account balance worsened as exports declined by 42 percent due to lower oil production, and imports declined by only 16 percent due to trade disruptions, foreign exchange scarcity, and lower domestic demand. While the Central Bank took steps to harmonize its multiple exchange rates by adopting the Investors' and Exporters' Foreign Exchange (IEFX) window rate as its official rate in May 2021, it was insufficient to equilibrate the market. An increase in capital controls led to foreign exchange scarcity, evidenced by the increasing parallel exchange rate premium, which averaged 20 percent in 2021H1.

Outlook

Nigeria's GDP is expected to recover and grow by 2.4 percent in 2021, driven by the services, trade, agriculture, and construction sectors. Yet, with GDP growth lower than population growth, GDP per capita at end-2021 is expected to be similar to that of 2010 and is not expected to return to pre-COVID-19 levels before 2025.

This baseline scenario assumes that the authorities maintain their current macroeconomic reform efforts, including measures aimed at: (i) revenue-based fiscal consolidation; (ii) strengthening of expenditure and debt management; (iii) stabilizing the financial sector; and (iv) adopting a more flexible and transparent foreign exchange management regime.

Nevertheless, the impact of the pandemic on poverty could linger. Given the combined effects of the COVID-19 crisis and population growth, the number of Nigerians living in poverty could rise by 12 million in 2019–23, and the absolute number of poor Nigerians could reach around 91 million by 2023.

Nigeria's economic outlook remains highly uncertain. Uncertainty around the pace of vaccinations and the duration of the COVID-19 pandemic persists and will continue to impact household consumption and private investment. Moreover, the modest projected recovery can be threatened by volatility in the oil sector, including an unexpected shock to oil prices, and weaknesses in the financial sector. Even in the most favorable global context, the policy response of Nigeria's authorities will be crucial to lay the foundation for a robust recovery.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	1.9	2.2	-1.8	2.4	2.6	2.8
Private Consumption	5.2	-2.4	1.3	-1.0	0.5	0.7
Government Consumption	33.2	15.0	13.6	-7.4	-1.0	3.3
Gross Fixed Capital Investment	9.7	11.8	19.0	6.6	5.1	8.5
Exports, Goods and Services	-1.4	15.0	-32.2	16.0	6.1	4.6
Imports, Goods and Services	49.2	27.3	-23.5	12.4	1.8	7.3
Real GDP growth, at constant factor prices	1.9	2.3	-1.9	2.4	2.6	2.8
Agriculture	2.1	2.4	2.2	2.2	2.2	2.5
Industry	1.9	2.3	-5.9	2.8	2.3	2.3
Services	1.8	2.2	-2.2	2.4	2.9	3.1
Inflation (Consumer Price Index)	12.1	11.4	13.2	16.5	13.5	11.0
Current Account Balance (% of GDP)	1.0	-3.8	-2.4	1.2	1.1	-3.8
Net Foreign Direct Investment (% of GDP)	0.2	0.4	0.2	0.2	0.3	0.3
Fiscal Balance (% of GDP)	-4.1	-4.6	-5.8	-5.6	-5.5	-5.9
Debt (% of GDP)	19.3	21.7	25.2	29.9	31.7	33.4
Primary Balance (% of GDP)	-2.2	-2.6	-4.1	-4.2	-3.5	-3.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.1	39.3	41.1	41.2	41.2	41.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	71.0	71.1	72.6	72.7	72.7	72.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.0	92.1	92.8	92.8	92.8	92.7
GHG emissions growth (mtCO2e)	6.0	3.4	-2.4	2.9	3.0	3.0
Energy related GHG emissions (% of total)	39.0	39.9	40.1	41.1	42.4	43.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2018-LSS.Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021to 2023.

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

RWANDA

Table 1	2020
Population, million	13.0
GDP, current US$ billion	10.2
GDP per capita, current US$	784.6
International poverty rate ($1.9)[a]	56.5
Lower middle-income poverty rate ($3.2)[a]	80.2
Upper middle-income poverty rate ($5.5)[a]	91.9
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	131.3
Life expectancy at birth, years[b]	69.0
Total GHG Emissions (mtCO2e)	8.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2019).

Rwanda's economy has started recovering in 2021, expected to growth at about 5 percent after being hit hard in 2020 as the COVID-19-induced crisis. The twin deficits deteriorated—requiring more external financing—and are expected to remain at above their pre-crisis levels in 2021–2023. Despite the government's unprecedented assistance program, the adverse effect of the crisis on output and employment means that poverty is likely to have increased and is expected to remain above the pre-crisis levels in 2022-2023.

Key conditions and challenges

Rwanda's economy was growing rapidly prior to the COVID-19 pandemic. GDP growth averaged 7.5 percent yearly between 2010 and 2019, raising average GDP per person by nearly 48 percent during that time. Despite this exceptional performance, the country faces major development challenges.

Growth must be more inclusive. Rwanda's poverty to growth elasticity has been declining since 2010/11. In terms of the international poverty line of US$1.90 (2011 PPP), poverty rate declined from 69 percent to 55.4 percent over 2005–2019, but due to COVID, poverty is projected to have increased in 2020 by more than 3 percentage points with respect to its 2019 value, to then decrease by 0.7 percentage points in 2021. These changes imply adding more than 600,000 new poor in 2 years as a result of widespread decreases in household income and employment losses. This uptick in poverty increases the urgency to design a medium-term public investment strategy for broad-based and inclusive economic recovery following the pandemic (e.g., increasing productivity in agriculture and improving rural livelihoods).

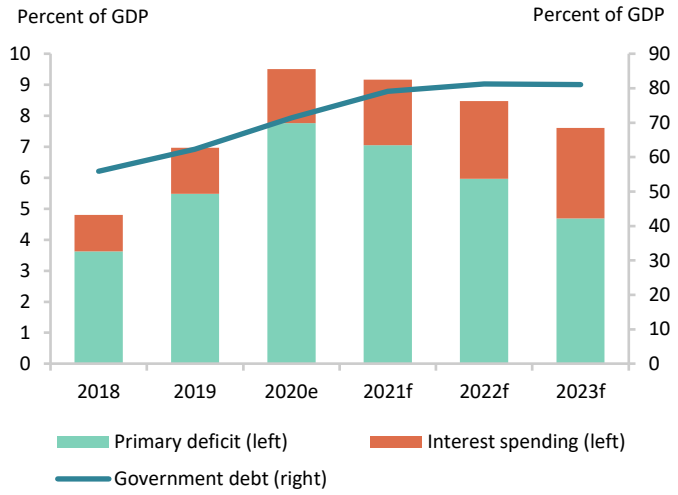
Rwanda needs to flatten its debt curve. Rapid GDP growth has relied heavily on public investment spending that increased by 14 percent annually over 2010–2019. However, public debt grew rapidly as well—more than tripling relative to GDP since 2010—raising concerns about its long-term sustainability with limited space to absorb shocks. This calls for a credible fiscal consolidation path, strengthening debt management capacity, and shift from public investment growth-led model to the private sector.

Strengthening the role of the private sector is key to future developments. With an almost depleted fiscal space, Rwanda's public investment growth-led model is no longer sustainable. Key reforms should aim to enable the emergence of competitive domestic enterprises, supporting young, innovative firms and micro, small and medium enterprises; foster innovation and improve access to credit by deepening financial intermediation and developing long-term finance.

Recent developments

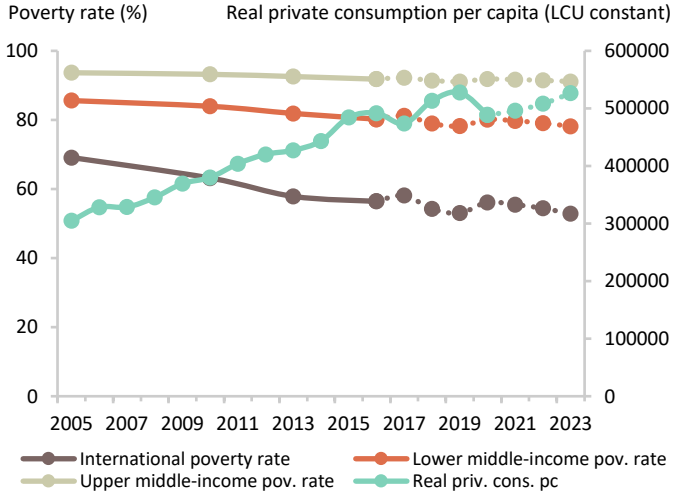
Economic activity recovered in 2021. After contracting by 3.4 percent in 2020, GDP grew by 3.5 percent in the first quarter and 20.6 percent in the second quarter (Q2), making 9.7 percent growth in the first half of 2021—despite a second wave of infections that prompted a three-week lockdown in Kigali in early 2021. The recovery was boosted by investment as well as the rebound in both private and public consumption, especially in Q2. Food production, construction, trade, transport and education services drove the recovery of output. Growth in tourism services—accommodation and catering services—turned positive in Q2, after

FIGURE 1 Rwanda / Primary deficit, interest payments, and public debt



Sources: 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.

dropping for four consecutive quarters. The economy is projected to grow by 4.9 percent for the year.

Both monetary and fiscal policy support continued in H1-2021. The National Bank of Rwanda (BNR) maintained accommodative policy stance to support the economic recovery and provide liquidity to the financial sector, taking advantage of the absence of inflationary pressures. The banking sector remained well-capitalized, but credit risk has heightened through rising non-performing loans. The government also continued an expansionary fiscal stance in 2021 through higher spending on public investment in infrastructure. The government continued also to implement its US$900 million Economic Recovery Plan (ERP), with policies focusing on increased spending to contain the epidemic and to strengthen the health system, social protection, education, as well as support for the private sector through the recovery fund. The government has added a new window, the "Manufacture and Build to Recover Programme," to form a second ERF in August. With about US$250 million, this aims to fast-track private sector investments in manufacturing and construction.

Outlook

The recovery is expected to gather momentum in the near term, powered by vaccine rollout, but the economy is projected to grow along a lower trajectory than it did before the pandemic. Confidence, consumption, and trade are expected to gradually improve, raising GDP growth to about 6.5 percent over 2022–2023. With a target of vaccinating 30 and 60 percent of the population by end-2021 and 2022 respectively, COVID-19 cases are expected to gradual decline, which would support growth in contact-intensive services sectors. A stronger recovery in advanced countries and some emerging market economies would support growth in mining and export-oriented sectors. Despite the government's unprecedented assistance program, the adverse effect of the crisis on output and employment means that poverty is expected to remain above the pre-crisis levels in 2022-2023, with government facing challenges to identify and reach households that become poor due to the pandemic. However, economic recovery could lose momentum if the progress on vaccination slows, mobility restrictions are reinstalled and last longer, public investments delayed, and external demand is weaker than expected. Business insolvencies and layoffs could hit incomes, increase poverty, and undermine banking sector stability.

Fiscal sustainability will remain a challenge in the medium term. Increased spending plans include an expansion of the COVID vaccination campaign, hiring of new teachers following the massive construction of classrooms last year, and the Economic Recovery Fund to support the private sector and state-owned enterprises. Public debt is forecast to reach 79.4 percent of GDP in 2021 and 81.6 percent in 2022. It would require a cumulative reduction in the overall headline deficit of 6 percentage points of GDP between 2021 and 2029 to reach the nominal debt anchor of 65 percent. The July 2021 World Bank/IMF DSA warns that Rwanda's limited fiscal space and this would continue to put pressure on the debt sustainability in the case of major shocks. Rwanda needs to identify credible revenue and spending measures for a growth-friendly fiscal consolidation with a view to reaching our debt anchor within a reasonable timeframe, and stepping up efforts to quantify, contain, and remediate emerging fiscal risks.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	8.6	9.5	-3.4	4.9	6.4	6.8
Private Consumption	11.3	5.5	-5.0	4.1	4.9	6.1
Government Consumption	5.1	17.5	-2.5	14.2	2.1	3.5
Gross Fixed Capital Investment	6.0	32.0	-2.0	2.4	13.0	11.0
Exports, Goods and Services	10.3	19.9	-9.2	14.1	19.2	10.2
Imports, Goods and Services	8.1	18.0	-3.4	12.1	14.1	9.4
Real GDP growth, at constant factor prices	8.5	8.9	-3.5	4.9	6.4	6.8
Agriculture	6.1	5.0	0.9	5.8	5.5	5.5
Industry	8.7	16.6	-4.2	10.6	10.7	10.0
Services	9.7	8.3	-5.5	2.3	5.2	6.1
Inflation (Consumer Price Index)	1.4	2.4	7.4	2.5	4.1	5.0
Current Account Balance (% of GDP)	-9.2	-11.6	-12.4	-13.5	-12.2	-11.2
Net Foreign Direct Investment (% of GDP)	3.6	2.5	1.0	2.4	3.0	3.6
Fiscal Balance (% of GDP)	-4.8	-7.0	-9.5	-9.2	-8.6	-7.3
Debt (% of GDP)	55.9	62.3	71.4	79.1	81.3	81.1
Primary Balance (% of GDP)	-3.6	-5.5	-7.8	-7.1	-6.0	-4.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	54.3	53.1	56.2	55.5	54.4	52.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	79.0	78.3	80.2	79.8	79.1	78.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.4	91.1	91.9	91.7	91.5	91.1
GHG emissions growth (mtCO2e)	0.8	3.4	-1.3	0.4	1.0	1.5
Energy related GHG emissions (% of total)	26.4	26.0	25.0	24.0	23.2	22.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

(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	2020
Population, million	0.2
GDP, current US$ billion	0.5
GDP per capita, current US$	2500.0
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]	70.4
Total GHG Emissions (mtCO2e)	0.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2017), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2019).

São Tomé and Príncipe (STP) is recovering from the COVID-19 pandemic through vaccination and resumption of international travel, supporting the recovery of commercial agriculture and tourism. But growth is expected to slow in 2021 with lower exceptional international financing compounded by an energy crisis. Support measures to vulnerable families contributed to maintaining poverty stable at around a third of the population. Delays in the implementation of structural reforms and pandemic-related uncertainty pose risks to the outlook.

Key conditions and challenges

STP is a small island country constrained by remoteness, a small private sector, limited institutional capacity, and low human capital. Growth has been driven by public expenditure, but its high reliance on external financing (grants and loans) and low domestic revenue mobilization have made it unsustainable. Growth opportunities are further limited by underdeveloped infrastructure, especially unreliable electricity that results in periodic crises with rolling blackouts, including one that has been underway for much of 2021. Energy reforms are crucial to support the country´s energy transition and to promote a private sector led growth model.

The country's fast-growing population is young and mostly low-skilled: about 60 percent of the working-age population have up to six years of schooling, relying heavily on informal family-enterprises and subsistence activities due to a lack of job opportunities in the private sector. Low access to finance further limits income-generating opportunities. Extreme poverty remains high, with about 35.6 percent of the population living on less than $1.90 per day (in 2011 PPP terms) in 2017.

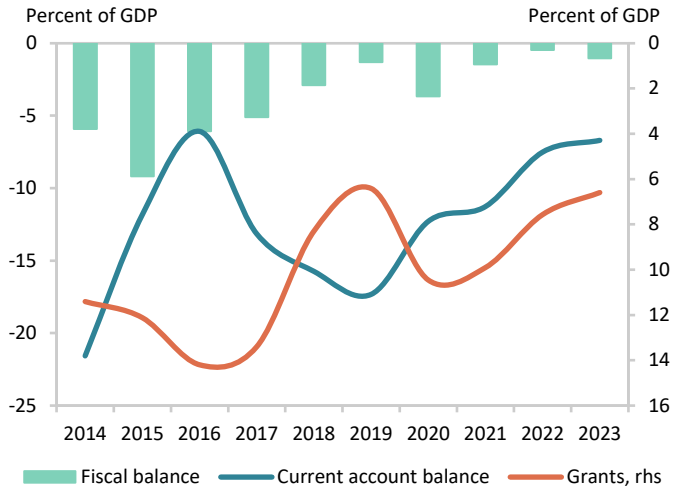
The COVID-19 pandemic affected the economy of STP mainly through the near-halt of the incipient tourism sector and pandemic related mobility restrictions. By August 2020, employment had fallen by 24 percent among household heads and most family enterprises reported lower earnings. However, progress on vaccination is supporting recovery. The government has vaccinated around 5.5 percent of the population as of end-June 2021, and aims to vaccinate about 70 percent of the population by mid-2022.

Recent developments

After unexpectedly growing by 3.1 percent in 2020 despite the pandemic, economic activity is estimated to decelerate to 2.1 percent in 2021 as the large, externally financed, fiscal impulse eases. Growth is being supported by the upturn of the agricultural sector due to the global economic recovery, as the demand for cocoa pushed the export of goods by 175 percent Year-on-Year in May 2021. Also, the resumption of international travel is supporting the recovery of tourism. STP received 2,530 tourists in the second quarter, higher than the 55 tourists that came in the second quarter of 2020 but still 73 percent below the 2019 level. Finally, the implementation of externally financed projects is expected to drive industrial growth.

