

Sub-Saharan Africa

Macro Poverty Outlook

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

Annual
Meetings
2023



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Sub-Saharan Africa

Annual Meetings 2023

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Congo, Republic

Côte d'Ivoire
Equatorial Guinea
Eritrea
Eswatini
Ethiopia
Gabon
Gambia, The
Ghana
Guinea
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Malawi
Mali
Mauritania
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Mozambique
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Rwanda
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Senegal

Seychelles
Sierra Leone
Somalia
South Africa
South Sudan
Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe

ANGOLA

Table 1 **2022**

Population, million	35.0
GDP, current US\$ billion	121.9
GDP per capita, current US\$	3481.2
International poverty rate (\$2.15) ^a	31.1
Lower middle-income poverty rate (\$3.65) ^a	52.9
Upper middle-income poverty rate (\$6.85) ^a	78.0
Gini index ^a	51.3
School enrollment, primary (% gross) ^b	85.0
Life expectancy at birth, years ^b	61.6
Total GHG emissions (mtCO2e)	111.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2021).

The economy stagnated in the first quarter of 2023 due to a decline in oil production. In addition, the partial removal of gasoline subsidies and currency depreciation have negatively affected non-oil sectors. As a result, growth is expected to fall in 2023, while inflation is estimated to accelerate. Hence, poverty is expected to marginally rise to 32.8 percent. The excessive dependency on oil revenue remains an elevated risk.

Key conditions and challenges

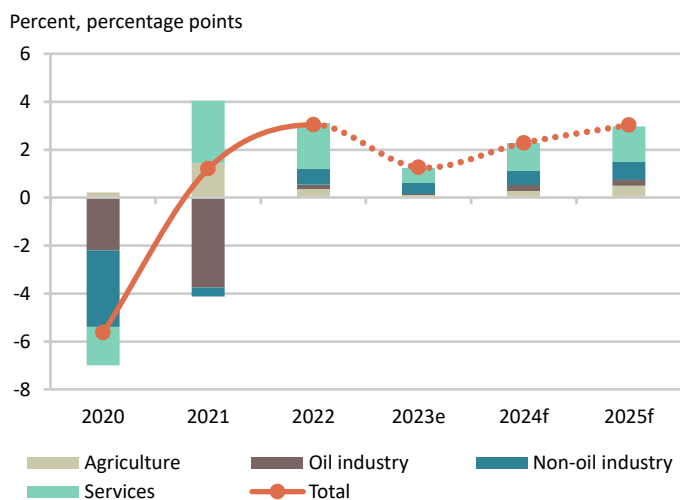
Angola, a lower middle-income country with 34 million people and the second largest oil producer in Sub-Saharan Africa, is overly dependent on oil. In 2022, oil accounted for 26 percent of GDP, 62 percent of tax revenues, and 95 percent of exports. This has made growth and macroeconomic management highly vulnerable to external shocks, stunted the non-oil economy, and constrained the creation of jobs. In addition, governance weaknesses and a challenging business environment have limited private sector development. Consequently, 80 percent of workers are informal, as self-employment (with no employees) accounts for a third of all jobs. Informality is particularly high for women (88 percent compared to 72 percent for men). Urban and youth unemployment remain high, reaching 38 percent and 52 percent, respectively. Macroeconomic stability has been enhanced in the past few years through a more flexible exchange rate regime, central bank autonomy, sound monetary policy, and fiscal consolidation. However, economic diversification remains a challenge due to limited human and physical capital. The reform agenda to boost economic diversification is complex, requires effective coordination, solid institutions, and high-level political commitment to succeed. Building human capital is a key priority for reducing poverty and boosting economic growth. Limited access to health

and education services reduces the potential productivity of an Angolan child to a third, as investments in human capital formation remain modest. While Angola has a social protection registry and a cash transfer program (Kwenda) with nearly 750,000 rural beneficiaries receiving payments as of August 2023 (65 percent are women), a broader safety net with urban coverage and adaptable income support would reduce poverty in the near-term and protect households against shocks.

Recent developments

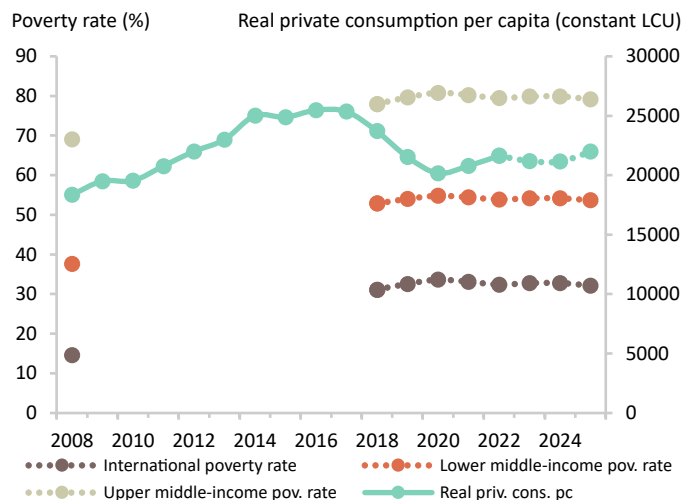
The economy expanded 0.3 percent year-on-year in the first quarter of 2023, as growth in services (4.1 percent) was offset by a decline in oil production (-8.0 percent). Maintenance shutdown in a major oil field brought production below 1 million barrels per day for the first time in years. However, production is already recovering, exceeding 1.1 million barrels per day by mid-2023. Growth for 2023 is estimated at 1.3 percent, as both the oil and the non-oil sectors are expected to underperform. Despite the recent recovery in oil production, the average in 2023 will very likely stand close to the 2022 level. Non-oil sectors will be affected by cut in public investments and the recent sharp currency depreciation, which is harming private consumption and production in sectors that rely on imported inputs. Inflation continued falling rapidly from a peak of 27.7 percent in January 2022 to 10.6 percent in April 2023. However, the partial

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



Sources: Angola National Institute of Statistics and World Bank.

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



Source: World Bank. Notes: see Table 2.

removal of gasoline subsidies and the weakening of the kwanza have reversed the inflation's declining trend. The reform raised gasoline prices from 160 to 300 kwanzas per liter and mitigation measures were insufficient to shield poorer consumers. The kwanza depreciated around 40 percent against the US dollar between mid-May and end-June, due to lower government's supply of foreign currency resulting from lower oil revenues and larger external debt service as debt relief deals expired. The combination of higher gasoline prices and more expensive imported products has increased inflation from 10.6 in April to 12.1 in July, with food and transportation prices also growing faster. Slowing growth and rising food prices is expected to result in negative per capita private consumption growth and a marginal increase in poverty at \$2.15 per day (2017 PPP) from 32.4 to 32.8 percent in

2023, with a total of 11.8 million Angolans living in poverty.

Outlook

Although new oil projects will slightly increase production in coming years, it will be difficult for the sector to avoid long-term production decline. Oil GDP is estimated to grow only 1 percent in the coming years due to field depletion and lack of investment. Non-oil sectors are projected to drive overall growth, which is expected to return to 3 percent in the medium term. Achieving higher growth rates will depend on the country's effort to diversify its economy.

Inflation is projected to continue increasing in the coming months as higher prices of imported products pass on to

consumers. The monetary policy is expected to be effective in containing second round effects and anchoring inflation expectations. As a result, inflationary pressures are expected to ease in 2024 and, under a baseline scenario, decline gradually toward the Central Bank's target of 7 percent. However, the phasing out of fuel subsidies planned for 2024-2025 will likely delay this convergence.

With private consumption growth projected to exceed population growth in 2025, poverty is expected to increase marginally in 2024 but fall to 32.1 percent in 2025. The number of people living in poverty is projected to reach 12.2 million in 2024. Reducing poverty in the near-term will require targeted interventions, such as substantial expansion of cash transfers, investments to increase agricultural incomes, and increased employment opportunities for youth and low-skilled workers in urban areas.

TABLE 2 Angola / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-5.6	1.2	3.0	1.3	2.3	3.0
Private consumption	-9.3	4.7	7.0	1.0	3.0	4.0
Government consumption	-14.0	-6.4	3.6	1.0	2.5	2.6
Gross fixed capital investment	-2.0	5.3	5.9	1.5	3.0	4.0
Exports, goods and services	-7.3	-8.6	2.9	0.1	0.9	0.9
Imports, goods and services	-21.7	-3.8	15.5	-2.0	3.0	3.0
Real GDP growth, at constant factor prices	-6.8	-0.1	3.1	1.2	2.2	3.0
Agriculture	2.8	17.2	3.9	1.0	3.0	5.0
Industry	-10.5	-8.3	1.8	1.2	1.8	2.2
Services	-3.9	6.2	4.2	1.3	2.5	3.3
Inflation (consumer price index)	22.3	25.8	21.4	12.6	18.4	14.1
Current account balance (% of GDP)	1.5	11.1	9.6	6.7	2.7	1.0
Net foreign direct investment inflow (% of GDP)	3.4	4.4	5.4	3.1	2.0	0.8
Fiscal balance (% of GDP)	-1.6	2.3	1.0	0.9	1.9	-0.1
Revenues (% of GDP)	21.7	21.8	23.8	25.6	26.2	23.9
Debt (% of GDP)	133.8	82.9	64.6	88.3	75.0	67.0
Primary balance (% of GDP)	5.4	7.4	5.0	6.7	7.5	5.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	33.6	33.1	32.4	32.8	32.8	32.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	54.8	54.4	53.9	54.2	54.2	53.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	80.8	80.2	79.5	79.9	79.9	79.2
GHG emissions growth (mtCO₂e)	-3.6	-1.9	-0.8	-0.4	-0.2	0.0
Energy related GHG emissions (% of total)	13.3	12.6	12.2	12.0	11.8	11.8

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 2013- and 2018-IDREA. 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: 2019-2022. Forecasts are from 2023 to 2025.

BENIN

Table 1 **2022**

Population, million	13.4
GDP, current US\$ billion	17.5
GDP per capita, current US\$	1310.1
International poverty rate (\$2.15) ^a	20.1
Lower middle-income poverty rate (\$3.65) ^a	53.2
Upper middle-income poverty rate (\$6.85) ^a	83.6
Gini index ^a	37.9
School enrollment, primary (% gross) ^b	116.7
Life expectancy at birth, years ^b	59.8
Total GHG emissions (mtCO2e)	28.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Real growth is projected to moderate to 5.8 percent in 2023 as sanctions against neighboring Niger and reforms in Nigeria affect reexport activities and import prices. Poverty reduction should slow in 2023, settling at 15.6 percent. The response to overlapping crises has significantly reduced fiscal space, while debt levels increased. Food and energy price volatility, regional tensions, increased security risks in the North, and extreme weather events cloud the outlook.

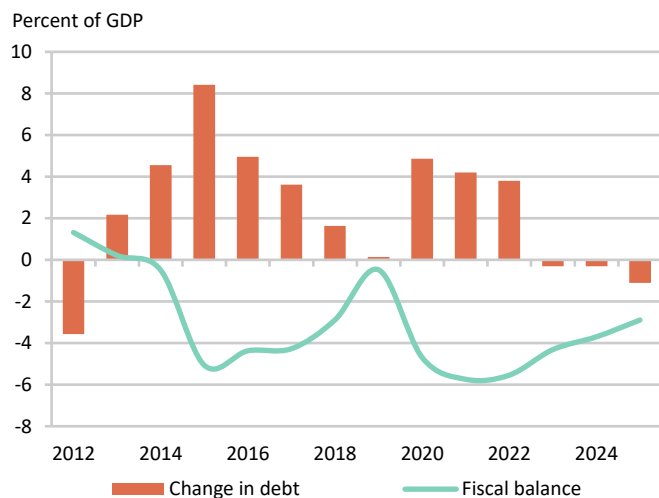
Key conditions and challenges

The countercyclical, expansionary fiscal policy response to the overlapping crises over 2020-22 were enabled by the fiscal consolidation efforts in 2016-19. This, combined with significant infrastructure investment under the second Government Action Plan (PAG, 2021-26) and a resilient agriculture sector, maintained above-regional average growth over the past years. Nonetheless, poverty and vulnerability remain high, with large spatial disparities. With rising political instability in the sub-region and security threats in the North, sustaining economic growth necessitates structural reforms to alleviate critical constraints. First, rebuilding fiscal space requires improved revenue collection and streamlining tax expenditures, while enhancing the efficiency of public spending. Second, the recent crises and recurrent climate shocks highlight the need for reforms to strengthen shock resilience, including through an adaptive social protection system. Risks include political instability in neighboring Sahel countries, increased insecurity and social tensions in the North together with sustained food, energy, and fertilizer price volatility. These would disproportionately impact poor and vulnerable households, slowing poverty reduction while increasing fragility. Extreme climate events could also severely damage agricultural output.

Recent developments

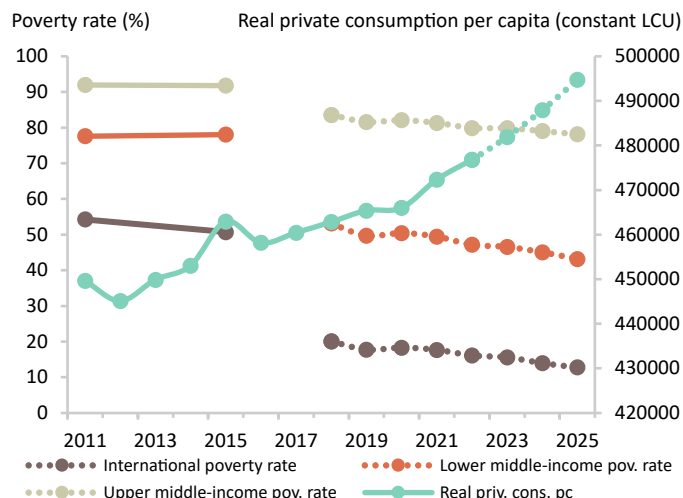
Real GDP growth is expected to moderate to 5.8 percent in 2023 (2.9 percent in per capita term) from 6.3 percent in 2022, due to the global economic slowdown, sluggish growth in Nigeria and the impact of ECOWAS sanctions against neighboring Niger. The primary sector should remain resilient thanks to proactive management of fertilizer distribution. The services sector – the main contributor to growth – is expected to grow at a slower pace in 2023 as the political instability in Sahel countries affects reexport activities from the Port of Cotonou and sluggish growth in Nigeria. Public investment is expected to scale back as fiscal space narrows. Private consumption growth is set to pick up progressively as inflationary pressures abate in the second half of 2023. At end-July, year-on-year inflation reached 3.9 percent, remaining below peers due to good harvest supporting local food supply and measures to combat inflation, such as temporary tax exemptions on import and export restrictions to neighboring countries. Growth in agriculture combined with relatively low inflation is expected to reduce the international poverty rate (\$2.15 a day, 2017 PPP) from 16.1 percent in 2022 to 15.6 percent in 2023. The current account deficit (CAD) is expected to decline to 5.9 percent in 2023 (6.3 percent in 2022) as international crude oil price decline, but remain elevated due to lower international cotton prices and security spending. The CAD

FIGURE 1 Benin / Fiscal balance and change in public and publicly guaranteed debt



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

will be primarily financed by an SDG Eurobond issuance, regional bonds and concessional financing.

The fiscal deficit is set to decline to 4.3 percent of GDP in 2023, having been above 5 percent over the last 2 years, driven by lower public spending (primarily due to the expiration of measures to cushion spillovers from Russia's invasion of Ukraine), improvements in tax administration and risk management systems in customs. Public debt is expected to decline to 53.8 percent of GDP in 2023 – 0.4 ppt lower compared to 2022 – and remains on a declining path in the medium term, thanks to fiscal consolidation efforts. Benin remains at moderate risk of external and overall debt distress, but with limited space to absorb shocks.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 125 basis points since mid-2022 to 3.25 percent for liquidity calls

and 5.25 percent for the marginal lending facility. However, the monetary policy stance remains broadly accommodative, inflation is still above target and foreign exchange reserves have been on a downward trend.

Outlook

In the medium term, real growth is expected to hover around potential, at 6 percent (3.1 percent per capita) driven by private consumption as inflationary pressures abate, and total investment, which is expected to gradually shift from public to private. The dynamism of agriculture production, the construction sector, as well as agro-transformation industries with the expansion of the special economic zone, will support growth. Inflation is projected to reach the WAEMU target of 2 percent in 2024. The CAD should

improve progressively, averaging 4.7 percent of GDP over 2024-25, as the prices of oil products decline.

Poverty reduction is expected to continue its downward trend as economic growth, particularly in agriculture, remains robust, with the headcount rate (\$2.15 a day, 2017 PPP) declining from 15.6 percent in 2023 to 14 percent in 2024 and further to 12.8 percent by 2025.

The planned revenue-based fiscal consolidation – complemented by the removal of exceptional subsidies and more efficient spending – should rebuild fiscal space with an expected deficit of around 3 percent by 2025, in line with the WAEMU convergence criterion, as public debt declines to 52.4 percent of GDP. However, delaying fiscal adjustment could exacerbate debt sustainability risks, while a deterioration of the regional security situation and domestic spillovers, or extreme weather events could delay consolidation.

TABLE 2 Benin / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	3.8	7.2	6.3	5.8	6.0	6.0
Private consumption	3.0	4.2	3.7	3.8	4.0	4.1
Government consumption	19.6	2.0	4.2	14.5	5.6	4.9
Gross fixed capital investment	-6.2	26.5	11.7	2.9	10.5	8.7
Exports, goods and services	-6.7	14.5	17.5	4.3	7.1	7.5
Imports, goods and services	-11.3	22.5	13.7	0.0	6.6	5.4
Real GDP growth, at constant factor prices	3.8	7.2	6.3	5.8	6.0	6.0
Agriculture	1.8	4.7	4.9	5.1	5.3	4.9
Industry	5.2	10.5	7.0	8.2	6.5	6.2
Services	4.2	7.0	6.7	5.0	6.1	6.4
Inflation (consumer price index)	3.0	1.7	1.4	3.5	2.0	2.0
Current account balance (% of GDP)	-1.7	-4.2	-6.3	-5.9	-5.6	-5.1
Net foreign direct investment inflow (% of GDP)	0.5	0.9	1.0	1.3	1.6	1.6
Fiscal balance (% of GDP)	-4.7	-5.7	-5.5	-4.3	-3.7	-2.9
Revenues (% of GDP)	14.4	14.1	14.3	14.7	15.2	15.6
Debt (% of GDP)	46.1	50.3	54.1	53.8	53.5	52.4
Primary balance (% of GDP)	-2.7	-3.5	-3.9	-2.6	-2.1	-1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	18.3	17.7	16.1	15.6	14.0	12.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	50.5	49.5	47.2	46.6	45.1	43.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	82.1	81.4	79.9	79.9	79.0	78.2
GHG emissions growth (mtCO₂e)	2.0	7.1	1.1	1.2	4.9	4.3
Energy related GHG emissions (% of total)	31.7	35.7	35.7	35.7	37.9	39.7

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-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

BOTSWANA

Table 1 **2022**

Population, million	2.6
GDP, current US\$ billion	20.3
GDP per capita, current US\$	7718.2
International poverty rate (\$2.15) ^a	15.4
Lower middle-income poverty rate (\$3.65) ^a	38.0
Upper middle-income poverty rate (\$6.85) ^a	63.5
Gini index ^a	53.3
School enrollment, primary (% gross) ^b	99.0
Life expectancy at birth, years ^b	61.1
Total GHG emissions (mtCO2e)	52.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth is projected to slow to 3.8 percent in 2023 from 5.8 percent in 2022, reflecting lower global demand for diamonds, and recover during 2024-25 driven by new diamond agreements and licenses signed in 2023 and improved global demand. However, the mining sector will not deliver significant job creation so unemployment is projected to remain elevated, constraining reductions in poverty and inequality. Inflation is expected to remain within the central bank's 3-6 percent target.

Key conditions and challenges

Over the past decades, Botswana delivered robust economic growth thanks to steady and significant revenue from diamonds channeled to public services, solid institutions, and sound macroeconomic policies, lifting many out of poverty. Public debt levels remain low, in tandem with sizable fiscal and foreign exchange savings. However, growth has lost steam in recent years, a symptom of the exhaustion of the diamond and public sector-led growth model and external shocks.

The large public sector crowds out private investments while infrastructure and skills gaps persist. The public sector accounts for 27 percent of total employment, while unemployment remains high, at 25.4 percent, mainly affecting the youth. Poverty, estimated at 14.3 percent under the USD 2.15 per day International Poverty Line (IPL) remains high for Botswana's income level and inequality (Gini index of 53.3) is among the world's highest.

The objective to make the economy more inclusive requires accelerating job creation and diversification, particularly given the projected decline in diamond production by 2030. Comprehensive reforms are needed to improve the country's competitiveness, including a reduction of the oversized public sector and improving

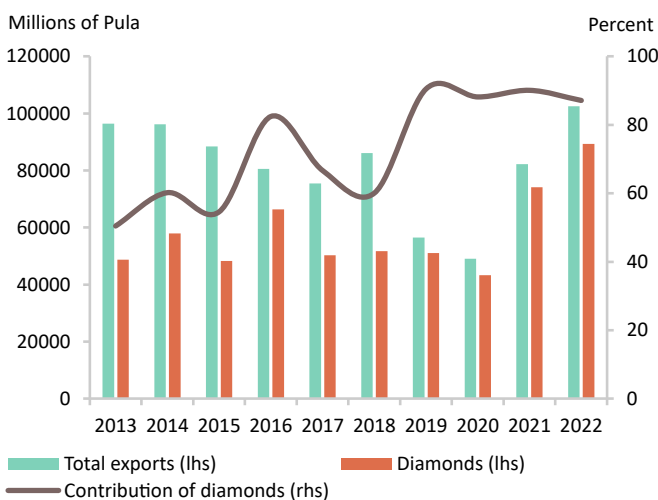
its performance, new investments in physical and human capital, and further actions to enhance trade facilitation and integration. Removing regulatory barriers to facilitate market entry, improving sectoral governance and accelerating planned SOE reforms would improve the business environment.

The increase in the frequency and magnitude of climate change events, especially higher temperatures and changes in precipitation, have increasingly disrupted output and threatened livelihoods, underscoring the need to strengthen the country's resilience and implement investments in adaptation.

Recent developments

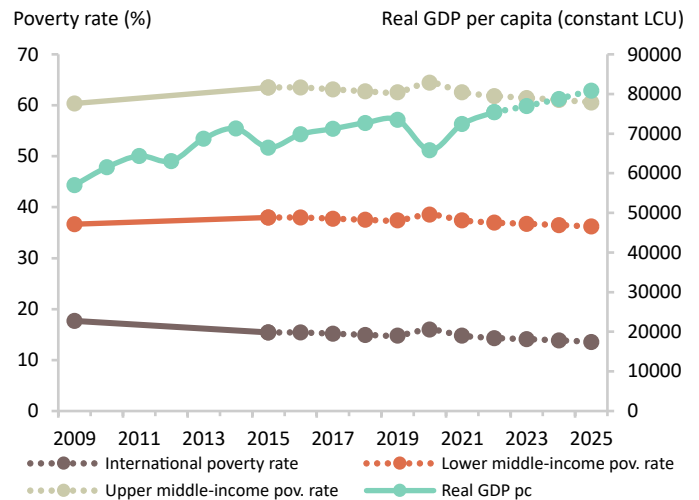
After a relatively strong recovery in 2022, economic growth slowed in 2023 due to the slowdown in global demand for diamonds and falling prices. On June 30, 2023, Botswana and De-Beers agreed in principle a new partnership that includes a 10-year extension of their diamond sales agreement and a 25-year extension of the Debswana mining licenses, which calmed market jitters over the partnerships future. The new agreement, once signed, will increase the share of diamond supply sold via government-owned Okavango Diamond Company from 25 to 30 percent, and increase progressively to 50 percent in ten years. A Diamonds for Development Fund has been agreed with a projected \$75 million yearly over ten years. The

FIGURE 1 Botswana / Direct contribution of diamonds to exports



Sources: International Merchandise Trade Statistics and Statistics Botswana.

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



Source: World Bank. Notes: see Table 2.

immediate fiscal and economic impact may be limited, and its medium-term impact is subject to its implementation. Inflation receded more quickly than expected, averaging 7.8 percent in 2023H1 compared to 10.9 percent in 2022H1, falling into the Central Bank's 3-6 percent target in May. The pace of disinflation is attributed to falling oil prices which resulted in a steep decline in transport inflation. Food inflation remains historically high, disproportionately affecting the poor. At 2.65 percent, the Central Bank's policy interest rate has remained unchanged since August 2022, while credit growth declined to 4.8 percent in 2023Q1 from 5.4 percent in 2022Q1.

Higher revenue from diamonds and SACU has allowed fiscal policy to cushion subdued domestic demand. The government has increased subsidies and allowances of social welfare programs to cushion against the FY22/23 poor crop and grazing yields caused by the drought and accelerated the implementation of growth-enhancing energy and water infrastructure.

Outlook

Real GDP growth is projected to slow to 3.8 percent in 2023, reflecting a decline in diamond production and prices due to weaker global demand. Growth will slightly increase over the medium-term, driven by the pickup in the global demand for diamonds and efforts to diversify the economy. The projected moderate real GDP per capita growth (to 2.1 percent) will result in negligible projected changes in poverty (14.1 percent under the IPL over the medium-term).

Following a balanced budget in 2022, the government is expected to record a fiscal deficit of 2.8 percent of GDP in 2023, despite an increase in SACU revenues. Such deterioration is projected to be driven by increased spending in subsidies and capital expenditures. In the medium-term, the government plans to implement expenditure-driven fiscal consolidation by restructuring and privatizing parastatals, reducing the public sector wage bill and re-prioritizing public investments. With a

credible implementation of the consolidation plan, the fiscal balance is projected to gradually improve, putting debt on a declining path.

Inflation is projected to remain within the Central Bank's target range over the medium-term. At 13 percent, food inflation is expected to remain above historic levels. The current account is expected to weaken but remain in surplus because of weaker terms of trade, lower global demand for diamonds and increase in investment-led imports from a low base. It is then expected to strengthen in 2024/5 driven by the projected rebound in global demand for diamonds.

The outlook remains uncertain and depends heavily on the path of global demand for diamonds. Supply disruptions and demand fluctuations at the global level could intensify commodity price volatility which would threaten fiscal sustainability and possibly lead to tightening of the monetary policy. Delays in planned fiscal consolidation and structural reforms could further erode fiscal and external buffers, increasing Botswana's vulnerability to external shocks.

TABLE 2 Botswana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-8.7	11.8	5.8	3.8	4.1	4.3
Private consumption	2.6	2.4	4.5	2.0	3.4	3.6
Government consumption	5.3	4.0	3.0	40.6	1.5	-0.6
Gross fixed capital investment	-9.2	-0.3	0.0	9.8	1.2	0.9
Exports, goods and services	-18.6	31.7	-5.6	2.6	6.7	7.9
Imports, goods and services	5.0	2.3	-11.8	18.1	2.3	1.4
Real GDP growth, at constant factor prices	-9.1	11.9	5.8	3.8	4.1	4.3
Agriculture	-2.7	-1.0	2.4	2.6	2.3	2.2
Industry	-20.5	19.3	7.6	4.0	4.2	4.4
Services	-1.3	8.1	4.8	3.7	4.0	4.3
Inflation (consumer price index)	1.9	6.7	12.2	5.8	5.0	4.5
Current account balance (% of GDP)	-8.6	-0.5	2.9	1.0	1.1	1.5
Net foreign direct investment inflow (% of GDP)	0.7	0.6	0.2	0.7	0.7	0.6
Fiscal Balance (% of GDP)^a	-9.5	0.0	0.0	-2.8	-1.7	-0.3
Revenues (% of GDP)	28.6	31.9	28.5	29.3	29.5	29.7
Debt (% of GDP)^b	24.6	22.4	20.6	21.9	20.8	19.3
Primary Balance (% of GDP)^a	-8.9	0.5	0.6	-1.9	-0.9	0.4
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	16.0	14.8	14.3	14.1	13.9	13.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	38.6	37.5	37.0	36.8	36.5	36.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	64.5	62.6	61.8	61.5	61.1	60.6
GHG emissions growth (mtCO2e)	-1.6	1.1	0.0	0.3	-2.6	-1.3
Energy related GHG emissions (% of total)	12.6	12.8	12.7	12.4	12.6	12.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

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

b/ Refers to Public and Publicly Guaranteed debt.

c/ Calculations based on 2009-CWIS and 2015-BMTHS. Actual data: 2015. Nowcast: 2016-2022. Forecasts are from 2023 to 2025.

d/ Projection using annualized elasticity (2009-2015) with pass-through = 0.87 based on GDP per capita in constant LCU; \$3.65 and \$6.85 poverty use regional elasticity.

BURKINA FASO

Key conditions and challenges

Table 1 2022

Population, million	22.7
GDP, current US\$ billion	21.7
GDP per capita, current US\$	955.3
International poverty rate (\$2.15) ^a	31.2
Lower middle-income poverty rate (\$3.65) ^a	63.1
Upper middle-income poverty rate (\$6.85) ^a	87.2
Gini index ^a	43.0
School enrollment, primary (% gross) ^b	92.2
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO2e)	64.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

GDP growth is projected to increase to 4.3 percent in 2023 (1.7 percent per capita), following weak growth in 2022, with broad-based growth, including a recovery in mining. Inflation is expected to fall sharply to 1.9 percent as poverty resumes a gradual decline after rising sharply in 2022. Downside risks to the outlook relate to the political transition, insecurity, regional instability, and high borrowing costs that could delay fiscal consolidation.

Insecurity and political instability remain the most critical growth constraints in the short term. The mining sector, which represents around 17 percent of GDP and 20 percent of government revenue, has been impacted by insecurity with several mines suspending operations and new mining investments postponed in 2022. Continued violent incidents could further reduce mining, including gold that accounts for more than 70 percent of exports. As local populations are displaced due to insecurity, agricultural output is negatively impacted. The two coups in 2022 triggered a sharp reduction in the international community's financing while negatively affecting private investment and foreign direct investment.

The primarily rain-fed agriculture and livestock sectors, which account for around 20 percent of GDP and employ over 90 percent of the country's poor, are also highly vulnerable to climate shocks and natural disasters. Domestic supply-side shocks on food production and markets (including security blockages) have been compounded by high global food prices due to the Russian invasion of Ukraine, aggravating chronic food insecurity.

Recent developments

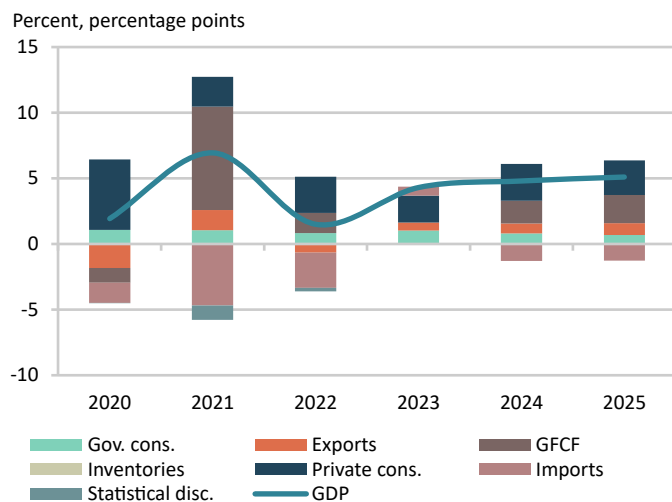
GDP growth is expected to increase to 4.3 percent in 2023 (1.7 percent per capita).

The primary sector is expected to return to trend growth (+4.1 percent), with the secondary sector recovering to 3 percent growth due to improved security around key mines, and services continuing to be robust (+5.1 percent). Consumption (an elevated public wage bill and private sector activity benefiting from the stabilizing security situation), and net exports are driving growth. Capital formation is not projected to contribute to growth due to crowding out by government current spending on security. The current account deficit (CAD) is expected to improve to 4.4 percent of GDP in 2023, due to increased mining exports and improved terms of trade, notably higher gold prices and lower oil prices.

In 2022, food prices caused inflation to reach a region-wide high of 14.1 percent. Inflation is forecast to sharply decrease to 1.9 percent in 2023, due to strong agricultural yields, which have moderated food prices. Since May 2023, year-on-year headline CPI inflation has been negative.

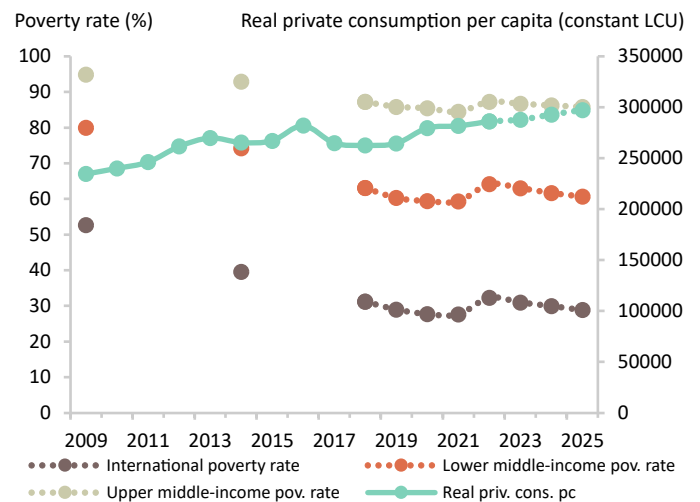
In 2022, the rise in the cost of living far exceeded increases in incomes for households, resulting in a 4.5 percentage point increase in the international poverty rate to 32.3 percent, reversing gains since 2018. The poverty rate is expected to resume a gradual downward trend in 2023, to 31 percent, as inflation drops. However, the humanitarian situation remains dire, with over 2 million internally displaced persons, in addition to an estimated 3.35 million people severely food insecure during the 2023 lean season.

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 125 basis points since the start of 2022 to 3.25 percent for liquidity calls and 5.25 percent for the marginal lending facility. However, the monetary policy stance remains broadly accommodative, inflation in the region is still above target and foreign exchange reserves have been on a downward trend.

The 2023 fiscal deficit is projected at 6.7 percent of GDP due to high military and humanitarian expenditures caused by ongoing security and food insecurity crises. External concessional financing has decreased, so the deficit will be primarily financed through expensive domestic borrowing on the regional market, where interest rates have risen to over 7.5 percent for 3- and 5-year bonds. Public debt is projected to exceed 61 percent of GDP by the end of 2023.