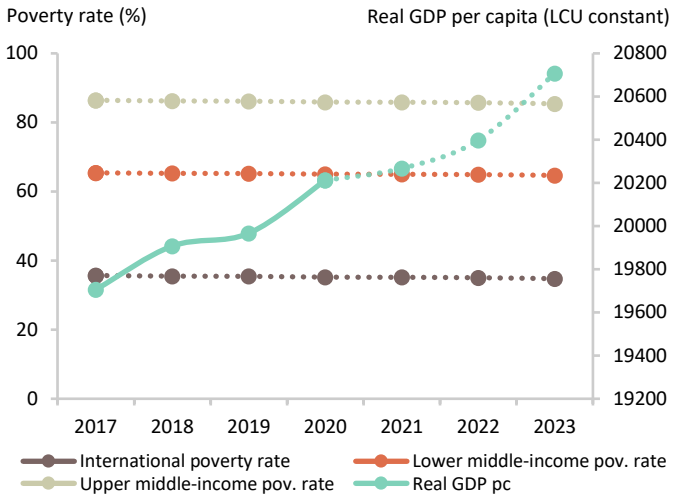
The current account deficit (including official transfers) is estimated to improve to 11.3 percent of GDP in 2021 led mostly by higher exports of goods and services, which will offset increases in imports driven by higher oil prices. Assuming most of the IMF's recent SDR allocation is kept in reserves, gross international reserves are estimated to increase to US$

FIGURE 1 São Tomé and Príncipe / Twin deficits and grants



Sources: Government authorities, IMF and World Bank projection.

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



Source: World Bank. Notes: See Table 2.

73.4 million, equivalent to 4.6 months of next year imports.

Inflation has decelerated to 6.9 percent in July 2021 from 9.4 percent in end-2020 as the demand pressures fueled by the fiscal and monetary response to the pandemic lessen, and the disruptions in international trade ease. Also, to help reduce excess liquidity, the central bank increased the minimum reserve requirements in the end -2020, which has led to reduction of 8.6 percent in the monetary aggregate (M1) by May 2021.

As the government is committed to phase out pandemic-related spending only gradually, fiscal expenditures are estimated to increase to 27.2 percent of GDP in 2021, while revenues are estimated to increase slightly to 25.7 percent of GDP. Accordingly, domestic primary deficit is expected to widen slightly to 3.5 percent of GDP, with the additional deficit financed largely domestically. Public debt is estimated to reach 87.9 percent of GDP, but given its concessional nature, debt service will remain low.

Pandemic relief programs, including the distribution of food baskets and a temporary expansion of cash transfer programs to vulnerable families and displaced workers, alleviated the impact of the pandemic on poorer households. This was reflected in surveys showing that food insecurity did not increase during 2020. Though data are limited, poverty is expected to have remained stable during this period.

Outlook

Growth is projected to increase to around 3.1 percent in 2022-2023 driven by a dynamic agricultural sector, continued implementation of externally financed infrastructure projects, recovery of tourism, and structural reforms to promote a more competitive private sector. The current account deficit is projected to improve to around 7.1 percent of GDP, as the demand of the country´s high-value commodities and tourism services increases, while imports moderate, particularly oil products, as the efficiency of the energy sector improves.

The gradual resumption of fiscal consolidation, improvement in domestic revenue mobilization (e.g. introduction of VAT), and the implementation of the energy reforms are expected to improve the country´s fiscal situation, contributing to narrow the domestic primary deficit to around 1.1 percent of GDP. Similarly, the central bank's commitment to defend the peg and the fiscal consolidation efforts are expected to reduce inflation to around 5.0 percent.

Poverty dynamics in 2022-23 will depend on the pace of the recovery, scale of social protection efforts, and impact of policy measures such as VAT introduction. Continued reliance on low productivity self-employment along with high youth unemployment means that generating more jobs is key to reducing poverty.

Given the pervasive impact on the economy, delays in implementation of much need reforms (e.g. energy) pose risks to growth in medium-term, and exacerbate fiscal vulnerabilities. Additional risks stem from pandemic uncertainty (e.g. new variants), slower vaccine deployment, political uncertainty, and the ongoing energy crisis. Climate change threatens long-term growth through impact on key crops and fisheries stocks, which affect the most vulnerable. On the upside, implementation of the reform agenda and the externally-financed projects could boost growth in long-term.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	2.9	2.2	3.1	2.1	2.9	3.3
Real GDP growth, at constant factor prices	2.1	2.5	2.3	2.1	2.9	3.3
Agriculture	-3.3	1.0	-1.1	1.5	1.8	2.2
Industry	0.8	0.7	4.4	2.0	2.5	3.0
Services	3.1	3.2	2.2	2.2	3.1	3.5
Inflation (Consumer Price Index)	7.9	7.8	9.9	6.8	5.7	5.8
Current Account Balance (% of GDP)	-15.9	-17.5	-12.4	-11.3	-7.5	-6.7
Fiscal Balance (% of GDP)	-2.9	-1.3	-3.7	-1.5	-0.5	-1.1
Debt (% of GDP)	93.2	99.9	87.4	87.9	86.5	84.3
Primary Balance (% of GDP)	-2.5	-0.6	-3.3	-1.1	-0.1	-0.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	35.5	35.4	35.2	35.1	35.0	34.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.2	65.2	65.0	64.9	64.8	64.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	86.2	86.1	85.8	85.8	85.7	85.4
GHG emissions growth (mtCO2e)	1.7	1.0	0.9	0.7	1.2	1.4
Energy related GHG emissions (% of total)	38.8	39.2	39.6	39.6	40.0	40.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU. Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.

(b) Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.

SENEGAL

Table 1	2020
Population, million	16.7
GDP, current US$ billion	24.2
GDP per capita, current US$	1449.1
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]	82.1
Life expectancy at birth, years[b]	67.9
Total GHG Emissions (mtCO2e)	36.8

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2011), 2011 PPPs.
(b) Most recent WDI value (2019).

Growth reached 2.5 percent (y-o-y) during the first quarter of 2021, despite a resurgence of COVID-19. Growth will gradually recover before increasing substantially once hydrocarbon production begins in 2023. After a spike in 2020, the fiscal deficit is expected to gradually decline over the medium term. Downside risks include a sustained pandemic, climatic hazards, terms of trade shocks, and delayed structural reforms. Following general growth trends, the poverty rate will increase slightly in 2021, before resuming a gradual declining trend.

Key conditions and challenges

Over the past decade, Senegal benefited from greater international competitiveness, lower fertility rates, and modest structural transformation. Pre-COVID, growth averaged around 6 percent between 2014-19, boosted by investment, private consumption, and a favorable external environment. Growth supported a process of poverty reduction by only 5 percent, from 43 percent in 2011 to 37.8 percent in 2018/9 – falling short of top performing sub-Saharan African countries. In addition, inequality stagnated over the period, with the Gini coefficient remaining at 0.35 and persistent spatial and socio-demographic disparities, including gender gaps. COVID-19 worsened the situation markedly, with poverty estimated to have increased by 2.1 percentage points in 2020, according to the 2020 High Frequency Survey, equivalent to 357,000 additional poor.

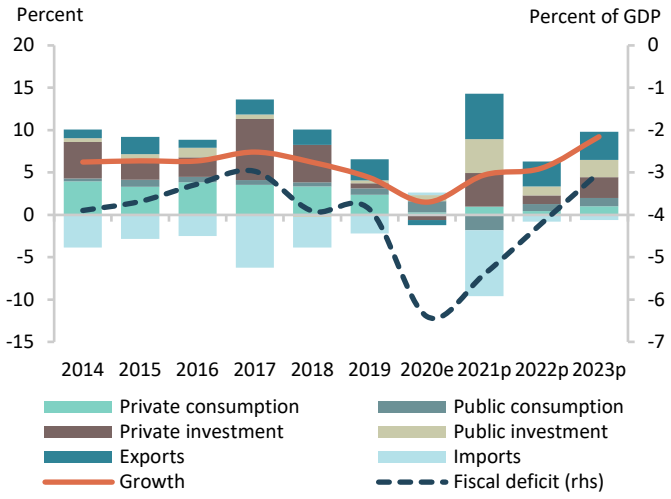
Risks are tilted to the downside. The resurgence of COVID-19 in the summer triggered new containment measures, which slowed activity in the formal and informal sectors. The fragility of economic recovery is exacerbated by structural vulnerabilities hampering Senegal's potential growth. On the one hand, insufficient and unevenly distributed human capital and structural inequalities constrain labor supply. On the other hand, the private sector has been unable to generate enough productive jobs to keep up with population growth, stifled by insufficient competition and inadequate financing.

The economy remains vulnerable to external shocks. Weaker-than-projected global growth or lower hydrocarbon prices with a global shift towards low-carbon initiatives would dampen domestic prospects. Senegal is also exposed to coastal erosion and climatic shocks (floods, droughts, and health hazards), which could slow recovery in tourism, reduce agricultural productivity, and reverse recent improvements in poverty reduction.

Recent developments

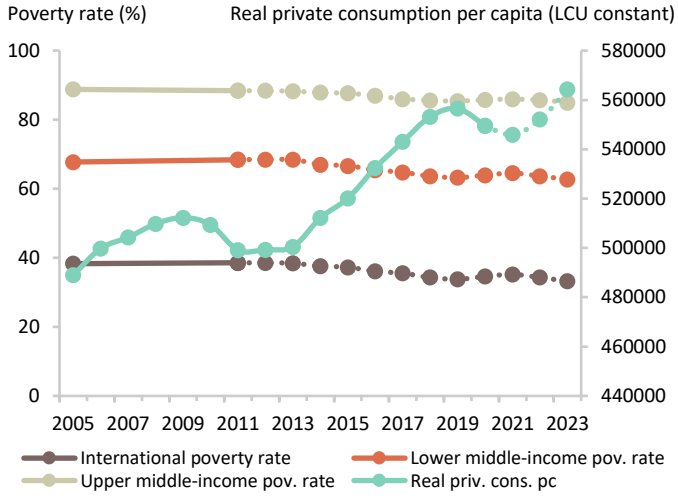
Growth decelerated to 1.5 percent in 2020 (-1.2 percent in per capita terms), as the negative impact of containment measures was partially offset by an 8.2 percent surge in agriculture production. On the demand side, public investment and public consumption increased by 13.5 and 12.6 percent, respectively. Despite a resurgence of COVID-19, growth reached 2.5 percent in Q1 2021, driven mostly by industrial production and the service sector (+20.7 and +14.4 percent y-o-y in the first 5 months of 2021, respectively), as households and businesses adapted to the pandemic. Formal employment also expanded: +7.7 percent y-o-y in Q1 2021. Inflation increased to 2.5 percent in 2020, and was at 2.9 percent in July 2021, due to higher food prices. The current account deficit (CAD) widened from 8.1 percent of GDP in 2019 to 10.2

FIGURE 1 Senegal/ Fiscal, deficit, Real GDP growth, and contributions to real GDP growth



Sources: Senegalese authorities and World Bank staff calculations.

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



Source: World Bank. Notes: See Table 2.

percent in 2020, due to weak demand in key export markets, particularly tourism. The deficit was financed by hydrocarbon related FDI and increased development assistance. In H1 2021, the terms of trade deteriorated as oil and international food prices increased.

In 2020, the fiscal deficit deteriorated to 6.4 percent of GDP. This reflects a combination of lower tax revenues from the slowdown in economic activity, with taxes on goods and services down 0.4 ppts of GDP, and an increase of 2.1 ppts of spending to mitigate the impact of the crisis, notably in the health sector. Consequently, debt-to-GDP increased from 63.8 percent of GDP in 2019 to 68.7 percent in 2020.

Senegal's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA Franc and the Euro. Its reserves have remained stable since 2019 and reached an estimated 5.8 months of imports in 2020 due to donor support and Eurobond issuances. To support the regional economy and COVID-19 related extra spending, the BCEAO implemented a set of monetary and macroprudential measures beginning in March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds. These measures were extended into 2021.

The poverty rate is expected to increase to 35 percent in 2021, from 33.8 percent in 2019. As the recovery materializes mostly in urban centers initially, vulnerable rural households may not reap the benefits of the economic rebound for some time. An extension of pre-COVID-19 cash transfer programs to the most vulnerable rural households and of universal health coverage would help to mitigate the negative impacts of the pandemic.

Outlook

Assuming the pandemic gradually recedes, growth is expected to reach 4.7 percent in 2021, and average 7.3 percent over 2022-23. It will be driven by exports, a pick-up in private investment, and the resumption of major extractive projects, with oil and gas production expected to come onstream by end-2023. Inflation is expected to return to its pre-COVID levels, declining slightly to 2.4 percent in 2021.

The CAD is expected to widen to 12.2 percent of GDP in 2021. Whereas oil and gas projects will be almost exclusively supported by FDI, the rest of the deficit will be financed by a mix of concessional financing, commercial borrowing, and the G20's debt service suspension initiative (0.6 percent of GDP). The CAD is expected to remain elevated in 2022, at 11.6 percent of GDP, before dropping sharply to around 6.0 percent in 2023, as hydrocarbon exports gradually come on stream. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF that could be temporarily on-lent to member countries.

The fiscal deficit will fall to 5.4 percent of GDP in 2021, as the Government reins in current expenditures to pre-pandemic levels and tax revenues partially recover from the crisis, increasing by 0.4 ppts of GDP. While public debt remains sustainable, the debt-to-GDP ratio is expected to increase to 71.9 percent of GDP in 2021, before declining thereafter. Over the medium term, fiscal pressures will gradually ease as continued tax revenue mobilization efforts help to rebuild fiscal space, with the fiscal deficit expected to converge to the WAEMU criterion of 3 percent of GDP by 2023.

Higher expected growth (driven by an increase in exports and public investment and the ambitious socio-economic response plan) and low inflation should improve household real incomes. Consequently, the international extreme poverty rate is projected to decline to its pre-pandemic level of 33.2 percent by 2023.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.2	4.4	1.5	4.7	5.5	9.2
Private Consumption	4.7	3.4	1.5	2.8	3.8	4.9
Government Consumption	3.5	5.5	6.3	5.9	5.6	4.9
Gross Fixed Capital Investment	13.7	8.4	6.2	8.3	8.5	11.5
Exports, Goods and Services	8.2	11.2	-4.6	7.2	7.8	16.3
Imports, Goods and Services	9.0	5.3	2.6	5.5	5.7	6.0
Real GDP growth, at constant factor prices	6.2	4.4	1.5	4.7	5.5	9.2
Agriculture	8.1	4.5	8.2	4.8	6.4	7.3
Industry	6.5	3.7	2.9	4.2	5.2	16.1
Services	5.5	4.7	-1.0	4.9	5.4	6.5
Inflation (Consumer Price Index)	0.5	1.0	2.5	2.4	2.0	1.5
Current Account Balance (% of GDP)	-9.1	-8.1	-10.5	-12.2	-11.6	-6.0
Fiscal Balance (% of GDP)	-3.9	-3.9	-6.4	-5.4	-4.2	-3.0
Debt (% of GDP)	62.4	63.8	68.7	71.9	70.1	64.5
Primary Balance (% of GDP)	-1.9	-1.9	-4.4	-3.2	-2.1	-1.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	34.3	33.8	34.6	35.2	34.3	33.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	63.6	63.2	63.9	64.5	63.6	62.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	85.6	85.4	85.8	85.9	85.7	85.0
GHG emissions growth (mtCO2e)	0.7	3.1	3.9	4.5	5.0	8.3
Energy related GHG emissions (% of total)	33.6	33.5	32.9	33.8	35.0	37.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2011-ESPS-II.Actual data: 2011. Nowcast: 2012-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2011) with pass-through = 0.87 based on private consumption per capita in constant LCU.

SEYCHELLES

Table 1	2020
Population, million	0.1
GDP, current US$ billion	1.2
GDP per capita, current US$	12000.0
International poverty rate ($1.9)[a]	0.5
Lower middle-income poverty rate ($3.2)[a]	1.1
Upper middle-income poverty rate ($5.5)[a]	5.2
Gini index[a]	32.1
School enrollment, primary (% gross)[b]	100.4
Life expectancy at birth, years[b]	73.9
Total GHG Emissions (mtCO2e)	0.8

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2018), 2011 PPPs.
(b) Most recent WDI value (2019).

Real GDP is expected to increase by 6.9 percent in 2021 and 7.7 percent in 2022 as the tourist industry recovers. This will contribute to the narrowing of the current account deficit. In addition, the fiscal balance is expected to return to a sustainable path as the government undertakes fiscal consolidation, the exchange rate appreciates, and the economy recovers. Poverty is expected to stay high in 2021 due to the impact of COVID-19.

Key conditions and challenges

Tourism and fisheries are the key sectors of the Seychelles' economy. The fishing industry, which is host to one of the largest tuna canneries in the world, contributes to between 8 and 20 percent to GDP annually and the tourism sector contributes 30 percent to GDP. The country is also dependent on imports. This lack of economic diversification exposes Seychelles to external shocks. These shocks are transmitted through disruptions in international travel and tourism demand, as well as through fluctuations in fishing stocks and instabilities in the price of essential commodities such as food and fuel prices. Seychelles is also exposed to fiscal risks emanating from State-owned enterprises (SOEs), particularly Air Seychelles, whose financial difficulties has been exacerbated by the decline in the global travel industry.

Poverty in Seychelles declined between 2013 and 2018, to 5.2 percent when measured against the poverty line for upper middle-income countries of USD 5.50 a day per capita in PPP terms. This decline has been driven by a rise in incomes from paid employment and self-employment as well as an increase in the benefits of various social protection programs. However, the high level of social spending undertaken by the Government is expected to become unaffordable in the wake of a rapidly aging population and in the context of COVID-19, which has led to an increase in fiscal pressures.

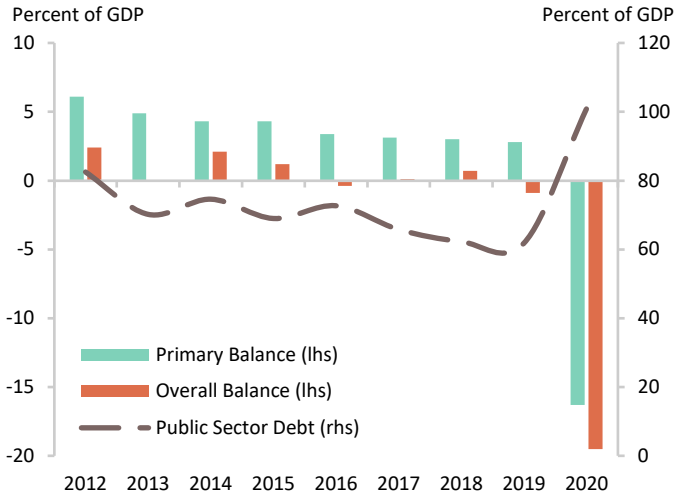
Recent developments

Economic growth is projected to recover to 6.9 percent in 2021 due primarily to a recovery in the tourism sector. Tourist arrivals begun to rebound in April 2021 following the reopening of borders in late March 2021, and the emergence of new tourist markets (Russia, UAE and Israel). The average inflation rate stood at 7.5 percent at end August 2021 due to increased demand. Despite a gradual revival of tourist activity, the current account deficit is projected to remain high at -25.7 percent of GDP in 2021 (compared to -29.5 percent in 2020). Gross international reserves stood at US$ 617 million in July 2021 (4.2 months of imports).

During the first six months of 2021, public expenditure declined by 3.5 percentage point compared to the same period of the previous year, driven mainly by a reduction in government transfers by 2 percentage point. In the same period, revenue collection declined by 0.5 percentage point due to generous loss-carry forward provisions for business taxes and the abolishment of Corporate Social Responsibility (CSR) tax. The GOS conducted a liability management operation (LMO) in July 2021 that increased the average maturity of the domestic debt portfolio to 4.8 years (compared to 1 year) and reduced the cost of the debt by 125-150 basis points.

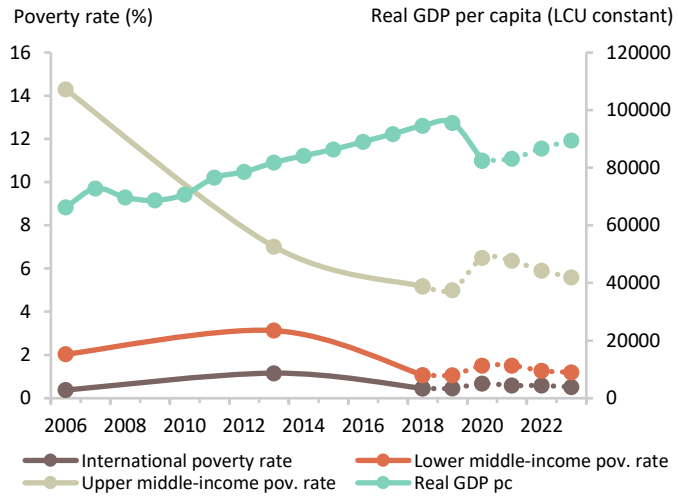
Negative growth in 2020 took a toll on poverty reduction. Poverty rose to 6.5

FIGURE 1 Seychelles / Fiscal balance and public sector debt



Sources: WDI and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

percent in 2020, compared to a pre-pandemic level of 5.2 percent, and is projected to fall only marginally to 6.4 percent in 2021. The unemployment rate declined to 4 percent in the fourth quarter of 2020 possibly thanks to the mitigating impact of the financial assistance for job retention program implemented by the government.

Outlook

Between 2022 to 2023 economic growth is expected to average 5.9 percent. Economic growth will be driven by tourism, which is projected to grow by 53 percent and 39.1 percent in 2022 and in 2023, respectively, driven by a rebound in tourist arrivals from traditional markets. Poverty (measured at $5.5 per capita per day) is projected to decline from 6.4 percent in 2021 to 5.6 percent in 2023. The inflation rate is projected to decline to 3.7 percent at end-2022 and 3.2 percent in 2023 as tourism resumes and foreign exchange supply increases, stabilizing the exchange rate. The current account deficit is projected to improve in the medium-term reaching -22.0 percent of GDP in 2023 from -29.5 percent of GDP in 2020, as exports of goods and services recover.

The fiscal deficit is projected to narrow in 2021 and continue declining in the medium term, as the government unwinds COVID-19 related expenditures and undertakes fiscal consolidation. This improvement will be due to the expenditure saving measures introduced in the 2021 budget, which are expected to remain in place until 2023. These measures include limiting new recruitments to key positions in certain ministries and departments; freezing salaries for public service employees; freezing long service allowance; and banning the introduction of new schemes of service. These expenditure measures are projected to save approximately 5.2 percent of GDP. Revenue collection is expected to increase in the medium term, driven by a resumption of economic activities as well as measures to improve tax policy, including limits to international profit shifting and the streamlining of VAT exemptions. Revenue reforms are projected to generate 3.6 percent of GDP. The public debt to GDP ratio is projected to decline to 70 percent of GDP by 2026 as economic growth recovers and the exchange rate is expected to appreciate.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.1	2.0	-13.3	6.9	7.7	6.8
Private Consumption	3.3	4.8	-10.8	13.1	10.6	5.5
Government Consumption	8.8	-0.2	4.3	4.6	1.7	-1.5
Gross Fixed Capital Investment	3.8	-2.7	-37.7	-5.3	16.1	8.0
Exports, Goods and Services	2.9	2.0	-39.6	12.2	18.0	20.1
Imports, Goods and Services	4.0	0.9	-38.2	10.3	18.3	14.4
Real GDP growth, at constant factor prices	4.1	1.8	-13.4	6.9	7.7	6.8
Agriculture	0.9	1.1	-0.2	1.0	1.1	1.1
Industry	2.4	2.1	0.7	2.1	2.4	2.0
Services	4.4	1.7	-15.4	7.8	8.6	7.6
Inflation (Consumer Price Index)	3.7	2.0	1.2	9.9	3.2	3.0
Current Account Balance (% of GDP)	-19.6	-18.8	-29.7	-25.7	-22.0	-19.4
Net Foreign Direct Investment (% of GDP)	17.2	17.7	10.1	14.0	14.2	14.7
Fiscal Balance (% of GDP)	-0.2	1.0	-17.8	-13.6	-7.7	-2.9
Debt (% of GDP)	59.7	58.7	102.3	87.7	87.6	83.0
Primary Balance (% of GDP)	2.9	3.6	-14.3	-10.2	-4.5	0.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.5	0.5	0.7	0.6	0.6	0.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	1.1	1.1	1.5	1.5	1.3	1.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	5.2	5.0	6.5	6.4	5.9	5.6
GHG emissions growth (mtCO2e)	4.9	2.9	-6.0	7.1	7.9	7.0
Energy related GHG emissions (% of total)	79.5	79.7	80.1	80.0	80.0	79.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2018-HBS.Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021to 2023.

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

SIERRA LEONE

Table 1	2020
Population, million	8.0
GDP, current US$ billion	4.0
GDP per capita, current US$	500.0
International poverty rate ($1.9)[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]	143.7
Life expectancy at birth, years[b]	54.7
Total GHG Emissions (mtCO2e)	11.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2018), 2011 PPPs.
(b) Most recent WDI value (2019).

After contracting by 2 percent in 2020, output is projected to expand by 4.2 percent in 2021. Both real GDP and per capita income are expected to surpass their pre-crisis levels in 2022-23, with poverty expected to fall and return to its 2019 level by 2022. Headline inflation and the budget deficit will decline over the medium-term as the economy recovers while exports will improve due to strong global demand.

Key conditions and challenges

Sierra Leone's (SL) economy is highly vulnerable to domestic and external shocks due to its dependence on commodities (i.e., mining, which is sensitive to shifts in global demand and prices) and agriculture (which is rain-fed and subject to weather changes). Economic growth averaged 4.4 percent between 2010 and 2020, but with a large standard deviation of 10.6 percent. Moreover, the country's high population growth rate has meant that per capita GDP has grown much slower than the economy (at just 2.2 percent). Despite these challenges, the poverty rate fell from 54.7 percent in 2011 to 40.6 percent in 2019, albeit predominantly in urban areas.

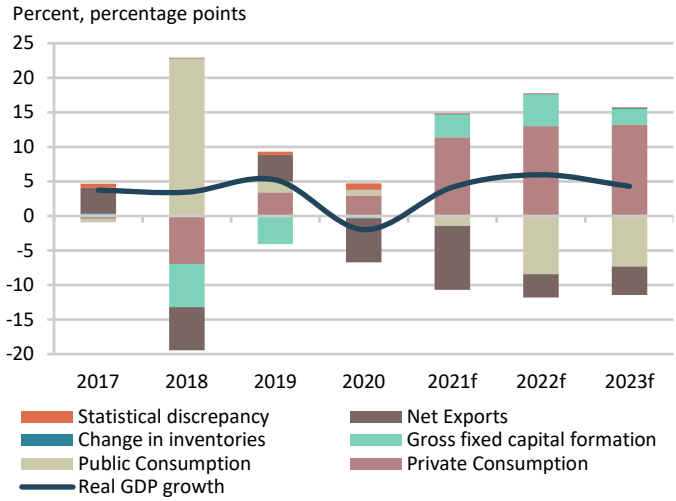
The country has experienced macroeconomic stress and fiscal imbalances in the recent past. Between the Ebola outbreak and the onset of the COVID-19 pandemic (2014–20), the budget deficit averaged 5.7 percent. In the same period, domestic revenue mobilization averaged 12.7 percent of GDP, with an estimated tax gap of 4.5 percent of GDP. Since 2019, SL has been ranked at a high risk of debt distress. The country's medium-term national development plan for 2019–2023 prioritizes productivity-raising structural reforms (under the economic diversification cluster) as well as improved cross-sector resource allocation through investments in physical and human capital. However, economic growth contracted by 2 percent in 2020, as the COVID-19 pandemic led to a contraction in the services and industrial sectors following global supply chain disruptions, suspension of international travel, lockdowns, and the closure of land borders. GDP per capita fell by 4 percent in 2020, reversing some of the recent gains in poverty reduction. Non-farm households dependent upon private sector income (whether self-employed or salaried) disproportionately saw incomes drop across the board during the height of the pandemic. The poverty rate jumped from 40.6 percent in 2019 to 43.5 percent in 2020, primarily affecting urban households.

Recent developments

Growth is expected to rebound in 2021 due to the easing of COVID-19-related restrictions, implementation of the government's fiscal response to the pandemic, and resumption of iron ore mining. The recovery has been broad-based on the supply side, with all sectors contributing to growth, and driven by domestic private consumption and investment on the demand side. Real GDP per capita is estimated to increase by 2.1 percent in 2021 leading to a modest decline in the poverty rate. However, a reversal in the sharp expansion of urban poverty is unlikely without higher growth rates especially in the services sector.

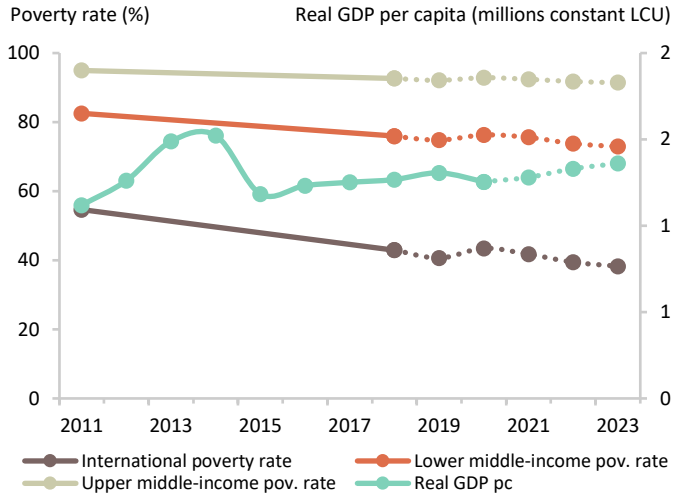
Headline inflation fell to 8.9 percent in March 2021, before rising sharply to 10.2 percent by end-June, reflecting an increase

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



Sources: Sierra Leone 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.

in food and fuel prices. Indeed, food inflation reached 17.1 percent in June (2021H1), well above its pre-COVID-19 level of 9.9 percent (reflecting an increase in the price of key food staples due to food supply difficulties), while non-food inflation declined from 6.9 percent in December 2020 to 4.5 percent in June 2021, reflecting subdued demand for nonfood items. Given the price pressure and expected economic rebound, the Bank of Sierra Leone (BSL) kept the monetary policy rate unchanged at 14 percent in 2021H1. The BSL intervened to provide foreign exchange for the importation of essential commodities, which helped keep the Leone relatively stable (it depreciated by less than 5 percent against the US dollar in 2021H1).

The current account deficit is expected to improve by 1 percentage point to 16.4 percent of GDP in 2021 reflecting higher export receipts from the mining sector. In 2021H1, total public expenditure reached 12.3 percent of GDP while total revenue collection totaled 6.9 percent of GDP, below the annual budget targets of 23.1 and 14 percent of GDP, respectively. The overall budget deficit is projected to decline by 1.7 percentage points to 3.8 percent of GDP in 2021, reflecting a resumption of fiscal consolidation efforts (both on the revenue and expenditure side) as the pandemic recedes. Accordingly, public debt is estimated to decline by 0.7 percentage points to 72.9 percent of GDP in 2021, although the risk of external and overall debt distress was assessed as high in June 2021 (same as in 2020).

Outlook

Real GDP per capita will grow by 3.1 percent in 2022-23, surpassing its pre-crisis level in 2022. Agriculture is expected to contribute to about half of real sector growth as the government adopts policies to promote private sector participation and investments in cash crops. The expected recovery in trade and tourism will support a rebound in services while industry will be boosted by the resumption of iron ore mining. On the demand side, growth is expected to be driven mainly by private consumption and investment. With the boost in domestic food production, headline inflation should return to single digits by 2023. Moreover, the poverty rate is expected to fall slightly by 1.7 percentage points in 2021 and return to its 2019 level by 2022. The current account deficit is projected to narrow to 12.9 percent of GDP by 2023, financed by a combination of foreign direct investment and project support grants. In addition, new SDR allocation (US$283 million or 6.5 percent of GDP) from the IMF will help to cushion gross external reserves, reduce exchange rate variability, and safeguard external sector stability. About 14 percent of the total allocation have been earmarked to support SL's COVID-19 response (amounting to 0.8 and 0.3 percent of GDP in 2022 and 2023). The fiscal deficit is projected to decline to 2.3 percent of GDP by 2023, driven by improvements in domestic revenue mobilization and expenditure rationalization. However, the outlook is subject to significant downside risks and uncertainties related to the path of the pandemic and the pace of improvements in global economic conditions.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	3.5	5.3	-2.0	4.2	6.0	4.3
Private Consumption	-7.0	3.8	3.4	12.3	13.0	12.4
Government Consumption	250.2	5.1	2.7	-4.5	-28.5	-36.6
Gross Fixed Capital Investment	-33.7	-34.2	-4.1	45.1	45.3	16.7
Exports, Goods and Services	-34.9	-1.6	-9.8	11.1	33.2	23.0
Imports, Goods and Services	-11.5	-7.0	7.5	19.9	16.7	14.8
Real GDP growth, at constant factor prices	3.4	5.3	-2.0	4.2	6.0	4.3
Agriculture	3.9	5.4	1.6	3.7	5.7	3.6
Industry	-2.5	10.9	-7.1	6.2	9.4	4.7
Services	4.1	3.7	-5.8	4.5	5.6	5.3
Inflation (Consumer Price Index)	16.0	14.8	13.5	11.8	10.2	9.6
Current Account Balance (% of GDP)	-18.6	-23.9	-17.4	-16.4	-14.5	-12.9
Net Foreign Direct Investment (% of GDP)	6.1	9.0	7.0	4.8	2.7	3.9
Fiscal Balance (% of GDP)	-5.6	-2.4	-5.5	-3.8	-2.9	-2.3
Debt (% of GDP)	69.1	71.4	73.6	72.9	72.0	70.1
Primary Balance (% of GDP)	-2.8	-0.2	-2.6	-1.1	0.4	0.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.0	40.6	43.5	41.8	39.5	38.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	76.0	74.8	76.3	75.6	73.8	73.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.7	92.2	92.9	92.5	91.8	91.5
GHG emissions growth (mtCO2e)	-2.9	3.4	1.0	2.6	2.7	2.7
Energy related GHG emissions (% of total)	15.2	15.3	14.9	14.6	14.5	14.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2018-SLIHS.Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021to 2023.

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

SOMALIA

Table 1	2020
Population, million[a]	15.0
GDP, current US$ billion	5.0
GDP per capita, current US$	333
International poverty rate ($1.9)[b]	68.6
Gini coefficient[b]	36.8
School enrollment, primary (% gross)[c]	33.0
Life expectancy at birth, years[d]	57.4

Source: WDI, IMF & World Bank (2020), UNFPA and Macro Poverty Outlook.
(a)Estimates based on 2013 population estimates by UNFPA and assumes an average annual population growth of 2.9%
(b) Most recent value (2017).
(c) Somali Poverty and Vulnerability Assessment Report (World Bank, 2019).
(d) Life expectancy for 2019 from WDI.