Outlook

Assuming improvements in security and the implementation of key private sector-enabling reforms (energy, mining, business climate), growth is expected to be broad-based and reach 5.1 percent (2.5 percent per capita) by 2025. Investment is expected to recover with stability and higher investor confidence. Inflation is projected to remain within BCEAO's target range of 1-3 percent in 2024 and 2025, also reflecting lower global oil prices.

With low inflation and moderate growth, poverty incidence is projected to decrease by about one percentage point annually until 2025, but the number of people living in extreme poverty will remain over 7 million. Climate shocks and security issues will continue to affect poor households, while the continued closure of up to a quarter of schools limits human capital accumulation and poverty reduction.

Improving domestic tax collection and lower military expenditures and social transfers would support fiscal consolidation. However, the fiscal deficit is projected to remain above WAEMU's 3 percent target over the medium term. Financing the deficit will remain costly, but greater access to concessional funding could ease the burden, although public debt will continue to increase mainly due to domestic debt.

The outlook faces significant downside risks from persistent insecurity, climatic shocks, and instability from the political transition. The coup in neighboring Niger on 26 July 2023 and the response from ECOWAS and WAEMU (economic and financial sanctions) have increased regional instability with risks of negative spillover effects on security, economic, and humanitarian fronts, including further increasing the cost of financing on the regional market. The withdrawal of MINUMSA peacekeeping force from Mali by the end of 2023 could also increase regional security risks. Additionally, the price of gold could weaken, weakening the CAD and domestic revenue mobilization.

TABLE 2 Burkina Faso / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.9	6.9	1.5	4.3	4.8	5.1
Private consumption	8.6	3.4	4.3	3.1	4.3	4.1
Government consumption	7.1	6.6	5.2	6.2	4.8	4.1
Gross fixed capital investment	-4.6	34.8	5.4	-0.2	6.1	7.4
Exports, goods and services	-7.1	6.5	-2.8	2.7	3.4	4.1
Imports, goods and services	5.3	15.5	8.2	-2.0	4.0	3.9
Real GDP growth, at constant factor prices	1.9	6.9	1.5	4.3	4.8	5.1
Agriculture	5.2	-4.1	8.1	4.1	4.5	4.3
Industry	12.8	11.0	-8.8	3.0	2.8	4.1
Services	-4.9	10.3	4.6	5.1	5.9	6.0
Inflation (consumer price index)	1.9	3.9	14.1	1.9	2.0	2.1
Current account balance (% of GDP)	-0.1	0.4	-6.2	-4.4	-4.1	-3.8
Net foreign direct investment inflow (% of GDP)	-0.6	0.5	0.3	0.3	0.4	0.5
Fiscal balance (% of GDP)	-5.0	-7.5	-10.6	-6.7	-6.1	-5.5
Revenues (% of GDP)	18.7	20.2	21.7	20.9	20.8	21.3
Debt (% of GDP)	44.9	55.4	58.3	61.2	62.4	63.8
Primary balance (% of GDP)	-3.6	-6.0	-8.5	-4.9	-4.0	-3.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	27.7	27.6	32.3	31.0	30.0	28.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	59.4	59.3	64.1	63.0	61.7	60.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	85.4	84.4	87.3	86.7	86.2	85.8
GHG emissions growth (mtCO₂e)	3.2	6.0	4.6	5.0	5.1	5.1
Energy related GHG emissions (% of total)	10.5	11.1	11.4	11.8	12.3	12.7

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-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

BURUNDI

Key conditions and challenges

Table 1 2022

Population, million	12.9
GDP, current US\$ billion	3.9
GDP per capita, current US\$	303.9
International poverty rate (\$2.15) ^a	65.1
Lower middle-income poverty rate (\$3.65) ^a	86.7
Gini index ^a	38.6
School enrollment, primary (% gross) ^b	115.1
Life expectancy at birth, years ^b	61.7
Total GHG emissions (mtCO2e)	8.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2013), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Growth is projected at 2.9 percent in 2023, a moderate improvement over 2022, driven by agriculture and services. Industrial growth was subdued due to mining disputes and fuel shortages. While recovery is expected to accelerate over the medium term, the country faces downside risks, including from incomplete implementation of IMF program reforms. With rapid population growth, per capita GDP is stagnating or growing very slowly, resulting in persistently high poverty.

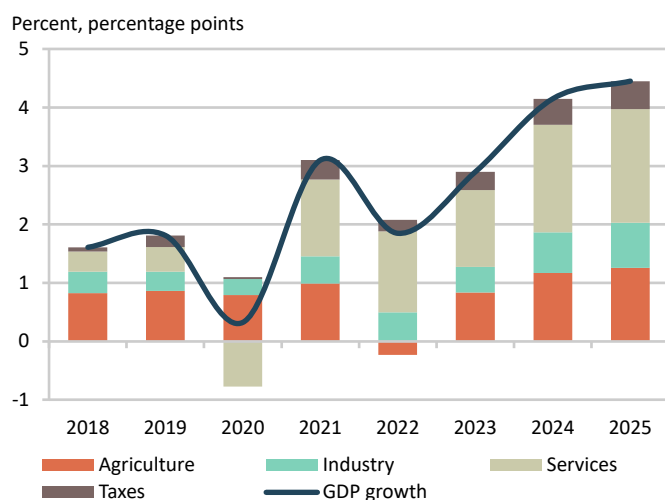
Burundi's economic development has been hampered by structural challenges that reinforced a cycle of fragility and poverty. Burundi faces a multidimensional fragility trap characterized by recurring political instability, low economic diversification, high population growth, environmental degradation, and volatile growth. The cessation of aid between 2015-2019 constrained the government's ability to ensure access to services. The macroeconomic policy reaction prevented larger cuts to current expenditures but led to foreign exchange restrictions, exchange rate overvaluation, fiscal dominance of monetary policy, and high public sector indebtedness. The sustained lack of economic growth has resulted in high poverty rates and low human development outcomes. In 2021, only 53 percent of children completed primary school and transition to secondary school remains low (48 percent). Burundi has one of the highest rates of chronic undernutrition worldwide, with over half of the children under five stunted. The share of stunted children among those under the age of five increased to 55.8 percent in 2021 from 52.6 percent in 2020 and could deteriorate further in light of high inflationary pressures. Against this backdrop, monetary poverty was estimated at 71 percent (based on the international poverty line of \$2.15/day) in 2022, up from 65 percent in 2013.

Gradual reengagement with the international community including the recent IMF program under the ECF arrangement creates an opportunity for reforms to stabilize the country's economy and scale up investments in human capital and infrastructure as a part of a process to change Burundi's growth trajectory.

Recent developments

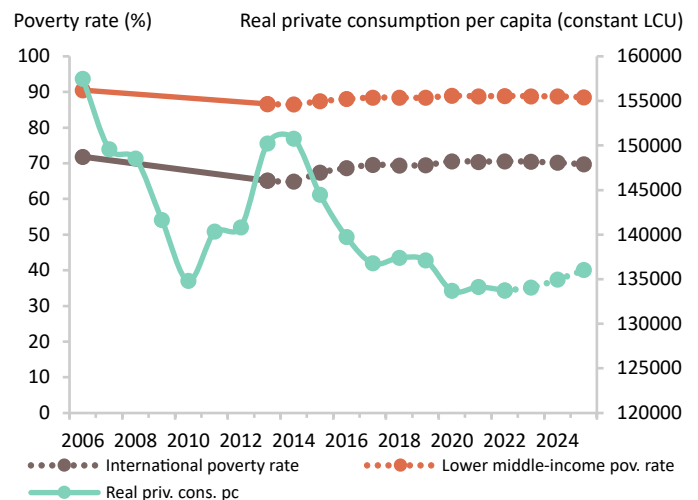
Growth in 2023 is projected at 2.9 percent up from 1.8 percent in 2022, driven by agriculture and services. Industrial growth was subdued due to the ongoing suspension of mining activities as contracts were renegotiated while fuel shortage has worsened in recent months. Private consumption and investment supported growth on the demand side. The fiscal deficit is expected to decrease to 6.7 percent of GDP in 2023 from 12.1 percent in 2022 as result of cuts in current expenditures and modest increase of revenues. It merits mentioning that the fiscal deterioration in 2022 was driven by the sharp increase in subsidies specifically the large fertilizer subsidy prepayment. Public debt is projected at 72.7 percent of GDP in 2023 up from 68.4 percent of GDP in 2022 as ECF-supported program disbursements will increase external concessional debt in the medium term. Driven by the ongoing foreign exchange reforms spillovers on the imports prices, the current account deficit (CAD) would remain high at 17.6 percent of GDP in 2023 as mining contract negotiations affected export performance while imports of both capital and

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



Sources: Official statistics and World Bank calculations.

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



Source: World Bank. Notes: see Table 2.

consumption goods increased. The CAD is primarily financed by trade credits. The foreign exchange parallel market premium averaged 39 percent in July 2023, compared to 65 percent a year before, due to the ongoing forex market liberalization. International reserves have decreased, covering 0.4 month of imports at end-June 2023 from 1.9 months a year before.

Driven by higher food (+25 percent), headline inflation is expected at 23.8 percent in 2023.

Lackluster economic growth in the past years, combined with high population growth, has resulted in a further decline in GDP per capita from an already low base. Sharply rising food prices have further eroded households' purchasing power, leading to steadily increasing poverty rates.

Outlook

Growth is projected to increase to 4.2-4.5 percent over 2024-25. Services should

continue to recover while agricultural growth will likely pick up assuming favorable rainfall and good distribution of fertilizers. Industry is projected to accelerate due to a loosening of forex constraints, resolution in mining disputes, and increased power generation. Private consumption and public investment are projected to remain high given economic recovery and resumption of partner-financed public infrastructure programs. The fiscal deficit is expected to narrow to 3.2 percent of GDP by 2025 as revenues increase, aligned with fiscal consolidation efforts under the IMF program. Public debt is expected to decrease, reaching 61 percent of GDP by 2025. External pressures would remain high over 2024-25 as import prices would stay high due the spillovers of the exchange rate unification despite the exports pick up, therefore the CAD will remain high at 18 percent of GDP in 2025.

With the projected uptick in economic growth, poverty (based on \$2.15/day,

2017 PPP) is expected to modestly decrease to 69 percent by 2025. The number of poor will continue to increase against the backdrop of Burundi's population set to double by as early as 2050 - further exacerbating existing pressures on limited land resources. Significantly higher economic growth rates will be necessary to substantially bring down poverty and break out of the fragility-poverty cycle.

Downside risks are high, particularly on the fiscal front. Weak domestic revenue mobilization efforts could lead to revenue shortfalls and incomplete implementation of the reforms under the ECF program would undermine fiscal and external sustainability. Weather shocks may constrain agricultural growth and poverty reduction. On the upside, foreign aid could accelerate reflecting the reengagement with the international community and exports could strengthen as a result of broad structural reforms, which would strengthen the BOP, growth, and revenue collection.

TABLE 2 Burundi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	0.3	3.1	1.8	2.9	4.2	4.5
Private consumption	0.3	3.0	2.4	2.9	3.3	3.4
Government consumption	19.2	2.9	5.9	5.7	5.2	4.8
Gross fixed capital investment	-16.6	3.9	4.0	8.2	11.8	13.8
Exports, goods and services	-14.9	3.4	5.8	7.8	13.8	14.1
Imports, goods and services	3.4	3.2	7.0	7.3	7.4	7.5
Real GDP growth, at constant factor prices	0.3	3.1	1.8	2.9	4.2	4.5
Agriculture	2.8	3.4	-0.8	3.0	4.1	4.4
Industry	1.8	3.0	3.2	2.7	4.4	4.8
Services	-1.7	2.9	3.1	2.9	4.1	4.3
Inflation (consumer price index)	7.5	8.3	18.8	23.8	17.5	12.0
Current account balance (% of GDP)	-10.1	-12.5	-15.6	-17.6	-18.6	-18.3
Net foreign direct investment inflow (% of GDP)	0.2	0.3	0.3	-0.1	-0.1	-0.1
Fiscal balance (% of GDP)	-6.3	-5.2	-12.1	-6.7	-3.9	-3.2
Revenues (% of GDP)	23.1	25.1	26.7	26.9	28.2	28.6
Debt (% of GDP)	66.0	66.6	68.4	72.7	65.9	61.3
Primary balance (% of GDP)	-3.4	-2.3	-9.5	-3.2	-1.0	-0.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	70.6	70.4	70.6	70.4	70.1	69.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	88.9	88.8	88.9	88.8	88.7	88.5
GHG emissions growth (mtCO₂e)	2.6	4.1	3.5	3.6	3.7	3.8
Energy related GHG emissions (% of total)	8.7	8.7	8.7	8.7	8.7	8.7

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-ECVMB. Actual data: 2013. Nowcast: 2014-2022. Forecasts are from 2023 to 2025.

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

CABO VERDE

Table 1 **2022**

Population, million	0.6
GDP, current US\$ billion	2.3
GDP per capita, current US\$	3927.5
International poverty rate (\$2.15) ^a	4.6
Lower middle-income poverty rate (\$3.65) ^a	19.3
Upper middle-income poverty rate (\$6.85) ^a	50.9
Gini index ^a	42.4
School enrollment, primary (% gross) ^b	100.9
Life expectancy at birth, years ^b	74.1
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2021).

After rebounding to 17.7 percent in 2022, driven by the recovery of tourism, growth is expected to moderate to 5.6 percent in 2023 as exports slow. Growth friendly fiscal consolidation should create conditions for growth of 5.7 percent over the medium term. The outlook remains subject to downside risks from lingering inflation, debt pressures, climate shocks and the impact of the rising global cost-of-living on tourism.

Key conditions and challenges

Cabo Verde is a young, small, and vibrant island nation with an open economy. Its robust – albeit volatile – economic growth has been driven by tourism, remittances, and foreign direct investment enabled by structural reforms and social and political stability. The development model has shown signs of fatigue since the 2008 global financial crisis, as growth fell from an average annual rate of 7.5 percent in the 2000s to 2.8 percent in the last decade (excluding 2020) and is highly volatile. The impact of the pandemic underscored key vulnerabilities, including the dominance of the tourism sector, absence of buffers to shocks, and poor performing State-Owned Enterprises (SOE).

Achieving higher and more sustained growth requires reforms to: reduce the economy’s vulnerabilities to external economic and climate-related shocks; increase private sector productivity to benefit from the thriving tourism sector; and reduce internal transport costs and market fragmentation.

Recent developments

The economic recovery from the COVID-19 pandemic resulted in growth reaching 17.7 percent in 2022, driven mainly by tourism (accommodation, commerce, and transport) and related private

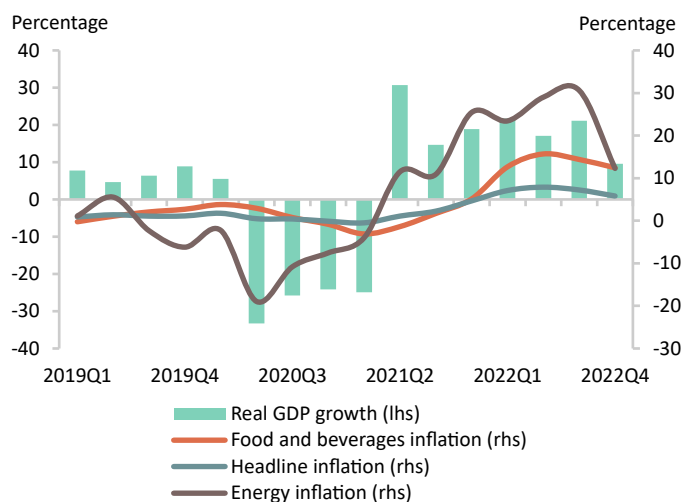
consumption. Economic growth slowed in the first quarter of 2023, with a real GDP growth of 6.7 percent.

Headline inflation reached 7.9 percent (y/y) in 2022, fueled by high international oil and commodity prices triggered by Russia’s invasion to Ukraine. Food inflation peaked at 15.7 percent while energy inflation increased to 23.8 percent. Inflationary pressures eased in the first half of 2023. Headline inflation in July reached 6.3 percent, with food and energy inflation respectively at 13.4 percent and 5.5 percent. The poverty rate (\$3.65 per day PPP 2017) fell to 16.9 percent in 2022, down from 19.8 percent in 2021, but remained above pre-pandemic levels (15.5 percent in 2019). Economic growth is fundamental for poverty reduction, with the service sectors (which account for a large share of employment, including for the poor) growing 20.8 percent in 2022. This led to new jobs, especially in tourism, although poverty alleviation was dampened by inflation, particularly high food prices.

The fiscal deficit narrowed to 4 percent of GDP in 2022, supported by increased fiscal revenues while the debt-to-GDP ratio declined from 144 percent in 2021, to 120.9 percent in 2022, driven by GDP growth. In the first half of 2023, total revenue increased by 22.8 percent, driven by personal income tax and VAT, while total expenditure increased by 3.4 percent, reflecting higher acquisition of goods and services, interest payments, social benefits, and subsidies.

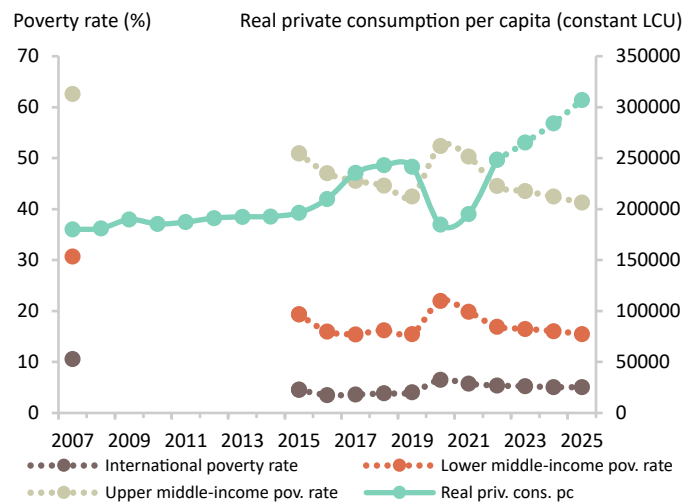
The current account deficit (CAD) declined from 11.8 percent of GDP in 2021 to 3 percent in 2022, driven by the strong recovery in net service exports and robust

FIGURE 1 Cabo Verde / Real GDP growth and inflation



Source: Government of Cabo Verde.

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



Source: World Bank. Notes: see Table 2.

remittances. The CAD was financed primarily by FDI and concessional loans. International reserves reached 7.2 months of imports and helped support the accommodative monetary policy in place since the COVID-19 crisis.

Outlook

Real GDP growth is projected at 5.6 percent in 2023 (4.6 percent in per capita terms) and over the medium-term, growth will be supported by the implementation of structural reforms aimed at improving public sector efficiency and the business environment. Inflation is expected to decline from the 2022 peak, as the effects of high international oil and food prices eases. Headline inflation is projected at 4.5 percent. Over the medium-term, the strong

nominal anchor provided by the peg with the Euro and the return to fiscal consolidation should contain inflation, converging to 2 percent by end-2024.

Poverty (using US\$3.65 per-day-2017 PPP) is projected to decline to 16.5 percent in 2023 driven by growth in services and industry, and a moderation of inflation (expected to slow down to 4.5 percent in 2023). The poverty rate in 2024 is expected to continue falling to 16 percent and then to 15.5 percent by 2025, reaching the pre-pandemic poverty level (15.49 percent in 2019).

The overall fiscal balance is projected to improve to -3.1 percent of GDP in 2023 and to a small surplus in 2025. In order to reduce debt levels and create space to manage volatility, the authorities are committed to gradual revenue-driven fiscal consolidation, which includes enhanced management of fiscal risks, improved domestic revenue mobilization and current expenditure restraint. The

public debt-to-GDP ratio is expected to improve from 114.5 percent in 2023 to 104.1 percent by 2025 but requires continued management of the fiscal risks related to SOEs arising from loan guarantees.

The CAD is projected to increase to 4.1 percent of GDP in 2023, reflecting the impact of moderate tourism growth and high food and fuel prices. The CAD is projected to decline to 3.3 percent of GDP in 2025 supported by tourism and remittances, which, together with higher FDI inflows, will help maintain international reserves at about 6 months of prospective imports.

The outlook is subject to substantial downside risks stemming from the lingering inflationary impact of the war in Ukraine and weaker external demand in tourism markets, which could undermine the fiscal consolidation and weaken growth. Climate-related shocks will remain a concern, given the country's high vulnerability.

TABLE 2 Cabo Verde / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-19.3	6.8	17.7	5.6	5.7	5.8
Private consumption	-22.7	6.6	28.3	7.8	8.2	9.0
Government consumption	3.0	5.4	-7.0	14.8	5.3	4.0
Gross fixed capital investment	46.3	12.0	-27.0	-6.8	2.1	3.1
Exports, goods and services	-58.9	3.1	100.7	10.7	9.9	10.3
Imports, goods and services	-17.3	8.6	13.1	7.5	9.5	10.5
Real GDP growth, at constant factor prices	-19.3	6.8	17.7	5.6	5.7	5.8
Agriculture	9.9	3.9	-13.7	-4.4	-2.2	1.0
Industry	-12.9	11.2	3.2	4.7	4.9	5.2
Services	-21.1	6.7	20.8	6.1	6.1	6.0
Inflation (consumer price index)	0.6	1.9	7.9	4.5	2.0	2.0
Current account balance (% of GDP)	-15.0	-11.8	-3.0	-4.1	-3.5	-3.3
Net foreign direct investment inflow (% of GDP)	3.4	4.4	4.5	4.5	4.6	4.7
Fiscal balance (% of GDP)	-9.0	-7.5	-4.0	-3.1	-1.9	0.2
Revenues (% of GDP)	24.6	22.8	21.7	24.4	24.8	25.5
Debt (% of GDP)	141.2	144.0	120.9	114.5	109.6	104.1
Primary balance (% of GDP)	-6.3	-5.3	-1.8	-0.9	0.3	2.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	6.5	5.7	5.4	5.2	5.1	5.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	22.0	19.8	16.9	16.5	16.0	15.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	52.4	50.3	44.5	43.5	42.5	41.3
GHG emissions growth (mtCO₂e)	2.9	-2.1	-1.2	2.0	2.0	2.2
Energy related GHG emissions (% of total)	87.0	86.3	86.4	86.7	87.0	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 2015-IDRF. Actual data: 2015. Nowcast: 2016-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

CAMEROON

Table 1 **2022**

Population, million	27.9
GDP, current US\$ billion	42.1
GDP per capita, current US\$	1506.7
International poverty rate (\$2.15) ^a	25.7
Lower middle-income poverty rate (\$3.65) ^a	47.0
Upper middle-income poverty rate (\$6.85) ^a	74.8
Gini index ^a	46.6
School enrollment, primary (% gross) ^b	105.7
Life expectancy at birth, years ^b	60.3
Total GHG emissions (mtCO2e)	127.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

Cameroon's economy is at the onset of a modest economic recovery. Progress on poverty reduction, however, has remained weak due to low per capita economic growth, with 1 out of 4 Cameroonians living below the international poverty line (\$2.15 PPP a day). The economic outlook for Cameroon is expected to remain moderately favorable over the medium term, but with risks tilted significantly to the downside.

Key conditions and challenges

Cameroon is the largest economy in the Economic and Monetary Community of Central Africa (CEMAC), accounting for over 40 percent of the region's GDP and over 60 percent of regional foreign exchange reserves. The Cameroonian economy is also more diversified than the rest of CEMAC, with the oil sector accounting for only 4 percent of the country's GDP and 15 percent of its fiscal revenues in 2022. Cameroon's debt pressures have intensified, calling for cautious fiscal policies and improved debt management. The current development model appears to have run out of steam and is not able to deliver on Cameroon's ambition of becoming an upper middle-income country by 2030, as governance indicators have deteriorated, human capital remains weak, the business environment is unfavorable, and climate change represents a growing threat.

Poverty reduction remains weak due to slow economic growth. 1 in 4 Cameroonians lives below the international poverty line of \$2.15 PPP a day, with the poverty headcount rate declining by just 0.6 percentage points between 2020 and 2023. Combined with rapid population growth, this implies that the absolute number of poor Cameroonians is rising. Inequality also remains high, with the consumption Gini at 46.6 and large differences in living standards between regions and between urban and rural areas.

Six out of Cameroon's ten regions are affected by conflict, including spillovers from conflicts in neighboring countries. Furthermore, climate change poses a significant threat to the country's reliance on natural resources and the livelihoods of over 70 percent of the workforce engaged in agriculture.

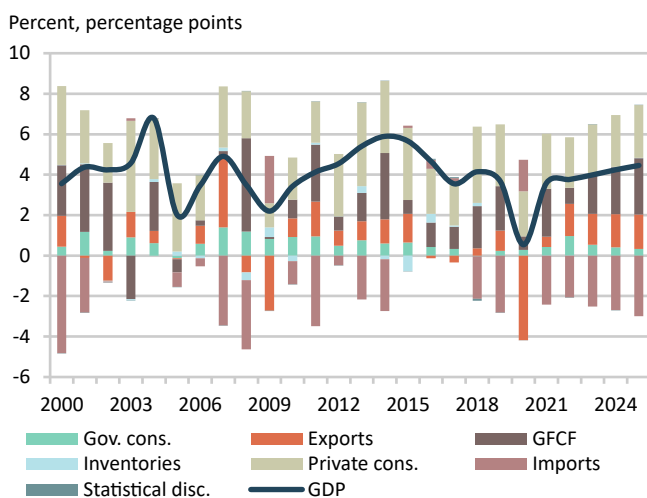
Recent developments

Cameroon's economic recovery continued in 2022, despite heightened fragility and strong external headwinds. GDP growth was estimated at 3.8 percent, supported by agroindustry and service sectors. Inflation stood at 6.3 percent at end-2022 year-over-year, up from 3.5 percent at end-2021. Driven by food prices, which rose by 13.7 percent, inflation averaged 7.5 percent annually at the end of May 2023. The current account deficit narrowed from 3.7 percent of GDP in 2021 to 3.2 percent in 2022, reflecting higher prices for oil exports.

The Bank of Central African States (BEAC) continued to tighten its monetary policy to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC increased the policy rate in March 2023 by 50 basis points to 5.0 percent, a cumulative 175 basis points increase since November 2021. Moreover, the BEAC ended its weekly liquidity injections after steadily scaling them back since June 2021.

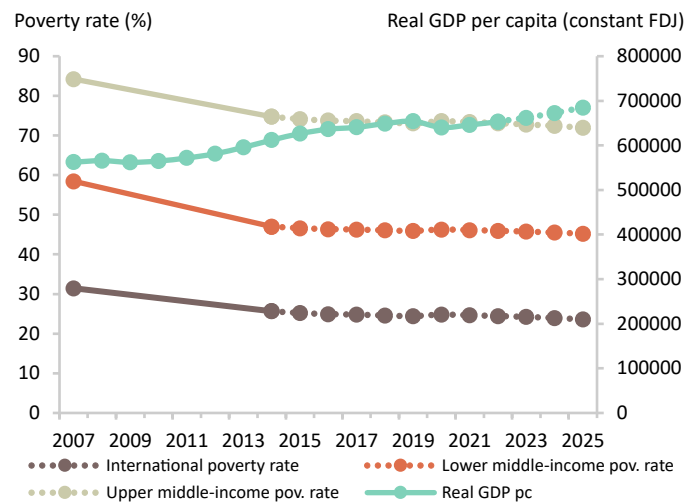
Cameroon's fiscal situation has improved due to lower fuel subsidies, increased oil revenues, and spending reductions. Non-oil tax revenues grew slightly in the first

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

half of 2023, driven by corporate income tax and VAT collections. However, unpaid fuel subsidy expenses from 2022 of CFAF 330 billion (1.1 percent of GDP) carried over to the 2023 budget, making the total fuel subsidy spending 1.5 percent of GDP, down from 3 percent in 2022. Cameroon still faces a high risk of debt distress, according to the latest WB-IMF analysis.

Cameroon's financial sector remains weak due to persistent Non-Performing Loans (13 percent of portfolio) and high exposure to the sovereign (35 percent). Nevertheless, financial soundness indicators improved marginally in 2022. Domestic credit to the private sector increased by 13.6 percent in 2022, up from 9.7 percent in 2021.

Recent reforms create fiscal space and enhance inclusive growth prospects but may lead to inflationary pressures. Simulations show that the reduction in fuel subsidies and resulting increase in fuel prices could temporarily raise poverty incidence by 1 percentage point in the short run. To cushion the effect of these reforms, certain groups, such as farmers, have received tax exemptions and rebates. Minimum wages and public sector wages increased, but this may not significantly impact poverty, as most poor workers are in informal jobs. To reduce poverty, budgetary savings should be channeled into pro-poor programs targeted to the poor and vulnerable.

Outlook

Cameroon's economic outlook is moderately favorable for the medium term but has significant downside risks. Cameroon's real GDP growth is projected to reach 4.3 percent, on average, over 2024-26, supported by sustained activity in the secondary and tertiary sectors. The secondary sector's growth will be fueled by agri-food industries, construction and reconstruction in the North-West and South-West regions, and additional power generation from new Hydro power plants. The tertiary sector will see growth in telecommunications, financial services, and hospitality. Average inflation could moderate from 5.9 percent at end-2023 to 4 percent at end-2024 and should decline to below 3 percent in the medium term in line with the CEMAC convergence criterion.

The current account deficit is expected to improve and stabilize around 3 percent of GDP in the medium term supported by ongoing efforts to boost export competitiveness. Exports of processed goods are expected to increase gradually, particularly in the regional market. The fiscal position is expected to improve slightly thanks to the gradual, reduction of fuel subsidies and other cuts to current expenditure. Continued economic recovery and revenue administration measures

should support revenue mobilization in 2023. The public debt-to-GDP ratio is expected to decline to around 40 percent by 2025.

Risks to this outlook include (i) a further tightening of global and regional financial conditions, (ii) adverse impacts of the war in Ukraine on commodity and financial markets, and (iii) a persistent security crisis in the North-West, South-West, and Far North regions. Tightening global and regional financial conditions could increase debt pressures and impact the country's growth prospects. Rising inflationary pressure would also negatively affect household consumption and further slow or even reverse poverty reduction; and further reductions in fuel subsidies could have added poverty impact unless appropriate measures are put in place to mitigate those impacts on the vulnerable. In addition, the take-or-pay agreement following the completion of Nachtigal could potentially cost the budget approximately CFAF150 billion to the budget. If these risks materialize, it may result in slower GDP growth, affecting fiscal and external balances and the pace of poverty reduction. While the percentage of people living below the international poverty line is expected to slightly decrease from 24.2 percent in 2023 to 23.6 percent in 2025. The absolute number of Cameroonians living below the international poverty line is projected to rise due to population growth.

TABLE 2 Cameroon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	0.5	3.6	3.8	4.0	4.2	4.5
Private consumption	3.3	3.9	3.6	3.6	3.7	3.8
Government consumption	2.3	3.4	7.6	4.1	3.1	2.5
Gross fixed capital investment	2.4	8.2	2.6	6.4	7.6	8.9
Exports, goods and services	-21.0	3.2	10.1	9.1	9.3	9.3
Imports, goods and services	-5.4	9.0	7.3	8.6	8.8	9.4
Real GDP growth, at constant factor prices	0.5	3.6	3.7	4.0	4.2	4.5
Agriculture	0.1	4.1	4.3	4.7	5.0	5.6
Industry	1.3	4.1	4.2	4.5	4.8	5.4
Services	0.3	3.2	3.4	3.5	3.7	3.6
Inflation (consumer price index)	2.5	2.5	6.3	5.9	4.0	3.0
Current account balance (% of GDP)	-3.6	-3.7	-3.2	-3.0	-2.8	-2.6
Fiscal balance (% of GDP)	-3.2	-3.1	-1.8	-0.8	-1.0	-1.0
Revenues (% of GDP)	12.6	13.7	15.5	15.4	15.3	15.6
Debt (% of GDP)	45.8	47.1	46.3	45.9	44.1	42.9
Primary balance (% of GDP)	-2.3	-2.1	-0.8	0.2	0.0	-0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	24.8	24.6	24.4	24.2	23.9	23.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	46.3	46.1	46.0	45.7	45.5	45.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	73.6	73.4	73.1	72.8	72.4	72.0
GHG emissions growth (mtCO₂e)	0.4	0.6	1.0	1.1	1.2	1.3
Energy related GHG emissions (% of total)	7.0	7.3	7.6	7.9	8.2	8.6

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 2009- and 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2022. Forecasts are from 2023 to 2025.

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

CENTRAL AFRICAN REP.

Table 1 **2022**

Population, million	5.6
GDP, current US\$ billion	2.5
GDP per capita, current US\$	440.8
International poverty rate (\$2.15) ^a	65.7
Lower middle-income poverty rate (\$3.65) ^a	85.8
Upper middle-income poverty rate (\$6.85) ^a	96.2
Gini index ^a	43.0
School enrollment, primary (% gross) ^b	128.1
Life expectancy at birth, years ^b	53.9
Total GHG emissions (mtCO2e)	49.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2017); Life expectancy (2021).

With only 0.5 percent growth, 2022 was the third year of economic stagnation and declining per capita incomes. Notwithstanding spending moderation, the overall fiscal balance remained in a significant deficit in 2022, while weak economic fundamentals and commodity price shocks continued to weigh on the external position. Poverty remains elevated, compounded by food price pressures and low growth. The medium-term outlook remains highly uncertain.

Key conditions and challenges

The Covid-19 crisis in 2020, intensification of the internal armed conflict in early 2021, and Russia's invasion of Ukraine in 2022 compounded fragility for the Central African Republic (CAR), jeopardized its macroeconomic stability, and worsened an already alarming humanitarian situation. Poverty remains widespread, with the bulk of the poor living in extreme poverty. With limited fiscal space, the country continues to depend heavily on international support to achieve stabilization on several fronts, including security, humanitarian and macroeconomic.

In April 2023, the IMF approved a three-year Extended Credit Facility (ECF) program for the CAR. Budget support by other development partners is currently suspended, inter alia, due to concerns about budget transparency, especially around security spending. The CAR faces significant macro and political uncertainties, including risks associated with the newly enacted tokenization law for natural resources, and the removal of presidential term limit through a constitutional referendum, which erode its credibility with international partners and donors.