The Somali economy is projected to rebound in 2021 with a growth rate of around 2.3 percent, based on solid performance of the financial sector, increased remittance inflows and higher exports. However, with rural areas affected by persistent weather shocks, the gains from growth remain unevenly distributed. The poverty rate is expected to stagnate at 71 percent until 2023. Increased political instability and delays in the rollout of the COVID-19 vaccine pose as risks to economic recovery.

Key conditions and challenges

Following prolonged negotiations, political stakeholders across Somalia's emerging federation have agreed on a timetable and modalities for elections, which are likely to be held at the end of 2021 and early 2022. The upcoming election marks an important milestone in addressing the drivers of fragility by working towards rebuilding the social contract. However, rising insecurity and insurgence activities continue to test the strength of governance institutions and intergovernmental cooperation.

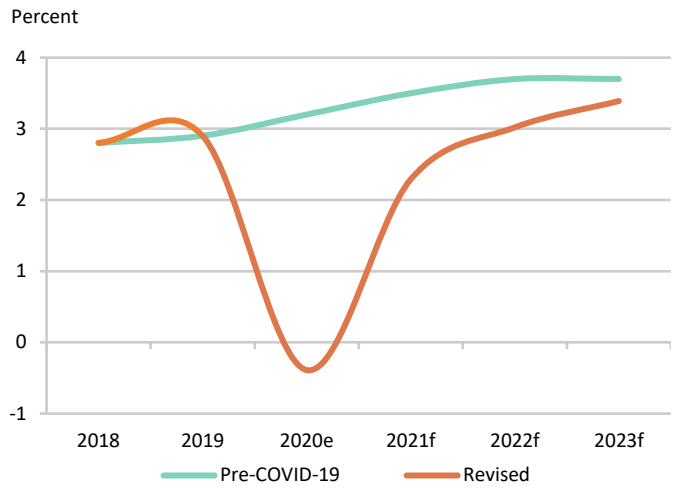
A commitment to implement and sustain the reforms agreed under the Heavily Indebted Poor Countries Initiative (HIPC) has been maintained, which provides a pathway towards achieving full and irrevocable debt relief. Real GDP growth has remained modest since 2014, averaging around 2.4 percent, lower than the population growth rate. Public resources are constrained, with tax collection at less than 5 percent of GDP. The federal and state governments therefore lack the resources to invest in human capital and infrastructure; and public spending remains focused on strengthening security and basic state apparatus. As institutions are at a nascent stage of development, the federal government does not have the macroeconomic policy tools to manage shocks to the economy, while the central bank lacks the capacity to conduct effective monetary policy. The country is therefore dependent on external partners to provide support during shocks.

While the economy is projected to rebound in 2021, the 2020 triple crisis of the COVID-19 pandemic, floods, and locust infestation continues to have lingering effects on high levels of joblessness and poverty. Despite a slight rebound in employment since the start of the pandemic, the overall employment rate is still low, where just over half of the population are participating in the labor market. The international poverty estimate (measured using the $1.90/person/day poverty line) remains at 71 percent in 2021.

Recent developments

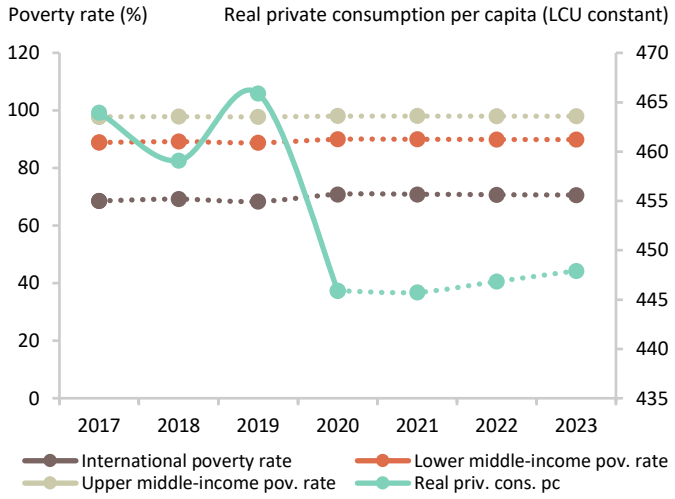
Following an economic contraction estimated at 0.4 percent in 2020, GDP growth is projected to rebound to 2.3 percent in 2021, based on encouraging performance in the first six months of the year. Bank deposits and credit to the private sector are up on upward trend, while the demand for automobiles, electronics and construction materials increased, signaling increased business activity. Export volumes have increased by nearly 30 percent, while total imports have grown by 12 percent as demand for consumer products rises. Despite a revival in economic activities, inflation has remained stable, averaging 4 percent in the three major cities of Mogadishu, Bosaso and Hargeisa in the first six months of 2021.

FIGURE 1 Somalia /Real GDP growth, pre-covid forecast versus current forecast



Source: World Bank Staff Estimates, 2021.

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



Source: World Bank. Notes: see Table 2.

Remittance inflows, used by households for consumption and private businesses for investment, increased by more than a third in the first half of 2021 compared to the same period the year before. However, rural areas have been hit by localized flooding and a locust invasion, which are lowering domestic agricultural production. Worsening insecurity in southern and central regions may also dampen agricultural activities and increase displacement to urban areas.

The prolonged election period is affecting the federal government's capacity to raise domestic revenues and donor grants, which reached only 37 percent and 20 percent of annual budget targets, respectively, by June 2021. Budget support from development partners (which had been anticipated to finance 25 percent of spending in 2021) virtually ceased due to the political stalemate, necessitating cuts in discretionary spending. However, the government is stepping up support to vulnerable populations in times of crisis, notably through the Gargaara lending facility which targets micro, small, and medium enterprises, as well as the national Baxnaano program to increase cash transfers. However, the scale of support is dwarfed by needs, particularly in a context of rising COVID-19 infections. Access to vaccines remains limited (716,000 doses have been received) and only 0.6 percent of the population has been fully vaccinated.

However, the nascent economic recovery has not supported the improved of the population, which remains unacceptably dire. Poverty levels have stayed at 71 percent and a vast majority of the population experienced a reduction in income compared to the pre-pandemic level. Similarly, food insecurity remains high; at the start of the year, more than half of adults reported that they were hungry but did not eat.

Outlook

Economic growth is projected to reach 3.0 percent in 2022 and 3.4 percent in 2023, returning to pre-pandemic levels over the medium term (Figure 1). This outlook depends on a continued national commitment to economic reform to reach the HIPC Completion Point, regardless of the election outcome, which is critical for medium-term growth and access to much needed external resources. A peaceful election, smooth political transition and the reform momentum are also likely to support increased consumer and investor confidence.

Over the long-term, planned investments in sectors such as energy, ports, and the financial sector are expected to gradually shift the drivers of growth from consumption to investment. This will help to harness Somalia's potential in sectors such as fisheries, agriculture, and renewable power generation, and diversify the export base. An expected increase in the availability of vaccines will support the government's plans to vaccinate 20 percent of its population by 2022, and further abate the effects of the pandemic.

The economic rebound is expected to push GDP per capita to US$352 in 2021, from US$332 in 2020. The international poverty rate is projected to remain at 71 percent in 2022 and 2023. Accelerating the pace of poverty reduction will require policy interventions and public investments that raise productivity, create jobs, and expand pro-poor programs.

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

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.8	2.9	-0.4	2.3	3.0	3.4
CPI Inflation, annual percentage change	3.2	3.1	4.2	4.3	4.0	3.4
Current Account Balance	-7.5	-10.5	-14.3	-13.9	-14.3	-12.7
Trade balance	-84.8	-83.0	-91.1	-88.4	-91.7	-90.6
Private remittances	31.4	31.9	32.4	32.4	33.3	35.7
Official grants	46.6	41.3	47.9	43.7	44.6	41.6
Fiscal Balance[a]	0.1	0.5	0.2	0.0	-0.6	-0.8
Domestic revenue	3.9	4.6	4.3	4.0	4.9	5.0
External grants	1.8	2.2	6.0	3.8	4.8	5.9
Total expenditure	5.7	6.3	10.0	7.8	10.3	11.6
Compensation of employees	3.0	3.3	4.6	4.2	4.0	3.8
External debt	112.8	108.8	90.8	83.1	78.9	75.6
International poverty rate ($1.9 in 2011 PPP)[b,c]	69.2	68.4	70.8	70.9	70.7	70.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	89.2	88.8	90.0	90.0	90.0	89.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	97.9	97.8	98.1	98.1	98.1	98.1

Sources: World Bank Staff Estimates (2021), IMF (2021), and FGS (2021).
Notes: e = estimate, f = forecast.
(a) Federal Government of Somalia (FGS).
(b) Calculations based on 2017 SHFS-wave 2. Actual data: 2017. Nowcast: 2018-20. Forecast are from 2021-23.
(c) Projection using neutral distribution (2017) with pass-through = 1based on private consumption per capita in constant US$.

SOUTH AFRICA

Table 1	2020
Population, million	59.3
GDP, current US$ billion	335.1
GDP per capita, current US$	5650.9
International poverty rate ($1.9)[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]	98.5
Life expectancy at birth, years[b]	64.1
Total GHG Emissions (mtCO2e)	679.9

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

The South African economy has started to recover, following a 6.4 percent contraction last year. GDP growth is expected to rebound to 4.6 percent in 2021, driven by the favorable global environment. The domestic drivers of growth remain weak and structural reforms – some of which have been implemented over the last few months – need to continue to achieve higher growth and job creation. Poverty is reaching levels not seen for more than a decade, which puts further pressure on budget spending.

Key conditions and challenges

The global environment – higher growth in trade partners and favorable commodity prices – is supporting South Africa's economic recovery. Terms of trade have improved by more than 20 percent since end-2019, driven primarily by metal prices. Historically, commodities have played a big role in South Africa's economic trajectory. The mining sector only accounts for 7 percent of GDP but for over half of merchandise exports (platinum group metals, gold, iron ore and coal). Commodity cycles also tend to affect financial variables such as investment flows, the exchange rate and the stock market.

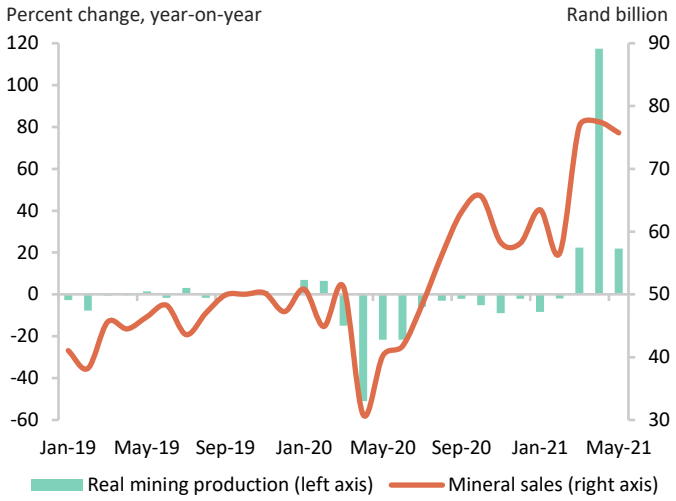
The pandemic has worsened social outcomes. Poverty rates have climbed back to levels of more than a decade ago, undoing years of progress. About 1 in 4 South African of working-age are unemployed or discouraged. Combined with political tensions over the imprisonment of former President Zuma, social hardship translated in civil unrest and looting in July, leading to significant damages (destruction of retail and warehouse facilities, disruption of major road transport corridors, etc.). President Ramaphosa has cited that the economic cost of the unrest, based on property owners' estimates could mount to R50 billion (0.9 percent of GDP). Following these events, the government reinstated the COVID-19 Social Relief of Distress grant until the end of this fiscal year (March 2022).

Given persistently weak domestic growth drivers, South Africa is vulnerable to changes in the global environment. Lower global growth accompanied by falling commodity prices would hamper the recovery. Generally benign financial conditions and trade dynamics have supported the Rand so far this year. However, portfolio investments continue to record net outflows which could put pressure on government bond yields and make fiscal consolidation more difficult. Domestically, additional waves of COVID-19 infections could translate into further job losses. A lack of improvement in living standards could threaten social stability and put additional pressure on public finances which are already constrained.

Recent developments

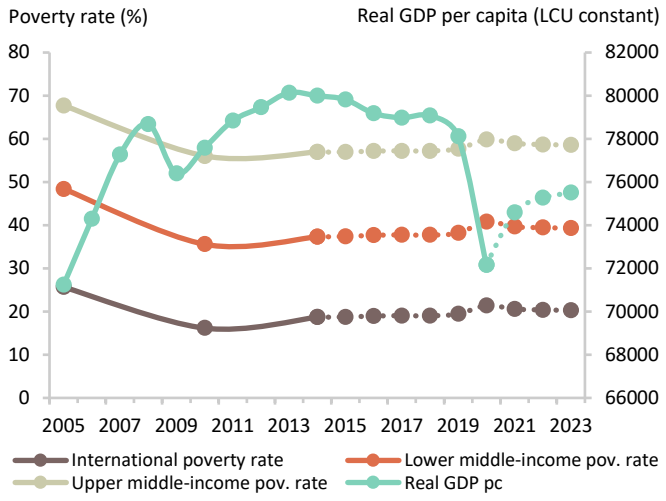
South Africa's economy continued to recover in the first half of 2021. Real GDP increased by 1 percent on a quarterly basis in Q1 and by 1.2 percent in Q2. Finance, mining, trade and transports were the main drivers of growth on the production side. On the demand side, households' consumption, change in inventories (lower destocking) and net exports (Q2) drove the increase while investment continued to lag. Recovering from last year's low base as a result of the pandemic-related hard lockdown, GDP increased by 7.5 percent in H1 2021 compared to H1 2020, with mining and manufacturing having the largest recoveries (+25.2 and +17 percent respectively).

FIGURE 1 South Africa / Mining production and sales



Source: STATS SA.

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



Source: World Bank. Notes: see Table 2.

South Africa suffered from a third wave of COVID-19 infections during its winter months. Weekly infections increased to a peak of 134,000 in July despite renewed restrictions to contain the pandemic. The vaccination program suffered delays at its start, but it has gathered pace. About 14 percent of the population has been fully inoculated as of end-September 2021 and all adults (above 18 years old) are now eligible. The economic impact of the pandemic has been severe. The unemployment rate has continued to increase, reaching 34.4 percent at end-June 2021. The poverty rate has increased from 57.7 percent in 2019 to 59.8 percent last year, based on the upper middle income country poverty line.

Thanks to high commodity prices, the current account balance has recorded a surplus of 5 percent of GDP over January-June 2021, supporting external balances. Boosted by higher growth, fiscal revenue has performed better than budgeted. At the same time, spending is also set to increase this fiscal year as the government announced additional expenditure for R38 billion (about 0.6 percent of GDP) to mitigate the effects of the pandemic. CPI inflation averaged 4 percent over January -July and inflation expectations remain well anchored. Monetary policy has remained accommodative with the SARB keeping the repo rates at 3.5 percent since July 2020.

Outlook

Driven by the global recovery, the vaccination rollout and favorable commodity prices, GDP growth is expected to rebound to 4.6 percent this year. However, the domestic drivers of growth remain muted. The growth recovery hasn't translated in job recovery so far and social outcomes are expected to remain deteriorated this year. The poverty rate is projected to hover around 59 percent in 2021 based on the upper middle income country poverty line, and to stay around that level in 2022-23 unless growth recovers more decisively.

South Africa's public finances are in a difficult position. Public debt has been rising fast over the last decade Based on the government's ambitious consolidation plan, the fiscal deficit is expected to decrease to 7.8 percent of GDP in 2021 and further to 5.2 percent of GDP in 2023. Public debt is projected to reach 72 percent of GDP in 2021 and increase further to 78.7 percent by 2023. However, the government could face spending pressures in the context of the pandemic and its economic and social impacts. In this context, it will be critical to prioritize the allocation of limited resources where they can have the highest developmental impact.

Structural reforms are needed to support higher growth rates in the medium term. Constraints such as weak investment, electricity shortages and transport and logistical costs and bottlenecks continue to weigh on economic activity. Important long-standing steps have been taken recently such as the increase of the licensing threshold for embedded electricity generation, the announcement of the opening of South African Airways' capital, the separation of the ports' authority from the operating SOE Transnet and plans to open ports to private investment. The reform momentum must continue in order to stimulate private investment and foster job creation. Taking advantage of the favorable global environment to deepen South Africa's participation in global value chains would support growth.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	1.5	0.1	-6.4	4.6	2.1	1.5
Private Consumption	2.4	1.1	-6.5	4.0	3.1	2.6
Government Consumption	1.0	2.7	1.3	-0.2	-1.6	-1.4
Gross Fixed Capital Investment	-1.8	-2.4	-14.9	-1.8	5.0	4.5
Exports, Goods and Services	2.8	-3.4	-12.0	11.0	2.5	2.5
Imports, Goods and Services	3.2	0.5	-17.4	8.6	6.0	5.0
Real GDP growth, at constant factor prices	1.5	0.1	-5.9	4.6	2.1	1.5
Agriculture	0.4	-6.3	13.4	1.5	2.5	2.5
Industry	0.8	-1.7	-12.6	5.5	1.6	1.2
Services	1.7	0.9	-4.3	4.4	2.2	1.5
Inflation (Consumer Price Index)	4.5	4.1	3.3	4.2	4.5	4.5
Current Account Balance (% of GDP)	-3.2	-2.7	2.0	2.6	-0.6	-1.7
Net Foreign Direct Investment (% of GDP)	0.3	0.5	1.5	1.0	0.3	0.4
Fiscal Balance (% of GDP)	-3.6	-5.1	-11.5	-7.8	-6.2	-5.2
Debt (% of GDP)	51.5	57.3	71.0	72.0	76.0	78.7
Primary Balance (% of GDP)	-0.1	-1.4	-7.1	-3.4	-1.5	-0.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	19.0	19.4	21.4	20.6	20.4	20.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	37.7	38.2	40.8	39.7	39.4	39.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	57.2	57.7	59.8	58.9	58.7	58.6
GHG emissions growth (mtCO2e)	0.4	-0.7	-4.5	2.5	0.8	0.3
Energy related GHG emissions (% of total)	87.8	87.9	87.5	87.5	87.5	87.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2014-LCS.Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

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

SOUTH SUDAN

Table 1	2020
Population, million	11.2
GDP, current US$ billion	4.9
GDP per capita, current US$	437.5
International poverty rate ($1.9)[a]	76.4
Lower middle-income poverty rate ($3.2)[a]	91.6
Upper middle-income poverty rate ($5.5)[a]	97.8
Gini index[a]	44.2
School enrollment, primary (% gross)[b]	73.0
Life expectancy at birth, years[b]	57.8
Total GHG Emissions (mtCO2e)	79.2

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2016), 2011 PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2019).

South Sudan's economy is estimated to have contracted by 5.4 percent in FY2020/21 as the pandemic affected key sectors, notably oil and services. Living conditions deteriorated and continue to be affected by displacement and inadequate access to basic services. Poverty is estimated to have reached 79 percent in FY2020/21, up from 77 percent in FY2019/20. While a mild growth recovery is expected in FY2021/22, medium term growth prospects will depend on sustainability of peace, commitment to reforms, and economic diversification.

Key conditions and challenges

Despite vast oil wealth and considerable access to development assistance both before and after independence, South Sudan emerged in 2011 as one of the poorest countries in the world. At the same time, recurring cycles of conflict and violence have placed large constraints on both institutional and human capital development, sustaining large capability deficits. Consequently, South Sudan has struggled to leverage its vast natural resource wealth to develop a modern economy.

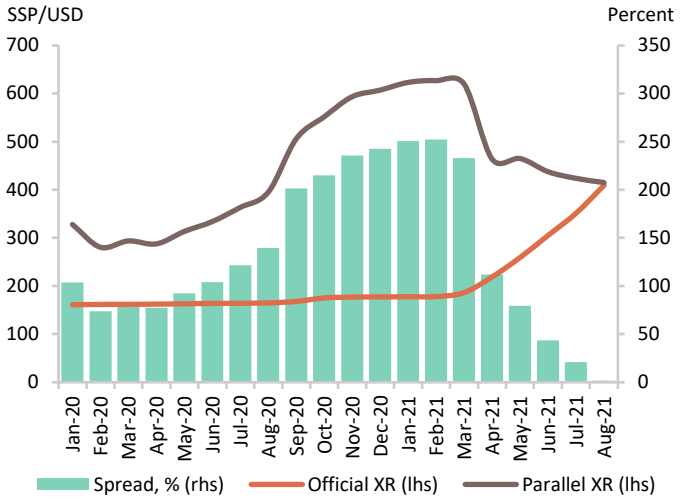
A decade after independence, South Sudan remains caught in a web of fragility, economic stagnation, and instability. Economic mismanagement and monetization of the fiscal deficit led to soaring inflation and widening exchange rate premium, with output contracting for consecutive years during 2015 – 2018. Consequently, real household disposable income declined, and the poverty rate increased from 44.7 percent in 2009 to about 76 percent in 2016. Extremely high poverty levels have been sustained in subsequent years by conflict, displacement, and shocks. The conflict has caused severe damages to productive assets, resulted in a major economic crisis, while sustaining large humanitarian needs. It is estimated that about 1.6 million people remain internally displaced and 2.2 million South Sudanese refugees are still residing in neighboring countries. Food insecurity deteriorated consistently from late 2012 onward, with the number of South Sudanese facing severe food insecurity estimated at 7.2 million people (60 percent of total population) in FY2020/21.

As the COVID-19 pandemic has disrupted a fragile economic recovery, diversifying sources of growth and revenue will be critical as the current oil led growth model has reached its limits. In the past, the oil sector provided the wherewithal for large government consumption outlays, but current production levels, estimated at about 160,000 bpd in FY2020/21, are expected to remain just about one half of pre-crisis levels. Nevertheless, strengthening service delivery institutions, governance, economic, and public financial management systems will prove critical as the country seeks to build resilience to future shocks, providing building blocks for an inclusive and sustainable growth path.

Recent developments

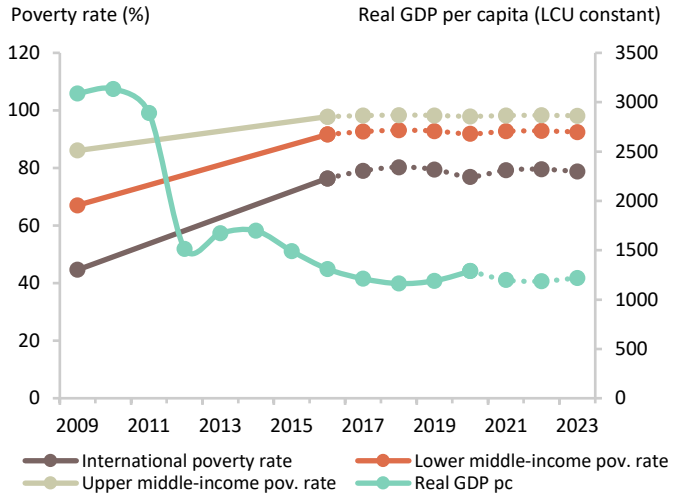
The economy is estimated to have contracted by 5.4 percent in FY2020/21, with growth negatively impacted by the COVID-19 pandemic, floods, and conflict in parts of the country. Oil production declined by 5.9 percent, as floods affected production and the COVID-19 pandemic delayed new investments to replace exhausted wells. Food insecurity remained dire, with nearly three out of four households experiencing food price increases and nine out of 10 rural households worried about having enough to

FIGURE 1 South Sudan / Exchange rate developments



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

eat in October 2020. The poverty rate increased by about 2 percentage points in FY2020/21, to an estimated 79 percent. Inflation continued to decline in FY2020/21, reflecting the authorities' implementation of basic macroeconomic and fiscal management reforms. According to official CPI data, the 12-month inflation rate fell to 18 percent in June 2021, from a peak of nearly 70 percent in January 2021. At the same time, exchange rate policy is on course to achieve unification, and this has contributed to declining inflation. The gap between the market and official exchange rates declined from 250 percent in January 2021 to about 1 percent in August 2021.

The FY2020/21 budget deficit is estimated to have narrowed to about 6.9 percent of GDP from 9.8 percent in FY2019/20, reflecting higher than projected oil and non-oil revenue and fiscal consolidation efforts. The budget revenue impact of lower oil production was offset by higher prices, with oil revenue increasing to 26.7 percent of GDP in FY2020/21 from 25.5 percent in FY2019/20. At the same time, non-oil revenue increased to about 5 percent of GDP from 4.0 percent, reflecting the authorities' efforts to expand the tax base. On the expenditure side, the fiscal position benefited from a large adjustment of operating expenditure which declined to 6.6 percent of GDP in FY2020/21 from 10.5 percent in FY2019/20. The current account deficit is estimated to have narrowed to 5.5 percent in FY2020/21 from 20.3 percent in FY2019/20, reflecting higher oil export values and weaker import demand.

Outlook

South Sudan's economy could grow by 1.0 percent in FY2021/22, with challenges in the oil sector constraining a faster recovery. Over the medium-term, growth may average around 4.5 percent with developments in the non-oil sectors, along recovering consumption, being the main contributing factors. However, a stronger broad-based recovery is needed to achieve poverty reduction gains. At these growth rates, per capita GDP will not revert to FY2019/20 levels until FY2024/25 and poverty is expected to remain stagnant at 79 percent in the coming years. The ongoing PFM reforms, if successful, could create opportunities for the achievement of faster and more inclusive growth going forward. Inflation is expected to decline gradually and will benefit from improved fiscal and monetary discipline, exchange rate market liberalization, and deepening PFM reforms. While the new FY2021/22 budget envisions a fiscal deficit of about 1.9 percent of GDP, the fiscal outlook could improve further, reflecting higher oil prices and a fiscal adjustment that has led to lower current spending. Expenditures are expected to remain contained, despite a one-off doubling of salaries contained in the FY2021/22 budget. South Sudan remains at high risk of debt distress with total public debt estimated at 54.9 percent of GDP in FY2020/21, of which 44.8 percent is external debt. However, the country's debt sustainability could benefit from utilization of part of the SDR allocation to pay non-concessional debt.

The major downside risk to the outlook relate to the sustainability of peace and security, especially as subnational conflict continues in parts of the country. A large decline in oil prices would also adversely affect the macroeconomic outlook, posing a significant risk to growth as well as fiscal and external sustainability. Additional risks relate to the future path of the pandemic, particularly as additional waves and mutations of the virus provide added uncertainty.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	-3.5	3.2	9.5	-5.4	1.0	5.2
Real GDP growth, at constant factor prices	-3.5	3.2	9.5	-5.4	1.0	5.2
Agriculture	-2.5	9.9	6.0	3.5	3.7	3.9
Industry	15.0	20.9	27.5	-6.1	-0.7	5.5
Services	-14.6	-12.1	-9.6	-6.5	3.1	5.0
Inflation (Consumer Price Index)	121.6	63.6	33.3	43.1	24.0	16.0
Current Account Balance (% of GDP)	-9.8	17.3	-20.3	-5.5	0.7	2.1
Net Foreign Direct Investment (% of GDP)	-0.5	-1.7	-0.4	0.9	0.9	0.8
Fiscal Balance (% of GDP)	-3.4	-1.0	-9.8	-6.9	-0.7	1.9
Debt (% of GDP)	46.1	32.7	40.7	54.9	52.6	48.0
Primary Balance (% of GDP)	-3.1	-0.5	-7.8	-4.5	1.3	3.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	80.3	79.5	76.9	79.2	79.5	78.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	93.1	92.8	91.8	92.7	92.9	92.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	98.4	98.3	97.9	98.2	98.3	98.2
GHG emissions growth (mtCO2e)	4.0	7.8	7.3	0.0	3.2	5.4
Energy related GHG emissions (% of total)	2.7	2.6	2.7	3.8	4.3	4.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2016-HFS-W3.Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.

SUDAN

Table 1	2020
Population, million	43.8
GDP, current US$ billion	20.4
GDP per capita, current US$	465.8
International poverty rate ($1.9)[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]	65.3
Total GHG Emissions (mtCO2e)	117.6

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2014), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2019).

The Government remains committed to stabilizing the economy and containing the fiscal deficit, but success will depend on measures to bring mounting energy subsidies under control. Economic growth is expected to turn positive at 0.9 percent in 2021 following three years of recession. Poverty is estimated to have increased in 2020 and 2021 and risks of increased vulnerability and poverty remain elevated but can be mitigated, to some extent, by expansion of the Sudan Family Support Program (SFSP).

Key conditions and challenges

Sudan's Transitional Government has forged ahead with ambitious reforms to address macroeconomic imbalances and contain the fiscal deficit. In FY2021, these reforms include liberalizing the exchange rate, sharply reducing fuel subsidies, and rolling out the SFSP. By clearing arrears to Multilateral Financial Institutions (MFIs), Sudan has embarked on full re-engagement with these institutions, paving the way for the country to access external support, including nearly USD 2 billion in grants from the World Bank. The government has also committed to adopt a zero ceiling on the contraction of non-concessional debt and to the regular publication of debt data.

Although Sudan received a boost from some capital inflows following the exchange rate unification, the country is still struggling to turn the corner toward stabilization and economic growth in 2021. Exchange rate unification has increased capital inflows through official channels and has helped improve the trade balance, increase remittances, and shift the current account into a surplus in early 2021. However high inflation persists, due to monetization of the fiscal deficit in the absence of government debt markets. Government must continue to address energy subsidies in a bold manner, to contain the fiscal deficit.

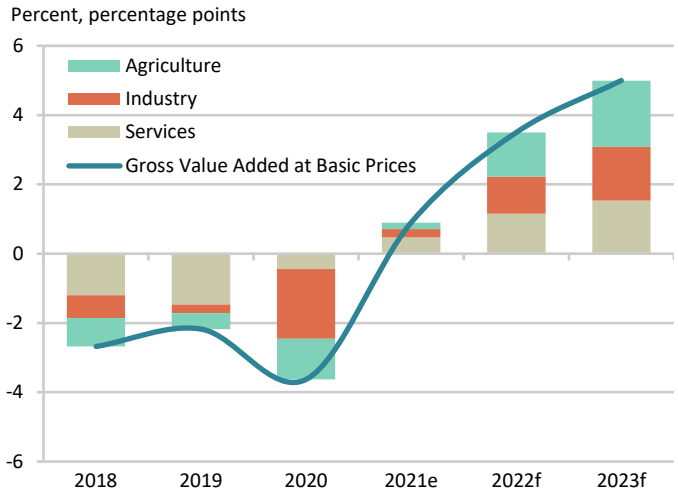
Major risks to economic stabilization include uncertainty around COVID-19, flooding, and potential instability of money demand in the context of exceptionally high inflation. The COVID-19 pandemic, and negative external shocks, such as flooding in 2020, could exacerbate an already difficult situation. Results from the Bank's ongoing COVID-19 high frequency survey suggest that about one-third of households are worried about having enough food to eat, and many modified their eating habits. These impacts are partially mitigated by the Sudan Family Support Program (SFSP) which is providing cash transfers to households.

Recent developments

A third wave of COVID-19 hit Sudan in April and May, prompting a reinstatement of various containment measures and travel bans. However, the adverse impacts of COVID-19 containment measures were mitigated by government's policy permitting the food industry to operate under strict adherence to ministry of health guidelines. Non-food industries (i.e., tourism, cloth manufacturing) were closed from April until July. As a result, agriculture has fared better relative to other sectors in the first half of 2021.

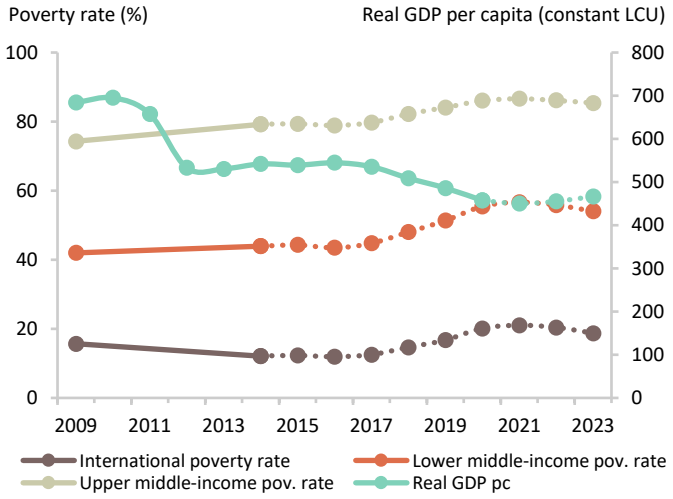
The balance of payments received a boost from exchange rate liberalization, with net capital inflows turning strongly positive in the second quarter of the year. The trade balance also improved with higher gold prices and an increase in gold exports, leading to a 240 percent increase in the value of gold exports in the first half of

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

2021 relative to the same period in 2020. A positive balance of payments position has allowed for a much-needed accumulation in gross foreign exchange reserves of US$ 160 million in the first half of 2021.

Inflation continued to accelerate in the first half of 2021, registering a record high of 422.8 percent in July (in annual terms). Reducing inflation remains the primary policy objective of the Government in 2021, and Sudan has been working under ambitious targets on fiscal consolidation and slower monetary expansion, supported by the IMF program. The Government made important reform progress in the first half of 2021, bringing down the fiscal deficit to an estimated 2.2 percent of GDP and limiting growth of currency in circulation to 36 percent. Following a period of stability after unification, the exchange rate started to depreciate in April, moving from 381 to 485 SDGs to the dollar by early June; as of mid-August it appreciated somewhat, to 450.

Based on estimates using the latest household survey from 2014, and GDP growth projections, poverty rates may have increased in 2020, reaching an estimated 20.2 percent at $1.90/day PPP and 55.5 percent at $3.20/day PPP. These estimated trends are supported by data from the recent high frequency COVID-19 survey. Overall, 26 percent of the men and 10 percent of the women that lost their jobs at the onset of the pandemic remained unemployed in April 2021. The SFSP is helping to mitigate some of these effects. To date, of the 2.5 million households registered, 1 million have received at least one payment, with 25 percent of these going to households headed by women.