Recent developments

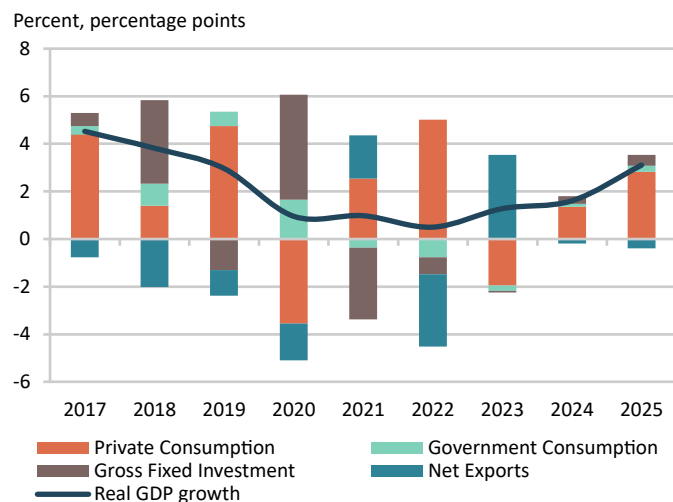
Continuing the weak economic performance of the past two years, CAR's real

GDP is estimated to have grown by only 0.5 percent in 2022. Forestry, mining, hospitality, and telecommunications drove economic activity. Timber production, accounting for over half of exports, rose significantly from 551.1 thousand cubic meters in 2021 to 639.0 thousand cubic meters in 2022 due to new forestry licenses. The mining sector, particularly gold and diamonds, thrived due to higher global prices. Improved security conditions boosted the services sector. Net exports fueled growth, but private consumption suffered due to inflation. Continued suspension of budget support and revenue shortfalls led to a 17.7 percent decrease in public investment in 2022, impacting gross fixed investment. In 2023H1, economic activity continued to suffer from persistent fuel shortages, which disrupted trade and food supply chains.

The National Plan for Recovery and Consolidation of Peace in CAR and the Mutual Engagement Framework (RCPCA-CEM) are not sufficient to address the key problems of poverty reduction in CAR. As the RCPCA is ending in December 2023, a new plan covering 2024-26 is under preparation, however the microsimulation projections that combine sectoral GDP growth forecasts with the EHCVM data suggest this situation is unlikely to change much in the next five years, with more than 65.5 percent of the population living in extreme poverty in 2022.

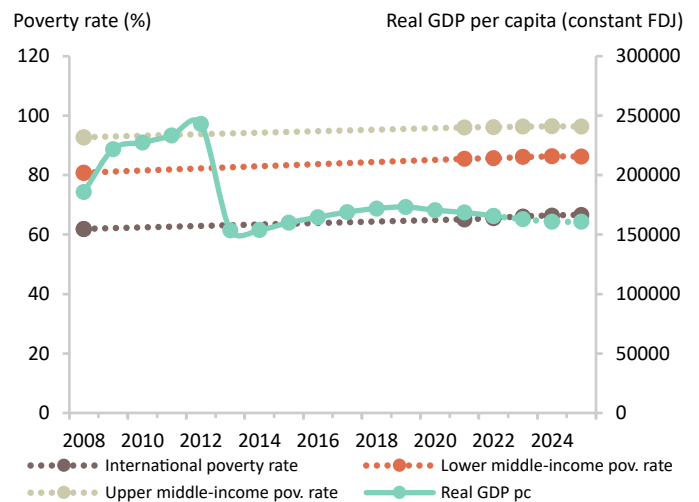
The Bank of Central African States (BEAC) continued to tighten its monetary policy to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC increased the

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 rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

policy rate in March 2023 by another 50 basis points to 5.0 percent, a cumulative 175 basis points increase since November 2021. Moreover, the BEAC ended its weekly liquidity injections after steadily scaling them back since June 2021. Although aggregate financial soundness indicators remained broadly adequate in 2022, liquidity indicators have deteriorated since end-2021, while non-performing loans (NPLs) remained high.

While the overall fiscal balance improved in 2022, it remained structurally in deficit. Economic slowdown and fuel shortages reduced domestic revenue collection from 8.8 percent of GDP in 2021 to 7.8 percent in 2022. Authorities implemented a CFAF 9.5 billion (0.6 percent of GDP) partial adjustment to non-priority domestic spending to address the revenue gap. By year-end, the treasury nearly depleted its cash balance, using the SDR allocation (CFAF 50.5 billion) and raising domestic financing (CFAF 46.1 billion, equivalent to US\$74.9 million or 3.0 percent of GDP). Public debt rose to 51.8 percent of GDP in 2022, mainly due to the use of the last SDR allocation tranche, issuance of net domestic bonds, and CFAF depreciation against the U.S. dollar. In 2023H1, the government has further tightened its fiscal stance to reduce the domestic primary fiscal deficit by 0.9 percent of GDP, consistent with limited financing options.

The current account deficit widened to 13.2 percent of GDP in 2022, the third consecutive annual increase, primarily due to a 9.4 percent drop in the terms-of-trade.

Outlook

The medium-term outlook is highly uncertain. Real GDP growth is projected to rebound to 1.3 percent in 2023, before averaging 2.4 percent between 2024-25, driven partly by the base effect and contingent on the resumption of budget support and the implementation of policy adjustments to pave the way for improved fuel supply. Inflation is expected to remain above the regional ceiling in 2023, before converging to 3 percent over the medium term in line with the CEMAC convergence criterion. Poverty is projected to remain elevated as a result of stagnant per capita incomes, a relative high food prices and weak economic recovery.

The overall fiscal balance is projected to remain in deficit over the medium-term, due to an envisaged increase in public investment to meet pressing social needs. CAR is expected to remain at high risk of external debt distress and overall debt distress, although public debt is projected to be sustainable.

The current account balance is projected to improve but remain in deficit. The balance of payment is projected to exhibit a financing gap of roughly 3.5-4.5 percent of GDP per year over the medium-term. This financing gap is expected to be covered by bridge financing from the regional market, possible disbursements of donor's budget support, and disbursement under the ECF program.

Risks to the outlook remain skewed to the downside. Pressures points include: (i) Failure to repeal or mitigate the newly adopted tokenization law, which is likely to pose several systemic risks including macroeconomic and financial stability, money laundering, and derail prospect for economic recovery; (ii) failure to implement bold policy to move gradually toward a sustainable price adjustment mechanism to address fuel supply shortages and to realize domestic revenue mobilization objectives, is expected to weigh on economic growth and widen the overall fiscal deficit; (iii) inability to mobilize concessional donor support; (iv) a reversal in security gains; and (v) stronger-than-expected tightening of regional and global financial conditions. Should these risks materialize, CAR could dip into a yet deeper crisis, with the government unable to pay wages, both domestic and external arrears reemerging.

TABLE 2 Central African Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.0	1.0	0.5	1.3	1.6	3.1
Private consumption	-3.7	2.8	5.4	-2.0	1.4	3.0
Government consumption	20.6	-3.8	-8.4	-2.7	1.4	3.2
Gross fixed capital investment	30.0	-15.9	-4.6	-0.5	2.2	3.1
Exports, goods and services	-10.5	-4.3	-6.5	6.9	3.6	3.6
Imports, goods and services	-0.3	-7.2	7.0	-8.1	2.2	2.9
Real GDP growth, at constant factor prices	1.0	1.0	0.5	1.3	1.6	3.1
Agriculture	5.0	2.9	1.8	3.0	2.4	2.4
Industry	0.6	-0.4	-1.5	-0.2	0.1	0.3
Services	-1.9	0.1	0.4	0.6	1.7	5.1
Inflation (consumer price index)	0.9	4.3	5.8	6.5	3.2	2.8
Current account balance (% of GDP)	-8.5	-10.6	-13.2	-8.4	-7.3	-7.5
Fiscal balance (% of GDP)	-3.4	-6.0	-5.5	-6.4	-6.6	-6.5
Revenues (% of GDP)	21.8	13.7	12.2	11.4	11.4	11.6
Debt (% of GDP)	43.4	47.6	51.8	50.0	50.7	50.9
Primary balance (% of GDP)	-3.1	-5.7	-5.1	-5.9	-5.9	-5.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	65.1	65.5	66.1	66.4	66.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	85.5	85.7	86.1	86.3	86.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	96.1	96.2	96.4	96.4	96.4
GHG emissions growth (mtCO₂e)	4.0	2.5	-0.3	1.9	1.7	1.6
Energy related GHG emissions (% of total)	0.5	0.5	0.5	0.4	0.5	0.5

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

CHAD

Table 1

	2022
Population, million	17.7
GDP, current US\$ billion	12.7
GDP per capita, current US\$	716.8
International poverty rate (\$2.15) ^a	30.9
Lower middle-income poverty rate (\$3.65) ^a	64.6
Upper middle-income poverty rate (\$6.85) ^a	89.4
Gini index ^a	37.5
School enrollment, primary (% gross) ^b	93.7
Life expectancy at birth, years ^b	52.5
Total GHG emissions (mtCO2e)	115.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

Significant adverse impacts of the war in Sudan include a large influx of refugees, trade disruptions, and insecurity. GDP growth is expected to be 3 percent (-0.2 percent per capita) due to increased oil production and high prices, but inflation could rise to 13.2 percent, exacerbating food insecurity and increasing the poverty rate to 35.4 percent. Medium-term downside risks include political and regional instability, insecurity, and climatic shocks.

Key conditions and challenges

Chad's economic growth has been volatile and weak, reflecting the lack of economic diversification and dependency on the oil sector, which constitutes around 85 percent of exports, and 56 percent of fiscal revenues. Chad is also among the world's most vulnerable countries to climate change. Insufficient rains as well as frequent flooding have often had adverse impacts on the agricultural sector, the main sector of employment, which together with conflict and displacement have led to chronic food insecurity. In 2022, Chad experienced its worst floods in 30 years, dampening growth and leading to declaration of a national food emergency in June 2022.

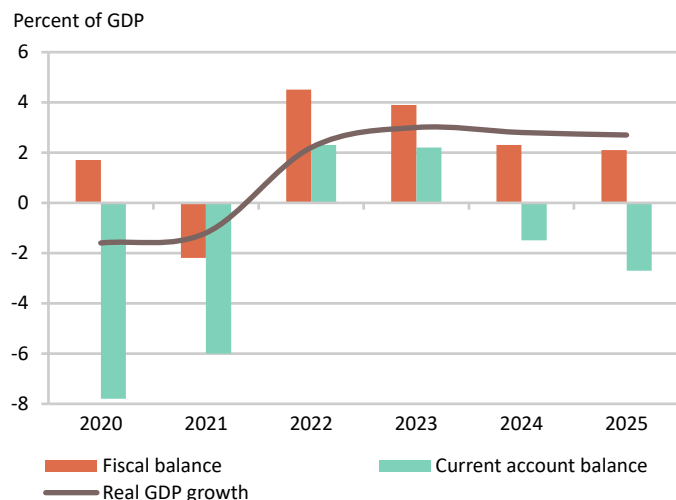
According to UNHCR, Chad was hosting nearly one million forcibly displaced persons at the end of 2022, including 593,000 refugees and nearly 400,000 IDPs. Since April 2023, the war in Sudan has caused a mass influx of new refugees, border closures and major disruptions in trade. As of end-August 2023, 382,000 new refugees have crossed into Chad, including 48,000 returnees. The Government expects that by end-2023, new refugees from Sudan could reach 600,000. In addition to the humanitarian challenges, expected economic impacts are higher expenditures (mostly military), reduced/shortages of goods, and higher inflation.

Recent developments

In 2023, Chad's economy is expected to grow by 3 percent (-0.2 percent per capita), following subdued growth impaired by floods and insecurity in 2022. Non-oil GDP growth is estimated at 2.2 percent, up from 1.3 percent in 2022, driven by increased public investment. Industry, driven by the oil sector, is projected to contribute 1.3 percentage points (ppts) to growth, followed by services (0.9 ppts) and agriculture (0.8 ppts). Gross fixed capital investment, primarily government-driven, is projected to be the main driver, contributing 1.4 ppts to growth. Despite the Sudan border closure, the value of exports is expected to increase by 0.6 percent, thanks to high oil prices and an increase in oil production (6.6 percent), resulting in a current account surplus of 2.1 percent of GDP in 2023.

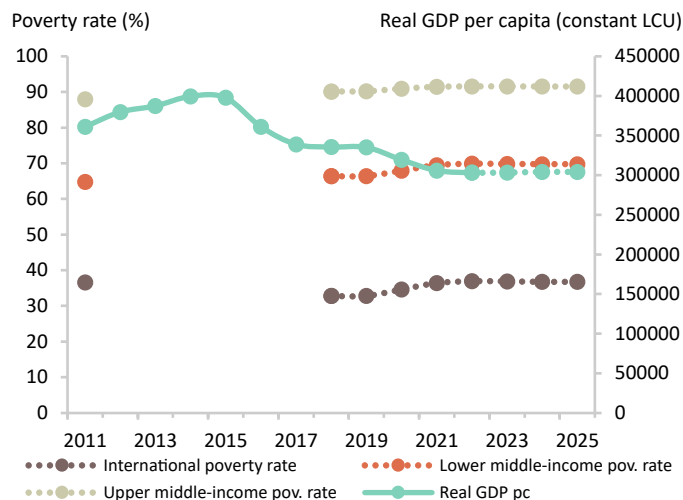
Inflation is projected to surge from 5.8 percent in 2022 to 13.2 percent in 2023, with food inflation expected to reach 13.9 percent, mainly due to the Sudan war as trade disruptions reduce supply and cause shortages, while demand for goods from refugees has increased. This will exacerbate food insecurity with an estimated 1.9 million people (10.4 percent of the population) in severe food insecurity as of June 2023. The extreme poverty rate (US\$2.15/ day per capita, 2017 PPP) is expected to increase by 0.2 percentage points in 2023, reaching 35.4 percent, an increase of 228,000 people to a total of 6.4 million in extreme poverty.

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

Monetary and exchange rate policies are managed by the regional Central Bank (BEAC), which has maintained tightening monetary conditions to curb inflation and support the exchange rate. In March 2023, the BEAC raised its policy rate from 4.5 to 5 percent and ceased weekly injections after scaling back since June 2021, with the marginal lending rate rising from 6.25 to 6.75 percent in March 2023.

The fiscal surplus, including grants, is projected at 3.9 percent of GDP in 2023 (a non-oil fiscal deficit of 7.8 percent). The surplus reflects a one-year lag in the primary component of oil-revenue tax collection, while the downgrade in the projection, from 6.1 percent before the Sudan war, reflects increased security (additional 9.2 percent of the initial budget) and humanitarian expenditures. Total public debt is projected to decline to 44.4 percent of GDP by end-2023.

Outlook

During 2024-2025, growth is projected to average 2.8 percent (-0.3 percent per capita), driven by moderating oil prices and persistent impacts of the Sudan crisis. Non-oil GDP is projected to grow 2.9 percent during the same period. Inflation is projected to remain elevated at 10.1 and 7 percent in 2024 and 2025 respectively, assuming borders with Sudan remain closed for security reasons and agriculture production is subdued due to already observed effects of climate change.

Oil-sector driven growth is not expected to lead to poverty reduction without significant structural reforms, as there are few linkages between the extractive sector and the livelihoods of poor and vulnerable groups. Moreover, the continued security restrictions, the low coverage of social protection programs, and now the crisis in Sudan increasing inflation, will limit the pace

of poverty reduction. Extreme poverty is expected to increase by a further 0.1 ppt between 2023-24 with an additional 214,000 projected to fall into extreme poverty (totaling 6.7 million).

Reflecting lower oil prices, the fiscal surplus is projected to narrow to 2.2 percent of GDP during 2024-2025, while the current account is expected to deteriorate, averaging -2.1 percent of GDP. Public debt is projected to decline to 37.7 percent of GDP by end-2025.

This outlook is subject to multiple downside risks, including lower oil prices, political instability during upcoming elections, heightened insecurity, and climatic shocks. A prolonged Sudan war beyond 2023 would worsen the humanitarian crisis, strain public finances, and increase inflationary pressures. The coup in neighboring Niger on 26 July 2023 and the response from ECOWAS and WAEMU (economic and financial sanctions) have increased regional instability with risks of negative spillover effects on security, economic, and humanitarian fronts.

TABLE 2 Chad / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.6	-1.2	2.2	3.0	2.8	2.7
Private consumption	0.5	1.6	2.1	0.2	1.4	2.0
Government consumption	11.1	3.7	-1.8	2.2	-2.9	-4.2
Gross fixed capital investment	-14.5	-4.5	-7.0	12.7	5.5	1.1
Exports, goods and services	1.1	-0.4	5.0	3.6	3.6	4.1
Imports, goods and services	1.8	5.1	2.0	1.0	1.5	2.1
Real GDP growth, at constant factor prices	-1.6	-1.2	2.2	3.0	2.8	2.7
Agriculture	3.9	6.2	2.0	2.4	1.6	1.7
Industry	-0.1	-4.6	4.1	4.2	2.1	2.0
Services	-7.0	-4.4	0.7	2.5	4.5	4.2
Inflation (consumer price index)	3.5	1.0	5.8	13.2	10.1	7.0
Current account balance (% of GDP)	-7.8	-6.0	2.3	2.2	-1.5	-2.7
Fiscal balance (% of GDP)	1.7	-2.2	4.5	3.9	2.3	2.1
Revenues (% of GDP)	20.7	16.3	19.9	19.7	16.0	15.4
Debt (% of GDP)	49.9	52.1	49.6	44.4	40.7	37.7
Primary balance (% of GDP)	3.4	-0.6	5.9	5.4	3.3	3.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	33.1	34.9	35.2	35.4	35.5	35.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	66.5	68.1	68.4	68.5	68.5	68.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.3	91.0	91.1	91.1	91.1	91.2
GHG emissions growth (mtCO₂e)	2.8	2.9	3.2	3.2	3.2	3.2
Energy related GHG emissions (% of total)	2.2	2.1	2.1	2.0	2.0	2.0

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 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

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

COMOROS

Key conditions and challenges

Table 1	2022
Population, million	0.8
GDP, current US\$ billion	1.2
GDP per capita, current US\$	1408.8
International poverty rate (\$2.15) ^a	18.6
Lower middle-income poverty rate (\$3.65) ^a	39.5
Upper middle-income poverty rate (\$6.85) ^a	68.6
Gini index ^a	45.3
School enrollment, primary (% gross) ^b	99.5
Life expectancy at birth, years ^b	63.4
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2021).

The Comoros' economy continues to recover on the back of the resumption of private consumption and investments in tourism and transport infrastructure, and growth is expected to average 3.5 percent in 2023-25. The poverty rate has remained stable around 38 percent. Policy priorities include fiscal consolidation and reforms to promote economic transformation. Risks to the outlook include slow pace of reforms in a context of elevated prices and upcoming elections.

Economic growth, which has been low for decades (averaging 2.7 percent over 2001-20), slowed further to 1.6 percent over 2019-22, due to multiple shocks, including Cyclone Kenneth in 2019, the COVID-19 pandemic, and the 2022 price shock. As a result, poverty remains high at 38.5 percent in 2022. This weak economic performance reflects a growth model driven by private consumption fueled by remittances, negative productivity growth, limited investment, and underperforming state-owned enterprises (SOEs). The Comoros is at high risk of public debt distress, largely reflecting the issuance of non-concessional loans, though public debt is assessed as sustainable.

Job creation is constrained by limited private sector, with the growth model relying heavily on private consumption. Low human and physical capital and misallocation of resources have hindered growth in the tourism and fisheries sectors, which could be major sources of job opportunities. Labor force participation is also constrained by job market failures and persistent forms of wage discrimination against women.

Recent shocks have highlighted the Comoros' vulnerabilities and the need to implement reforms that increase productivity and private investment to promote growth. Creating the needed fiscal space to ramp up public investment that will crowd

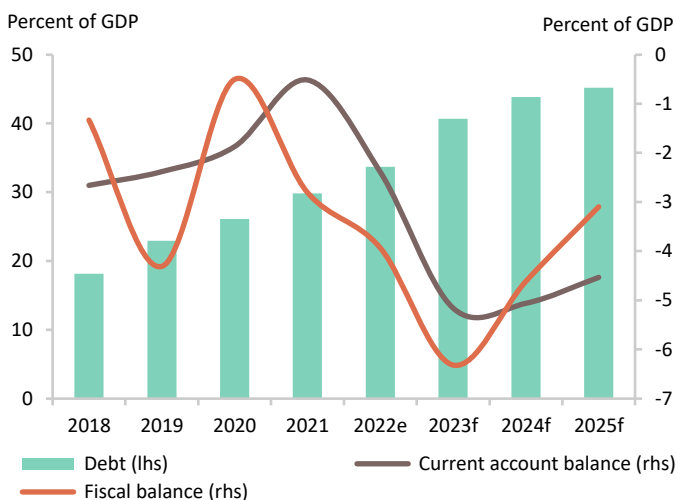
in private investment is thus critical. An improved business environment and a strong financial sector could help attract foreign direct investment and spur domestic private investment.

Recent developments

The economy expanded by 2.6 percent in 2022, driven by an increase in exports as numerous members of the diaspora community came to celebrate "grand marriages," a cultural tradition in Comoros. In 2023Q1, growth is estimated to have been bolstered by accelerated implementation of public investment projects, increased private consumption supported by substantial remittances, and a surge in exports of cloves driven by a strong harvest. However, rising import bills widened the current account deficit to 2.4 percent of GDP in 2022 (from 0.5 percent in 2021). This trend continued in 2023Q1, but the external position remained broadly sound, with net foreign assets estimated at €228.5 million in 2023Q1. Due to higher imported inflation and base effects, headline inflation remained at 19.6 percent in April 2023 (yoy). As a result, the Central Bank of the Comoros continued to tighten the monetary stance, including by increasing its liquidity absorbing operations ceiling from KMF 2.5 billion in June 2022 to KMF 10 billion in 2023Q1.

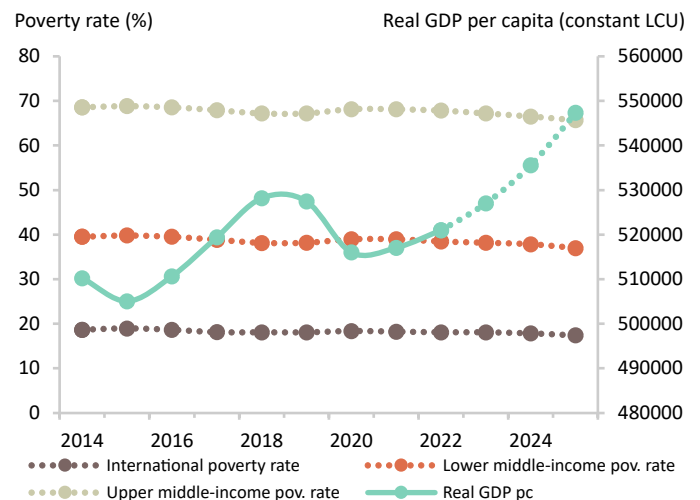
Slow progress on tax reforms, the underperformance of SOEs, and measures adopted to shield households from rising prices increased the fiscal deficit from 2.8 percent

FIGURE 1 Comoros / Selected macroeconomic imbalance indicators, 2018-2025



Sources: National authorities and World Bank estimates and forecasts.

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



Source: World Bank. Notes: see Table 2.

of GDP in 2021 to 3.9 percent in 2022. The deterioration in the fiscal position continued in 2023Q1 with higher public investment (114.6 percent, yoy), an increase in goods and services expenditures (16.1 percent, yoy), and a higher public wage bill (9.9 percent, yoy), while domestic revenues increased by 11.6 percent. Despite the increase in the wage bill (due to government measures to increase salaries) and investment, these expenditures remain within the budget at around the quarter of the budget in 2023Q1. However, goods and services expenditures already accounted for 38.9 percent of the budget in the first quarter. Due to the continuous disbursement of existing loans and SOEs' financial difficulties, the public debt stock reached 33.7 percent of GDP at end-2022, compared to 18.1 percent at end-2018. Fiscal outturns and the public debt level are expected to be monitored by a four-year IMF Extended Credit Facility that was approved in June 2023.

Outlook

The recovery is expected to continue, with growth reaching 3 percent in 2023 and 3.8 percent over 2024-25, primarily driven by private consumption and public investment. The construction of the El Maarouf hospital and the Galawa hotel, as well as the construction or restoration of roads and ports, should significantly contribute to the recovery. In the medium term, productivity growth could be boosted as the 2023 energy law promotes the production of electricity from renewable sources. The creation of a credit registry, a partial credit guarantee scheme, and the operationalization of the leasing law in 2023-24 could support the recovery in 2023-25. The poverty rate is expected to decrease slowly to 37 percent in 2025. Driven by imported inflation, headline inflation is projected to average 10.3 percent in 2023, but it could

fall to 2.6 percent in 2024-25 if global commodity prices decline and the central bank improves its monetary policy framework. Driven by the completion of major investment projects and low domestic resource mobilization, the fiscal deficit is projected to widen to 6.3 percent of GDP in 2023 before narrowing to 3.1 percent in 2025 on the back of a fiscal consolidation program, enhanced SOE performance monitoring, and increased expenditure efficiency through the use of an e-procurement system. Due to the disbursement of existing loans, public debt is projected to reach 45.2 percent of GDP in 2025 and the implementation of the 2023 debt management law will help to contain it.

Driven by high commodity prices and strong domestic demand, the current account deficit is projected to reach 5.2 percent of GDP in 2023, before slightly improving in 2024-25 on the back of higher tourism service exports and lower commodity prices.

TABLE 2 Comoros / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-0.2	2.1	2.6	3.0	3.5	4.0
Private consumption	3.8	1.0	0.2	1.9	3.2	3.6
Government consumption	4.1	5.0	5.4	11.0	-2.4	4.8
Gross fixed capital investment	-14.4	9.6	2.0	8.0	7.3	6.6
Exports, goods and services	-46.3	48.2	22.6	-4.2	5.1	6.5
Imports, goods and services	-9.3	7.7	4.2	3.0	3.4	5.6
Real GDP growth, at constant factor prices	-0.7	2.0	2.4	3.0	3.5	4.0
Agriculture	4.4	3.4	3.3	4.7	4.3	4.5
Industry	-5.6	-0.2	0.4	2.3	1.0	1.5
Services	-2.1	1.8	2.4	2.3	3.5	4.3
Inflation (consumer price index)	0.8	0.0	12.4	10.3	3.0	2.1
Current account balance (% of GDP)	-1.9	-0.5	-2.4	-5.2	-5.1	-4.5
Fiscal balance (% of GDP)	-0.5	-2.8	-3.9	-6.3	-4.6	-3.1
Revenues (% of GDP)	18.3	17.0	14.2	15.5	14.8	15.1
Debt (% of GDP)	26.1	29.8	33.7	40.7	43.8	45.2
Primary balance (% of GDP)	-0.3	-2.5	-3.7	-6.0	-4.2	-2.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	18.4	18.2	18.1	18.1	17.9	17.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	39.0	39.0	38.5	38.2	37.9	37.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	68.2	68.2	67.9	67.2	66.5	65.7
GHG emissions growth (mtCO₂e)	1.6	2.1	2.4	2.8	3.4	4.0
Energy related GHG emissions (% of total)	45.2	44.7	44.4	44.3	44.5	44.9

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 2015-EESIC. Actual data: 2014. Nowcast: 2015-2022. Forecasts are from 2023 to 2025.

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

DEMOCRATIC REP. OF CONGO

Key conditions and challenges

Table 1 2022

Population, million	99.0
GDP, current US\$ billion	63.3
GDP per capita, current US\$	639.7
International poverty rate (\$2.15) ^a	69.9
Lower middle-income poverty rate (\$3.65) ^a	87.8
Upper middle-income poverty rate (\$6.85) ^a	97.4
Gini index ^a	42.1
School enrollment, primary (% gross) ^b	123.9
Life expectancy at birth, years ^b	59.2
Total GHG emissions (mtCO2e)	682.8

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2012), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Growth in DRC is expected to slow down in 2023 as terms-of-trade continue to deteriorate. Macroeconomic stability could be undermined by the increase in the twin-deficit (fiscal and external). Amidst elevated cost of imports and a depreciating currency, inflation is surging and eroding households' purchasing power, especially among the poor. Medium-term growth prospects remain favorable, although vulnerabilities related to commodity price shocks and supply chain disruptions persist.

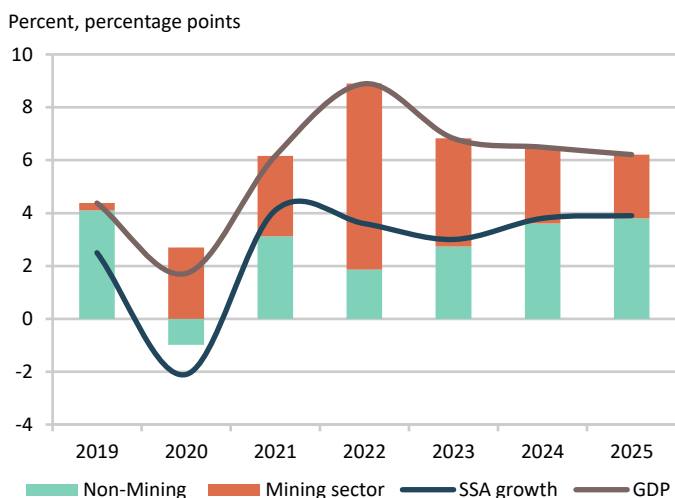
Despite its considerable economic potential, including its rich endowment of natural resources, the Democratic Republic of the Congo (DRC)'s economy remains concentrated in a few sectors, particularly mining, and relies on exports of raw minerals (mainly copper and cobalt). In addition to its mineral wealth, the DRC is also blessed with huge agricultural potential but remains a net food importer, which exacerbates vulnerabilities to external shocks due to a lack of diversification of its economy. Despite an impressive growth over the past two decades (averaging 5.6 percent a year) and a significant return to macroeconomic stability, DRC has failed to live up to the full potential of its resources due to multiple constraints the country faces. Poverty remains widespread in the country despite some improvements in the past decades, with the bulk of the poor living in extreme poverty. While there are significant geographical disparities between provinces, with most of the poor living along two densely populated corridors running from West to East, and North to South, poverty exceeds 50 percent even in the wealthier provinces. In addition, the fragile political context, fueled by complex dynamics of political coalitions, will again be put to test by tensions preceding the legislative and presidential elections (scheduled for December

2023), while the conflict in the East of the country persists. Building resilience and sustaining high growth in order to significantly reduce poverty will require unlocking investments in infrastructure and human capital and overcoming institutional and structural weaknesses, including the lack of human and financial resources. Reaching political consensus and increasing the presence and credibility of the state and of the budget, including through improved governance, are key to attract investments and create jobs.

Recent developments

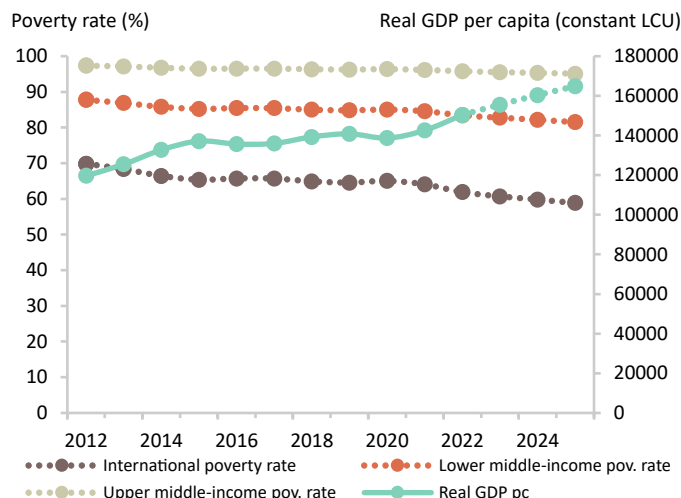
After peaking at 8.9 percent in 2022, real GDP growth in DRC is expected at 6.8 percent in 2023. The mining sector remains the main driver of growth. However, given downwards trends for cobalt prices and production, mining output growth is projected to slow to 11.7 percent in 2023 (from 22.6 percent in 2022). Growth in non-mining sectors (particularly services) is expected at 4.2 percent in 2023 (2022: 2.7 percent). On the demand side, expansion in exports is estimated to slightly outweigh increase in imports while private consumption is to weaken as rising inflation weighs on real household incomes. Despite a prudent fiscal policy, the continued exceptional spending for security and election purposes causes the fiscal deficit to widen in 2023 (-1.3 percent of GDP) amid softening in revenue performance

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.

(about 0.3 percentage points lower than 2022). The current account deficit should remain large, at 4.7 percent of GDP in 2023, in response to higher import prices and persistent deterioration in the terms-of-trade. Inflows from external financing are expected to lead to the accumulation of international reserves, estimated to reach 10 weeks of imports in 2023 (2022: 7.9 weeks).

Excess liquidity fueled by significant public spending put pressure on the currency which could depreciate by 16.6 percent. Exchange rate pass-through coupled with rising cost of imports led to inflation rising at a faster pace by July 2023, and expected to average about 20.7 percent in 2023. In response, the Central bank has tightened its policy rate from 8.25 percent in late 2022 to 25.0 percent in August 2023.

The latest World Bank estimations put extreme poverty at 61.9 percent in 2022, a 2.2 percentage points decrease compared to 2021, and further down to 60.7 in 2023. This decrease is due to strong economic growth, despite the negative effects of the rising inflation.

Outlook

Growth is projected to moderate at 6.4 percent on average in 2024-25, as mining growth slows down while the non-mining sector catches up.

With fiscal consolidation efforts, the fiscal deficit will be contained around 0.5 percent of GDP in 2024-25, as election-related spending subsides. The current account deficit is expected to gradually narrow, reflecting lower growth in imports of capital goods and improved terms of trade. Further FDI inflows would contribute to building-up reserves and maintaining exchange rate stability while inflation rate is brought back down to its 7 percent medium-term target.

Extreme poverty is projected to decrease by 1.8 percentage points by 2025 given continued though lower economic growth. The pace of poverty reduction will however remain too slow to reduce the number of people in poverty given high population growth.

Amid limited buffers in terms of international reserves and revenue mobilization, the risks to the outlook are associated to the country's vulnerability to external shocks, mainly from volatile commodity prices and growth performance of major trading partners which might be disturbed by geopolitical conflicts. The economic consequences of a prolonged war in Ukraine, through rising global food costs and higher oil prices, could exert stronger pressure on fiscal deficit, on inflation and on households' consumption thus exacerbating poverty and inequality. Domestically, the escalating conflict in the East of the country and pre- and post-election tensions may weaken the reform agenda and reduce the country's capacity to maintain macroeconomic stability and to diversify the economy.

Climate related risks, already being felt through floods and their consequence on losses of livelihoods and infrastructure, could exacerbate fiscal pressure. DRC, a low GHG emitter, is positioning as a solution country, and could benefit from developing its carbon market to generate revenue from its vast forests.

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

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.7	6.2	8.9	6.8	6.5	6.2
Private consumption	-8.0	1.6	0.8	-5.3	6.0	7.2
Government consumption	9.5	11.8	25.1	10.9	9.1	0.5
Gross fixed capital investment	37.8	9.3	22.8	17.8	4.9	5.1
Exports, goods and services	4.0	11.7	23.8	11.1	6.0	5.6
Imports, goods and services	15.1	6.8	21.6	7.7	4.6	4.4
Real GDP growth, at constant factor prices	2.3	6.2	8.9	6.8	6.5	6.2
Agriculture	2.5	2.4	2.4	2.5	2.5	2.5
Industry	4.2	7.8	16.1	10.1	7.6	6.7
Services	0.1	5.8	2.7	4.0	6.3	6.8
Inflation (consumer price index)	11.4	9.0	9.3	20.7	12.2	6.8
Current account balance (% of GDP)	-2.3	-1.0	-5.3	-4.7	-4.0	-3.3
Fiscal balance (% of GDP)	-1.2	-1.6	-0.6	-1.3	-0.8	-0.3
Revenues (% of GDP)	9.2	13.6	16.5	16.2	16.3	16.5
Debt (% of GDP)	22.9	23.9	25.0	23.3	24.9	24.9
Primary balance (% of GDP)	-1.0	-1.2	-0.3	-1.0	-0.5	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	65.1	64.1	61.9	60.7	59.8	58.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	85.1	84.6	83.5	82.8	82.2	81.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	96.4	96.2	95.8	95.5	95.3	95.1
GHG emissions growth (mtCO₂e)	0.1	0.2	0.2	0.1	0.1	0.2
Energy related GHG emissions (% of total)	1.2	1.3	1.4	1.3	1.3	1.4

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 2012-E123. Actual data: 2012. Nowcast: 2013-2022. Forecasts are from 2023 to 2025.

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

REPUBLIC OF CONGO

Key conditions and challenges

Table 1

	2022
Population, million	6.0
GDP, current US\$ billion	15.8
GDP per capita, current US\$	2649.0
International poverty rate (\$2.15) ^a	35.4
Lower middle-income poverty rate (\$3.65) ^a	59.1
Upper middle-income poverty rate (\$6.85) ^a	83.5
Gini index ^a	48.9
School enrollment, primary (% gross) ^b	93.7
Life expectancy at birth, years ^b	63.5
Total GHG emissions (mtCO2e)	33.1

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2011), 2017 PPPs.

b/ WDI for School enrollment (2018); Life expectancy (2021).

Economic recovery is set to strengthen in 2023, with growth expected at 3.2 percent, driven by higher oil and non-oil activities. Elevated oil export receipts and ongoing reforms will support the fiscal and external surpluses. Inflation is accelerating in 2023 with the fuel price adjustment but should return to the 3.0 percent target by 2025. Growth prospects, albeit improved, remain vulnerable to unsteady oil production, volatile oil prices, and weak reform implementation.

Between 2015 and 2021, Congo's real GDP declined by 19 percent and GDP per capita by 31 percent. The 2014-16 collapse in oil prices plunged the economy into a prolonged recession as a result of a massive cut in public spending and investment and the accumulation of domestic arrears to private sector firms, which impacted private investment. The COVID-19 crisis further exacerbated the economic recession that began in 2016. GDP per capita has now regressed to levels reminiscent of the early 1970s, just a decade after gaining independence. The country's reliance on volatile oil revenue, weak governance, and high levels of non-concessional borrowing, led its debt to be classified as "in distress" and unsustainable in 2017, with its debt-to-GDP ratio increasing from 42.3 percent in 2014 to 103.5 percent in 2020. Higher oil prices, improved debt management, and debt restructuring agreements helped restore debt sustainability in the second half of 2021, but the Republic of Congo (ROC) remains in debt distress due to the accumulation of external arrears. The protracted recession and negative GDP per capita growth rates since 2015 have resulted in extreme poverty incidence (less than US\$2.15 PPP per day) increasing from 34.8 percent in 2015 to 46.4 percent in 2021. The enduring reliance on oil revenues has left the economy vulnerable to oil price volatility and weakened long-term growth

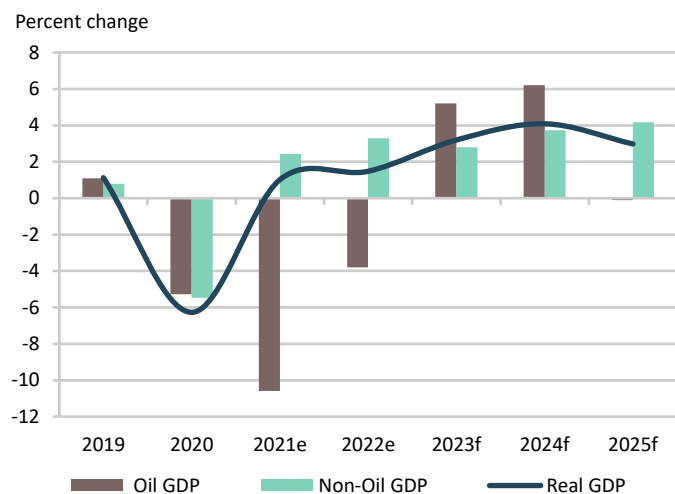
prospects. Attaining sustainable development in Congo urgently requires efforts to diversify national assets, focusing on stronger institutions, development of human and physical capital, and a more balanced exploitation of natural capital.

Recent developments

After growing by an estimated 1.5 percent in 2022, the Congolese economy is continuing to recover in 2023, driven by both the oil and non-oil sectors. Due to higher investment, oil production increased by about 5.0 percent y-o-y in 2023H1 following three consecutive years of decline. Non-oil sector growth in 2023H1 was spurred by manufacturing (including beverages, mineral water, and cement), and services (including hotels, restaurants and transport). Despite a drop in oil revenues due to lower oil prices, the budget posted a surplus in 2023Q1. Fiscal discipline and strong reforms such as the 30 percent increase in gasoline retail prices since January 2023 are helping sustain the budget surplus (expected at 3.1 percent of GDP at end-2023). Lower export receipts and increased imports are anticipated to reduce the current account surplus to 6.4 percent of GDP in 2023.

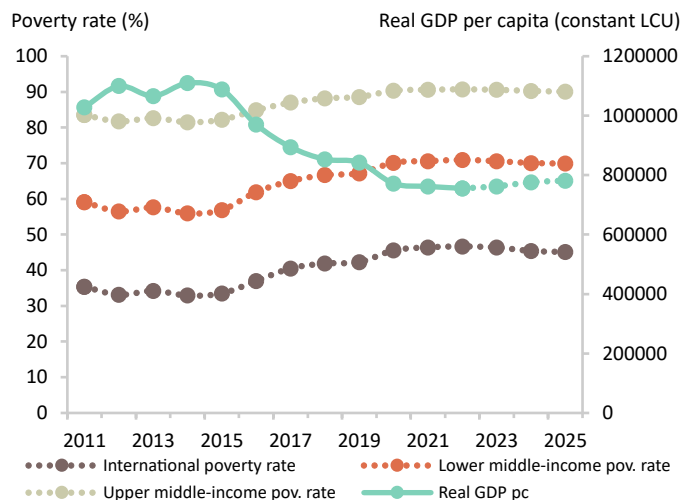
The banking sector remains solvent, but vulnerability to non-performing loans (NPLs) remains high. The NPL to gross loan ratio has been around 19 percent over the past year, which is high by international standards. Bank deposits were

FIGURE 1 Republic of Congo / Real GDP growth



Source: World Bank. Note: Oil GDP growth rate in 2025 is projected at -0.1.

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



Source: World Bank. Notes: see Table 2.

up as of April 2023, but credit to the private sector declined partly due to the high cost of borrowing. The Bank of Central African States (BEAC) continued to tighten its monetary policy to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC increased the policy rate in March 2023 by another 50 basis points to 5.0 percent, a cumulative 175 basis points increase since November 2021. Moreover, the BEAC ended its weekly liquidity injections after steadily scaling them back since June 2021.

GDP growth per capita remained negative in 2022 and poverty incidence consequently increased slightly to an estimated 46.6 percent. The fuel price adjustment and increased domestic demand are pushing up inflation, which averaged 3.5 percent (y-o-y) in 2023H1. Food inflation decelerated in 2023H1 but remains elevated (averaging 4.6 percent, y-o-y), which is likely to continue to affect the poorer segments of the population more as they typically spend a higher share of their household budget on food.

Outlook

The Congolese economy is expected to continue its gradual recovery. GDP is expected to grow at 3.2 percent in 2023 and to average 3.5 percent in 2024-25. Oil sector growth (expected to average 3.8 percent in 2023-25) will be driven primarily by increased investments by oil companies. Non-oil sector growth (expected to average 3.6 percent in 2023-25) will be spurred by growth in agriculture, non-oil industry and services, supported by the continued clearance of government arrears, gradual increase in social spending and public investment, and the implementation of reforms in governance and the business environment. Overall inflation will initially accelerate to an average of 3.4 percent in 2023-24 with the fuel price adjustment but is expected to return to BEAC's 3.0 percent target by 2025. The poverty rate is expected to marginally decrease to 46.4 percent in 2023 and to an average of 45.2 percent in 2024-25, consistent with projected growth in GDP per capita.

With the ongoing fuel subsidy reform, strengthening social protection interventions is necessary to mitigate the impact on the most vulnerable. The fiscal balance is expected to remain positive, fueled by high oil prices, increased oil production and fiscal discipline. The non-oil primary balance is set to improve, partly driven by the reduction in direct oil subsidies to energy SOEs and the increase of fuel retail prices. Although debt vulnerabilities remain elevated (with a high level of non-concessional debt stock and domestic arrears), debt-to-GDP ratio is projected to decline to 83.6 percent by 2025 thanks to improved debt management, fiscal discipline, and significant oil revenues. The current account surplus is projected to decline driven by lower oil prices and increased imports to support oil investment.

Risks to the outlook are tilted to the downside and include volatile oil prices and unsteady oil production, an escalation of the war in Ukraine and related spillovers, weaker-than-expected global demand, a further tightening of global or regional financial conditions, adverse weather conditions and weak reform implementation.

TABLE 2 Republic of Congo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021e	2022e	2023e	2024f	2025f
Real GDP growth, at constant market prices	-6.3	1.0	1.5	3.2	4.1	3.0
Private consumption	-8.2	11.5	5.0	4.9	4.9	4.4
Government consumption	-38.8	2.1	-5.2	0.6	2.6	0.8
Gross fixed capital investment	-23.1	14.0	10.0	8.0	7.0	6.0
Exports, goods and services	-9.4	-1.0	-0.7	4.0	6.2	1.8
Imports, goods and services	-35.8	25.0	5.9	9.2	9.7	4.2
Real GDP growth, at constant factor prices	-5.4	1.0	1.5	3.2	4.1	3.0
Agriculture	3.9	1.9	3.0	2.8	3.0	3.4
Industry	-2.4	-3.3	-0.6	4.1	6.1	3.0
Services	-11.7	2.0	3.1	2.9	3.1	3.2
Inflation (consumer price index)	1.4	2.0	3.0	3.5	3.3	3.0
Current account balance (% of GDP)	12.3	8.9	18.7	6.4	6.6	2.9
Net foreign direct investment inflow (% of GDP)	-8.7	2.4	3.3	4.2	4.4	4.7
Fiscal balance (% of GDP)	-2.2	1.2	7.9	3.1	3.8	3.8
Revenues (% of GDP)	19.7	21.1	28.6	24.5	25.3	25.5
Debt (% of GDP)	103.5	92.1	90.6	89.5	85.7	83.6
Primary balance (% of GDP)	-0.5	3.1	10.2	5.5	6.2	6.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	45.5	46.4	46.6	46.4	45.4	45.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	70.1	70.6	70.9	70.6	70.1	69.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.4	90.6	90.7	90.6	90.3	90.1
GHG emissions growth (mtCO₂e)	3.3	3.2	3.2	3.7	3.8	3.7
Energy related GHG emissions (% of total)	13.6	14.0	14.7	15.2	15.3	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 2011-ECOM. Actual data: 2011. Nowcast: 2012-2022. Forecasts are from 2023 to 2025.

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

CÔTE D'IVOIRE

Key conditions and challenges

Recent developments

Table 1 2022

Population, million	28.2
GDP, current US\$ billion	69.9
GDP per capita, current US\$	2482.6
International poverty rate (\$2.15) ^a	11.5
Lower middle-income poverty rate (\$3.65) ^a	39.7
Upper middle-income poverty rate (\$6.85) ^a	75.6
Gini index ^a	37.2
School enrollment, primary (% gross) ^b	99.4
Life expectancy at birth, years ^b	58.6
Total GHG emissions (mtCO2e)	56.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

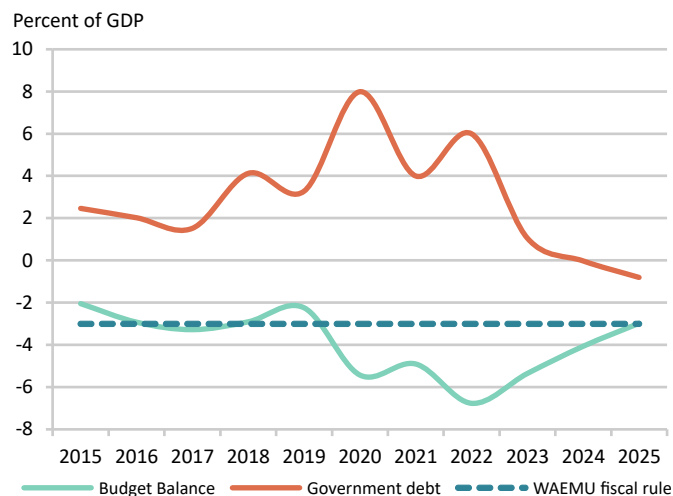
Amid global and regional turbulence and tight financial conditions, economic growth is set to ease to 6.3 percent in 2023 as inflation remains elevated (averaging 5.2 percent at mid-year 2023), impacting the most vulnerable. Macroeconomic imbalances should ease gradually: domestic revenue mobilization should help rebuild fiscal buffers and strengthen debt sustainability, while improved terms of trade and structural reforms could sustain growth around potential.

After almost a decade as one of the fastest growing economies in SSA – with real GDP growth averaging 8 percent over 2012–19 (5.5 percent in per capita terms) – the global crises brought about by COVID-19 and Russia’s invasion of Ukraine, have underlined the need for continued structural reforms to move towards the objective of doubling GDP per capita by 2030. Lifting productivity growth and creating better jobs will require leveraging private investment, capital deepening, reducing allocative inefficiencies through pro-competition policies, improving human capital, as well as increasing resilience to climate risks.

Downside risks predominate in the short term. The war in Ukraine increases commodity price volatility and has worsened external and fiscal balances of net commodity and oil importers. Heightened market uncertainties and tight monetary policy have driven up costs of external and domestic debt, requiring active debt and fiscal management. Regional insecurity and climate-related factors could also dampen the outlook. Medium-term prospects rest on the rollout of the national development plan (NDP), which requires adequate financing through greater domestic revenue mobilization and private investment.

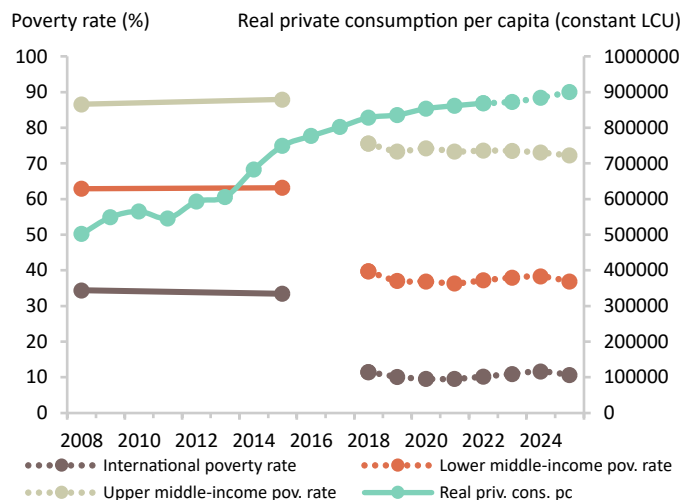
Economic growth momentum moderated in 2022 owing to the fallout from Russia’s invasion of Ukraine, global monetary tightening, and increased political instability in the WAEMU. Amid higher import prices, rising global and domestic interest rates and slowing external demand, economic growth softened to 6.7 percent in 2022 from 7 percent in 2021. Real GDP growth is estimated to slow to 6.3 percent in 2023 (3.6 in per capita terms) mainly due to weakening external and domestic demand. Private consumption showed signs of moderating in the first half of the year (with fuel consumption growth declining from 7.8 percent in H1-2022 to 3.7 percent in H1-2023). Low agricultural productivity, unfavorable weather conditions, and higher fertilizer costs are expected to weigh on the sector. Cocoa production declined due to the temporary halt to the distribution of improved seeds in line with the government’s decision to stabilize production at 2 million tons to ensure a fair farmgate price. Industrial production is expected to decelerate. By contrast, service growth will remain strong. Despite the fiscal consolidation started in 2023, the continuation of major public investments will continue to support growth (remain above pre-covid averages) and only gradually slow down. CPI averaged 5.2 percent in July 2023, with core inflation increasing 2.5 percent year-on-year. To counter inflation

FIGURE 1 Côte d'Ivoire / Fiscal balance and change in public debt



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 125 basis points since the start of 2022 to 3.25 percent for liquidity calls and 5.25 percent for the marginal lending facility. However, the monetary policy stance remains broadly accommodative, inflation is still above target and foreign exchange reserves have been on a downward trend.

The fiscal deficit widened to a multi-decade high of 6.8 percent in 2022, while public debt rose to almost 60 percent of GDP at end-2022. It is projected at 5.3 percent of GDP in 2023, containing the increase in public debt. The improvement of the fiscal stance is backed by a revenue-based fiscal consolidation and lower spending as inflation-related subsidies and foregone fuel revenues are scaled back, and electricity tariffs are raised.

Extreme poverty (less than \$2.15 a day per capita in PPP) would reach 11 percent in 2023, 0.8 percentage points higher than in 2022. Contracting agriculture (employing 45 percent of the workforce, 74 percent of rural workers and 70 percent of the poor) and increased food prices offset the poverty-reducing effects of economic growth,

from expanding services and industry, and increase poverty in 2023.

Outlook

Assuming prudent macroeconomic policies and structural reforms, growth should remain robust over the medium term, albeit below pre-pandemic levels amid continued adverse global and regional economic and political trends. Real GDP growth should average 6.5 percent in 2024-25. On the upside, continued investments in network infrastructure notably on digital and transport sectors, and exploitation of the recent oil discoveries, together with prudent macroeconomic policies, should boost business confidence and increase productivity. Plans to develop value chains could raise agricultural productivity and boost manufacturing, sustaining growth potential. Inflation is projected to start easing slowly in the second half of 2024 in line with global food and commodity prices, reaching the WAEMU 1 to 3 percent target band in the medium term.

Tax revenue should increase by close to 1 percentage point of GDP by end-2023,

signaling continued progress on domestic revenue mobilization efforts. This trend would support the re-alignment of the fiscal deficit, achieving the 3 percent regional target by 2025, stabilizing debt at around 58 percent of GDP, and creating fiscal headroom for sustained infrastructure development. Capital expenditures are expected to remain above pre-pandemic levels in the medium term. Private sector-led export diversification should boost the trade balance, and together with the lower fiscal deficit, narrow the CAD.

On the downside, heightened regional tensions, including recent developments in Niger, could curtail external capital inflows and foreign private investments. Protracted tight financial conditions in global and regional markets could weigh on debt sustainability.

Extreme poverty should continue increasing in 2024 to 11.62 percent, driven by a weak agriculture sector and an above-target inflation rate, especially among food items (expected at 4.7 percent). Poverty reduction should resume in the medium term, reflecting abated inflation and sustained economic growth, especially in agriculture and services. Extreme poverty should fall to 10.7 percent by 2025.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.7	7.0	6.7	6.3	6.5	6.5
Private consumption	4.7	3.5	3.3	3.0	3.9	4.3
Government consumption	2.5	8.6	8.0	6.8	5.5	4.4
Gross fixed capital investment	26.8	8.6	9.8	14.3	12.1	11.1
Exports, goods and services	10.7	10.6	10.2	10.5	8.5	6.5
Imports, goods and services	6.1	13.4	6.8	12.9	9.5	7.0
Real GDP growth, at constant factor prices	1.3	7.0	6.7	6.3	6.5	6.5
Agriculture	8.9	2.7	5.1	-0.3	1.4	11.1
Industry	-1.6	7.4	8.1	6.0	10.0	4.1
Services	-0.2	8.6	6.8	8.9	6.8	6.0
Inflation (consumer price index)	2.4	4.2	5.2	5.0	3.7	3.0
Current account balance (% of GDP)	-3.1	-4.0	-6.5	-4.7	-3.8	-3.7
Net foreign direct investment inflow (% of GDP)	1.1	1.5	1.3	1.7	2.4	2.0
Fiscal balance (% of GDP)	-5.4	-4.9	-6.8	-5.3	-4.1	-3.0
Revenues (% of GDP)	15.0	15.9	15.3	16.4	17.0	17.4
Debt (% of GDP)	48.1	52.1	58.1	59.1	59.1	58.3
Primary balance (% of GDP)	-3.6	-2.9	-4.5	-3.0	-1.8	-0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	9.6	9.6	10.2	11.0	11.6	10.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	36.9	36.4	37.2	38.0	38.3	36.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	74.3	73.3	73.6	73.5	73.0	72.3
GHG emissions growth (mtCO₂e)	3.6	3.7	2.9	1.7	1.9	2.1
Energy related GHG emissions (% of total)	25.7	27.6	28.7	28.9	29.0	29.3

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 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

EQUATORIAL GUINEA

Table 1 **2022**

Population, million	1.7
GDP, current US\$ billion	11.8
GDP per capita, current US\$	7053.5
School enrollment, primary (% gross) ^a	61.8
Life expectancy at birth, years ^a	60.6
Total GHG emissions (mtCO2e)	19.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2015); Life expectancy (2021).

Equatorial Guinea grew by 3.1 percent in 2022, mainly driven by stronger hydrocarbon output. However, the country is expected to fall back into recession in 2023 due to declining petroleum reserves. After benefiting from hydrocarbon windfalls in 2022, fiscal and external balances are expected to decrease sharply over the coming years. Meanwhile, severe development challenges remain, and are exacerbated by the impact of rising inflation on living conditions.

Key conditions and challenges

As a result of declining oil reserves and failure to diversify the economy, Equatorial Guinea's output has been shrinking steadily for almost a decade. Between 2013 and 2021, the country registered an average 5.0 percent negative growth per year. Hydrocarbons accounted for nearly 50 percent of both exports and GDP and over 70 percent of government revenues in 2022. Structural reforms are needed to prevent long-term economic decline, by diversifying growth drivers and building fiscal stability through domestic revenue mobilization efforts and more efficient public spending.

Reforms have been adopted in recent years to improve governance and business conditions. An anticorruption law was enacted in 2022 and audits of state-owned oil and gas companies were published. Measures are underway to boost trade with a one-stop shop, simplified work permits, and a law reducing import and export duties and expanding port operating hours. Yet, weaknesses persist in the governance of extractive revenues and the business environment, preventing the country from attracting investments, creating jobs, and unlocking trade to achieve sustained growth and diversification goals.

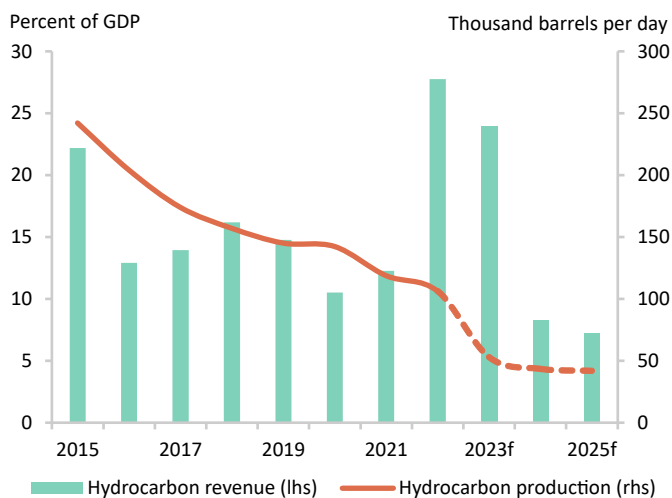
Actions are also needed to better protect and include the poor. Despite having one of the highest incomes per capita in Sub Saharan Africa, living standards remain

low. Life expectancy at birth is estimated at 60.7 years, considerably lower than the average of 75 years for countries of the same income group. Around 40 percent of households experienced at least one day without electricity per month. Scarce poverty data remain a challenge to an effective protection of vulnerable groups. The data collection phase of the National Household Survey II is expected to be over in September 2023 (with a minor delay in Annobón province). The survey will fill out knowledge gaps in poverty and inequality, enabling evidence-based social protection policies.

Recent developments

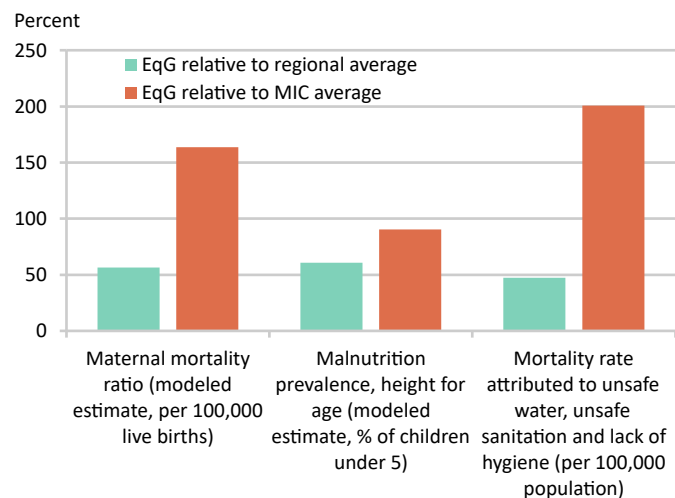
Equatorial Guinea grew by 3.1 percent in 2022. Stronger natural gas output drove the rebound, following repairs on the Punta Europa complex after a devastating fire in September 2021. Meanwhile, growth in the non-oil sectors was supported by services, benefitting from oil windfalls and the removal of COVID-19 restrictions. Demand-side GDP was driven by public investments and net exports. However, the economy has been showing signs of reverting to negative growth. In 2023Q1, GDP contracted by 0.4 percent (q-o-q), due to maturing oilfields and the decommissioning of a floating production unit following flooding in September 2022. High oil prices boosted hydrocarbon exports, bringing the current account balance to -1.0 percent of GDP in 2022 from -2.1 percent in the year before.

FIGURE 1 Equatorial Guinea / Hydrocarbon production and revenues



Sources: Official data and World Bank staff calculations.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Bank.

Also benefitting from the temporary recovery in hydrocarbons, in 2022 the fiscal balance reached a surplus of 13.2 percent of GDP, due to higher than anticipated oil windfalls. Public expenditures increased in 2022 and early 2023, pushed by higher investments in infrastructure and also fuel subsidies, which reached 1.3 percent of GDP in 2022 due to higher oil prices that were not passed on to users. However, structurally declining production and lower prices led to a 25 percent decline in oil revenues in 2023Q1 (y-o-y). The debt-to-GDP ratio continued to decline in 2022, thanks to economic growth. While the Government settled a share of arrears, outstanding domestic arrears with construction companies remain high at 10.8 percent of GDP.

As a result, high levels of non-performing loans - 57.9 percent of total loans in 2023Q1 - remain a source of banking system vulnerability. The Bank of Central African States continued to tighten its monetary policy to contain inflationary pressures and support the exchange rate peg, increasing the policy rate in March 2023 by another 50 basis points to 5.0 percent, and ending its weekly liquidity injections. Credit to the economy decreased by 2.0 percent in 2022. Meanwhile, the Russian invasion of Ukraine is still impacting inflation, which stood at 4.2 percent in June

2023 (y-o-y). Rising costs are likely impacting food security and living conditions, although poverty data remains scarce.

Outlook

Following a brief recovery in 2022, Equatorial Guinea is expected to re-enter recession, with a projected annual average negative growth of 4.0 percent over 2023-2025. Declining hydrocarbon production and lower commodity prices are expected to keep impacting the Equatoguinean economy. Decreasing exports would lead to current account deficits over the coming years. Albeit at a slower pace, imports would also decrease, on account of declining public spending due to limited fiscal space. The fiscal balance is projected to turn to deficits in 2024-2025, as public expenditure cuts would not be sufficient to compensate for the larger drop in hydrocarbon revenues.

In the absence of growth, living standards would likely stagnate or deteriorate. Furthermore, projected lower public spending would have negative economic and social implications.

Several factors risk aggravating the economic decline. A stronger decline in

hydrocarbon production or prices risks undermining fiscal and external stability given Equatorial Guinea's overdependence on oil. Sustained global financial tightening and lower demand from China and India, its main export partners, could also compromise growth prospects. Moreover, global trade disruptions affecting commodity and food prices due to the prolonged conflict in Ukraine would increase food insecurity, especially for the most vulnerable, as the country relies heavily on food imports.

Shrinking hydrocarbon reserves indicate the need for Equatorial Guinea to move to a new growth model, promoting resilient non-oil sectors capable of sustaining future growth. Ultimately, implementing the country's economic diversification vision will require efforts to facilitate trade and improve business conditions. Actions are also needed to improve public financial management, maximizing the public benefit derived from oil revenues while preparing for a sustainable post-oil fiscal model. Finally, a stronger social protection system would help protect the most vulnerable and reduce inequities, especially as social spending in Equatorial Guinea is below 2 percent of GDP, three times lower than the West and Central Africa average.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-4.2	-0.9	3.1	-2.5	-6.1	-3.9
Private consumption	2.2	3.4	3.4	-7.5	-0.3	-2.6
Government consumption	-3.2	-5.7	-0.6	42.5	-6.6	-4.0
Gross fixed capital investment	-64.5	18.8	65.1	-76.1	-11.6	-5.0
Exports, goods and services	-4.9	4.4	2.4	-8.4	-10.1	-6.3
Imports, goods and services	-10.8	12.5	6.2	-7.0	-6.5	-6.0
Real GDP growth, at constant factor prices	-4.2	-0.8	2.8	-2.5	-6.1	-3.9
Agriculture	-6.3	5.9	3.6	-5.7	2.2	2.0
Industry	-4.4	-6.4	1.3	-49.5	-18.0	-10.0
Services	-3.8	8.2	5.0	63.2	-1.2	-1.9
Inflation (consumer price index)	4.8	-0.1	4.9	3.5	2.2	2.3
Current account balance (% of GDP)	-10.4	-2.1	-1.0	-2.9	-1.6	-1.5
Net foreign direct investment inflow (% of GDP)	3.7	5.1	5.7	4.9	4.9	5.6
Fiscal balance (% of GDP)	-1.7	2.6	13.2	8.2	-4.2	-4.5
Revenues (% of GDP)	14.1	15.4	30.7	26.8	12.3	11.9
Debt (% of GDP)	48.4	42.8	40.0	33.9	32.9	34.9
Primary balance (% of GDP)	-0.4	3.6	14.5	9.6	-3.0	-3.3
GHG emissions growth (mtCO2e)	-14.5	27.6	16.2	-9.9	-8.3	-3.9
Energy related GHG emissions (% of total)	25.6	35.5	41.8	38.6	35.5	34.1

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 **2022**

Population, million	3.7
GDP, current US\$ billion	2.4
GDP per capita, current US\$	647.4
School enrollment, primary (% gross) ^a	68.6
Life expectancy at birth, years ^a	66.5
Total GHG emissions (mtCO ₂ e)	7.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2019); Life expectancy (2021).

GDP growth is projected to recover modestly from 2.6 percent in 2023 to 3.2 percent in 2024 supported by mining and service sector activity, while inflation should moderate in line with global commodity prices. Risks to the outlook include production delays at the Colluli mine, geopolitical tensions, and climate vulnerabilities. National accounts and poverty statistics have not been produced over the last decade, although poverty is expected to be widespread.

Key conditions and challenges

Eritrea emerged from a decade of international isolation with the lifting of UN sanctions in November 2018. During that period, the government followed a self-sufficiency policy. As a result, the economy is dominated by large state-owned enterprises, limiting the participation of private sector. Zinc, copper and gold account for over 90 percent of exports, underscoring risks to metal price fluctuations. 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 the context of low foreign exchange reserves. The financial sector is small and underdeveloped. The country is vulnerable to climate change, with frequent weather shocks posing a heavy burden for the economy and rural livelihoods.

The COVID -19 crisis hit Eritrea amid a hiatus in its engagement with development partners, leaving it without much needed external funding. Informal cross-border trade seemed less affected as the conflict in northern Ethiopia ended.

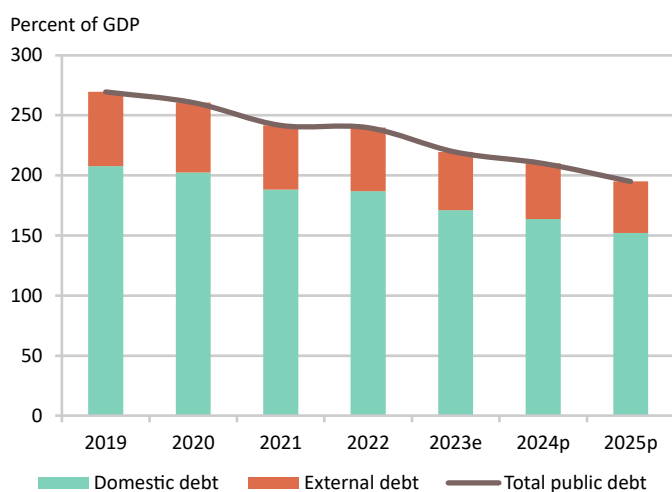
The emergency conditions that prevailed in Eritrea over the past decade have led to severe data production capacity constraints. National accounts data are limited to unofficial GDP estimates produced by the Ministry of Finance that are not endorsed by the government. Inflation estimates cover only the capital, Asmara,

and full balance of payments accounts are missing. The last population census in Eritrea took place more than 25 years ago, and the last official poverty rate for the country dates from 1996/97, when it was calculated that 70 percent of urban households lived in poverty. Limited growth and the multiple economic shocks since then suggest that this figure may now be higher.