Outlook

GDP growth is expected to pick up to 0.9 percent in 2021, from -3.6 percent in 2020, driven by favorable conditions in agriculture and improved economic activity as the COVID-19 related restrictions were lifted. Economic growth is expected to rebound further in 2022 and 2023, as progress towards economic stabilization leads to higher capital inflows and development financing. On the supply side, services are expected to be the main driver of growth in the short term. Against continued fiscal consolidation, inflation is expected to slow down to double digits in 2023. Tax and customs reforms should have a positive impact on revenue mobilization. On the expenditure side, a sharp reduction in subsidies is expected facilitate increased social spending and transfers to states. In addition, continued efforts to contain the fiscal deficit would reduce the need for monetization and moderate the expansion of the money supply. The pace of poverty reduction is expected to be slow. Projections suggest poverty will continue to increase until 2021. Even though poverty is expected to start declining in 2022, poverty rates measured by all poverty lines are still higher than the pre-COVID levels in 2023.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	-2.7	-2.2	-3.6	0.9	3.5	5.0
Private Consumption	-2.5	-0.9	-3.4	2.4	4.7	5.8
Government Consumption	-2.5	-10.9	-6.0	1.0	2.5	4.1
Gross Fixed Capital Investment	-2.3	-0.2	-5.8	-7.0	7.7	8.3
Exports, Goods and Services	7.6	6.9	5.0	7.7	25.0	24.4
Imports, Goods and Services	2.4	-0.9	-3.9	26.0	21.3	16.0
Real GDP growth, at constant factor prices	-2.7	-2.2	-3.6	0.9	3.5	5.0
Agriculture	-1.8	-1.0	-2.5	0.4	2.7	4.1
Industry	-1.9	-0.7	-5.7	0.7	3.1	4.5
Services	-6.1	-7.8	-2.5	2.6	6.3	8.2
Inflation (Consumer Price Index)	63.3	51.0	163.3	347.0	112.0	34.4
Current Account Balance (% of GDP)	-9.3	-11.4	-13.2	-5.9	-5.5	-5.2
Net Foreign Direct Investment (% of GDP)	3.4	2.8	2.1	3.6	4.3	4.5
Fiscal Balance (% of GDP)	-7.9	-10.8	-5.9	-2.9	-1.5	-1.0
Debt (% of GDP)[a]	185.6	200.3	249.1	208.6	191.9	184.0
Primary Balance (% of GDP)	-7.8	-10.6	-5.9	-2.8	-1.3	-0.8
International poverty rate ($1.9 in 2011 PPP)[b,c]	14.7	16.8	20.2	21.0	20.5	18.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	48.1	51.4	55.5	56.7	55.9	54.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	82.3	84.1	86.1	86.7	86.2	85.4
GHG emissions growth (mtCO2e)	0.5	-0.8	-2.5	-2.3	-0.2	1.0
Energy related GHG emissions (% of total)	15.5	15.1	14.5	14.3	14.9	15.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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: 2015-2020. Forecast are from 2021to 2023.

(c) Projection using neutral distribution (2014) with pass-through = 1 based on GDP per capita in constant LCU.

TANZANIA

Table 1	2020
Population, million	59.7
GDP, current US$ billion	61.8
GDP per capita, current US$	1035.2
International poverty rate ($1.9)[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]	98.8
Life expectancy at birth, years[b]	65.5
Total GHG Emissions (mtCO2e)	185.3

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2018), 2011 PPPs.
(b) Most recent WDI value (2019).

Tanzania's economy is projected to expand by 4.3 percent in 2021, following the modest growth of 2 percent in 2020. Macroeconomic outlook hinges on improvements in external demand, domestic COVID-19 indicators, and support to the private sector. The international poverty rate is projected to fall marginally in 2021 but remain above the pre-pandemic level. The pandemic underscored the need to accelerate reforms to foster inclusive private sector-led growth, while ensuring fiscal sustainability.

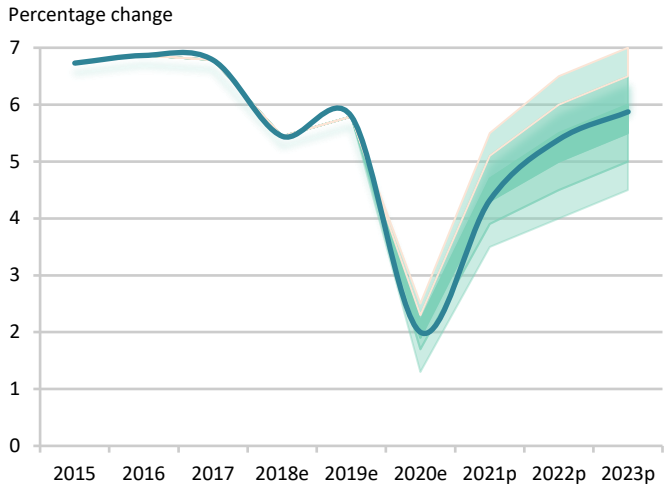
Key conditions and challenges

Tanzania became a lower middle-income country in July 2020 thanks to the solid income growth over two decades, averaging 6.5 percent per year, and macroeconomic stability. Inflation rates remained low, and fiscal and current-account deficits were manageable. Investment has been a key driver of growth, consistently contributing two-thirds to it. About three quarters of total investment was from private sources, but lately this ratio has declined with waning extractives FDI and a more challenging business environment. Poverty response to rapid economic growth has been moderate in recent years, and growth has not been very inclusive. High population growth, insufficient levels of education, low agricultural productivity, and slow and uneven creation of more productive income earning opportunities have hindered the inclusiveness of growth. The COVID-19 pandemic has further exacerbated existing challenges, reversing some of the gains in poverty reduction achieved over the last decade, especially in urban areas. Tackling the COVID-19 pandemic will require overcoming institutional inertia and strengthening the country's health and economic response. To realize Tanzania's Development Vision 2025 and ensure sustainable and inclusive growth beyond 2021, the government must implement a well-calibrated package of policies focused on macroeconomic stability, fiscal sustainability, and more inclusive and resilient growth. Policy priorities include accelerating productive investments, prioritizing human capital development, enabling agricultural transformation, leveraging digital technologies, and building public sector institutions and capabilities.

Recent developments

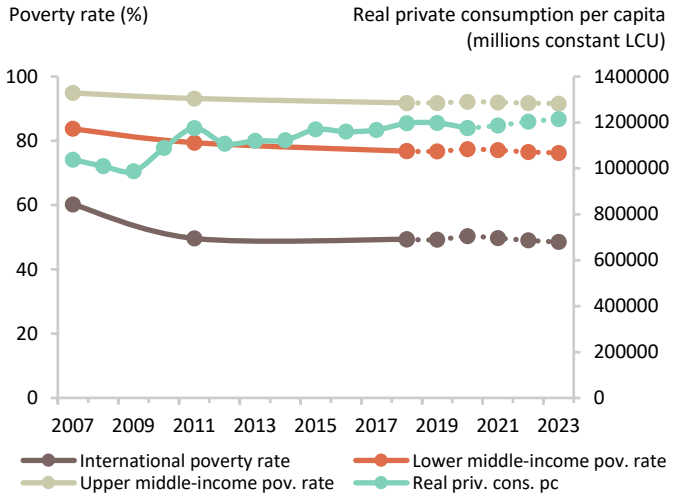
According to official data, in 2020 GDP growth was 4.8 percent, driven by construction, agriculture, and transport and storage, aided by the absence of lockdowns. However, high-frequency data suggest that GDP growth rate slowed to an estimated 2.0 percent in 2020, as shocks to export-oriented sectors such as tourism, manufacturing, and related services diminished business revenue and labor income, which adversely affected domestically oriented firms of all sizes across all sectors. Tourism declined significantly in 2020 as the number of visitors plummeted by 60 percent and the revenues fell by 72 percent. Private sector credit growth plunged to 3 percent in December 2020 from 11.1 percent a year earlier. Year on year decline in other indicators (electricity generation, capital goods import, government expenditures and taxes) point to a lower growth in 2020. High-frequency indicators from 2021 present mixed signals and suggest that the global pandemic continues to take a toll. Inflation remained stable at 3.3 percent throughout 2020 but accelerated moderately to 3.6 percent in June 2021. Despite increased gold exports,

FIGURE 1 Tanzania / Real GDP growth forecasts under alternative scenarios



Sources: NBS (2015-2017), World Bank Staff Estimates and Projections (2018-2023).

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



Source: World Bank. Notes: see Table 2.

the current-account deficit is estimated to widen to 1.9 percent of GDP during the year ending June 2021 due to declines in tourism and traditional exports. Helped by the DSSI and external financing, gross international reserves stood at 6.1 months of projected imports at end-June 2021. The fiscal deficit has widened to an estimated 2.6 percent of GDP in FY2020/21 due to the shortfall in revenues, which was partially offset by cuts in expenditures. The fiscal policy response to COVID-19 was limited and included expediting clearance of domestic arrears, expanding the coverage of social security schemes, and supporting public sector tourism institutions. According to the August 2021 joint IMF-World Bank Debt Sustainability Analysis, Tanzania's risk of external debt distress has increased from low to moderate mostly due to the pandemic-induced shock on tourism and the change in the country's debt carrying capacity from strong to moderate. In 2020, real per capita GDP declined for the first time in over 25 years. The poverty rate based on the international extreme poverty line is estimated to have risen from 49.3 percent in 2019 to 50.4 percent in 2020. Households that saw the highest drop in welfare were those relying on self-employment and informal microenterprises in urban areas.

Outlook

Tanzania's real GDP growth rate is projected to rebound to 4.3 percent in 2021 conditional on successful global rollout of a COVID-19 vaccine and improvement in business environment and fiscal management. Both external and fiscal positions are expected to weaken because of implementation of the Tanzania Covid-19 Socioeconomic Response Plan and the government's ambitious infrastructure program. The emergency imports (vaccine, medication, testing equipment) and higher capital -goods imports are expected to widen current-account deficit to 3.1 percent of GDP in 2021. The fiscal deficit is projected to widen to 3.3 percent of GDP due to higher pandemic-related spending. Under the different upside and downside scenarios, GDP growth could range between 3.5 and 5.5 percent in 2021. The evolution of the pandemic and the pace of vaccination, both globally and domestically, will be the most crucial factors driving the outlook. The shift in the government's approach to COVID-19, its renewed focus on regional trade and cooperation, and its commitment to domestic policy reforms designed to improve the business environment have somewhat attenuated downside risks. However, the spread of new variants of COVID-19 could extend the pandemic, while challenges around the procurement and distribution of vaccines could slow the domestic recovery. In the meantime, a difficult global context marked by restricted international borders, financial stress, and elevated debt levels continues to adversely impact trade, travel, and capital flows, threatening the projected recovery. The international poverty rate is projected to fall to 49.8 percent in 2021 but remain above the pre-crisis level. However, if the future growth projections are materialized, the international poverty rate in 2023 will be 48.6 percent, the lowest since 2000. But to sustainably reduce poverty, and lower the number of poor people, the recovery must create jobs, including for low-skilled workers, enable small enterprises growth, and foster productivity of agriculture, on which three-quarters of poor households depend. Lowering population growth and expanding the Tanzania Social Action Fund Productive Social Safety Net, including to urban areas, will also be essential. Also, the government will need to maintain prudent macroeconomic and fiscal stance to ensure that adequate fiscal space is available to finance major investments in physical, human, and institutional capital.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	5.4	5.8	2.0	4.3	5.4	5.9
Private Consumption	5.6	3.1	1.0	5.2	4.9	4.3
Government Consumption	2.0	2.3	7.4	12.3	8.5	3.9
Gross Fixed Capital Investment	7.7	8.0	2.4	5.4	7.7	7.0
Exports, Goods and Services	-1.7	19.0	-8.6	2.2	3.3	6.6
Imports, Goods and Services	16.7	-1.4	-7.6	13.3	9.8	3.6
Real GDP growth, at constant factor prices	5.4	5.8	2.0	4.3	5.4	5.8
Agriculture	3.4	3.5	3.1	4.1	4.6	5.2
Industry	9.7	10.3	2.5	6.5	7.6	8.2
Services	3.8	4.2	0.9	2.8	4.1	4.4
Inflation (Consumer Price Index)	3.5	3.5	3.4	3.5	3.6	3.8
Current Account Balance (% of GDP)	-3.9	-2.3	-1.6	-3.1	-3.8	-3.1
Net Foreign Direct Investment (% of GDP)	1.7	2.0	1.1	1.2	1.3	1.4
Fiscal Balance (% of GDP)	-2.6	-2.2	-2.0	-3.3	-3.9	-3.7
Debt (% of GDP)	39.9	38.3	38.7	39.5	39.6	38.8
Primary Balance (% of GDP)	-0.9	-0.5	-0.3	-1.4	-1.7	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	49.4	49.3	50.4	49.8	49.1	48.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	76.8	76.7	77.5	77.2	76.6	76.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.8	91.8	92.1	92.0	91.7	91.6
GHG emissions growth (mtCO2e)	0.0	3.0	2.5	3.1	3.2	3.2
Energy related GHG emissions (% of total)	20.5	21.3	21.9	22.7	23.3	23.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2018-HBS.Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021to 2023.

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

TOGO

Table 1	2020
Population, million	8.3
GDP, current US$ billion	7.4
GDP per capita, current US$	891.6
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]	124.3
Life expectancy at birth, years[b]	61.0
Total GHG Emissions (mtCO2e)	10.0

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2019).

Growth decelerated in 2020 as the containment and mitigations measures to curb the spread of COVID-19 negatively affected private consumption, investment, and tourism. External and fiscal balances also worsened, while debt and poverty rose. Growth and poverty reduction will gradually recover over the medium term. Downside risks to the outlook include larger-than-expected COVID-19 effects, heightened insecurity in neighboring countries, tightening financial conditions as inflationary pressure emerge, and fiscal risks from SOEs and PPPs.

Key conditions and challenges

Togo experienced a robust economic growth prior to the COVID-19 pandemic, averaging 5 percent (2.4 percent in per capita terms) between 2017-19. However, it was lower than many peers and did not lead to significant improvements in living standards. Access to electricity and safe drinking water in 2018-19 were both only about 56 percent for the poor and 76 percent and 69 percent, respectively among the nonpoor. The COVID-19 crisis halted economic growth and poverty reduction, with the extreme poverty rate estimated to have increased by 0.1 percentage point between 2019-2020. The COVID-19 crisis has also disrupted the labor market. As illustrated by the COVID-19 high frequency survey (HFPS) conducted in May-June 2020, nearly 3 out of 10 workers experienced some disruption and this increased by more than twofold during June-July 2020.

The Government has maintained the momentum of reforms in the areas of tax revenue mobilization, public investment efficiency, debt management and transparency. To attract private investors, critical business enabling reforms and investments in infrastructures have been implemented.

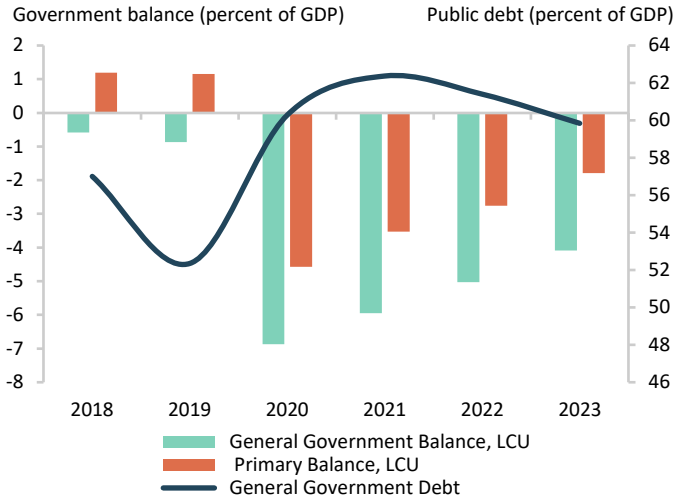
The path to an inclusive and sustained post-COVID recovery remains uncertain and depends on successful management of several downside risks that could narrow the fiscal space and depress private investment. These include additional COVID-19 waves, delays in achieving mass immunization, mounting and costly domestic debt, growing insecurity in the region, fiscal risks from PPPs and SOEs (notably two state-owned banks, water and energy utility companies) and rising inflationary pressures.

Recent developments

Growth decelerated to 1.8 percent in 2020 (-0.8 percent in per capita terms), as private consumption and investment fell following social-distancing measures that affected household incomes and business activity. Travel restrictions negatively impacted tourism, while the agriculture sector remained resilient. By end May 2021, the industrial production had increased by 19.8 percent y/y and traffic at the port resumed (+53.3 percent y/y), exceeding pre-COVID levels. Inflation rose to 1.8 percent in 2020and reached 6.2 percent (y/y) in June 2021, reflecting increase in oil prices and rising demand for food.

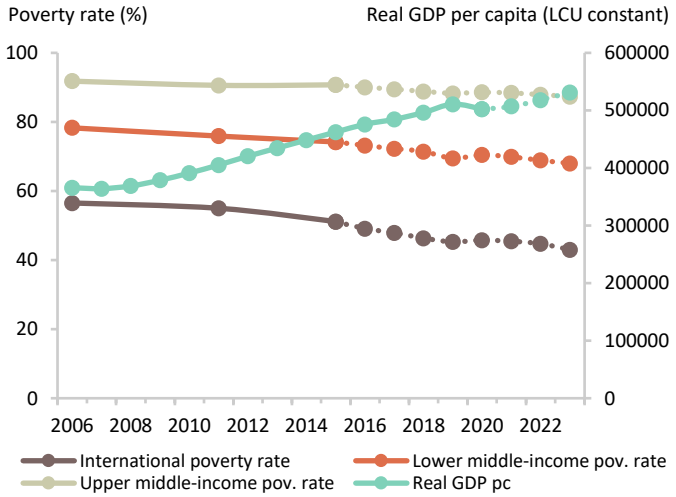
The current account deficit rose to 1.5 percent in 2020 from lower exports and higher imports of health products to combat COVID-19. Lower demand from key trading partners and a drop in the prices of phosphate and coffee lowered exports. In the first half of 2021, the trade deficit widened to 8.0 percent of GDP, as the recovery in export remains subdued while imports increased in nominal terms due to higher global commodity prices.

FIGURE 1 **Togo** / Evolution of fiscal indicators



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.

The fiscal deficit rose to 6.9 percent of GDP in 2020, reflecting a drop of 1 percent of GDP in government revenues as activity declined and due to tax breaks for firms, and a rise by 4.6 percent of GDP in expenditures to address the COVID-19 crisis and promote economic recovery. Public debt increased to 60.3 percent of GDP in 2020, driven by higher concessional borrowing from multilateral donors. In the first half of 2021, tax revenues were higher by 1.3 percent of GDP and expenditures marginally increased with lower execution of capital expenditures.

Togo's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a peg between the CFA Franc and the Euro. Its reserves have remained stable since 2019 and reached an estimated 5.8 months of imports in 2020 due to donor support and a Eurobond issuance in Cote d'Ivoire. To support the regional economy and COVID-19 related spending, the BCEAO implemented monetary and macroprudential measures beginning in March 2020, including a policy rate cut and extended refinancing operations with 3-month COVID-19 bonds. These measures were extended into 2021.

Extreme poverty stood at 45.3 percent in 2019 and is estimated to have increased to 45.4 percent in 2020 due to the COVID-19 outbreak, pushing almost 0.1 million people into extreme poverty. The negative effect of the pandemic mostly affected poor in urban areas as urban workers were more disproportionately affected by job losses, compared to their rural counterparts (72 percent and 51 percent, respectively).

Outlook

Output will grow by 4.7 percent (2.2 percent in per capita terms) in 2021, supported by higher agricultural exports as economic activity resumes in key trading partners and private investment increases. Also, plans to build or rehabilitate rural roads will boost activity in the construction sector, while the re-opening of borders will improve access to agricultural inputs. Average inflation is projected to reach 3.5 percent in 2021, driven by higher food prices.

The current account deficit will rise to 2.6 percent of GDP in 2021, as the demand for intermediary inputs rises. The current account deficit will be financed by grants, and concessional loans. In August 2021, the BCEAO received 1.4 percent of aggregate GDP in additional SDR allocations from the IMF, that can be on lent to member countries.

The fiscal deficit is projected at 5.9 percent of GDP in 2021 and will return below 3 percent by 2024. Revenues will rise after the tax holidays to support firms in 2020 expire. Total expenditure as a percent of GDP will remain unchanged, as the decrease in current expenditures is fully offset by the rise in capital expenditures. Public debt will peak at 62.4 percent of GDP in 2021, before declining over the medium-term as the primary fiscal deficit is gradually reduced. The risk of external debt distress is moderate, while the risk of overall debt distress is high due to increase in regional debt.

Extreme poverty will remain high at 44.5 percent in 2021, as food prices and other consumer prices remain high, reflecting a poor harvest and supply chain disruptions. Extreme poverty is projected to return to the pre-COVID downward trajectory in 2022, supported by the scaling-up of Government cash transfer programs to the poorest and other social measures such as school fees waivers.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	5.0	5.5	1.8	4.7	5.8	6.0
Private Consumption	2.8	3.0	-4.9	2.0	3.0	4.6
Government Consumption	23.1	-2.9	21.1	6.0	5.0	6.5
Gross Fixed Capital Investment	16.8	20.2	13.7	13.1	15.1	9.5
Exports, Goods and Services	2.0	1.0	3.6	5.0	4.5	4.5
Imports, Goods and Services	5.3	1.2	4.1	6.0	6.0	5.4
Real GDP growth, at constant factor prices	5.2	4.4	1.9	4.7	5.8	6.0
Agriculture	3.2	1.9	4.0	6.0	5.9	5.9
Industry	3.9	6.5	0.8	6.8	7.0	7.0
Services	6.6	4.5	1.5	3.2	5.2	5.6
Inflation (Consumer Price Index)	0.9	0.7	1.8	3.5	2.5	2.0
Current Account Balance (% of GDP)	-2.6	-0.8	-1.5	-2.6	-2.6	-2.5
Net Foreign Direct Investment (% of GDP)	3.5	4.0	2.2	2.6	1.9	2.5
Fiscal Balance (% of GDP)	-0.6	-0.9	-6.9	-5.9	-5.0	-4.1
Debt (% of GDP)	57.0	52.4	60.3	62.4	61.4	59.8
Primary Balance (% of GDP)	1.2	1.2	-4.6	-3.5	-2.8	-1.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	46.4	45.3	45.4	44.5	42.5	40.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	71.5	69.5	69.9	68.8	67.3	65.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	88.8	88.3	88.3	87.8	87.1	86.3
GHG emissions growth (mtCO2e)	4.6	4.4	3.7	5.0	6.0	6.7
Energy related GHG emissions (% of total)	30.8	31.4	31.3	30.8	31.0	31.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2015-QUIBB.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2015) with pass-through = 1 based on GDP per capita in constant LCU.

UGANDA

Table 1	2020
Population, million	45.7
GDP, current US$ billion	37.4
GDP per capita, current US$	817
International poverty rate ($1.9)[a]	41.3
Lower middle-income poverty rate ($3.2)[a]	69.6
Upper middle-income poverty rate ($5.5)[a]	87.6
Gini index[a]	42.8
School enrollment, primary (% gross)[b]	102.7
Life expectancy at birth, years[b]	63.4
Total GHG Emissions (mtCO2e)	73.9

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2016), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2019).

A reasonable recovery in early 2021 pushed GDP growth to 3.2 percent for FY21, before the second COVID-19 wave hit. Despite liquidity support, domestic demand slumped. The fiscal stimulus raised the deficit to 9.2 percent of GDP, which escalated public debt, elevating the risk of debt distress to 'moderate'. A stronger economic recovery is expected starting from FY23 as domestic and global conditions benefit from steadier vaccine rollout. Extreme poverty will likely rise, due to sustained employment and income losses.

Key conditions and challenges

Prior to the COVID-19 outbreak, an emerging structural transformation drove a decline in poverty, despite a decade-long slowdown in average economic growth. The transformation was characterized by a reduction in the workforce employed in agriculture and a take-off in mainly agro-processing industries, an expansion of the services sector, and a surge in use of digital technology. Nonetheless, the bulk of the workforce is still in low productivity jobs and total factor productivity growth remains negative.

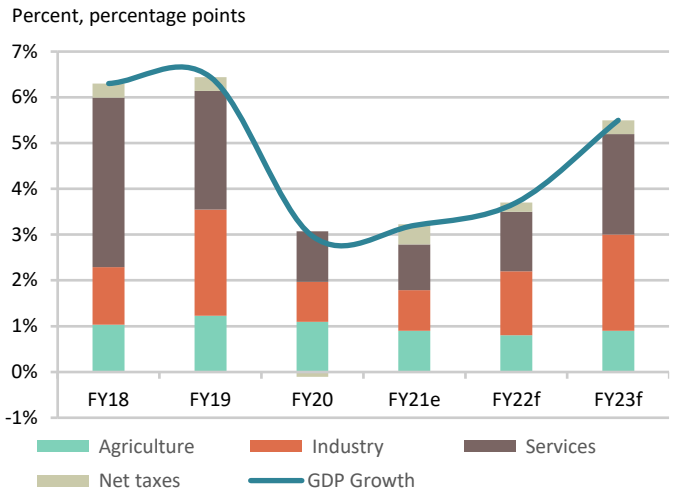
Uganda's infrastructure drive over the past decade has reduced spending on human development, raised its fiscal and debt vulnerabilities, and crowded out the private sector. For the first time since receiving debt relief in 2006, the country's risk of debt distress rose from 'low' to 'moderate' in mid-2021. Private sector investments are also growing sluggishly and real per capita investments in sectors such as education and health have been declining, to the detriment of service delivery, and now worsened by the effects of COVID-19. Urgent remedial action by government is required to avoid long term impacts on labor productivity and income inequality. The competition for public spending is only likely to intensify as Uganda approaches likely first oil in 2025 and additional demands placed on government to meet its commitments in developing this sector.

COVID-19 is exacerbating the deceleration in per capita income growth, poverty, and inequality, under the weight of high population growth (3.6 percent by 2019). Per capita real GDP growth had halved to 1.1 percent in the five years prior to the COVID-19 and the elasticity of poverty reduction with respect to growth declined. The service sector contributes most to GDP growth (Figure 1), but many jobs are informal and low-skilled, contributing minimally to poverty reduction. Climate change and weather shocks are increasing income volatility and vulnerabilities, especially in rural areas.

Recent developments

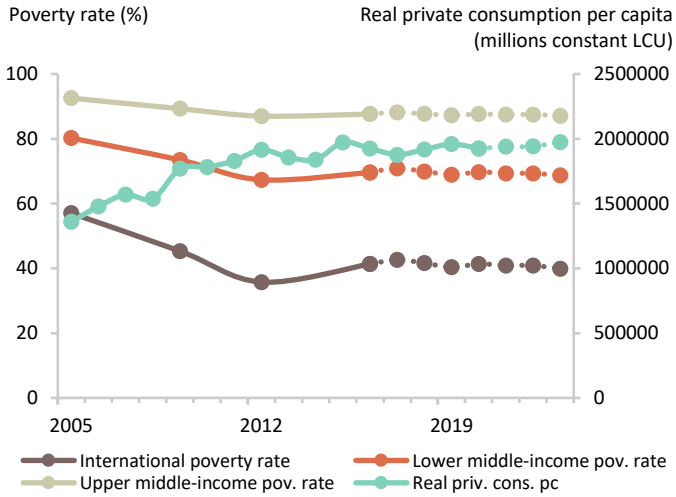
Given sustained COVID-19 impacts on domestic demand, real GDP growth increased only marginally to 3.2 percent in FY21, from 3.0 percent in FY20. Following the sharp contraction after the initial COVID-19 shock, real GDP growth rebounded strongly to 6 percent in Q3 of FY21, driven by industry and services, amidst the continued strain on particularly the education and leisure subsectors. Agriculture remains volatile, due to limited adoption of improved farming practices to manage weather variability. The sharp fall in output and employment—according to Uganda's Purchasing Managers Index—suggests that the second COVID-19 wave and subsequent lockdown slowed growth in Q4 of FY21.

FIGURE 1 Uganda / A gradual recover: Real GDP growth and sectoral contributions to real GDP growth



Source: Uganda Bureau of Statistics.

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



Source: World Bank. Notes: see Table 2.

Despite improving global conditions, Uganda's external position deteriorated during FY21. A doubling in gold shipments (now Uganda's top export) was partially offset by gold, food and machinery imports as global supply chains reopened, and overshadowed by the sluggish recovery of the tourism industry. The current account deficit, reached over 9 percent of GDP, financed mainly with FDI and government borrowing. Foreign reserves dropped to US$3.6 billion or 4 months of import cover in June 2021, from 4.4 months in June 2020. The special allocation of SDR 346 million could have boosted reserves in Q1 of FY22.

The central bank reduced its policy rate in July 2021 (by half percentage point to 6.5 percent) as private sector credit shrank, amidst liquidity assistance and credit relief measures. However, these measures minimally benefitted the small and medium enterprises and the informal sector.

Government's fiscal stimulus went through supplementary spending worth 3.4 percent of GDP during FY21, covering covid-related medicines, equipment and food aid, and increased military spending. Slower business activity, combined with tax exemptions and deferrals, reduced revenues and contributed to widening the fiscal deficit to 9.2 percent of GDP (Table 2). Borrowing, especially non-concessional and domestic, financed the stimulus, raising public debt by about 10 percentage points of GDP and heightening liquidity risks.

With lower consumption growth, amidst low remittances, limited credit, and job losses, poverty measured at the Uganda's official poverty line increased from 18.7 percent to 21.9 percent after the lockdown in March 2020, according to the 2019/20 National Household Survey. Despite recovery of employment rates in FY21, household incomes remained below pre-pandemic levels, according to the frequent phone surveys. Employment could have slumped again after the second lockdown in June 2021.

Outlook

Given the impact of additional waves of the pandemic and associated lockdowns, real GDP growth will likely average about 4.5 percent in FY22 and FY23. This is a full percentage point lower than the March projections, and further widens the output gap. Investment and exports are expected to accelerate as the global economy stabilizes. However, sustained improvements in domestic demand conditions are hinged on the successful COVID-19 vaccine rollout, currently covering only 0.5 percent of the population out of the targeted 49.6 percent (22 million people) by December 2021.

The government plans to reduce the fiscal deficit to 4.0 percent of GDP by FY23, assuming pandemic pressures ease. This would allow public debt to stabilize at around 53 percent of GDP. Nonetheless, given the weakened capacity to carry debt and increased vulnerabilities, the country's risk of debt distress may deteriorate beyond 'moderate' with further reliance on non-concessional debt and the costlier domestic market.

The World Bank projects that growth in private consumption could reduce poverty to 40.9 percent in 2022, from 41.4 percent in 2021. However, poverty will still be 0.6 percentage points above the pre-COVID-19 level, with a return to that level only expected in 2023. These prospects will also depend on how COVID-19 evolves and on the environmental shocks which may affect many households due to their limited adaptive capacity to disasters and limited alternative off-farm income streams.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	6.3	6.4	3.0	3.2	3.7	5.5
Private Consumption	6.0	5.9	1.5	3.8	2.9	4.4
Government Consumption	11.6	6.9	7.9	9.6	0.9	2.5
Gross Fixed Capital Investment	5.7	9.9	-0.1	3.5	5.1	7.8
Exports, Goods and Services	9.3	6.3	0.6	3.2	14.2	12.6
Imports, Goods and Services	8.8	8.6	-5.4	8.3	9.4	9.1
Real GDP growth, at constant factor prices	6.3	6.4	3.0	3.2	3.7	5.5
Agriculture	4.4	5.2	4.6	2.9	3.4	4.0
Industry	4.8	9.0	3.1	4.4	5.1	7.6
Services	8.2	5.6	2.0	2.7	3.1	5.0
Inflation (Consumer Price Index)	3.4	2.6	2.3	2.5	4.0	5.0
Current Account Balance (% of GDP)	-5.3	-7.2	-6.7	-9.1	-8.2	-8.3
Net Foreign Direct Investment (% of GDP)	2.8	3.4	2.6	2.1	2.4	2.9
Fiscal Balance (% of GDP)	-4.1	-4.9	-7.1	-9.2	-6.4	-4.0
Debt (% of GDP)	36.2	36.6	40.5	50.2	53.4	53.3
Primary Balance (% of GDP)	-2.2	-2.8	-4.5	-6.5	-3.7	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	41.6	40.3	41.4	40.9	40.9	39.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	69.9	68.9	69.7	69.4	69.3	68.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.7	87.2	87.6	87.5	87.5	87.1
GHG emissions growth (mtCO2e)	1.3	2.5	2.0	2.8	3.5	3.8
Energy related GHG emissions (% of total)	31.7	32.1	32.3	32.3	33.4	34.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-UNHS.Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2016) with pass-through = 0.87 based on private consumption per capita in constant LCU.

ZAMBIA

Table 1	2020
Population, million	18.4
GDP, current US$ billion	18.7
GDP per capita, current US$	1016.3
International poverty rate ($1.9)[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]	63.9
Total GHG Emissions (mtCO2e)	99.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2019).

The Zambian economy is expected to grow moderately by 2.2 percent in 2021 following a historic contraction of 2.9% in 2020, driven by high copper prices, rising market confidence, and normal rainfall patterns. Poverty is expected to increase slightly by 0.2 percentage points to 60.3 percent, reflecting COVID-19 impacts. Economic activity will gradually pick up to potential growth rates beginning in 2023. However, risks stemming from prolonged debt negotiations and low COVID-19 vaccination rates will need to be managed.

Key conditions and challenges

The Zambian economy was under considerable stress on multiple fronts even before the onset of the COVID-19 pandemic. Economic growth averaged only 3.1 percent over 2015-19 and had slumped to 1.4 percent in 2019--the lowest in the past two decades, due to drought and a downturn in global copper prices. Fiscal and external indicators worsened, due to sizable public investments and a weakening exchange rate.

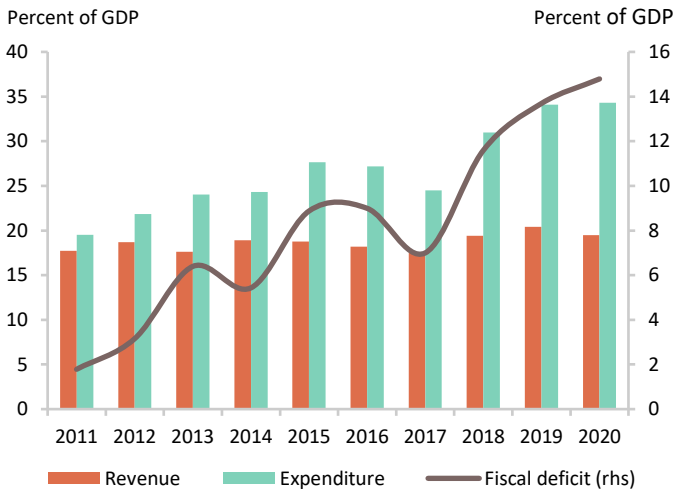
The impact of the COVID-19 pandemic heightened these macroeconomic imbalances in 2020. The economy contracted by 2.9% in 2020, marking Zambia's first recession since 1998. Mining and services suffered from lower global demand and social distancing measures, respectively, earlier in 2020. A relaxation of lockdown measures in the second half of 2020, along with a global pick-up of copper prices did, however, help activity to recover. Falling revenues and COVID-19 related expenditure pressures saw the fiscal deficit increase to 14.8% of GDP compared to an approved budget of 6.5%. The Kwacha depreciated by over 50% against the US$ while reserves declined to $1.2 billion against at least US$1.3 billion in debt service obligations. As a result, Zambia became the first Sub-Saharan African country to default on the Eurobonds in the midst of the COVID-19 crisis in 2020. Despite the persistent inflationary pressures that saw CPI inflation average 15.7% for the year, the central bank kept a relaxed monetary policy stance throughout 2020 to temper the adverse economic effects of the pandemic.