Recent developments

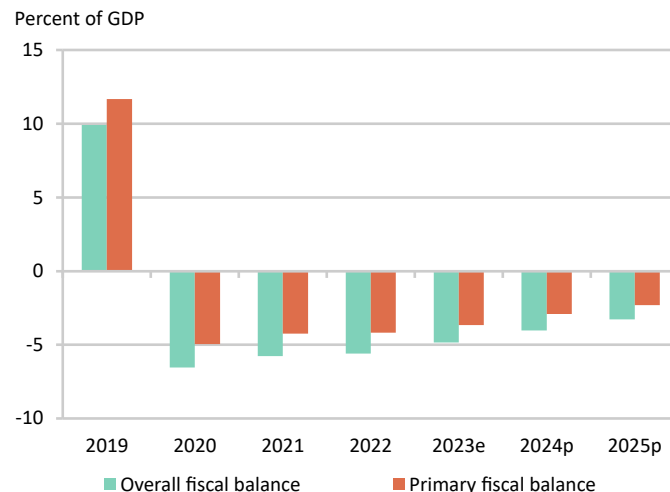
Real GDP growth had slowed to 2.5 percent in 2022, impacted by weak demand from global trading partners, especially China, while inflation had risen to over 7 percent in line with rising global commodity prices and supply chain disruptions. Although data is limited, activity during the first half of the year is likely to have been supported by a recovery in demand in China. Declines in global energy and grains prices have helped to ease price pressures, providing some respite for households, who have seen their purchasing power substantially eroded in past years on account of the high inflation, and supporting service sector activity. Although global zinc prices have fallen by a third relative to average prices last year, gold and copper prices have remained relatively high helping to support export revenues; alongside lower fuel and food import costs, this is helping Eritrea maintain large double-digit current account surpluses. Notwithstanding such large surpluses, international reserves are estimated

FIGURE 1 Eritrea / Evolution of total public debt



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

FIGURE 2 Eritrea / Primary and overall fiscal balances



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

at around three months of imports. Continued mining export receipts have, in turn, supported government revenues. Public debt was estimated at around 239.8 percent of GDP at end-2022, of which nearly 80 percent is owed to domestic banks, and the country is in debt distress. As of January 2023, Eritrea was at a pre-decision point in the Highly Indebted Poor Countries (HIPC) list.

Eritrea has recently begun to reengage with development partners and revitalize some bilateral relations. The African Development Bank Board approved US\$49.9 million to build a 30 megawatt Solar Photovoltaic Power Plant in Dekemhare in March 2023. In the same month, the Chinese company Sichuan Road and Bridge Group (SRBG) has completed the acquisition of a 50 percent stake in the Colluli potash project and the mine is anticipated to come onstream in 2024. In addition, Eritrea has rejoined the East African trade bloc, the Inter-Governmental Authority on Development (IGAD), nearly 16 years after it pulled out of the body.

Outlook

After remaining broadly flat in 2023, GDP growth should increase by 3.2 percent in 2024, driven by mining exports, the services sector and as production from the Colluli potash mine begins. In line with easing global food prices, inflation is expected to ease further, reaching about 5 percent in 2024. The current account surplus is expected to widen to over 14 percent of GDP, helped by strong mining sector performance amid tight import controls. A gradual fiscal consolidation and continued strong mining sector receipts should support a narrowing of the fiscal deficit to below 4 percent of GDP by 2025. The economic recovery should support a reduction in the public debt-to-GDP ratio, which is projected at 210 percent of GDP in 2024. Poverty is not expected to vary significantly in the coming years, remaining very high. Significant improvements in the agricultural sector

and creation of productive employment in urban areas will be critical to dent deprivation in the country.

Significant downside risks include weaker-than-expected global/Chinese demand for Eritrean commodity exports and related volatility in metals and minerals prices, production delays at the Colluli mine, and spillovers from the conflict in Sudan. Finally, severe climate vulnerabilities that burden Eritrea could worsen in coming years, posing high risks to food security.

Against this backdrop, Eritrea's reengagement with the international community could help to significantly reduce external arrears and provide much-needed financing to build essential infrastructure over the medium term, help abate the risks associated with climate change, and jumpstart the private and financial sectors. Development of the private and financial sectors could enhance job creation and promote inclusive growth. The production of reliable information for the economy and on living conditions remain a priority, as well.

TABLE 2 Eritrea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-0.5	2.9	2.5	2.6	3.2	3.3
Private consumption	-1.9	3.0	3.6	4.0	4.3	4.1
Government consumption	16.4	14.0	5.7	3.7	4.1	4.1
Gross fixed capital investment	152.2	39.1	13.1	22.7	6.6	14.5
Exports, goods and services	-4.9	31.0	9.2	5.1	3.7	4.1
Imports, goods and services	-3.5	21.6	11.0	5.3	4.1	4.3
Real GDP growth, at constant factor prices	-0.5	2.9	2.5	2.6	3.2	3.3
Agriculture	-0.5	4.5	1.6	3.5	3.6	3.2
Industry	-0.7	1.4	3.2	2.9	3.3	3.1
Services	-0.1	5.3	1.3	1.5	2.7	3.8
Inflation (consumer price index)	5.6	6.6	7.4	6.4	5.1	5.2
Current account balance (% of GDP)	14.4	14.0	13.0	14.1	14.4	14.6
Net foreign direct investment inflow (% of GDP)	1.4	1.4	1.3	1.2	1.1	1.0
Fiscal balance (% of GDP)	-6.5	-5.8	-5.6	-4.8	-4.0	-3.3
Revenues (% of GDP)	24.9	26.7	27.0	27.6	27.8	28.0
Debt (% of GDP)	260.6	241.7	239.8	219.4	210.2	195.3
Primary balance (% of GDP)	-5.0	-4.2	-4.2	-3.7	-2.9	-2.3
GHG emissions growth (mtCO₂e)	1.0	2.5	1.8	1.8	2.5	2.9
Energy related GHG emissions (% of total)	12.9	13.4	13.0	12.6	12.8	13.3

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 **2022**

Population, million	1.2
GDP, current US\$ billion	4.8
GDP per capita, current US\$	3989.6
International poverty rate (\$2.15) ^a	36.1
Lower middle-income poverty rate (\$3.65) ^a	58.0
Upper middle-income poverty rate (\$6.85) ^a	78.1
Gini index ^a	54.6
School enrollment, primary (% gross) ^b	114.5
Life expectancy at birth, years ^b	57.1
Total GHG emissions (mtCO2e)	2.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

Real GDP growth is projected to rebound to 3.6 percent in 2023, from 0.5 percent in 2022, supported by higher SACU revenue and public spending. Nevertheless, industrial growth was muted while private consumption declined during 2023Q1, constrained by inflationary pressures which have persisted since 2022. Higher SACU revenue will help reduce fiscal deficit. Poverty is projected to decrease slightly from 54 percent in 2022 to 52.7 percent in 2024 using the lower-middle-income country poverty line (\$3.65/day, 2017 PPP).

Key conditions and challenges

Eswatini is trapped in a low growth path, partly due to structural challenges, business climate, and sociopolitical uncertainty. Limited private investment and weak trade diversification remains inadequate to generate growth and create enough jobs to reduce the unemployment rate of 33 percent.

Given low private investment, the government has relied on public spending, despite volatile South African Customs Union (SACU) revenue that have led to high debt, public expenditure arrears, and low international reserves (Figure 1). The severe decline in SACU revenues observed in 2022 has negative ripple effects on the economy, moving the current account into deficit, reducing international reserves below three months of imports, and worsening the fiscal deficit to 5.0 percent of GDP. It also deepens Eswatini's reliance on South Africa, as SACU revenue depends also on South Africa's economic performance. To mitigate this, Eswatini needs to boost domestic revenue.

In 2022, an estimated 31 percent of the population lived below the US\$2.15/day (2017 PPP) international poverty line, while 54 percent of the population fell under the lower-middle-income country poverty line (US\$3.65/day, 2017 PPP). High inequality (54.6 percent in 2016) could fuel social tension.

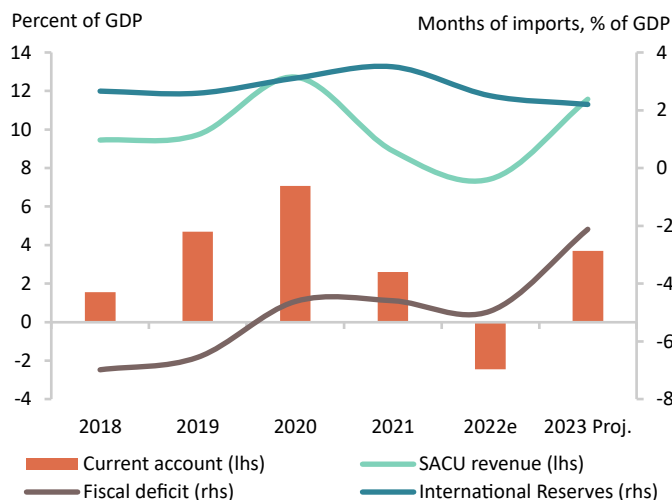
Recent developments

The slowdown in economic growth, which started in 2022 due to higher global inflation and supply chain disruptions, persisted in early 2023. Real GDP growth slowed to 1.1 percent in 2023Q1, from 8.1 percent in 2022Q1. The primary sector grew by 3.4 percent and the tertiary sector grew by 8.6 percent, while the industrial sector contracted by 10.1 percent during the quarter. Inflationary pressures limited demand.

Inflationary pressures persisted in 2023, with annual inflation averaging 5.4 percent for the first seven months of 2023 compared to 4 percent the previous year, driven by the impact of elevated global prices (particularly energy and food), which were transmitted to local prices. Food inflation breached the central bank's threshold for the first time in five years in June 2022 and it has grown at double-digit levels since August 2022. In response, the Central Bank increased the repo rate by 350 basis points, from 4 percent in January 2022 to 7.5 percent in July 2023. Non-performing loans are rising, reaching 7.5 percent in May 2023 from an average of 6.6 percent in 2022.

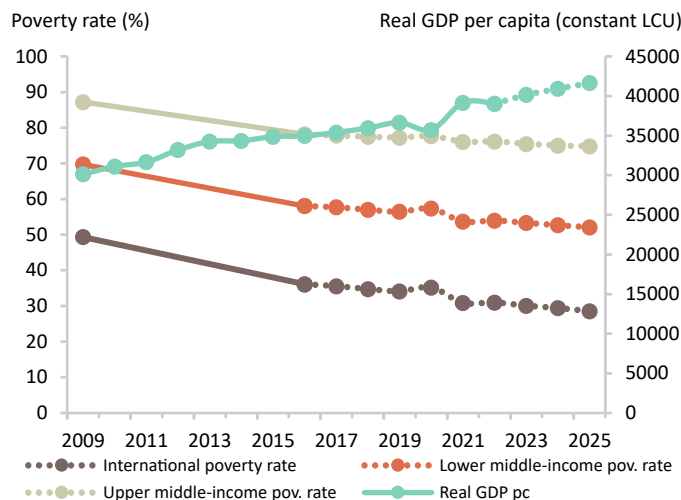
Implementation of the fiscal adjustment plan (FAP) was uneven in 2022, resulting in the overall fiscal deficit rising from 4.6 percent in 2021 to 5.0 percent in 2022. SACU revenue declined while spending increased in 2022, and public debt reached a peak of 41.8 percent of GDP in 2022. The current account registered a deficit of 2.4 percent of GDP in 2022 for the first time since the 2010/11 crisis, reflecting the high

FIGURE 1 Eswatini / SACU revenues and macroeconomic variables



Sources: Eswatini Ministry of Finance and World Bank projections.

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



Source: World Bank; Notes: see Table 2.

cost of imports and a sharp decline in SACU revenues. External shocks are persisting in 2023 as imports prices remain high, with the trade balance in deficit between April and June 2023. International reserves remain low at 2.6 months of imports in July 2023, despite the almost doubling of SACU revenues in 2023 compared to the previous year.

Higher transport and food prices disproportionately affect the poor, who spend a higher share of their resources on these items. The combination of slow economic growth and high inflation have limited the progress in poverty reduction, with estimated poverty rates only showing a slight increase from 53.7 percent to 54 percent, using the lower middle-income country poverty line, between 2021 and 2022.

Outlook

The medium-term economic outlook has improved, with growth expected to

reach 3.6 and 2.9 percent in 2023 and 2024, respectively. The public sector is likely to drive growth, buoyed by an almost doubling of SACU receipts. The projected increase in government expenditure will boost economic activity, including the beginning of major investment projects such as the Mkhondvo-Ngwavuma dam. However, unfavorable weather conditions as well as social and political uncertainty may affect the growth outlook. Inflation is projected to increase to 5.1 percent in 2023, reflecting continued external shocks, and should gradually return to 4.5 percent annually over the medium term.

High SACU receipts are projected to help reduce the fiscal deficit to 2.1 percent of GDP in 2023 and 1.4 percent in 2024. This is despite higher election spending and higher public wages in 2023. If authorities implement the FAP, the deficit is projected to decline further to about 0.7 percent of GDP in 2025. The growing public-sector wage bill might pose

risks in future should SACU receipts decline. Nevertheless, the government's commitment to put about E1.5 billion (1.8 percent of GDP) into the new SACU Revenue Stabilization Fund is a step in the right direction to protect the economy against future volatility. Debt is projected to stabilize in the medium term, as the fiscal deficit declines. The current account is projected to return into surplus in 2023 and 2024, on the back of higher SACU receipts and expected fiscal consolidation from 2024 onwards.

Poverty, based on the lower-middle-income country poverty line (US\$3.65/day, 2017 PPP), is projected to decline slightly from 54 percent in 2022 to 52.1 percent in 2025. While the projected economic recovery will have a positive impact on households, such improvement will be constrained by the negative impact of higher food and energy prices on lower-income households, with poverty estimated to hover around 52 percent in the short term.

TABLE 2 Eswatini / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.6	10.7	0.5	3.6	2.9	2.8
Private consumption	1.1	5.7	-5.3	4.1	2.8	2.6
Government consumption	7.3	-10.6	-0.3	9.7	2.2	0.8
Gross fixed capital investment	-8.2	11.4	-10.8	-5.8	4.7	4.4
Exports, goods and services	-2.4	8.8	-0.4	8.0	2.6	2.4
Imports, goods and services	-1.3	14.0	3.4	7.0	2.7	2.0
Real GDP growth, at constant factor prices	-1.5	10.7	0.2	3.6	2.9	2.8
Agriculture	-7.5	4.6	5.1	2.7	1.5	3.0
Industry	-9.7	17.9	-0.3	2.6	2.5	2.1
Services	5.5	7.1	-0.1	4.4	3.3	3.2
Inflation (consumer price index)	3.9	3.7	4.8	5.1	4.9	4.5
Current account balance (% of GDP)	7.1	2.6	-2.4	3.7	2.1	0.4
Net foreign direct investment inflow (% of GDP)	1.2	1.2	0.7	0.8	0.8	0.7
Fiscal balance (% of GDP)	-4.6	-4.6	-5.0	-2.1	-1.4	-0.7
Revenues (% of GDP)	29.4	25.1	23.9	28.9	28.0	26.6
Debt (% of GDP)	39.6	37.9	41.8	39.1	35.8	34.0
Primary balance (% of GDP)	-2.4	-2.7	-2.7	-0.3	0.1	0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	35.2	30.9	31.0	30.1	29.4	28.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	57.4	53.7	54.0	53.3	52.7	52.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	77.7	76.1	76.2	75.4	75.0	74.8
GHG emissions growth (mtCO₂e)	0.3	4.0	2.4	0.6	1.6	2.1
Energy related GHG emissions (% of total)	35.3	38.0	39.4	39.8	40.6	41.6

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-HIES. Actual data: 2016. Nowcast: 2017-2022. Forecasts are from 2023 to 2025.

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

ETHIOPIA

Table 1 **2022**

Population, million	123.4
GDP, current US\$ billion	131.8
GDP per capita, current US\$	1067.9
International poverty rate (\$2.15) ^a	27.0
Lower middle-income poverty rate (\$3.65) ^a	65.0
Upper middle-income poverty rate (\$6.85) ^a	90.9
Gini index ^a	35.0
School enrollment, primary (% gross) ^b	106.0
Life expectancy at birth, years ^b	65.0
Total GHG emissions (mtCO2e)	196.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth is estimated to have slowed to 5.8 percent in FY23 from 6.4 percent in FY22 as fiscal and external pressures intensified. Amid heightened macroeconomic vulnerabilities and depleted buffers, growth remains lower than before COVID-19, and poverty and inequality have increased due to multiple, compound shocks of conflict, droughts and inflation. The peace agreement to end the conflict in the north provides an opportunity to advance reforms to support macroeconomic stability and economic transformation for sustained and inclusive growth.

Key conditions and challenges

State-led economic development lifted growth to over 10 percent between 2004-19, placing Ethiopia among the fastest-growing economies in the world. However, overvalued exchange rates, financial repression, and regulatory and other policy distortions that underpinned this SOE-led growth model undermined external competitiveness, depleted macroeconomic buffers, depressed productivity and stalled the country's structural transformation. The 2019 Home-Grown Economic Reform Agenda sought to course correct by prioritizing reforms that unlocked greater private sector participation and market orientation. However, implementation was slowed by multiple shocks including COVID-19, soaring global food and energy prices and conflict in the north that exacerbated macroeconomic vulnerabilities. As a result, growth slowed to about 6 percent since FY20. In 2021, the country applied for debt treatment under the G-20 Common Framework amid growing external and fiscal financing pressures. The November 2022 peace agreement has ended conflict in the north, but conflict of varying intensity remains widespread throughout the country. The government is seeking to revive reform momentum: the revised Home-Grown Economic Reform Agenda (HERA 2.0) announced in June 2023 targets reforms in four pillars: macroeconomic stabilization, investment and

trade, productivity, and climate resilience. Implementation of these reforms, including swiftly addressing the distortions in the forex market, is key to support macroeconomic stability, private sector led growth and over the medium term, to dampen fragility and conflict risks.

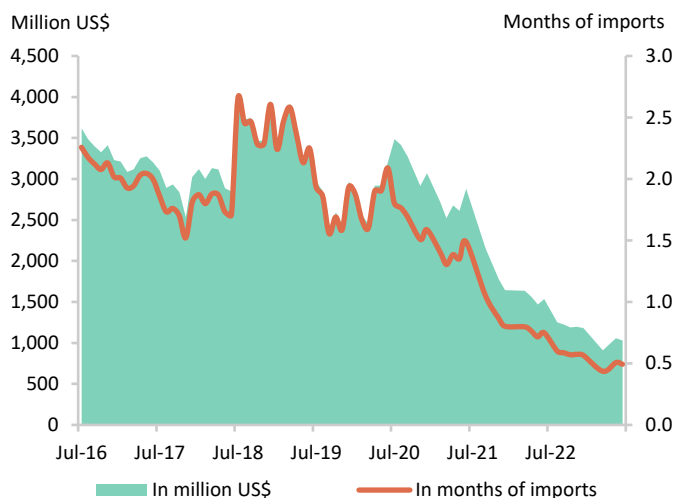
Already acute food insecurity has worsened due to global food and energy price shocks, disruptions to grain supply due to the war in Ukraine, and below-average local crop production. Humanitarian conditions in Ethiopia are deteriorating due to the combination of climate shocks, disease outbreaks, armed conflict, and the socio-economic impacts of COVID-19. In 2023, about 28.6 million people – around one-fourth of the country's population – need humanitarian assistance, an increase of about 2.7 million from 2022.

Recent developments

Growth slowed to an estimated 5.8 percent in FY23 (ending June 2023) from 6.4 percent in FY22 as good harvests supported agricultural growth despite protracted drought in pastoral areas. Service activity also held up, offsetting the drag on manufacturing and construction from worsening forex shortages, restrictions on non-essential imports and the suspension of preferential US market access.

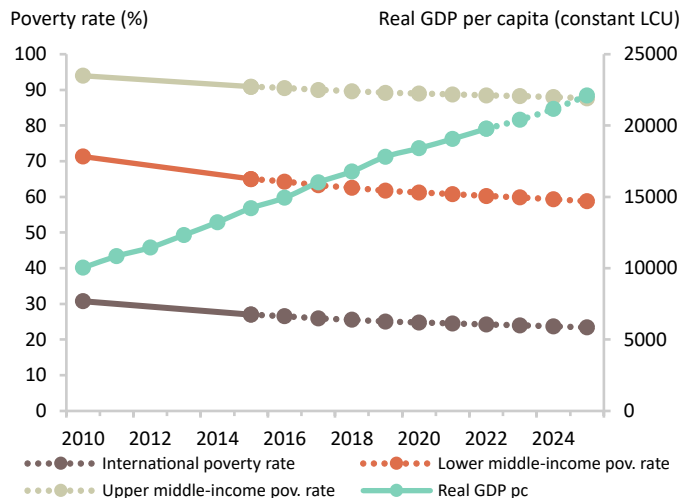
The current account deficit in FY23 narrowed to 3.1 percent of GDP from 4 percent in FY22 due to lower imports related to forex shortages and strong service exports. It was largely financed through FDI,

FIGURE 1 Ethiopia / Gross foreign exchange reserves



Source: National Bank of Ethiopia.

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



Source: World Bank. Notes: see Table 2.

which continued to decline, and the draw-down of FX reserves, which fell to less than two weeks of import cover by June 2023. Fiscal space tightened further amid declining revenues and donor flows. At 7 percent in FY23, Ethiopia's tax-to-GDP ratio is insufficient to fund essential spending and anchor fiscal sustainability, let alone finance additional growth-enhancing health and education investments. To contain fiscal deficits, public spending has been steadily cut, falling to 10 percent of GDP in FY23 (less than half the levels in the early-2000s). With financing options severely constrained, the deficit narrowed from 4.2 percent of GDP in FY22 to 2.9 percent in FY23, and was financed mainly through domestic borrowing, including from the central bank. Public debt-to-GDP ratios continued to decrease in FY23 as external disbursements remained constrained. Despite some easing in recent months, inflation remained high at 28.8 percent in July, driven mainly by nonfood inflation due to the phased removal of fuel subsidies, monetary financing of deficits and widening of premiums in parallel currency markets (that reached over 100 percent in recent months). Overlapping crises – persistent droughts and a surge in global food,

fuel and fertilizer prices – have further exacerbated inflation.

Armed conflict, back-to-back droughts in lowland regions, and high food prices have contributed to a stagnation and reversal of poverty reduction in recent years. The number of poor people increased by about 410 thousand in 2022. Moreover, the poor, who are net consumers of food, remain at high risk of falling into extreme poverty and food insecurity.

Outlook

A modest increase in growth to 6.4 percent is expected in FY24 as recent domestic and external shocks wane and service activity remains strong. Over the medium term, growth is anticipated to rise to about 7 percent amid slow progress in reform implementation with continued policy distortions, notably overvalued exchange rate policies, expected to reduce the payoff from the ongoing liberalization of telecom and banking sectors and to continue to drag on domestic and foreign private investment. With fiscal and external pressures expected to persist, and amid constrained financing

options, both fiscal and current account deficits are projected to narrow further over the medium term. A gradual deceleration in inflation is projected, supported by reduced monetary financing in line with narrowing fiscal deficits.

Faster implementation of critical macroeconomic and structural reforms could lead to better growth outcomes in the medium term. However, the resumption of conflicts could complicate reform implementation and forex inflows from development assistance and investment. Addressing the significant distortions in the forex market is critical to restoring productivity-led growth by improving resource allocation and alleviating external payment risks. Debt treatment and the resumption of official external flows will also be critical to ease external financing pressures.

Substantial poverty reduction in the medium term will depend on a strong performance in the agricultural sector, which employs over 70 percent of the labor force, and the creation of economic opportunities in other sectors. Additional shocks could push millions more into poverty and increase spatial inequalities. The acceleration of reforms to rebuild fiscal and social buffers will be critical to mitigating this risk.

TABLE 2 Ethiopia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019/20	2020/21	2021/22	2022/23e	2023/24f	2024/25f
Real GDP growth, at constant market prices	6.1	6.3	6.4	5.8	6.4	7.0
Private consumption	5.0	3.0	4.5	6.8	6.8	5.6
Government consumption	0.6	12.2	1.5	-13.5	-6.4	12.7
Gross fixed capital investment	5.6	7.6	11.0	9.2	7.3	7.1
Exports, goods and services	3.4	5.5	11.7	2.7	2.5	2.7
Imports, goods and services	-1.9	2.0	10.8	2.7	3.2	3.4
Real GDP growth, at constant factor prices	6.1	6.3	6.4	5.8	6.4	7.0
Agriculture	4.3	5.5	6.0	5.8	4.8	5.8
Industry	9.6	7.3	4.8	2.3	4.7	4.8
Services	5.2	6.3	7.9	8.2	8.8	9.3
Inflation (consumer price index)	19.9	20.2	33.7	32.6	26.3	17.2
Current account balance (% of GDP)	-4.1	-2.7	-4.0	-3.1	-2.3	-2.1
Fiscal balance (% of GDP)	-2.8	-2.8	-4.2	-2.9	-2.0	-1.8
Revenues (% of GDP)	11.7	11.2	8.3	7.6	6.7	7.1
Debt (% of GDP)	56.5	56.6	54.4	50.4	44.6	35.2
Primary balance (% of GDP)	-2.4	-2.2	-3.6	-2.3	-1.5	-1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	24.8	24.5	24.3	24.0	23.7	23.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	61.3	60.8	60.3	59.9	59.4	58.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	89.0	88.7	88.5	88.2	88.0	87.7
GHG emissions growth (mtCO₂e)	2.0	2.4	2.6	2.5	2.7	2.7
Energy related GHG emissions (% of total)	15.2	14.8	14.3	13.6	13.0	12.5

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-HICES and 2015-HICES. Actual data: 2015. Nowcast: 2016-2022. Forecasts are from 2023 to 2025.

b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.87 based on GDP per capita in constant LCU.

Note: Growth projections reflect limited available information, and are subject to revision as better data becomes available.

GABON

Table 1 **2022**

Population, million	2.4
GDP, current US\$ billion	21.1
GDP per capita, current US\$	8820.3
International poverty rate (\$2.15) ^a	2.5
Lower middle-income poverty rate (\$3.65) ^a	8.1
Upper middle-income poverty rate (\$6.85) ^a	31.2
Gini index ^a	38.0
School enrollment, primary (% gross) ^b	107.9
Life expectancy at birth, years ^b	65.8
Total GHG emissions (mtCO2e)	21.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2021).

Benefiting from positive developments in the commodities sector, Gabon grew by 3.0 percent in 2022, with fiscal and external balances boosted by higher oil revenues. However, rising food prices impacted living standards. Following the August 2023 coup d'état, the economic outlook is highly uncertain and will depend on a political settlement that avoids conflict and disruptions to economic activities and restores investor confidence. Confronted with declining oil reserves, structural reforms are urgently needed to achieve stability, resilient growth and poverty reduction.

Key conditions and challenges

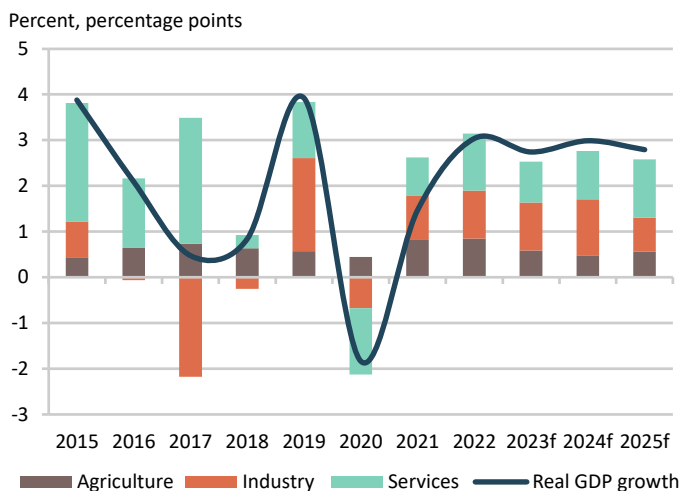
Gabon faces a challenge of reversing a decades-long trend of insufficient resource-based growth and persistent poverty. The already difficult situation has been compounded by the August 2023 coup d'état that happened without bloodshed immediately after election results were announced, declaring the incumbent president as winner. The head of the Presidential Guard was installed as Transition President, borders were reopened and economic life resumed briefly after the coup. However, economic uncertainty increased, and financing and investments could be compromised. Establishing and following a clear and credible path for returning to constitutional order is key for stability. Improving governance is much needed. Publishing the first Extractive Industries Transparency Initiative report in April 2023 was a positive signal, but further strengthening transparency of extractive revenues would highly benefit public finances. Moreover, regaining reform momentum, improving the business environment, and promoting jobs remain essential to move the economy up in global value chains and into diversified sectors. To achieve its development and poverty reduction goals, Gabon needs to rebalance public finances, repurposing expenditures from costly tax exemptions and regressive fuel subsidies toward targeted social support and productive public investments, enabling it to

protect the poorest while fostering sustainable job-based growth. Improved access to health, power and water services, and education are also key to tackle high unemployment and poverty, while better and climate-resilient infrastructure, especially energy, roads, and railways, are needed to boost business activity and trade. Heavy rains and landslides caused transport disruptions that affected the economy in early 2023, from halting manganese exports to causing shortages in drinking water and sugar supply.

Recent developments

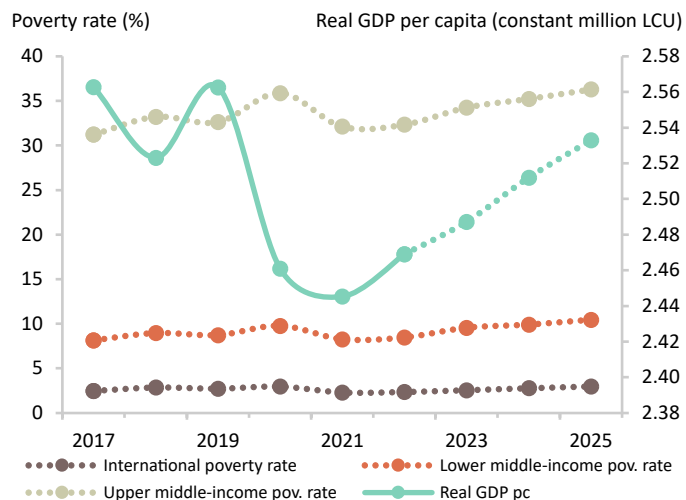
Gabon's economy grew by 3.0 percent in 2022, intensifying the recovery from the Covid-19 crisis. Strong demand from China, lower OPEC+ restrictions, and previous investments boosted oil production. Growth was also driven by the wood, manganese, agriculture, and services sectors. Private investments, especially in the oil sector, and net exports boosted by commodities supported demand-side growth. However, in 2023Q1, GDP contracted by 1.5 percent (q-o-q) due to weaker manganese production amid transport disruptions. Thanks to stronger commodity exports and a smaller increase in imports, the current account balance reached a surplus of 6.7 percent of GDP in 2022. Likewise, higher oil revenues resulted in a fiscal surplus of 2.5 percent of GDP in 2022, the highest since the 2014 oil price shocks. Tax collection efforts and cuts in tax exemptions also contributed to improved government revenues in 2022.

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



Sources: Official government 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.

Overall public expenditures remained under control, but the cost of fuel subsidies grew exponentially, despite the removal of fuel subsidies for industrial consumers since July 2022. While public debt continued to decline, the recurrent accumulation of arrears, which stood at 81 billion CFAF in March 2023 (0.6 percent of GDP), remains a challenge for public finances. Public financial management weaknesses and a slow reform pace led Fitch Ratings to downgrade Gabon's outlook from positive to stable in August 2023.

Credit to private firms expanded by 13.6 percent in December 2022 (y-o-y). Yet, the regional regulatory forbearance was removed in July 2022, and non-performing loans rose by 27 percent in 2022, reaching 10.5 percent of loans. The Bank of Central African States continued to tighten monetary policy, raising the policy rate by 50 basis points to 5.0 percent in March 2023, and ending weekly liquidity injections. Inflation started to abate, dropping to 3.9 percent in June 2023. Despite tax exemptions and price ceilings being expanded under the La Vie Chère program in July 2023, living costs remain high. While the post-Covid recovery led to a decline in poverty in 2021, rising food prices resulting from the war in Ukraine led poverty to increase slightly, to 32.3 percent in 2022.

Outlook

Following the coup d'état, the economic outlook is highly uncertain; this section reflects the assessment and projections made prior to the coup. Heightened political instability risks and diminished investor confidence after the coup could adversely impact the near-term outlook. Rating agencies already downgraded Gabon's outlook. Regional sanctions could jeopardize growth and financing sources, especially as Gabon increasingly relies on regional markets.

Just prior to the coup, Gabon was projected to grow by 2.8 percent on average over 2023-2025. Expanding manganese and wood production, along with the oil palm, public works, and services sectors would compensate for the impending decline in hydrocarbon production, as oilfields reach maturity. Investments are underway in oil palm refineries and biodiesel generation. Over the years, strong commodity exports and a lower growth in imports were expected to translate into current account surpluses. Commodity revenues were projected to remain high, resulting in continued fiscal surpluses, although declining to 2.0 percent of GDP over

2023-2025. Public debt was to maintain its gradual downward path.

However, with modest growth projections and population increase, poverty was expected to rise. Hence, 36.3 percent of Gabonese would be living under the upper middle-income poverty rate of US\$6.85 per day by 2025, above the average for countries in Gabon's income group. Furthermore, Gabon remains exposed to fragile growth drivers and strong export concentration. Stricter OPEC+ quotas, price shocks, decreased Chinese demand, trade disruptions amid prolonged conflict, and climate shocks could impact macroeconomic performance, food prices, exports, and fiscal stability.

Faced with increased uncertainty during the political transition, reforms will be key to improve governance of public finances and spending efficiency, further mobilize domestic revenues, and reduce reliance on oil. Implementing the recently adopted public sector hiring methodology and adopting further measures to contain fuel subsidies are needed to avoid spending slippages. Forest and biodiversity conservation could also play a role in mobilizing future financing. In August 2023, Gabon launched a tender for a USD 500 million debt-for-nature swap, with a lower coupon rate than the bonds that were repaid.

TABLE 2 Gabon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.8	1.5	3.0	2.7	3.0	2.8
Private consumption	-2.0	-1.4	-0.3	1.4	1.7	1.6
Government consumption	5.5	3.2	3.8	3.8	-0.8	1.3
Gross fixed capital investment	-16.7	9.2	8.3	1.1	2.1	2.9
Exports, goods and services	10.1	-2.0	7.4	6.2	5.4	4.0
Imports, goods and services	-16.7	30.9	8.6	3.3	2.4	2.8
Real GDP growth, at constant factor prices	-1.9	2.9	3.4	2.7	3.0	2.8
Agriculture	5.9	10.2	9.5	6.2	4.9	5.7
Industry	-2.2	3.1	3.4	3.3	3.9	2.3
Services	-2.8	1.6	2.4	1.7	2.1	2.5
Inflation (consumer price index)	1.6	1.1	4.3	3.2	2.5	2.2
Current account balance (% of GDP)	-0.5	3.3	6.7	7.1	8.6	12.1
Net foreign direct investment inflow (% of GDP)	-0.7	-2.1	-1.3	-2.4	-2.4	-2.4
Fiscal balance (% of GDP)	-2.1	-1.9	2.5	1.7	2.3	2.2
Revenues (% of GDP)	17.6	15.8	19.5	18.5	18.9	18.2
Debt (% of GDP)	77.4	60.7	55.3	56.4	55.1	53.1
Primary balance (% of GDP)	1.2	0.9	5.0	4.1	4.8	4.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	3.0	2.3	2.4	2.6	2.8	3.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	9.8	8.3	8.5	9.5	9.9	10.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	35.9	32.1	32.3	34.3	35.2	36.3
GHG emissions growth (mtCO₂e)	4.0	4.2	2.6	-0.7	0.5	1.0
Energy related GHG emissions (% of total)	15.6	16.3	16.5	15.5	14.9	14.4

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 2017-EGEP. Actual data: 2017. Nowcast: 2018-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

THE GAMBIA

Table 1 **2022**

Population, million	2.7
GDP, current US\$ billion	2.2
GDP per capita, current US\$	797.8
International poverty rate (\$2.15) ^a	17.2
Lower middle-income poverty rate (\$3.65) ^a	47.0
Upper middle-income poverty rate (\$6.85) ^a	80.6
Gini index ^a	38.8
School enrollment, primary (% gross) ^b	103.0
Life expectancy at birth, years ^b	62.1
Total GHG emissions (mtCO2e)	3.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Growth is projected to rise to 4.8 percent in 2023, driven by increased activity across all sectors, supported by private investment and public infrastructure. The medium-term outlook faces several challenges, including large external imbalances, fiscal pressures, high public debt levels, and spillovers from weak global demand and persistent inflation. Poverty is estimated to have increased in 2023, reflecting weak per capita growth and high food prices and could remain elevated.

Key conditions and challenges

The Gambia has made progress in macroeconomic stabilization, with implementation of structural reforms and higher investment levels, benefiting from substantial support from development partners. However, structural challenges continue to hamper economic growth, including the dominance of low-productivity agriculture, limited economic diversification (high dependence on a low value-added tourism), constrained fiscal space for public investments, weak infrastructure, and human capital challenges compounded by high population growth.

The result has been depressed growth, limited job creation, and high poverty. Between 1991 and 2020, real GDP growth averaged 3 percent, below the Sub-Saharan Africa (SSA) average of 3.4 percent, with annual population growth of 3.1 percent. With real GDP per capita stagnating for more than three decades, an estimated 17.2 percent of the population were in poverty in 2020, using the international poverty line of \$2.15 (in 2017 PPPs).

These weaknesses are coupled with downside risks such as high external imbalances, with high dependence on imports of basic goods and services putting persistent pressure on the balance of payments and forex market and exacerbating the vulnerability to global shocks in commodity markets. Fiscal risks also remain substantial given State-Owned Enterprises (SOEs)

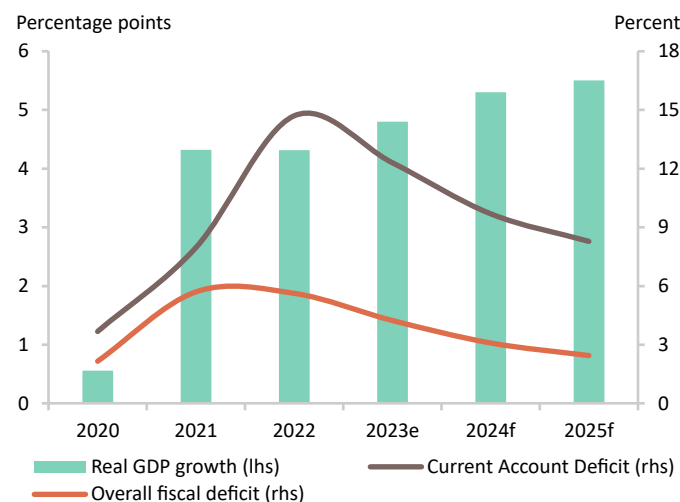
contingent liabilities and the high dependence on external grant financing due to low tax collection, which averaged 10.3 percent of GDP over 2017-2023. High domestic debt also crowds out private credit. Against this backdrop, the Government has adopted the National Development Plan (NDP) 2023-2027, building on the NDP 2018-2021, to consolidate gains in democratic governance, accelerate green economic and social transformation, and build resilience to shocks and crises. Implementing this agenda poses significant financing needs and political commitment to reforms.

Recent developments

Growth is projected at 4.8 percent in 2023 (2.2 percent per capita), driven by increased activity across all sectors. Agriculture and services benefited from favorable rainfall and a gradual recovery in tourism. Private sector investment, supported by remittance inflows, and public investment, are also expected to drive growth. Inflation increased to 18.4 percent (year-on-year) in July 2023, the highest level in decades, driven by food prices due to both imported food and poor domestic production due to climatic conditions, utility tariffs increases, and currency depreciation.

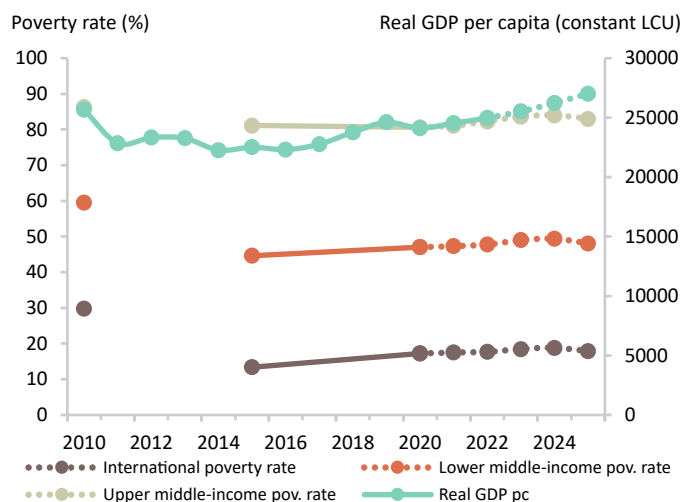
Rising food prices are expected to lead to an increase poverty to 18.5 percent in 2023, from 17.7 percent in 2022 - an increase of over 33,000 people, using the international poverty line of \$2.15 (in 2017 PPPs). The sharp increase in poverty is largely due

FIGURE 1 The Gambia / Fiscal deficit, current account deficit, and real GDP growth



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.

to weaker growth in per capita GDP, and high prices eroding the purchasing power of households.

The fiscal deficit is expected to remain high, at 4.2 percent of GDP in 2023, despite revenue collection efforts, including increases in some excise and ad valorem taxes. Public expenditure is set to remain high owing to increased investment spending in road infrastructure and higher debt servicing, as yields on government securities rose due to monetary tightening. Public debt is projected to decrease to 81 percent of GDP in 2023, and the Gambia remains at high risk of debt distress.

The current account deficit (CAD) is projected to remain large in 2023 at 12.3 percent of GDP, as imports pick up due to private and public construction projects. The Central Bank maintained a tight monetary stance, increasing its policy rate by 1 ppt to 17 percent in August 2023 – the 6th increase since May 2022. International reserves are projected to decline to 4.4 months of imports in 2023, from 5.1 months in 2022.

Outlook

GDP growth is projected to average 5.4 percent 2024-25, driven by increased activity in all sectors. Agriculture and services are expected to sustain growth, assuming favorable rainfall and continued recovery in tourism. Robust remittances will support the recovery in private sector demand which, together with infrastructure programs, are expected to drive growth. Inflation is expected to gradually ease to an average of 9.2 percent in 2024-2025, reflecting the restrictive monetary policy and easing of global supply conditions.

Projected agriculture growth and the expansion of cash transfers are expected to have a positive effect on household wellbeing. However, sustained increases in food prices are likely to undermine such gains, given poor households spend 65 percent on food. Consequently, the international poverty rate is expected to increase to

18.8 percent in 2024, before declining to 17.9 percent by 2025.

The CAD is expected to gradually narrow, although remaining high at 9 percent in 2024-25, reflecting robust remittances trend, a decrease in investment-related imports, and robust export growth, especially in tourism. The tightening of the monetary policy is set to remain as inflation persists.

The fiscal deficit is projected to narrow to 2.7 percent of GDP over 2024-25 supported by the completion of major infrastructure projects, and domestic revenue mobilization efforts, including simplification of the tax system to reduce compliance costs, introduction of electronic tax stamp traceability on excisable goods and fuel products, and strengthening customs borders and inland controls. Public debt is projected to decrease to 74.9 percent of GDP in 2024, but The Gambia is expected to remain at high risk of debt distress and the end of the debt-service deferrals scheme, negotiated with some creditors, in 2024 could weigh on debt sustainability and economic growth.

TABLE 2 The Gambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	0.6	4.3	4.3	4.8	5.3	5.5
Private consumption	-1.0	3.5	3.3	3.2	3.7	3.9
Government consumption	20.1	-7.9	2.3	2.4	2.5	2.4
Gross fixed capital investment	26.7	22.2	16.6	15.3	11.5	11.1
Exports, goods and services	-20.0	5.7	-0.4	13.0	16.0	16.0
Imports, goods and services	6.0	13.3	10.9	13.0	11.1	11.0
Real GDP growth, at constant factor prices	0.6	4.3	4.3	4.8	5.3	5.5
Agriculture	11.0	4.7	6.9	7.0	5.3	5.1
Industry	8.2	10.4	6.1	6.5	6.3	6.1
Services	-5.1	2.1	2.7	3.3	4.9	5.5
Inflation (consumer price index)	5.9	7.4	11.5	17.0	12.3	6.1
Current account balance (% of GDP)	-3.7	-8.0	-14.7	-12.3	-9.7	-8.3
Fiscal balance (% of GDP)	-2.2	-5.7	-5.6	-4.2	-3.1	-2.4
Revenues (% of GDP)	22.7	18.5	18.9	23.4	22.6	22.9
Debt (% of GDP)	85.1	83.8	83.9	81.0	74.9	69.9
Primary balance (% of GDP)	1.0	-2.7	-3.6	-1.0	0.4	0.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	17.2	17.5	17.7	18.5	18.8	17.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	47.0	47.3	47.8	49.0	49.4	48.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	80.6	81.1	82.3	83.6	84.0	83.0
GHG emissions growth (mtCO₂e)	5.9	4.3	3.5	3.1	2.9	2.8
Energy related GHG emissions (% of total)	20.1	20.4	20.9	21.4	22.0	22.6

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 2020-IHS. Actual data: 2020. Nowcast: 2021-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

GHANA

Key conditions and challenges

Table 1 **2022**

Population, million	33.5
GDP, current US\$ billion	72.8
GDP per capita, current US\$	2175.9
International poverty rate (\$2.15) ^a	25.2
Lower middle-income poverty rate (\$3.65) ^a	48.8
Upper middle-income poverty rate (\$6.85) ^a	78.5
Gini index ^a	43.5
School enrollment, primary (% gross) ^b	103.4
Life expectancy at birth, years ^b	63.8
Total GHG emissions (mtCO2e)	19.8

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Since 2022, Ghana has been in a macro-economic crisis caused by macroeconomic imbalances and external shocks. The economy stabilized in 2023H1 in response to reforms including public debt restructuring, fiscal consolidation, and monetary policy tightening. However, inflation remains over 40 percent, public debt is unsustainable and in distress, and growth will slow down to 1.5 percent in 2023. In 2022, poverty worsened by 2.2 ppts from 2021 levels as inflation eroded the purchasing power of Ghanaians.

Ghana's economy entered a full-blown macroeconomic crisis in 2022 on the back of pre-existing imbalances and external shocks. Large financing needs and tightening financing conditions exacerbated debt sustainability concerns, shutting-off Ghana from the international market. Large capital outflows combined with monetary policy tightening in advanced economies put significant pressure on the exchange rate which, on top of monetary financing of the budget deficit, resulted in high inflation. The authorities resorted to domestic borrowing causing an upward pressure on interest rates and crowding out the private sector. These developments interrupted the post COVID-19 recovery of the economy as GDP growth declined from 5.1 percent in 2021 to 3.1 percent in 2022. Public debt rose from 76.7 percent in 2021 to nearly 90 percent of GDP in 2022, as debt service-to-revenue reached 117.6 percent in 2022.

To help restore macroeconomic stability, Ghana has secured a three-year IMF Extended Credit Facility (ECF) program of about US\$3 billion and has embarked on a comprehensive debt restructuring. The authorities have committed to a frontloaded fiscal consolidation while pursuing a tighter monetary policy, complemented by structural reforms in the areas of tax policy, revenue administration, and public financial management, as well as steps to address weaknesses in the energy and cocoa sectors.

The government has completed a Domestic Debt Exchange Programme (DDEP), implemented an external debt repayments standstill, and sought official debt restructuring under the Common Framework.

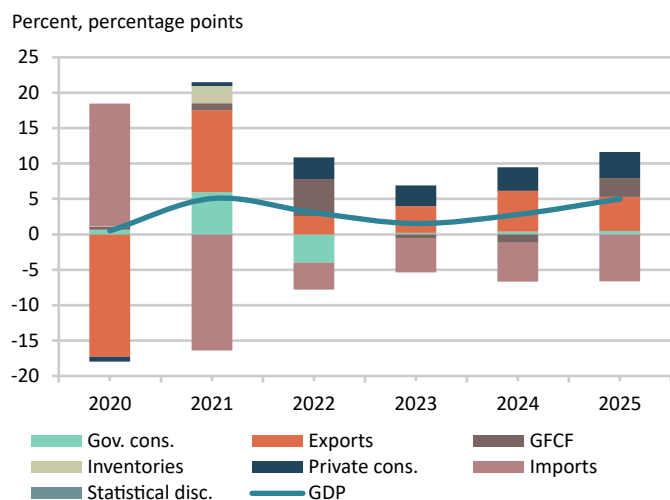
Recent developments

In Q1 of 2023, GDP growth surprised to the upside with a rebound of 4.2 percent, compared to 3.0 percent in Q1 of 2022, on the back of strong growth in services (10.1 percent) and agriculture (4.8 percent), while the industrial sector contracted by 3.2 percent as all industry sub-sectors (extractives, manufacturing, water and sewerage, and construction) shrank, with the exception of electricity.

The January-June 2023 fiscal balance improved to a deficit of 0.8 percent of GDP, significantly below the H1 target of 3.5 percent of GDP; the primary balance (commitment basis) recorded a surplus of 1.1 percent of GDP. Revenues, at 7.4 percent of GDP, were below the 8.1 percent target as oil revenue and international trade taxes underperformed. To make up for the shortfall, the government cut down capital expenditures and benefited from lower interest payments, thanks to the external debt service standstill.

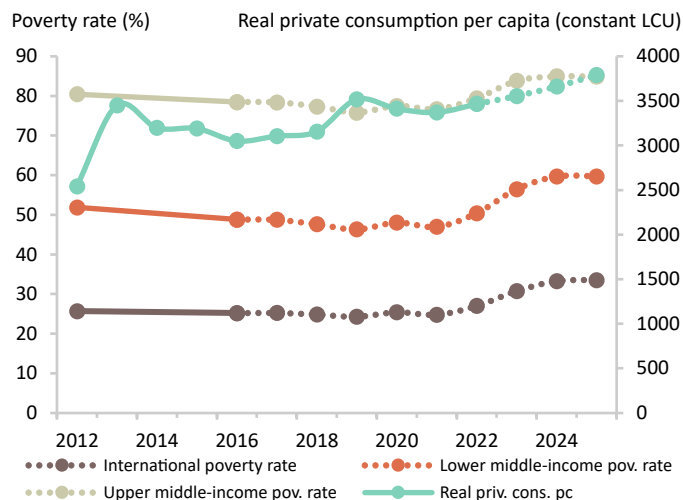
Inflation, driven by food prices, remained elevated at 43.1 percent in July 2023, significantly above the Bank of Ghana target range of 8±2 percent. The Bank of Ghana has cumulatively increased the monetary policy rate by 15.5 points since the beginning of 2022, to 30 percent in July 2023, and signed an MoU

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



Sources: Statistical Service and World Bank.

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



Source: World Bank. Notes: see Table 2.

with the government to halt monetary financing of the fiscal deficit. The cedi has stabilized at around GH¢11 per US\$ since the second quarter of 2023, after having lost approximately more than 20 percent of its value against the dollar earlier this year.

The current account for H1 2023 recorded a surplus of 1.1 percent of GDP compared with a deficit of 1.5 percent for H1 2022, due to higher gold receipts, lower imports, and lower investment income payments (thanks to the moratorium on external debt service). Gross international reserves (excluding Ghana Petroleum Funds, pledged and encumbered assets) stood at US\$2.4 billion (1.1 months of imports) at the end of June 2023, compared with 0.7 months of imports in December 2022.

The banking sector performance for the first half of 2023 reflects the lingering impact of the DDEP which resulted in significant bank losses at the end of 2022. Nevertheless, there has been a strong rebound in profitability as total assets of the banking industry grew by 21.2 percent in January-June 2023, boosted by the robust growth of total deposits. Key financial soundness indicators remained positive on the back of the temporary regulatory reliefs in the wake of the DDEP. The industry's NPL ratio deteriorated in June

2023, reflecting higher loan impairments and elevated credit risks.

Poverty has worsened. The “international poverty” rate is estimated at 27 percent in 2022, an increase of 2.2 percentage points since 2021. Ghanaian households have been under pressure from high inflation and slowing economic growth.

Outlook

Growth is expected to slow further to 1.5 percent in 2023 and to remain muted in 2024 at 2.8 percent. The ongoing fiscal consolidation, corrective monetary policies, high inflation, interest rates, and macroeconomic uncertainties will keep private consumption and investment low, leading to muted non-extractive growth. Extractives are expected to support 2023 growth thanks to the opening of large new gold mines and a planned expansion in oil and gas production. Growth is projected to recover to its long-term potential of about 5 percent by 2025 as conditions normalize. The balance of payments is expected to continue to deteriorate in 2023, on the back of continued capital outflows, before recovering in the medium-term.

Reflecting the government's consolidation efforts, the fiscal deficit for 2023 is projected at 7.5 percent of GDP (primary deficit of 0.5 percent of GDP), thanks to measures generating 1 percent of GDP in additional revenues and 2 percent of GDP in expenditure savings. By 2025, the authorities expect to generate 1.5 percent of GDP of primary surplus, implying a fiscal adjustment of more than 5 percentage points of GDP for the period (2023-2025).

Risks to the outlook include financial sector stress following the DDEP, contingent liabilities in the energy and cocoa sector, domestic policy slippages with the 2024 elections being a particular risk, delays in external debt restructuring, commodity price and other external shocks, and sharper-than-expected monetary policy tightening in advanced economies.

Poverty is projected to worsen between now and 2025, increasing to nearly 34 percent (international poverty line) by 2025, consistent with a muted outlook on growth in services and agriculture and rising prices which are outpacing the income growth of those at the bottom of the distribution. Despite considerable inflation in the country, its minimum wage has only increase by 10 percent – insufficient given the pace of inflation.

TABLE 2 Ghana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	0.5	5.1	3.1	1.5	2.8	5.0
Private consumption	-1.0	0.8	4.8	4.5	5.0	5.5
Government consumption	10.1	82.1	-31.7	2.6	4.7	5.4
Gross fixed capital investment	1.8	4.5	24.3	-2.1	-4.7	11.4
Exports, goods and services	-50.7	69.1	9.6	13.2	18.0	13.2
Imports, goods and services	-54.5	113.8	13.0	15.1	15.1	16.3
Real GDP growth, at constant factor prices	0.8	5.4	3.6	1.6	2.9	5.1
Agriculture	7.3	8.5	4.2	1.8	3.3	5.0
Industry	-2.5	-0.5	0.9	1.7	4.0	3.7
Services	0.7	9.4	5.5	1.4	1.8	6.3
Inflation (consumer price index)	10.4	10.0	31.5	45.4	22.2	11.5
Current account balance (% of GDP)	-3.2	-3.7	-2.1	-2.8	-2.3	-2.4
Net foreign direct investment inflow (% of GDP)	1.6	2.0	2.0	2.0	2.8	3.5
Fiscal Balance (% of GDP)^a	-14.7	-11.4	-11.0	-7.5	-8.0	-6.7
Revenues (% of GDP)	14.1	15.3	15.7	16.8	17.3	17.8
Debt (% of GDP)^{a,b}	74.4	76.7	89.1	98.1	92.0	90.2
Primary Balance (% of GDP)^a	-8.4	-4.1	-3.6	-0.5	0.5	1.5
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	25.4	24.8	27.0	30.8	33.3	33.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	48.1	47.0	50.4	56.5	59.7	59.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	77.5	76.7	79.4	83.8	85.0	84.9
GHG emissions growth (mtCO₂e)	24.6	12.7	10.4	6.2	6.2	7.0
Energy related GHG emissions (% of total)	136.5	126.8	119.2	114.6	110.4	106.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal and debt forecasts do not factor in the impact of the ongoing Debt Restructuring (DR) as the process is yet to conclude.

b/ Starting from 2022, public debt numbers include, in addition to central government debt, explicitly guaranteed (and certain implicitly guaranteed) SOE debt, cocobills issued by Cocobod, and reconciled domestic arrears to suppliers.

c/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2022. Forecasts are from 2023 to 2025.

d/ Projections using microsimulation methodology.

GUINEA

Table 1 **2022**

Population, million	13.9
GDP, current US\$ billion	20.3
GDP per capita, current US\$	1463.0
International poverty rate (\$2.15) ^a	13.8
Lower middle-income poverty rate (\$3.65) ^a	46.6
Upper middle-income poverty rate (\$6.85) ^a	86.8
Gini index ^a	29.6
School enrollment, primary (% gross) ^b	100.8
Life expectancy at birth, years ^b	58.9
Total GHG emissions (mtCO2e)	45.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2021).

Mining activity will boost growth to 5.1 percent in 2023, poverty rates will decrease, and the fiscal deficit widen to 2.6 percent of GDP as expenditures rise. Mining-FDI-related imports sustain current account deficits and medium-term growth. Downside risks include delays to the political transition and to implementing productivity-enhancing reforms. Extreme poverty is expected to decline to 9.1 by 2025, as food prices moderate and agricultural and service growth strengthens.

Key conditions and challenges

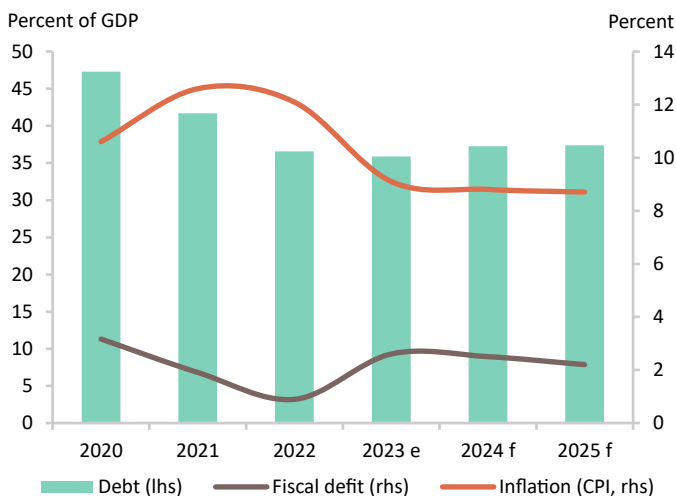
Growth was robust over 2018-22, averaging 5.2 percent (2.6 percent per capita) driven by the mining sector, supporting low fiscal deficits (1.5 percent on average). However, weak linkages to non-mining sectors limit job creation and poverty reduction. The national poverty rate declined from 48.5 percent in 2014 to 43.7 percent in 2018-19, equivalent to a growth elasticity of poverty of only 0.47. About 32 percent of the population lacked access to education, health, and basic infrastructure in 2018, with a rapid phone survey in deprivation (September-October 2022) reporting 9 percent of households being unable to access medicines when needed, since the beginning of Russia's invasion of Ukraine. The recent mining boom, high inflation and associated real appreciation of the local currency, adversely affects the competitiveness of the non-mining sectors and hampers efforts to diversify the economy to create more and better jobs. Guinea has low human capital levels, weak institutional capacity, and large gender gaps in education, earnings, agriculture productivity, and political representation. Major structural constraints include weak fiscal revenue mobilization that constrains public investment, an underdeveloped financial sector, and large infrastructure gaps. Recent increases in digital access and e-government transactions have helped bolster economic activity during the pandemic

and streamlined tax collection; yet further digitalization and structural reforms are needed to spur diversification and inclusive growth. Guinea has moderate risk of external debt distress with some space to absorb shocks, but must maintain prudent borrowing by maximizing concessional financing.

Recent developments

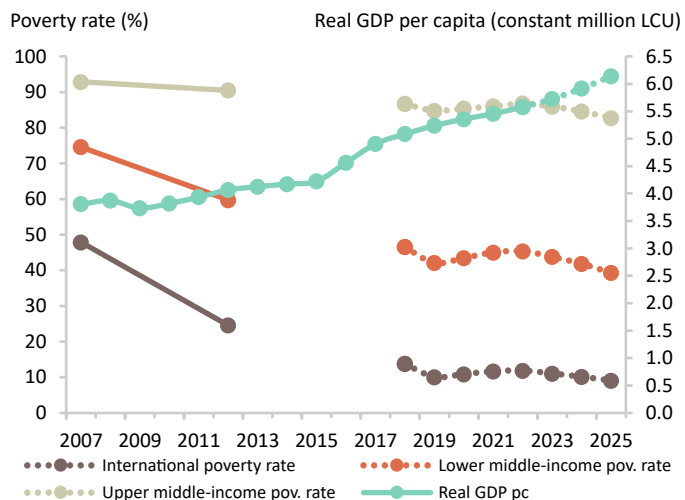
Growth is projected to accelerate to 5.1 percent in 2023 (2.6 percent per capita) due to a strong mining sector, and the post-pandemic recovery of non-mining activity was sustained by favorable rainfall. Nonetheless, output decline in the large artisanal gold sector contributes to a sharp fall in private consumption projected for 2023. External price pressures are only partially offset by the Guinean franc appreciation vis-à-vis the US dollar, prudent fiscal and monetary policy, and the absence of central bank fiscal financing. Inflation persists—buoyed by supply constraints, fuel costs and road-network deficiencies hampering food distribution—although it is projected to decelerate from 12.1 percent in 2022, to 9.1 percent in 2023 due to the appreciating real exchange rate and tight monetary policy, including limiting central bank lending to the government. At the same time, food price inflation is projected to decelerate from 13.9 percent in 2022 to 9.7 percent in 2023, leading to an expected decrease in the US\$2.15 international poverty rate to 11.1 percent in 2023, down 0.8 percentage points from 2022.

FIGURE 1 Guinea / Debt, fiscal deficit, and inflation



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

The fiscal deficit (including grants) is projected to widen to 2.6 percent of GDP in 2023, from 0.9 percent in 2022, due to increases in current and capital expenditures. Tax revenues are set to increase one percentage point to 12.1 percent of GDP, buoyed by tax administration reforms and mining revenues from the bauxite-transfer-price mechanism enacted in July 2022. Subsidies (electricity and petrol) will remain high, due to low electricity tariffs and the cost of a widened supply-demand gap in hydropower generation, pending extension of power transmission lines to customers. Debt-to-GDP is projected to decrease slightly to 35.9 percent. The current account deficit (CAD) is projected to deteriorate to 7.3 percent in 2023, as lower export prices reduce the trade surplus. Mining-related FDI, the main source of external financing, is projected to decline slightly to 11.1 percent of GDP in 2023 while the real effective exchange rate is likely to continue to appreciate.

Outlook

Mining-related (foreign direct) investment will continue to drive growth and, as non-mining sectors recover, growth is projected to accelerate to 6 percent on average in 2024–2025, about equal to its potential of 5.9 percent. Commensurately, extreme poverty is projected to decline to 10.1 percent in 2024 and 9.1 percent in 2025, consistent with recovery in agriculture and services. Given the limited poverty impact of mining-driven growth, redistribution mechanisms to vulnerable populations and generalized productivity gains in non-mining sectors will be required for inclusive growth. Public investments to expand access to electricity, roads, and telecom services, in addition to increasing agricultural productivity, human capital, and urban and local development, should support non-mining growth. Better provisioning of fertilizers to farmers could further improve agricultural productivity,

although higher fertilizer prices may dampen earnings. Poor quality transport infrastructure is likely to keep food prices high, reducing household purchasing power and thereby undermining poverty reduction. The CAD is projected to improve in 2024–2025 to an average 2.6 percent of GDP following a 7.3 percent deterioration in 2023. Reductions in the mining-related trade surplus are projected to be lower than the projected fall in net outflows of non-factor services and transfers during 2024–25. Fiscal space would be rebuilt as recent tax administration reforms, including digitalized tax declarations and payments, start bearing fruit from 2024. Inflation is expected to decline gradually to 8.7 percent by 2025. Risks are tilted to the downside as political transition uncertainties in the lead up to elections in 2025 could slow implementation of reforms to strengthen SOE corporate governance, potentially reducing private investment. On the upside, mining related FDI inflows could increase, reflecting planned new projects.

TABLE 2 Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	4.9	4.3	4.7	5.1	5.8	6.2
Private consumption	-2.4	0.6	7.6	2.0	4.7	4.7
Government consumption	4.4	16.8	-22.4	11.5	17.9	4.2
Gross fixed capital investment	-4.0	4.1	11.9	17.8	14.8	24.4
Exports, goods and services	57.0	0.8	5.8	8.3	5.6	5.6
Imports, goods and services	37.0	-6.2	6.7	10.2	10.3	10.3
Real GDP growth, at constant factor prices	4.0	4.3	4.7	5.1	5.8	6.2
Agriculture	-1.1	3.9	3.1	4.0	5.0	5.0
Industry	11.3	4.9	8.6	7.4	6.9	6.4
Services	1.4	4.0	2.4	3.7	5.2	6.6
Inflation (consumer price index)	10.6	12.6	12.1	9.1	8.8	8.7
Current account balance (% of GDP)	-9.8	-3.0	-6.1	-7.3	-3.9	-1.4
Net foreign direct investment inflow (% of GDP)	10.8	11.1	12.0	11.1	10.7	11.9
Fiscal balance (% of GDP)	-3.2	-1.9	-0.9	-2.6	-2.5	-2.2
Revenues (% of GDP)	14.0	15.2	13.1	13.4	14.5	15.3
Debt (% of GDP)	47.3	41.7	36.6	35.9	37.3	37.4
Primary balance (% of GDP)	-2.3	-0.8	0.0	-1.4	-1.4	-1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	10.9	11.7	11.9	11.1	10.1	9.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	43.5	45.0	45.4	43.8	41.9	39.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	85.4	86.0	86.8	85.9	84.6	82.7
GHG emissions growth (mtCO₂e)	3.8	4.2	3.8	3.8	3.8	3.8
Energy related GHG emissions (% of total)	9.9	10.0	10.2	10.5	10.8	11.1

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 2018-EHCVM. Actual data: 2018. Nowcast: 2019–2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

GUINEA-BISSAU

Key conditions and challenges

Table 1 2022

Population, million	2.1
GDP, current US\$ billion	1.8
GDP per capita, current US\$	832.7
International poverty rate (\$2.15) ^a	21.7
Lower middle-income poverty rate (\$3.65) ^a	56.8
Upper middle-income poverty rate (\$6.85) ^a	87.2
Gini index ^a	34.8
School enrollment, primary (% gross) ^b	118.7
Life expectancy at birth, years ^b	59.7
Total GHG emissions (mtCO2e)	4.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ WDI for School enrollment (2010); Life expectancy (2021).

Weak cashew exports and high inflation will slow growth to 2.8 percent in 2023, increasing poverty. Budget overspends and lower revenues will limit fiscal consolidation while debt increases due to infrastructure investment, rice subsidies and energy arrears. Growth is set to improve as infrastructure comes online, but sustainability depends on institutional reforms. The outlook is subject to downside risks from continued inflationary pressures, shocks to the cashew sector, and climatic shocks.

Exports of raw cashew nuts, which account for 90 percent of merchandise exports, determine economic performance. Cashew production is dispersed among smallholder farmers, whose income supports overall economic activity. Poverty remains widespread, with high levels of inequality and increasing rural-urban disparities. Human development indicators remain among the lowest in the world, and low access to basic services contributes to exclusion and marginalization. Despite a gradual recovery of the economy post-pandemic, rising global food and fuel prices after the Russian invasion of Ukraine are a concern, especially for the poor who spend nearly 60 percent of their income on food.

The weak enabling environment for private sector-led growth is due to poor infrastructure, low levels of human capital, and limited public services. Access to credit is limited, and infrastructure is in a poor state, but there have been recent investments to improve this, mostly donor financed as fiscal space is limited by low domestic revenue mobilization and the relatively high wage bill.