Recent developments

Recent economic developments point to a weak recovery in 2021, with higher copper prices and post-election rise in market confidence expected to strengthen economic activity in the second half. GDP in the first quarter of 2021 grew by 0.7% year-on-year, largely driven by agriculture and manufacturing, while continued challenges in tourism affected the services sector. The decade-high increase in copper prices is expected to help boost production, fiscal revenues, and external balances. The successful conduct of the August 2021 elections followed by the ushering in of a new administration and smooth power transfer have also helped improve market confidence and economic outlook, as reflected in the recent Kwacha appreciation and increasing participation of foreign investors on the domestic debt market.

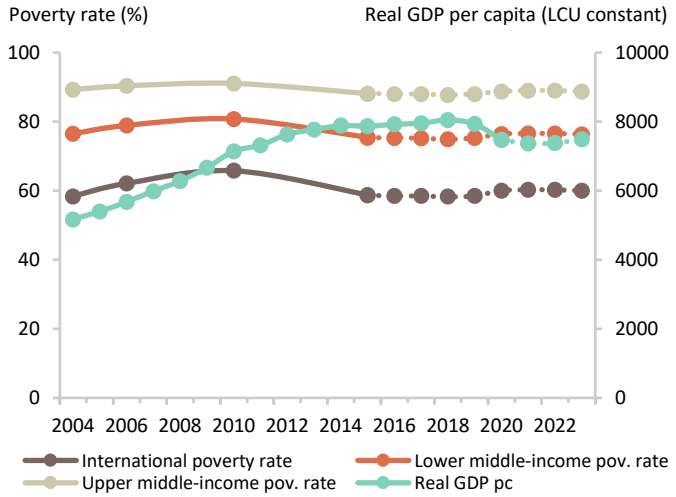
Zambia's exchange rate flexibility and the new IMF SDR allocation have helped to absorb the impact of the economic shock on the external sector. The Kwacha depreciation in 2020 led to huge import compressions, leading to a current account surplus of 12.0% of GDP. Preliminary data for 2021 also shows a sizeable current account surplus in Q1 of 2021 (about 5% of 2020 GDP), driven by increased

FIGURE 1 Zambia / Fiscal operations (2011-20)



Sources: Zambian authorities and World Bank Staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

copper sales and further declines in imports. Following a depreciation of 7% from the beginning of the year through mid-July 2021, the Kwacha has significantly appreciated in the past two months, reflecting an improved reserve position from the new IMF SDR allocation, improved post-election market confidence, and increased foreign currency sales by private sector agents. Overall, the Kwacha had appreciated by over 20% against the US dollar from the beginning of the year through mid-September 2021.

Nonetheless, the effects of the pandemic on poverty and vulnerability have continued in 2021. The national poverty headcount rate is projected to increase by around 1.7 percentage points since the start of the pandemic, from 58.6 percent in 2019 to 60.3 percent in 2021. This has largely been driven by increases in poverty in urban areas, and among those relying on employment income from the informal sector. 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. A recent Socio-economic Impact Assessment conducted by the National Statistical Office found that 9 in 10 households have experienced spikes in the price of food, and that 64 percent of these had to reduce food consumption as a result. Core recurrent spending, including social benefits, has suffered in recent years, with only about one third percent of the government's budget on social cash transfers (SCT) disbursed in FY20. While the government has budgeted for a higher amount in SCT in FY21, 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.

Outlook

GDP growth is projected at 2.2 percent in 2021, gradually moving towards its potential growth region of between 4-5 percent by 2023. Higher copper prices, the commissioning of a new hydro power station, and a return to normal rainfall patterns are expected to support growth in agriculture and electricity production. However, the impact of COVID-19 will continue to dampen activity, especially in tourism and retail and wholesale trade. While the recent uptick in copper prices could help in ramping up mining activity in the next few years, a stable fiscal regime and clarity on the role of the state will be critical for increased long-term investment in the sector. More importantly, while mining will remain a key sector for driving growth in the foreseeable future, the country must begin to make significant steps towards economic diversification and structural transformation to generate sufficient jobs for its young and growing population and reduce poverty and inequality.

Risks to the outlook are balanced. On the one hand, the persistent upward trajectory in global copper prices will boost copper production, domestic revenue, and external stability. On the other, slow progress on debt restructuring negotiations will weaken the confidence that creditors and markets have given to the new government and may affect the economic outlook. Further, the continued low rates of COVID-19 vaccinations pose significant health and economic risks in case of a new outbreak. Rainfall variability remains a key structural risk to Zambia's sustainable growth, affecting key sectors like agriculture and electricity, and highlights the need to incorporate climate-smart solutions in the country's long-term growth strategy.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.2	1.4	-3.0	2.2	2.9	4.5
Private Consumption	1.2	2.3	3.1	3.6	4.5	4.5
Government Consumption	-14.9	-10.1	10.8	11.7	-33.1	-4.4
Gross Fixed Capital Investment	9.9	-14.3	-35.8	3.7	16.5	14.5
Exports, Goods and Services	8.7	-7.2	10.7	8.7	9.8	6.9
Imports, Goods and Services	4.9	-13.7	-10.7	17.4	14.3	13.1
Real GDP growth, at constant factor prices	4.0	1.5	-2.5	1.7	2.9	4.4
Agriculture	-21.2	7.7	17.2	5.0	4.4	4.0
Industry	4.6	-3.3	0.6	1.1	1.4	3.5
Services	7.3	3.5	-6.2	1.5	3.5	5.0
Inflation (Consumer Price Index)	7.5	9.1	15.7	22.5	15.0	10.0
Current Account Balance (% of GDP)	-1.3	0.6	12.0	10.3	8.5	5.4
Net Foreign Direct Investment (% of GDP)	1.4	-0.6	-1.1	1.8	2.7	2.7
Fiscal Balance (% of GDP)	-10.1	-9.5	-10.5	-2.6	-0.9	-0.1
Debt (% of GDP)	77.8	87.8	87.0	73.6	72.4	99.6
Primary Balance (% of GDP)	-5.5	-5.6	-7.2	0.5	2.5	2.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	58.3	58.6	60.1	60.3	60.3	60.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.9	75.3	76.4	76.6	76.6	76.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.7	88.0	88.8	89.0	89.0	88.7
GHG emissions growth (mtCO2e)	-0.7	1.7	4.8	1.2	1.2	1.6
Energy related GHG emissions (% of total)	11.8	11.2	10.4	10.7	10.1	9.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2015-LCMS-VII.Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021to 2023.
(b) Projection using neutral distribution (2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

ZIMBABWE

Table 1	2020
Population, million	14.9
GDP, current US$ billion	20.2
GDP per capita, current US$	1355.7
International poverty rate ($ 19)[a]	39.5
Lower middle-income poverty rate ($3.2)[a]	63.8
Upper middle-income poverty rate ($5.5)[a]	82.8
Gini index[a]	50.4
School enrollment, primary (% gross)[b]	109.9
Life expectancy at birth, years[b]	61.5
Total GHG Emissions (mtCO2e)	116.9

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2019), 2011 PPPs.
(b) WDI for School enrollment (2013); Life expectancy (2019).

The economy is expected to rebound in 2021, underpinned by an exceptional agriculture season. Annual inflation fell to two-digit levels in July 2021 for the first time in two years, helped by monetary and exchange rate policies. Fiscal accounts will turn into a small deficit after two consecutive years of cash surplus, as revenue continues to recover while expenditure increases in response to the pandemic. Economic recovery will support poverty reduction, but poverty levels will remain high.

Key conditions and challenges

Macroeconomic challenges and natural disasters have kept Zimbabwe's growth volatile. High inflation, unstable exchange rates, and unsustainable debt have constrained macroeconomic stability and productivity growth. Trade integration has declined, and foreign direct investment has remained low, limiting transfer of new technologies and investment in modernizing the economy. Increased frequency of unfavorable weather events, including a drought persisting for almost three years and the devastating Cyclone Idai, downsized rain-fed agriculture, electricity and water production with ripple effects to other economic sectors and social conditions.

With no access to concessional external financing, Zimbabwe has relied on mobilizing domestic resources, donor assistance, and expensive external loans to mitigate the impact of natural disasters and the pandemic. Zimbabwe continues to be in debt distress: 62 percent of total external debt (US$10.5 billion) is in arrears. To contain inflation, fiscal policy remained tight during the pandemic which has weakened delivery of basic social services. As a result of low or negative economic growth and natural disasters, extreme poverty has steadily increased over the last decade, rising from 21 percent in 2011 to 42 percent of the population in 2020 (based on $1.90 poverty line).

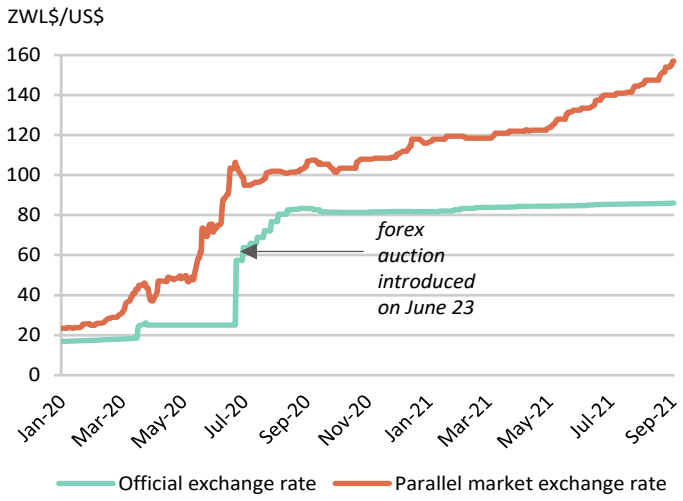
Zimbabwe's recovery needs to be underpinned by policies promoting productivity growth, such as reducing state intervention in the economy; lessening the regulatory burden; strengthening governance and anti-corruption efforts; lowering barriers to regional trade integration; and removing forex retention requirements. Bringing the pandemic under control so that economic activity can resume as normal remains the priority in the near term. Service delivery needs to be strengthened and household vulnerability reduced through robust social safety net programs.

Recent developments

The economy has shown signs of recovery, mainly boosted by higher agricultural production, improved capacity utilization in industry, and stabilization of prices and exchange rates. GDP is expected to rebound to 5.1 percent in 2021 after contracting for two years in a row. The strong rebound of the economy is anchored on a better 2020/21 rainfall season, boosting agriculture, electricity and water. Despite continuing lockdown restrictions, capacity utilization in industry strengthened as inflation slowed down markedly and forex availability improved. Domestic demand was bolstered by stabilizing prices, increasing incomes from the bumper harvest, and increased investment in public infrastructure.

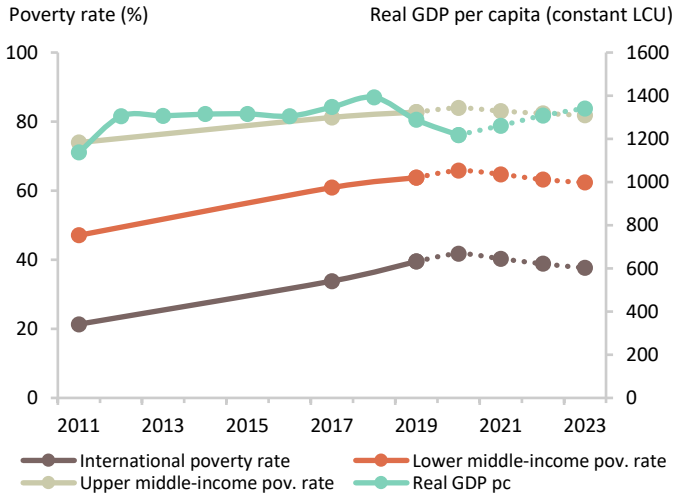
Monetary and exchange rate polices helped bring down inflation to two-digit levels for the first time in two years. Annual inflation

FIGURE 1 Zimbabwe / Exchange rates



Sources: Zimstat and World Bank staff estimates.

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



Source: World Bank. Notes: See Table 2.

stood at 50 percent in August 2021 down from the peak of 838 percent in July 2020 following the introduction of rule-based reserve money management, a foreign exchange auction, and relaxation of dedollarization. However, the continual widening gap between parallel market and official exchange rates (79 percent at end-August 2021) is likely to weigh on price stability in the future, with annual inflation expected to average 94 percent in 2021.

Fiscal accounts on cash basis were in small surplus in the first half of the year due to continued revenue growth coupled with expenditure restraint, particularly in relation to public wages. COVID-19 containment measures delayed implementation of key social programs. The fiscal balance is expected to turn into deficit (1.5 percent of GDP) after two consecutive years of fiscal surplus as expenditure increased to buy vaccines and strengthen social services. Improved economic environment eased social conditions although poverty levels remained high. The share of households that were able to buy basic food items increased noticeably in round 3 of the PICES survey (contacted between December 2020 and March 2021) compared to survey results of round 2 (September 2020) and round 1 (July 2020). The share of households experiencing severe or moderate food insecurity also declined in early 2021 from mid-2020, which could partly be due to the bumper harvest. Nevertheless, poverty and vulnerability level remain high, with a significant proportion of households reporting reduced or no income since the onset of the pandemic.

The number of people living below the international poverty line is expected to be 6.1 million in 2021 amid continued elevated prices, and a slow recovery of jobs and wages in the formal and informal sectors.

Outlook

Growth is expected to strengthen further in 2022 as the negative impacts of the pandemic subside, rain levels remain good, and implementation of structural policies outlined in the National Development Strategy accelerates. Good progress in vaccination in Zimbabwe is likely to boost tourism, trade, transport, and other sectors that were previously negatively affected by disruptions caused by COVID-related restrictions. Agriculture is expected to be robust underpinned by good rain levels. Continued implementation of disinflation policies and fine-tuning of the foreign exchange auction market are expected to bring down inflation to below 35 percent in 2022 and 2023. Risks to the outlook are significant, as COVID-19 pandemic persists, commodity prices are volatile, and the widening gap between parallel market and official exchange rates may disturb macroeconomic stability.

Fiscal deficit is projected to narrow in 2022, as the economy continues to recover, boosting revenue. Expenditure will moderate due to lower pressures from COVID response. Zimbabwe received equivalent of US$961 from IMF SDR allocation and intends to use the funds to support economic recovery (productive and infrastructure sectors and buildup of reserves) and mitigate the impact of the pandemic on the vulnerable groups.

Poverty levels are expected to marginally decline in 2022, supported by expected economic growth and relatively lower inflation. Getting the pandemic under control with widespread vaccination and adoption of preventive measures is crucial to reduce poverty and vulnerability through accelerated economic recovery.

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

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.8	-6.1	-4.1	5.1	5.4	4.2
Private Consumption	-4.5	-28.2	-26.8	4.8	5.3	5.0
Government Consumption	-2.3	24.9	3.0	5.2	3.0	4.3
Gross Fixed Capital Investment	178.3	-38.1	67.8	4.5	6.0	2.0
Exports, Goods and Services	11.6	1.7	-0.1	3.0	3.5	5.8
Imports, Goods and Services	22.8	-29.4	1.7	2.8	2.8	5.0
Real GDP growth, at constant factor prices	4.8	-6.1	-4.1	5.1	5.4	4.2
Agriculture	18.3	-17.8	4.2	16.0	6.0	5.6
Industry	3.2	-11.1	-5.5	5.8	6.1	6.0
Services	3.5	-2.1	-4.7	3.1	5.0	3.3
Inflation (Consumer Price Index)	10.6	255.3	557.2	94.0	33.0	20.0
Current Account Balance (% of GDP)	-8.4	5.8	5.4	4.0	3.6	3.0
Net Foreign Direct Investment (% of GDP)	-4.3	-1.6	-0.8	-0.4	-0.6	-0.6
Fiscal Balance (% of GDP)	-6.7	0.2	1.7	-1.5	-1.4	-1.7
Debt (% of GDP)	52.4	56.2	57.9	50.9	53.1	54.2
Primary Balance (% of GDP)	-5.7	0.5	1.8	-1.4	-1.4	-1.6
International poverty rate ($1.9 in 2011 PPP)[a,b]		39.5	41.8	40.3	38.9	37.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]		63.8	65.8	64.8	63.3	62.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]		82.8	84.0	83.1	82.4	81.9
GHG emissions growth (mtCO2e)	2.3	-1.2	-0.4	4.4	4.5	4.0
Energy related GHG emissions (% of total)	12.7	13.1	13.3	14.8	17.0	19.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2019-PICES.Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2019) with pass-through = 0.87 based on GDP per capita in constant LCU.

Macro Poverty Outlook

10/
2021

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