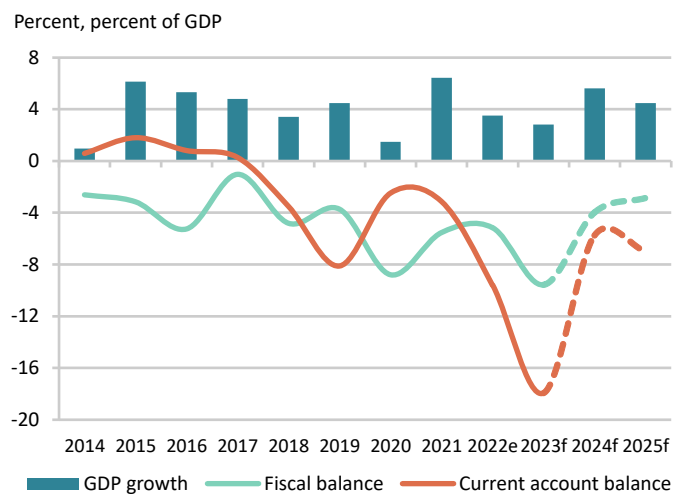
Transparency and governance of State-Owned Enterprises is limited, especially the national utility company, EAGB, which accrued substantial public debt in the energy sector through government-guaranteed letters of credit that only partially cover

mounting arrears. Identifying contingent fiscal liabilities is difficult, increasing fiscal risks despite the high risk of debt distress and little capacity to absorb shocks. Non-performing loans continue to make the banking sector another possible source of contingent liabilities.

Recent developments

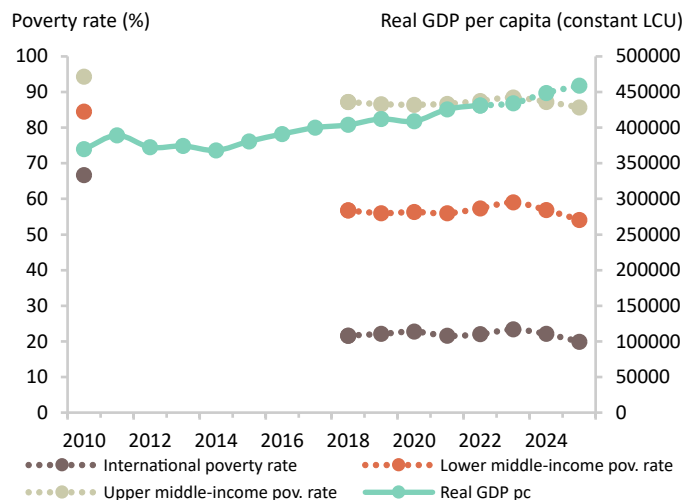
Economic activity is likely to slow to 2.8 percent in 2023 (0.7 percent per capita) following another weak cashew campaign. Agriculture drives growth with government investment stimulating the construction sector. Global inflation pressure (8.6 percent y/y for 2023) and a weak cashew season will dampen private consumption. Lower cashew exports, rice subsidies worth 0.2 percent of GDP, and higher than anticipated capital expenditure have put further pressure on the fiscal accounts. Cashew production reached a record 255,000 tons, but a 35 percent increase in export tariffs (owing to a freight container issue) has meant that only 100,000 tons have been officially exported, with 130,000 tons smuggled through Senegal and Guinea. Consequently, as a percentage of GDP, the fiscal deficit (including grants) will deteriorate to 9.6 percent in 2023, with the current account deficit (CAD) rising to 17.9 percent, mostly financed by concessional loans and grants. EAGB arrears, rice subsidies, the 2023 legislative elections, and road infrastructure investments will cause public debt to rise to 83.1 percent of GDP.

FIGURE 1 Guinea-Bissau / Evolution of main macroeconomic 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.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 125 basis points since the start of 2022 to 3.25 percent for liquidity calls and 5.25 percent for the marginal lending facility. However, the monetary policy stance remains broadly accommodative, inflation is still above target and foreign exchange reserves have been on a downward trend.

Using the international poverty line of \$2.15 (in 2017 PPPs), poverty is estimated to increase to 23.4 percent in 2023- equivalent to over 39,000 additional poor people. The sharp increase in poverty is partly due to weaker growth in per capita GDP, high food prices, and weak performance of the cashew sector. Rising food prices and low returns from cashew production are expected to disproportionately affect the well-being of the poor.

Outlook

Real GDP growth is projected at 5.6 percent in 2024 (3.4 percent per capita) as international demand for cashew recovers and local supply issues are addressed, with private consumption also increasing as inflation eases, and road and energy infrastructure open. Inflation is expected to decelerate to 2 percent in 2025, as the spillovers from the Russian invasion of Ukraine ease.

The CAD will narrow to 5.7 percent of GDP in 2024 as imported inflation falls and cashew exports increase but could reach 7 percent by 2025 as imports for highway construction begin. External financing needs will continue to be met by concessional loans and grants. The commitment to medium-term fiscal consolidation includes enhanced management of fiscal risks, notably from SOEs, domestic revenue mobilization, and

control of the wage bill. The fiscal deficit is projected to decline to 2.9 percent of GDP by 2025, in line with the WAEMU convergence criteria, while the debt-to-GDP ratio remains high but falls to 77.8 percent of GDP.

The poverty rate is expected to decline in line with higher agricultural growth and lower inflation, falling to 22.1 percent (lifting over 16,000 out of poverty) in 2024 and reaching 20 percent by 2025. However, high food prices will remain a concern for the poor. While the instituted price controls on basic food items—notably rice—could cushion the short-term impact for poor net consumers, this is a market-distorting, untargeted, and costly instrument, especially given the limited fiscal space.

The outlook is subject to substantial downside risks stemming from political instability, climate, and other agricultural shocks, uncertainty of EAGB operations, and financial sector non-performing loans.

TABLE 2 Guinea-Bissau / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.5	6.4	3.5	2.8	5.6	4.5
Private consumption	-9.6	9.2	5.0	1.9	2.5	2.5
Government consumption	10.1	10.8	16.6	13.7	-12.8	9.7
Gross fixed capital investment	1.5	2.3	11.3	18.4	9.0	6.6
Exports, goods and services	-12.4	13.0	-20.0	-30.0	80.0	7.0
Imports, goods and services	-15.5	7.4	9.5	8.5	6.2	6.2
Real GDP growth, at constant factor prices	1.5	6.4	3.5	3.1	5.5	4.5
Agriculture	3.2	5.4	5.4	5.1	5.1	5.1
Industry	1.1	5.6	7.1	4.4	4.4	4.4
Services	0.4	7.5	1.0	1.0	6.1	4.0
Inflation (consumer price index)	1.5	3.3	7.8	8.6	4.5	2.0
Current account balance (% of GDP)	-2.5	-3.1	-9.6	-17.9	-5.7	-7.0
Fiscal balance (% of GDP)	-8.8	-5.5	-5.2	-9.6	-4.0	-2.9
Revenues (% of GDP)	14.0	19.0	18.2	16.0	17.3	18.2
Debt (% of GDP)	69.8	76.9	80.2	83.1	80.3	77.8
Primary balance (% of GDP)	-7.3	-4.0	-3.7	-7.4	-1.7	-0.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	22.8	21.6	22.0	23.4	22.1	20.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	56.3	56.0	57.4	59.1	56.9	54.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	86.4	86.7	87.5	88.4	87.2	85.7
GHG emissions growth (mtCO₂e)	1.3	1.6	1.4	1.5	1.5	1.5
Energy related GHG emissions (% of total)	8.0	8.3	8.5	8.7	9.0	9.2

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 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

KENYA

Table 1 **2022**

Population, million	54.0
GDP, current US\$ billion	113.4
GDP per capita, current US\$	2099.3
International poverty rate (\$2.15) ^a	36.1
Lower middle-income poverty rate (\$3.65) ^a	70.1
Upper middle-income poverty rate (\$6.85) ^a	91.3
Gini index ^a	38.7
School enrollment, primary (% gross) ^b	77.3
Life expectancy at birth, years ^b	61.4
Total GHG emissions (mtCO2e)	89.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

Kenya's growth remains strong despite multiple shocks. Elevated cost of living and climate shocks have slowed down poverty reduction. The economy faces exchange rate pressures, debt vulnerabilities, and tight financial conditions. In the medium term, continued recovery in agriculture and consistent fiscal consolidation policies are expected to support private sector-led growth supporting households' income. GDP growth is projected at 5.2 percent in 2024-25.

Key conditions and challenges

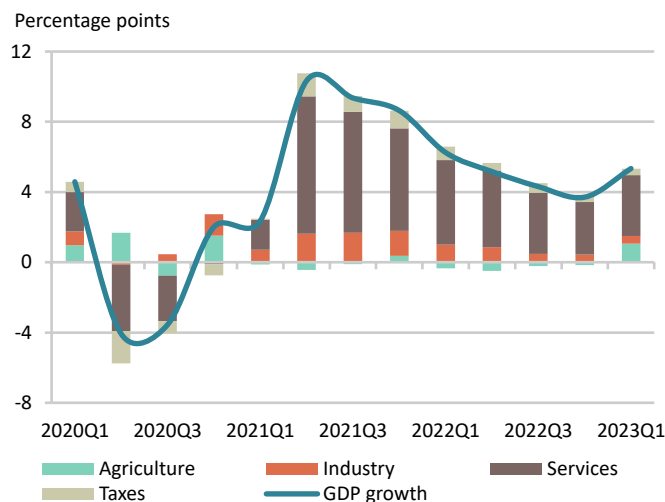
Kenya's economy has demonstrated resilience in the face of multiple shocks, with real GDP growing on average by 5.0 percent before the pandemic and rebounding strongly in 2021 and 2022 with an average growth of 6.2 percent. Nevertheless, ensuring sustainable and inclusive economic development has proven to be challenging. Decades of public investment-driven growth have led to rapid debt accumulation without substantially strengthening the country's growth potential and resulting in a high risk of debt distress. Coupled with a large, inefficient public sector marred by corruption, this state-driven development model has failed to create opportunities for greater private investment and more productive jobs. Levels of international trade and foreign direct investment (FDI) fall short of peers', depriving Kenya of an engine of growth. Closing the gap between the projected one million workers entering the workforce annually over the next decade and private sector wage job creation of around 100,000 jobs annually registered on average in 2021 and 2022 is a key priority. Government's sustained commitment to multi-year fiscal consolidation and governance reforms are imperative for maintaining macroeconomic stability and creating conditions for private sector-driven growth. Furthermore, Kenya's high climate vulnerability, as demonstrated by the recent long drought, has become a major threat to output

and livelihoods calling for sustained investments for resilience and adaptation. Prior to the COVID-19 pandemic, the contribution of economic growth to poverty reduction had weakened because of enduring inequalities that have resulted in poverty becoming more concentrated in arid and drought-prone parts of the country. The COVID-19 pandemic sharply increased poverty in urban areas with the number of poor doublings in cities and towns. The post-pandemic recovery has been interrupted by a severe drought and a spike in food prices inflation. The poverty rate is expected to decline marginally in 2023 to 35.2 percent.

Recent developments

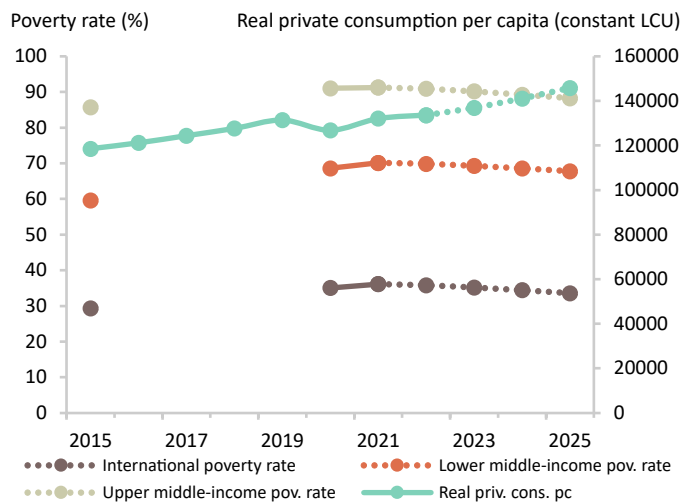
Economic activity has been stable in 2023 despite political tensions in part fueled by increased cost of living. The economy expanded by 5.3 percent in Q1 2023 driven by a recovery in agriculture coupled with a rebound in households' consumption. The economy is expected to grow 5 percent in 2023. The current account deficit narrowed to 4.7 percent of GDP as of May 2023, reflecting increased exports (of tea, manufactures, and tourism) as well as a slowdown in imports due to decline in public investments and depreciation of the shilling. Kenya's foreign exchange reserves declined to the equivalent of 4.0 months of imports as of July 2023 as tight global financing conditions reduced net financial inflows. Global credit rating agencies downgraded Kenya's outlook to negative in July 2023, citing investors' concerns

FIGURE 1 Kenya / Annualized quarterly real GDP growth and contributions to annualized real quarterly GDP growth



Sources: World Bank 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.

about high financing needs and declining international reserves.

The Central Bank of Kenya (CBK) raised the policy rate by 175 basis points cumulatively in March and June to respond to the headline inflation which remained above the ceiling of inflation target band of 7.5 percent. The government maintained the pace of fiscal consolidation in FY2022/23, reducing the primary deficit to 0.6 percent of GDP by rationalizing non-priority spending and unwinding subsidies, despite a low growth in revenue (16.4 percent of GDP in FY2022/23 compared to 17.6 percent the previous year). Improved agriculture harvests and easing of global food prices coupled with the tightening macroeconomic policy stance helped to reduce inflationary pressures bringing the headline inflation to 7.2 percent in July 2023.

Outlook

Real GDP is projected to grow at around 5.2 percent on average in

2024–25 increasingly driven by the private sector. Improved investor confidence and credit to the private sector—helped by reduced domestic borrowing by the government—will strengthen private investment over the medium term. The government projects to reduce the fiscal deficit substantially in 2023 and 2024 and achieve primary fiscal surplus and positive public savings in FY2024/25. New tax administration and policy measures; including among others increased tax on employment income above KSh 6 million, VAT on petroleum products, and withholding tax on digital content, are expected to generate 1.6 percent of GDP in additional revenue and complement continued expenditure rationalization.

Real per capita incomes are expected to grow, and poverty incidence is expected to resume its pre-pandemic downward trend, declining by around a percentage point each year. The \$2.15 poverty rate is expected to fall to 34.4 percent in 2024.

The outlook is subject to elevated uncertainty because of domestic and external risks. Spending pressures, driven in part by political tensions, such as reintroduction of main consumption subsidies, and failure to achieve fiscal consolidation could significantly exacerbate Kenya's debt vulnerabilities and hamper the economic outlook. Drought or floods would resume inflationary pressures and food insecurity, dampening growth. Lower than anticipated growth in Europe could undercut ongoing recovery in tourism and other exports and remittances. Persistent inflation in advanced economies remains and elevated commodity prices driven by international conflicts would further tighten financial condition, weaken external balances, and elevate the cost of reducing CPI inflation. Upside risks are mostly linked to faster than expected normalization in global financing conditions and lower international fuel and food prices, which would strengthen Kenya's external balances and ease domestic price pressures.

TABLE 2 Kenya / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-0.3	7.6	4.8	5.0	5.2	5.3
Private consumption	-1.5	6.2	3.1	4.5	5.1	5.4
Government consumption	3.1	6.0	7.4	3.3	3.0	2.9
Gross fixed capital investment	2.3	10.8	-1.1	7.7	9.1	9.5
Exports, goods and services	-14.9	15.3	10.7	8.1	7.8	7.6
Imports, goods and services	-9.4	22.2	4.5	5.2	7.3	8.1
Real GDP growth, at constant factor prices	0.4	7.1	4.5	5.0	5.2	5.3
Agriculture	4.6	-0.4	-1.6	3.8	4.2	4.2
Industry	3.3	7.5	3.9	4.9	5.1	5.3
Services	-1.8	9.6	6.7	5.3	5.5	5.7
Inflation (consumer price index)	5.3	6.1	7.6	7.8	5.8	5.5
Current account balance (% of GDP)	-4.8	-5.2	-5.1	-5.0	-5.5	-5.5
Net foreign direct investment inflow (% of GDP)	0.6	0.0	0.3	0.9	1.0	1.0
Fiscal balance (% of GDP)	-7.9	-7.2	-5.8	-5.1	-4.4	-3.8
Revenues (% of GDP)	16.4	16.6	16.7	17.2	18.1	17.9
Debt (% of GDP)	66.0	68.3	67.4	66.2	60.9	58.2
Primary balance (% of GDP)	-3.7	-2.8	-1.1	-0.2	0.5	0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	35.0	36.1	35.8	35.2	34.4	33.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	68.6	70.1	69.8	69.3	68.6	67.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	91.0	91.3	90.9	90.2	89.3	88.3
GHG emissions growth (mtCO₂e)	9.3	7.7	3.2	2.6	3.6	4.3
Energy related GHG emissions (% of total)	32.0	32.7	33.3	33.7	34.2	34.5

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 2015-IHBS and 2021-KCHS. Actual data: 2021. Nowcast: 2022. Forecasts are from 2023 to 2025.

b/ Projection using point to point elasticity at regional level with pass-through = 1 based on private consumption per capita in constant LCU.

LESOTHO

Table 1 **2022**

Population, million	2.3
GDP, current US\$ billion	2.3
GDP per capita, current US\$	997.9
International poverty rate (\$2.15) ^a	32.4
Lower middle-income poverty rate (\$3.65) ^a	54.6
Upper middle-income poverty rate (\$6.85) ^a	81.0
Gini index ^a	44.9
School enrollment, primary (% gross) ^b	108.4
Life expectancy at birth, years ^b	53.1
Total GHG emissions (mtCO2e)	2.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2017), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

Lesotho's economy continues to recover slowly. GDP growth is projected to accelerate in 2023 and 2024, driven by the Lesotho Highlands Water Project, but will stabilize around 2 percent in the medium-term.

Poverty is expected to remain high at about 36 percent (using the international poverty rate). The outlook is subject to downside risks from weak global and regional growth, geopolitical tensions, adverse climate change shocks, and delays in implementing the domestic reforms needed to boost resilience and inclusive growth.

Key conditions and challenges

Growth has lost momentum over the past decade. A large and increasingly inefficient public sector, accounting for nearly half of GDP, has constrained economic growth and crowded out the private sector, which is largely informal and concentrated in low-productivity sectors. The formal sector is weakly diversified as mining, textiles and apparel industries account for two-thirds of exports. Southern African Customs Union (SACU) receipts are the main source of fiscal revenue and foreign exchange, but have been extremely volatile. This has put significant pressure on international reserves and fiscal accounts, as public expenditure is rigid, mainly driven by a high public sector wage bill, which, at 15 percent of GDP, is the largest in Sub-Saharan Africa.

Economic performance is vulnerable to shocks given the economy's small size, and large dependences on a few sectors and South Africa's economy. Such vulnerability has been exacerbated by the procyclical fiscal policy and severe and frequent weather events. The increasing frequency of these events underscore the need to invest in climate risk management and resilience.

The weakness of the private sector contributes to high unemployment, estimated at 22.5 percent in 2019 but can reach 38.3 percent when discouraged job seekers are included, and high poverty rates. Over one-third of the population was estimated to live on less than \$2.15 per day (2017 PPP) in 2022.

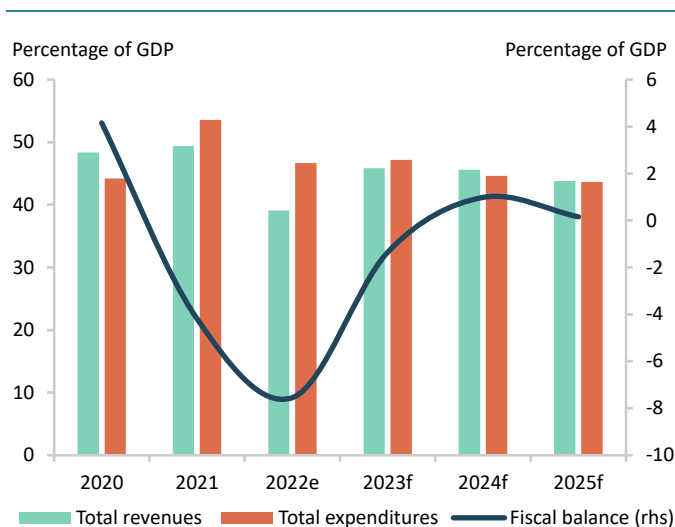
Lesotho is in the top quintile of countries with the most unequal income distribution. Improving the efficiency of fiscal policy and boosting private sector investment are, therefore, key to stimulating growth and spurring job creation. Containing the large public sector wage bill and strengthening public sector financial management are priorities to ensure efficient use of public resources. Enhancing entrepreneurship and reducing the high costs of doing business by streamlining business regulations and facilitating access to credit would incentivize business entry and investment and increase job opportunities.

Recent developments

In the aftermath of the COVID-19 pandemic and adverse climatic shocks, the economy recovered at a modest pace at 1.6 and 1.8 percent in 2021 and 2022. Such recovery was largely driven by construction, mining, manufacturing, business services, and public administration. Agriculture has also contributed positively to growth due to favorable seasonal rainfalls in these years and the introduction of seed and fertilizer subsidies, which increased yields. Following delays, construction activities associated with the mega Lesotho Highlands Water Project (LHWP-II) accelerated, further supporting growth.

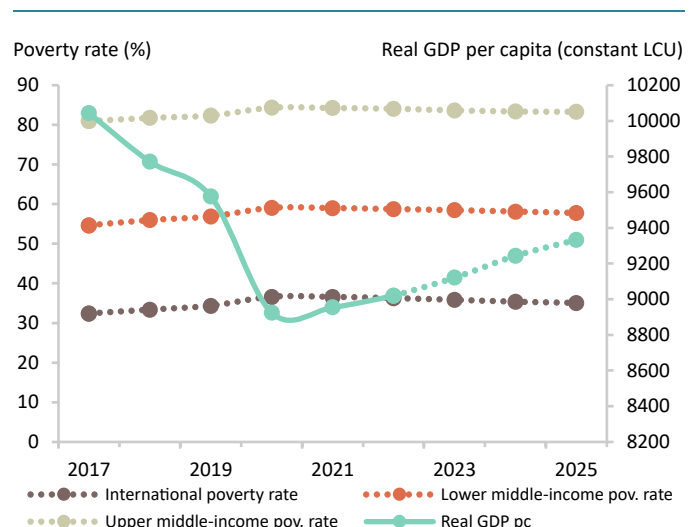
Headline inflation decreased from 9.8 percent in July 2022 to 4.5 percent in July 2023 due to the decline in fuel and food prices, which limited the impact of the introduction of the levy on alcohol and tobacco levy in

FIGURE 1 Lesotho / Fiscal dynamics



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

early 2023. However, the level of domestic food prices remain elevated, owing to persistently high imported inflation driven by the weaker South African rand, and hence the Lesotho loti. The Central Bank of Lesotho's monetary policy stance has remained broadly aligned with the regional monetary policy stance and maintained the cost of domestic funds in line with the regional average.

The current account deficit widened from 1.0 percent of GDP in the first quarter of 2022 to 2.8 percent in the first quarter of 2023, primarily due to higher imports of capital goods and services related to LHWP-II. The fiscal balance deteriorated from 1.2 percent in May 2022 to 1.7 percent of GDP in May 2023 due to higher government spending.

Outlook

Growth is projected to moderately accelerate in 2023 and 2024, driven by direct

and indirect effects of LHWP-II, and decelerate in 2025, in tandem with the LHWP-II investment cycle. By 2025, the economy will still not have restored its pre-pandemic GDP level. Consequently, the US\$2.15 per day (in 2017 PPP terms) poverty rate is projected to fall only slightly from 36.3 percent in 2022 to 35.1 percent in 2025.

Inflation is expected to continue declining, reflecting the easing of global energy and food prices. The fiscal position is projected to improve, with the deficit projected to decline from 7.6 percent of GDP in 2022 to 1.4 percent of GDP in 2023, driven by higher SACU revenues (which have doubled between 2022 and 2023) and lower government expenditures in line with announced consolidation measures. SACU revenues will continue to determine the fiscal trajectory over the medium term.

The current account deficit will remain high, narrowing slightly in 2023 owing to the completion of import-intensive public construction projects such as

Maseru district hospital and road infrastructure upgrades, which counterbalance the increased imports for LHWP-II. The deficit is expected to widen in 2024 as LHWP-II construction peaks. Exports are projected to remain stable, assuming the African Growth and Opportunity Act (AGOA) is extended.

Domestic and external risks are tilted to the downside. Weaker-than-projected global and regional growth would reduce diamond exports and remittances, curbing household consumption. Failure to renew the AGOA could lead to foreign direct investment outflows, increasing unemployment and reducing exports. A prolonged or severe El Niño carries the risk of reduced water availability and deteriorating livestock conditions, negatively affecting livelihoods, the rebound in economic activity, and the external balance. On the other hand, the swift implementation of a bold reform agenda could lift private sector investment and the country's growth prospects.

TABLE 2 Lesotho / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-5.6	1.6	1.8	2.2	2.5	2.0
Private consumption	6.9	-6.7	9.1	3.6	3.5	3.2
Government consumption	19.7	-5.3	2.4	5.0	-1.8	-0.7
Gross fixed capital investment	-46.3	1.6	14.8	38.8	54.0	32.8
Exports, goods and services	-17.2	5.1	36.7	2.2	2.2	2.2
Imports, goods and services	-0.6	-0.4	22.5	10.3	11.5	10.2
Real GDP growth, at constant factor prices	-5.6	1.6	1.8	2.2	2.5	2.0
Agriculture	8.7	-16.0	12.5	2.4	2.4	2.4
Industry	-12.2	4.7	5.0	5.0	5.3	5.0
Services	-4.4	1.9	0.3	1.4	1.6	1.0
Inflation (consumer price index)	5.0	6.0	8.3	6.5	5.3	5.0
Current account balance (% of GDP)	-1.9	-4.9	-7.1	-6.4	-8.5	-7.3
Net foreign direct investment inflow (% of GDP)	1.3	1.2	1.2	1.4	1.7	1.3
Fiscal balance (% of GDP)	4.2	-4.2	-7.6	-1.4	1.0	0.1
Revenues (% of GDP)	48.3	49.4	39.1	45.8	44.0	39.3
Debt (% of GDP)	51.2	59.1	59.0	56.2	54.5	51.8
Primary balance (% of GDP)	5.1	-3.2	-6.6	-0.6	1.6	0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	36.6	36.6	36.3	35.8	35.4	35.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	59.0	59.0	58.7	58.5	58.1	57.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	84.3	84.3	84.1	83.7	83.4	83.3
GHG emissions growth (mtCO₂e)	-2.2	-0.9	4.6	3.6	3.6	3.6
Energy related GHG emissions (% of total)	28.2	28.1	27.2	26.7	26.3	25.9

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 2017-CMSHS. Actual data: 2017. Nowcast: 2018-2022. Forecasts are from 2023 to 2025.

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

LIBERIA

Table 1 **2022**

Population, million	5.3
GDP, current US\$ billion	4.0
GDP per capita, current US\$	754.5
International poverty rate (\$2.15) ^a	27.6
Lower middle-income poverty rate (\$3.65) ^a	60.6
Upper middle-income poverty rate (\$6.85) ^a	88.9
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	77.5
Life expectancy at birth, years ^b	60.7
Total GHG emissions (mtCO2e)	17.0

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Despite shocks, Liberia's recovery remained strong in 2022, but inflationary pressures are rising. Medium-term growth prospects are promising as the country benefits from mining and consolidates gains from macroeconomic stability and ongoing structural reforms in key enabling sectors. However, the outlook is subject to considerable downside risks from inflationary pressures, fiscal risks ahead of the 2023 elections, and fluctuations in commodity prices. The poverty rate is expected to decline moderately reaching 33.8 percent by 2025.

Key conditions and challenges

Liberia has recorded positive economic growth and maintained broad macroeconomic stability in the last two years, but inflationary pressures have increased in 2023 due to higher food costs and a weaker Liberian dollar. The country's medium-term outlook is promising, but long-term growth is not enough to quicken the pace of poverty reduction as the population continues to grow. Liberia still faces multifaceted socio-economic challenges, including high poverty rates, limited access to healthcare and education, and inadequate infrastructure. The country has low levels of electricity access, paved roads, and human capital. Only approximately 30 percent of Liberia's population has access to electricity, 7 percent of the total road network is paved, and the country's human capital index, at 0.32, is among the lowest in the world.

Investing in both human and physical capital, improving productivity and economic efficiency in vital sectors such as agriculture, and creating a better environment for businesses are all necessary for achieving sustainable and inclusive growth.

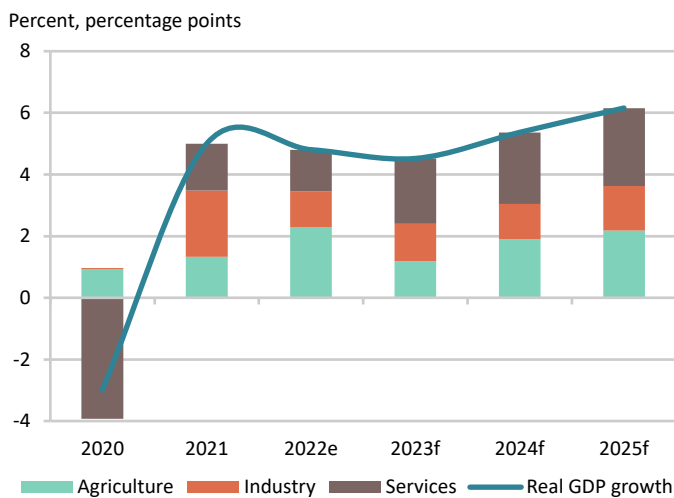
Recent developments

Liberia's recovery remained strong in 2022 despite the external headwinds (from Russia's invasion of Ukraine, high

global inflation, and depressed demand in advanced economies). The country experienced a 4.8 percent growth in real GDP, driven by mining and agriculture, particularly in the production of gold, rice, and cassava. However, in agriculture, there was a decline in rubber and palm oil production in the first half of 2023 by 12.1 percent and 7.7 percent, year-on-year (y/y), respectively. In industry, gold production increased by 13.6 percent (y/y), but iron ore production declined by 4.5 percent (y/y), reflecting the trend in international prices; cement production also declined by 11.6 percent (y/y) as construction activity scaled down. Electricity production more than doubled and beverages output remained broadly stable, reflecting the uptick in services. Liberia's international poverty rate (US\$2.15 per person/day 2017 PPP) is projected to decline by 0.7 percentage points to 34.8 percent in 2023.

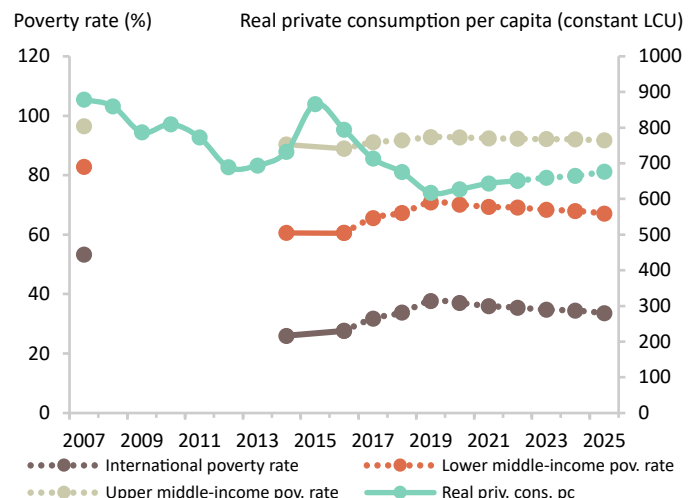
Headline inflation decreased slightly in 2022 to 7.6 percent, from 7.9 percent in 2021, despite higher global fuel and food prices, but inflationary pressures are rising in 2023. In July 2023, y/y inflation was 11.0 percent, driven by food prices and a weaker Liberian dollar – the Liberian dollar to US dollar exchange rate increased by 19.1 from January to July 2023. The increase in food prices disproportionately affects the poor, who remain at risk of becoming even poorer and experiencing food insecurity. The WFP HungerMap Live 2023 shows the high prevalence of insufficient food consumption in Liberia, affecting 37.0 percent of the population in the second quarter of 2023, and chronic malnutrition in children under the age of five is still high at 30.1 percent.

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



Sources: Liberian authorities and World Bank staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

In July 2023, the Central Bank of Liberia (CBL) raised the policy rate by 250 basis points to 20.0 percent to rein in inflation. To strengthen its monetary policy operations, the CBL also lifted the ceiling on the offered amount of CBL bills. The lifting of the ceiling on the offered amount of CBL bills would accommodate the growing oversubscription and help absorb the excess liquidity in the banking system.

Liberia's fiscal position worsened in 2022, due to declines in revenue and grants, an increase in consumption spending, and the need to provide subsidies, grants, and social benefits to offset the effect of higher food and fuel prices on households and the economy. This resulted in a higher fiscal deficit that was financed through concessional resources and borrowing from commercial banks. In July 2023, a "Recast Budget" was submitted to the National Legislature for approval, proposing a reduction in consumption spending, grants and subsidies, and capital expenditures due to lower-than-expected revenue performance. The proposed spending is 3.5 percent lower than the original budget for 2023.

In 2022, the current account deficit stabilized at 17.7 percent of GDP, despite booming gold exports and slower import growth. However, in the first half of 2023, the trade balance worsened, resulting in a

deficit of 4.7 percent of GDP compared to 2.2 percent in the same period in 2022. In June 2023, the gross external reserves fell to US\$533 million (about 2.9 months of imports), from US\$644 million (3.1 months of imports) in December 2022.

Outlook

Liberia's medium-term growth prospects are positive on balance. The economy is projected to expand by 4.5 percent in 2023 and an average of 5.8 percent in 2024–25 due to continued expansion in mining, as well as ongoing reforms in key sectors such as energy, transportation, trade, and financial services. The expansion and extension of operations of existing mining projects and improved access to affordable energy and roads are expected to drive output growth in various sectors of the economy.

Inflation is expected to increase in 2023 due to a weaker domestic currency and higher food prices but stabilize around 6.6 percent in 2024–25 as the CBL tightens monetary policy. The fiscal deficit is projected to narrow to 2.8 percent of GDP in 2023 as the government strengthens expenditure controls and stays below 4 percent in the medium term as it mobilizes

domestic resources and boosts investment and consumption. The current account deficit is expected to increase to 22.5 percent of GDP in 2023, from 17.7 percent in 2022, and remain high over the medium term as aggregate demand propels import growth. The deficit will be financed by foreign direct investments in mining, private financing, and project grants and loans.

The poverty rate is expected to decrease from 34.8 percent in 2023 to 33.6 percent in 2025. However, the continued decline in agricultural value added per worker since 2013 could hinder efforts to reduce poverty as agriculture is the primary livelihood for over 60 percent of the workforce. Increased vulnerability due to severe climate and high food prices could also pose risks to poverty reduction.

The outlook is subject to significant risks. On the downside, inflationary pressures from higher prices of imports (food and fuel), and a decline in prices of exports (rubber, iron ore, and gold) could undercut macroeconomic stability and slow recovery. It may also be difficult to safeguard public finances ahead of the 2023 elections due to spending pressures, which could increase fiscal risks and debt vulnerabilities. Upside risk could stem from improved external demand for Liberian exports.

TABLE 2 Liberia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-3.0	5.0	4.8	4.5	5.4	6.2
Private consumption	3.8	4.7	3.3	3.5	3.0	3.9
Government consumption	0.8	0.2	-5.7	-21.0	4.5	9.4
Gross fixed capital investment	-5.5	-7.9	9.4	8.3	6.8	2.4
Exports, goods and services	-1.4	14.7	7.7	9.8	13.6	13.6
Imports, goods and services	11.7	1.8	3.1	2.3	5.5	4.7
Real GDP growth, at constant factor prices	-2.9	4.8	4.8	4.5	5.4	6.2
Agriculture	2.4	3.3	5.9	3.0	5.0	5.7
Industry	0.2	13.3	6.7	6.9	6.3	7.9
Services	-8.6	3.0	2.8	4.8	5.3	5.8
Inflation (consumer price index)	17.0	7.8	7.6	10.4	7.7	5.6
Current account balance (% of GDP)	-15.6	-17.8	-17.7	-22.5	-21.4	-22.3
Fiscal balance (% of GDP)	-3.7	-2.4	-5.6	-2.8	-3.0	-3.4
Revenues (% of GDP)	29.9	27.2	21.5	21.4	22.8	23.0
Debt (% of GDP)	55.8	53.2	53.4	52.6	53.8	52.4
Primary balance (% of GDP)	-2.4	-1.6	-4.6	-1.8	-2.1	-2.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	37.0	36.0	35.4	34.8	34.5	33.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	70.1	69.3	69.1	68.3	68.0	67.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	92.8	92.5	92.3	92.2	92.1	91.7
GHG emissions growth (mtCO₂e)	0.6	3.2	3.2	3.0	3.1	3.1
Energy related GHG emissions (% of total)	6.8	6.6	6.4	6.2	5.9	5.7

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-HIES. Actual data: 2016. Nowcast: 2017–2022. Forecasts are from 2023 to 2025.

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

MADAGASCAR

Key conditions and challenges

Table 1	2022
Population, million	29.6
GDP, current US\$ billion	15.3
GDP per capita, current US\$	516.6
International poverty rate (\$2.15) ^a	80.7
Lower middle-income poverty rate (\$3.65) ^a	92.4
Upper middle-income poverty rate (\$6.85) ^a	98.2
Gini index ^a	42.6
School enrollment, primary (% gross) ^b	134.1
Life expectancy at birth, years ^b	64.5
Total GHG emissions (mtCO2e)	39.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2012), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

After a robust recovery in 2021, growth declined to 3.8 percent in 2022, reflecting weakening global growth and natural hazards. Growth is projected to recover to 4.5 percent over 2023-25, supported by improved global demand and structural reforms in key sectors. Yet, persistent double-digit inflation poses challenges. Poverty affects more people in urban areas as job prospects deteriorate following a drop in firm productivity. Risks remain substantial, including uncertainty around the upcoming presidential elections, elevated prices, and the vanilla sector crisis.

For decades, Madagascar has grappled with sluggish growth and enduring poverty, primarily due to governance shortcomings, inadequate human and physical capital, and slow economic transformation. The situation is further strained by increasing climate crises and heightened vulnerability to external shocks. However, the government's commitment to fiscal consolidation, coupled with low budget execution rates, helped lower the fiscal deficit to an average of 1.4 percent of GDP over 2016-19, with total public debt falling to 38.7 percent of GDP by 2019.

Madagascar has been unable to effectively leverage its rich natural resources, open trade policies, and young workforce, with weak economic growth falling short of significantly improving living standards. Additional challenges arise from an uncondusive business environment marked by deteriorating connectivity infrastructure, restricted market competition, and limited access to essential resources like energy, land, and finance. This environment hinders growth even in sectors that have historically driven GDP growth – like mining, construction, telecommunications, banking, and utilities.

Weak economic growth, combined with rapid population growth, has resulted in Madagascar having one of the highest poverty rates in the world, reaching 75 percent in 2022, using the national poverty

line. However, extreme poverty has reduced slightly, declining from 52.6 percent in 2012 to 51.8 percent in 2022, supported by slight increases in rural rice prices.

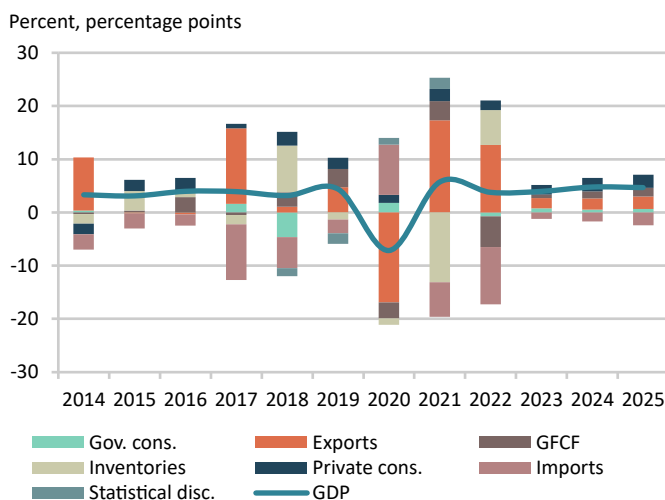
Recent developments

Economic growth decelerated from 5.7 percent in 2021 to 3.8 percent in 2022, reflecting weakening global growth and climate shocks. Moreover, inflationary pressures have intensified, with rates increasing from 6.9 percent in June 2022 to 11.3 percent in June 2023. Rice prices increased by 12.2 percent, while energy costs rose by 14.5 percent. Meanwhile, core inflation, adjusted for rice and energy price increases, increased from 8.3 percent to 10.8 percent over the same period.

Madagascar's central bank adopted a more stringent monetary policy, narrowing the interest rate corridor. From January 2022, the central bank increased its policy rates considerably by 520 basis points for deposits (reaching 9 percent in August 2023) and 380 basis points for marginal lending facilities (reaching 11 percent by August 2023). Furthermore, the reserve requirement ratio was reduced from 13 percent to 9 percent in April 2023.

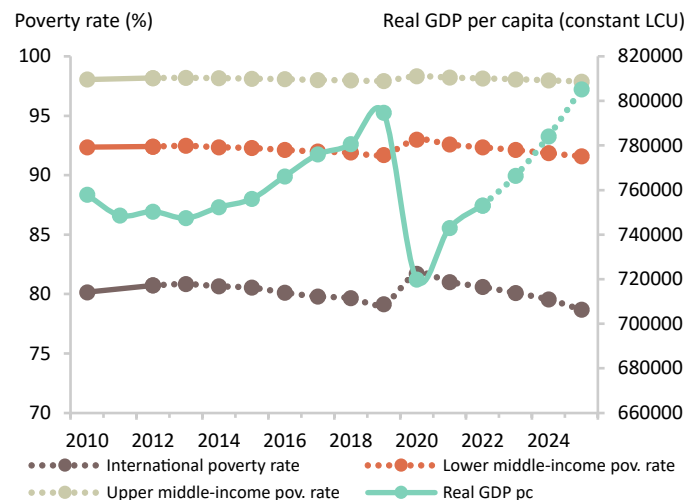
The current account deficit widened from 5 percent of GDP in 2021 to 5.6 percent in 2022. The first half of 2023 saw merchandise exports plunge by 8.1 percent compared to 2022, primarily due to a sharp decline in key spices and strategic minerals exports. Conversely, merchandise imports declined marginally by 1 percent, with a rise in petroleum

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

product volumes being counteracted by a dip in their import prices.

The overall fiscal deficit increased from 2.8 percent of GDP in 2021 to 6.4 percent in 2022, and total public debt rose to 56.9 percent of GDP by 2022. This deterioration in the fiscal balance was largely a result of deferred oil customs tax payments by oil distributors. Preliminary figures for the first four months of 2023 suggest a subdued tax revenue collection. According to the latest debt sustainability assessment, Madagascar is at moderate risk for both external debt distress and overall debt distress.

Outlook

Growth is anticipated to stabilize at 4 percent in 2023, before picking up pace to

about 4.7 percent in 2024-25. Inflation, meanwhile, is expected to hover at 10.5 percent in 2023 before easing to around 8.5 percent during 2024-25. This moderation will likely mirror global trends and be influenced by the effects of a tightening monetary stance. However, the poverty rate is projected to show little sign of improvement, remaining steady at 80.1 percent in 2023, with a larger increase in urban areas as job prospects deteriorate due to a sharp drop in business productivity.

A decline in global oil prices is projected to further contribute to the narrowing of the current account deficit to 4.6 percent of GDP in 2023-25, as the drop in imports surpasses the deceleration in exports. However, the recovery of exports may face challenges as restrictive import directives – like lowering permissible nicotine levels in imported food products – from Madagascar’s

primary vanilla trading partners are likely to hinder progress.

The fiscal deficit is forecast to shrink to 3.8 percent of GDP in 2023, as the resolution of cross-liabilities between the government and oil distributors is expected to boost tax revenues to 12.8 percent of GDP from 9.6 percent in 2022. Moreover, the projected gradual increase in capital expenditure, from 5.1 percent of GDP in 2021 to 8.7 percent in 2025, reflects improved budget execution and the implementation of the government’s priority projects.

Several risks could impact these projections, including recurring natural hazards, fluctuations in commodity prices, financial instability, and lower global demand for Madagascar’s exports. The upcoming presidential elections add a layer of uncertainty, with rising political tensions and potential social unrest exacerbated by high inflation.

TABLE 2 Madagascar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-7.1	5.7	3.8	4.0	4.8	4.7
Private consumption	2.2	3.0	2.5	2.5	3.5	3.5
Government consumption	24.3	0.2	-8.0	9.6	5.7	7.2
Gross fixed capital investment	-10.3	12.7	-19.1	2.8	5.8	7.0
Exports, goods and services	-36.6	55.0	27.5	3.4	3.8	4.2
Imports, goods and services	-16.6	12.7	19.8	1.9	2.8	4.0
Real GDP growth, at constant factor prices	-9.4	6.5	3.7	4.0	4.8	4.7
Agriculture	-1.4	-1.6	0.9	2.3	3.1	3.6
Industry	-29.5	19.7	10.9	8.6	8.9	9.1
Services	-6.9	7.3	3.1	3.4	4.3	3.8
Inflation (consumer price index)	4.2	6.2	8.2	10.5	8.8	8.1
Current account balance (% of GDP)	-4.8	-5.0	-5.6	-4.4	-4.6	-4.6
Net foreign direct investment inflow (% of GDP)	1.8	1.7	1.9	1.6	2.2	2.3
Fiscal balance (% of GDP)	-4.0	-2.8	-6.4	-3.8	-3.1	-5.0
Revenues (% of GDP)	12.8	11.4	10.8	14.9	13.9	13.6
Debt (% of GDP)	49.6	53.5	56.9	56.2	55.4	56.5
Primary balance (% of GDP)	-3.2	-2.2	-5.6	-2.8	-2.2	-4.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	81.7	81.0	80.6	80.1	79.6	78.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	93.0	92.6	92.4	92.1	91.9	91.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	98.3	98.2	98.1	98.1	98.0	97.9
GHG emissions growth (mtCO₂e)	-2.1	-0.1	0.7	0.9	1.5	1.7
Energy related GHG emissions (% of total)	14.8	15.2	15.4	15.5	15.9	16.4

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 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2022. Forecasts are from 2023 to 2025.

b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MALAWI

Table 1 **2022**

Population, million	20.4
GDP, current US\$ billion	13.5
GDP per capita, current US\$	660.3
International poverty rate (\$2.15) ^a	70.1
Lower middle-income poverty rate (\$3.65) ^a	89.1
Upper middle-income poverty rate (\$6.85) ^a	97.3
Gini index ^a	38.5
School enrollment, primary (% gross) ^b	144.8
Life expectancy at birth, years ^b	62.9
Total GHG emissions (mtCO2e)	20.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2019), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

Amidst continued imbalances, Malawi's economic challenges are only easing gradually. Growth is projected to increase in 2023 to 1.6 percent as electricity supply improves. However, severe and persistent shortages of foreign exchange continue to subdue growth. While the economy is expected to grow at 2.8 percent in 2024, supported by ongoing and announced reforms, such growth remains insufficient to substantially mitigate the prevailing high levels of poverty, estimated at 72 percent in 2023.

Key conditions and challenges

With low agricultural productivity and limited commercialization, the majority of Malawians face stagnant incomes. Structural challenges faced by the sector include market distortions such as price controls, trade restrictions, poorly targeted subsidies, and low access to imported inputs, which constrain investment and export-led growth. These effects are magnified by increasingly frequent and destructive tropical cyclones, including Cyclone Freddy in February 2023, which resulted in estimated losses and damages in excess of USD\$ 500 million.

External imbalances impede more rapid economic growth. Exports as a share of GDP have been declining over decades, driven by weak demand for tobacco and an overvalued exchange rate, which has resulted in low foreign exchange reserves and a rising spread between the official and parallel rates. The imbalance has made foreign exchange scarce, in turn constraining imports. Recently increased exchange rate flexibility is a tepid step to alleviating external balance challenges, though plans to increase capital controls could further disincentivize the accumulation of foreign exchange through investment and remittances.

Fiscal balances remain unsustainable. Large fiscal and external deficits have led to high public debt levels at 74.7 percent of GDP in 2022. Weak public financial management systems have meant

that government has often missed its fiscal targets, resulting in unexpected and high deficits. High and rising domestic interest rates mean that debt servicing costs continue to erode fiscal space. Interest payments were 34 percent of revenues in FY2022/23, and domestic debt service was 94 percent of interest payments.

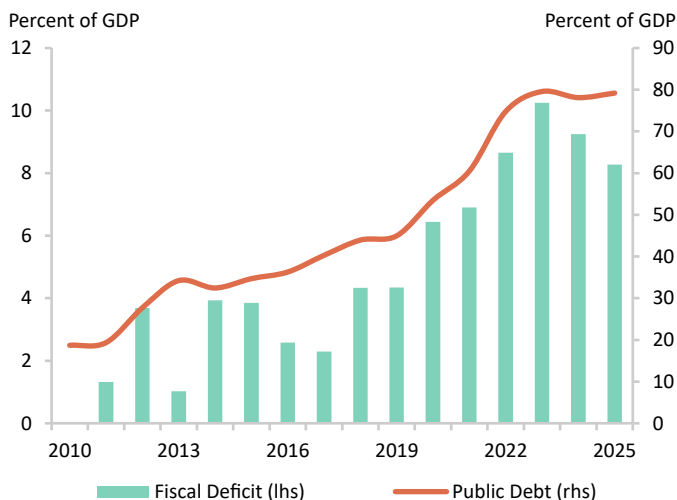
Persistent inflation, coupled with the potential for further price increases and recurrent climate shocks, poses a considerable risk for exacerbating food supply shortages. Consequently, the proportion of the population living below the poverty threshold of USD \$2.15 per day (2017 PPP) has seen an uptick, rising from 70 percent in 2019 to 71 percent in 2022.

Recent developments

Malawi's economy is estimated to grow by 1.6 percent in 2023. The resumption of electricity production at the Kapichira hydro-power plant has bolstered economic activity. However, production inputs have often been unavailable due to foreign exchange shortages, which has dampened growth.

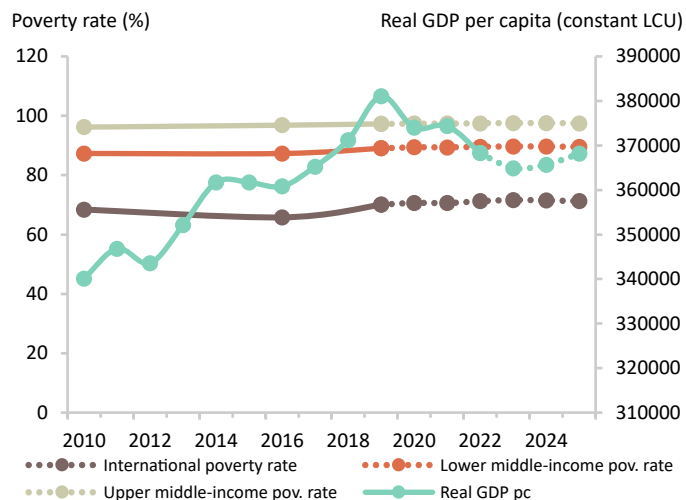
Following Tropical Cyclone Freddy, agriculture output is only marginally larger than last year. Domestic food prices are increasing rapidly, reaching 39.4 percent year-on-year in August 2023 due to supply constraints. Imports are also becoming increasingly expensive as the kwacha depreciates. Inflation has remained high at 28.6 percent in August. In turn, the policy rate was increased to 24 percent, from 14 percent a year earlier.

FIGURE 1 Malawi / Fiscal deficit and public debt



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

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



Source: World Bank. Notes: see Table 2.

With higher interest rates, the fiscal burden of debt service has increased.

Foreign exchange reserves have exhibited a modest improvement, but they remained low at 0.9 months of import cover in June 2023. The Reserve Bank of Malawi commenced foreign exchange auctions to support reserve accumulation and align the official and market rates. Despite these efforts, the spread between official and parallel rate has increased to 64 percent in August 2023. An IMF Extended Credit Facility (ECF) is currently under negotiation and with broader macroeconomic reforms and concomitant donor support, this has the potential to alleviate foreign exchange challenges. The implementation of fiscal consolidation reforms is expected to result in a modest decrease in expected deficits, from 10.2 percent in 2023 to 9.2 percent in 2024. Public debt is still in distress and unsustainable, estimated to reach 79.5 percent of GDP in 2023. Amidst rising rates and continued borrowing, interest expenditure is expected to consume 24 percent of the current budget. Negotiations with commercial and bilateral international creditors on external debt restructuring are ongoing.

Due to rising domestic prices and an anticipated decline in per capita income, the percentage of individuals subsisting on less than USD \$2.15 per day (2017 PPP) is estimated to increase to 72 percent in 2023.

Outlook

The economy is projected to grow by 2.8 percent in 2024 on the basis of ongoing and announced macroeconomic reforms to address the current crisis. However, the share of people living on less than USD\$2.15 a day (2017 PPP) is expected to remain close to 72 percent in 2024 due to stagnant per capita growth.

A favorable agriculture season supported by improved foreign exchange inflows can support economic activity in 2024, though this assumes conclusion of a program with the IMF and increased donor support. The government remains committed to continue forex auctions to support the realization of a market-determined exchange rate. This would improve the trade balance in the short term. However, downside risks from El Niño and delayed access to inputs,

as well as a continued exchange rate misalignment may weigh on growth.

Inflation will remain relatively high in the near term and is expected to average 29.2 percent in 2023. Domestic food prices are high and still rising, which will contribute to upward inflationary pressures. Successful implementation of fiscal consolidation may further contribute to reduced growth in money supply and contain inflation, especially for non-food products.

The fiscal deficit for FY2023/24 is expected to remain within the target for the fiscal year. However, there are risks that may widen the deficit. Disruption in economic activity, especially from lower supply of raw materials due to forex shortages could negatively impact revenues.

Successful implementation of fiscal and structural reforms will be key to contain these pressures, and a potential ECF arrangement could unlock increased budget support and enable increased investment. Finally, the implementation of external debt restructuring, improved expenditure management and reduced domestic borrowing are essential for easing the public debt burden going forward.

TABLE 2 Malawi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	0.8	2.8	0.9	1.6	2.8	3.3
Private consumption	0.8	2.6	0.6	3.8	5.4	4.6
Government consumption	0.8	-1.1	4.3	13.9	-0.2	-11.0
Gross fixed capital investment	0.8	-0.2	-6.5	-17.7	2.3	11.4
Exports, goods and services	0.8	2.9	3.6	1.5	5.5	5.9
Imports, goods and services	0.8	0.4	0.1	3.6	9.3	5.8
Real GDP growth, at constant factor prices	0.8	2.8	0.9	1.6	2.8	3.3
Agriculture	3.4	5.2	-1.0	0.6	2.4	3.0
Industry	1.2	1.9	0.9	1.6	2.7	3.2
Services	-0.5	2.0	1.8	2.1	3.0	3.4
Inflation (consumer price index)	8.6	9.2	21.8	29.2	19.2	11.9
Current account balance (% of GDP)	-14.0	-14.4	-1.5	-3.0	-8.6	-8.9
Net foreign direct investment inflow (% of GDP)	3.4	0.8	1.2	1.1	1.5	1.7
Fiscal balance (% of GDP)	-6.4	-6.9	-8.7	-10.2	-9.2	-8.3
Revenues (% of GDP)	14.7	14.7	14.6	15.2	15.7	16.5
Debt (% of GDP)	53.4	60.5	74.7	79.5	78.1	79.1
Primary balance (% of GDP)	-3.4	-3.1	-3.5	-3.9	-2.4	-2.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	70.7	70.6	71.3	71.7	71.5	71.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	89.4	89.4	89.5	89.7	89.6	89.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	97.4	97.4	97.5	97.5	97.5	97.5
GHG emissions growth (mtCO₂e)	1.7	1.6	1.4	1.5	1.5	1.5
Energy related GHG emissions (% of total)	7.1	7.0	7.0	6.9	6.8	6.7

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 2019-IHS-V. Actual data: 2019. Nowcast: 2020-2022. Forecasts are from 2023 to 2025.

b/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

MALI

Table 1 **2022**

Population, million	22.6
GDP, current US\$ billion	18.8
GDP per capita, current US\$	833.3
International poverty rate (\$2.15) ^a	15.2
Lower middle-income poverty rate (\$3.65) ^a	48.2
Upper middle-income poverty rate (\$6.85) ^a	81.0
Gini index ^a	36.0
School enrollment, primary (% gross) ^b	78.7
Life expectancy at birth, years ^b	58.9
Total GHG emissions (mtCO2e)	48.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2021).

GDP growth is projected to reach 4 percent in 2023 (0.9 percent per capita), supported by the recovery of cash crops and agri-food manufacturing. Poverty is expected to resume a gradual decline after rising in 2022. The fiscal deficit is expected to remain elevated with rising security outlays and the outlook is subject to downside risks related to the political transition, regional instability, insecurity, climate-related shocks, and high borrowing costs.

Key conditions and challenges

Mali's economy remains under-diversified and dominated by agriculture and low-productivity services. Manufacturing absorbs little employment and is concentrated in agro-industries and cotton ginning, reflecting low levels of physical and human capital. Exports are dominated by gold and cotton, exposing the economy to commodity and climatic shocks. Per capita growth stagnated during the last decade (0.4 percent average) limiting progress in poverty reduction while human development indicators show mixed results with improvements in school attendance but deteriorating access to healthcare.

Persistent insecurity and a weakened social contract are key bottlenecks for inclusive growth, with the absence of the State in remote areas undermining service delivery. Political instability following the coups in 2020-2021 and delays in the political transition leading to the six-month ECOWAS commercial and financial sanctions in 2022 have constrained growth. The adoption of a new constitution in June 2023 paves the way for general elections, currently scheduled for 2024.

Recent developments

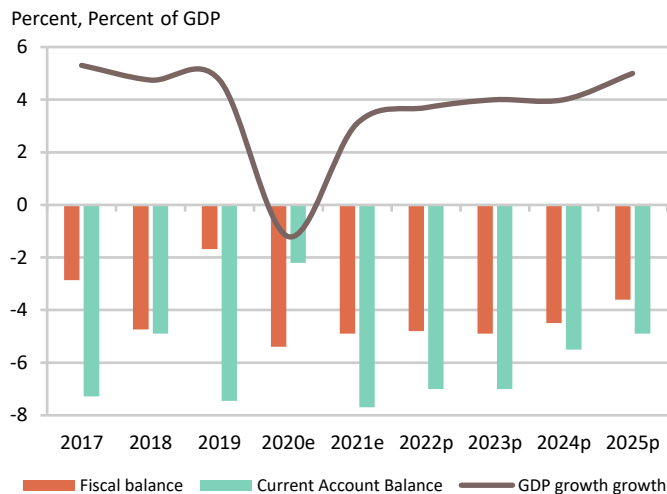
Despite the ECOWAS sanctions, Mali's economy showed resilience with real GDP

growth of 3.7 percent in 2022 (0.7 percent per capita), reflecting the strong performance of gold mining and subsistence agriculture – sectors less impacted by the sanctions – and public services. Growth slowed in Q1-2023 due to insecurity-linked transport bottlenecks and weak cotton ginning output. However, growth is expected to reach 4 percent in 2023 (0.9 percent per capita), supported by agriculture exports, agri-food manufacturing, trade and financial services.

The current account deficit (CAD) narrowed to 7 percent of GDP in 2022 despite a terms of trade deterioration as the ECOWAS trade embargo reduced imports while gold exports continued. Both exports and imports are expected to recover in 2023, maintaining a CAD of 7 percent of GDP.

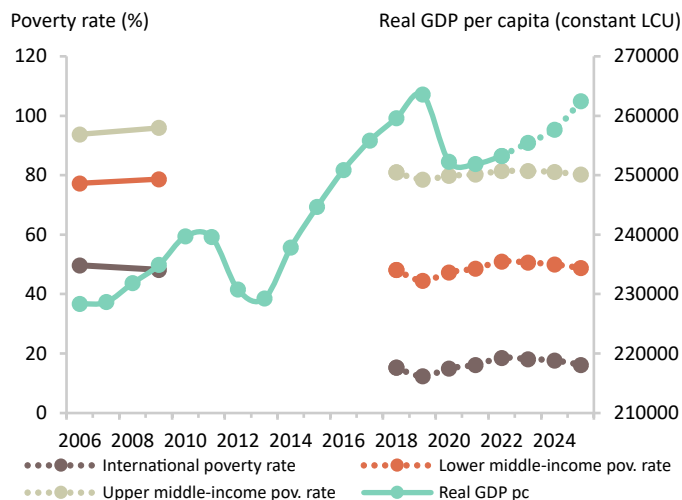
Inflation rose to 9.7 percent in 2022, due to sanctions and high global food and energy prices but decelerated in 2023 (averaging 4.2 percent y/y over January-July) as food inflation declined (1.8 percent over the period), due to higher supply from last year's agricultural campaign. With lower inflation, the extreme poverty rate (\$2.15/day 2017 PPP), estimated at 18.5 percent in 2022, is projected to decrease slightly to 18.1 percent in 2023, mainly in rural areas where poverty is expected to decline by 0.7 percentage points. However, the humanitarian situation remains serious with an estimated 1.26 million people severely food insecure during the 2023 lean season. Population displacement continues, particularly in the border areas with Burkina Faso and Niger with over 375,000 internally displaced persons at end-April 2023.

FIGURE 1 Mali / Real GDP growth, current account and fiscal balances



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.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 125 basis points since the start of 2022 to 3.25 percent for liquidity calls and 5.25 percent for the marginal lending facility. However, the monetary policy stance remains broadly accommodative, inflation in the region is still above target and foreign exchange reserves have been on a downward trend. The fiscal deficit is expected to stay elevated at 4.9 percent in 2023 with higher revenues from tax administration and policy measures offset by higher expenditures, driven by wage bill, security outlays and interest payments. With limited external concessional financing available, the deficit will be primarily financed through domestic borrowing on the regional market, where interest rates have risen to around 8 percent for 3- and 5-year bonds, compared with around 6 percent earlier this year. Public debt, now dominated by relatively more expensive domestic debt (55 percent of the

debt stock), is projected to reach 51.3 percent in 2023.

Outlook

GDP growth is expected to average 4.5 percent over 2024-25 (1.4 percent per capita) underpinned by agriculture and services, and by private consumption and the recovery of capital investments. However, the withdrawal of the MINUSMA peacekeeping force by end-2023 could have localized economic impacts where the bases are located. The CAD is expected to gradually narrow to 4.9 percent of GDP by 2025, as new lithium exports come onstream in 2024. Annual inflation is projected to gradually fall, with the recovery of food production, towards the regional target of 2 percent by 2025. Consequently, the extreme poverty incidence is expected to gradually decrease to 16.3 percent by 2025. A gradual fiscal consolidation could be achieved with sustained tax policy and

administration reforms and improved public expenditure efficiency. Fiscal deficits will continue to be mainly financed through domestic borrowing as the availability of external financing is limited. Public debt is expected to increase to 52.3 percent of GDP by 2025.

The outlook is subject to multiple downside risks. Further election delays could trigger economic sanctions again and reduce private investments. Other economic risks relate to intensified insecurity following the withdrawal of MINUSMA and climatic shocks. Contingent liabilities, notably of the energy utility (EDM), domestic arrears and continued growth of the wage bill constitute significant fiscal risks. The coup in neighboring Niger on 26 July 2023 and the response from ECOWAS and WAEMU (economic and financial sanctions) have increased regional instability with risks of negative spillover effects on security, economic, and humanitarian fronts, including further increasing the cost of financing on the regional market.

TABLE 2 Mali / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.2	3.1	3.7	4.0	4.0	5.0
Private consumption	1.9	3.0	3.2	3.2	3.0	4.0
Government consumption	4.5	5.8	7.1	17.2	0.6	-0.5
Gross fixed capital investment	-1.2	4.8	-10.4	-1.6	11.1	12.4
Exports, goods and services	0.5	-1.0	8.0	4.2	5.0	5.0
Imports, goods and services	-2.9	14.1	-2.5	5.0	4.0	4.0
Real GDP growth, at constant factor prices	-1.1	3.0	4.0	4.0	4.0	5.0
Agriculture	-4.8	1.4	1.7	5.0	5.0	5.0
Industry	-0.1	1.0	5.4	6.0	4.0	4.0
Services	1.4	5.1	5.0	2.5	3.3	5.4
Inflation (consumer price index)	0.5	4.0	9.7	4.0	2.5	2.0
Current account balance (% of GDP)	-2.2	-7.7	-7.0	-7.0	-5.5	-4.9
Net foreign direct investment inflow (% of GDP)	3.1	3.0	2.6	2.5	3.1	3.0
Fiscal balance (% of GDP)	-5.4	-4.9	-4.8	-4.9	-4.5	-3.6
Revenues (% of GDP)	20.7	22.0	19.8	21.4	21.7	22.5
Debt (% of GDP)	46.9	50.4	51.7	51.3	51.9	52.3
Primary balance (% of GDP)	-4.2	-3.5	-3.3	-3.2	-2.6	-1.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	14.9	16.2	18.5	18.1	17.7	16.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	47.3	48.6	51.0	50.6	50.0	48.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	79.8	80.3	81.4	81.5	81.1	80.2
GHG emissions growth (mtCO₂e)	2.3	3.4	3.2	3.0	3.9	4.5
Energy related GHG emissions (% of total)	14.5	15.7	16.2	16.3	16.7	17.5

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-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

MAURITANIA

Key conditions and challenges

Table 1 2022

Population, million	4.7
GDP, current US\$ billion	11.1
GDP per capita, current US\$	2334.0
International poverty rate (\$2.15) ^a	6.5
Lower middle-income poverty rate (\$3.65) ^a	26.2
Upper middle-income poverty rate (\$6.85) ^a	66.8
Gini index ^a	32.6
School enrollment, primary (% gross) ^b	94.3
Life expectancy at birth, years ^b	64.4
Total GHG emissions (mtCO2e)	14.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Economic activity is expected to remain robust in 2023 after the economy rebounded sharply in 2022, weathering the impact of rising prices and expansionary fiscal conditions. Inflation eased in mid-2023 as monetary and exchange rate policy helped to absorb excess liquidity. Poverty is expected to peak at 6 percent in 2023 and decline to 4 percent in 2025 as the medium-term growth outlook remains favorable, but subject to downside risks.

Mauritania's economic performance reflects structural weaknesses related to its heavy dependence on extractives, low capacity to implement investment projects and rising quasi-fiscal recurrent expenditures. Potential output growth has tripled over the last decade due to its rich natural resources, making it a lower middle-income country subject to commodity price shocks. The ripple effects of global shocks on prices of iron, gold and copper are currently constraining resources needed to implement the national strategy (SCAPP, 2016-2030) which focuses on achieving strong, inclusive, and sustainable economic growth.

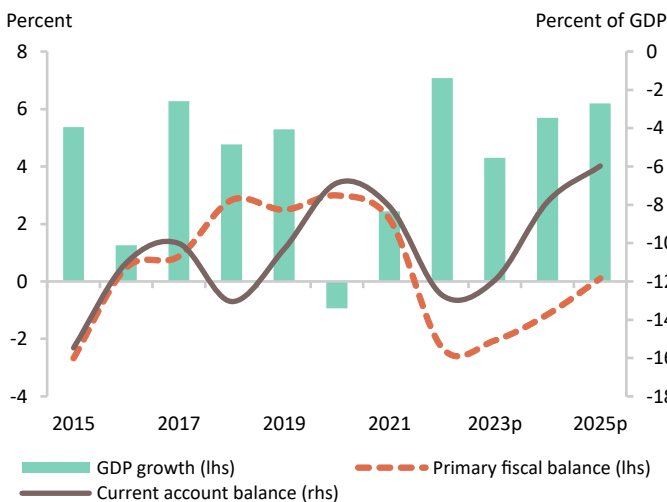
Central to the development agenda is the impact of climate change. Hazards include droughts, floods, wildfires, and extreme heat. Over 2000-2021, Mauritania ranked third highest in SSA on the level of human impact from climate-related events, after Somalia and Eswatini. Losses and damages from the July 2022 floods reached 2.7 percent of GDP and may get higher for future floods due to unplanned urbanization and inadequate drainage. Deadly floods occur at least once every two years, resulting in estimated annual average losses of 0.25 percent of GDP over the last two decades. The government is developing a mitigation strategy to safeguard livelihoods and the budget.

The macroeconomic outlook is subject to various risks. Regional insecurity persists with multiple military coups and refugees migrating from neighboring countries. Weak global demand could affect exports and extractive revenues. Poverty reduction remains dependent on agricultural performance and food inflation; the poor depend on agriculture for 45 percent of their total income, and food products comprise 57 percent of their consumption.

Recent developments

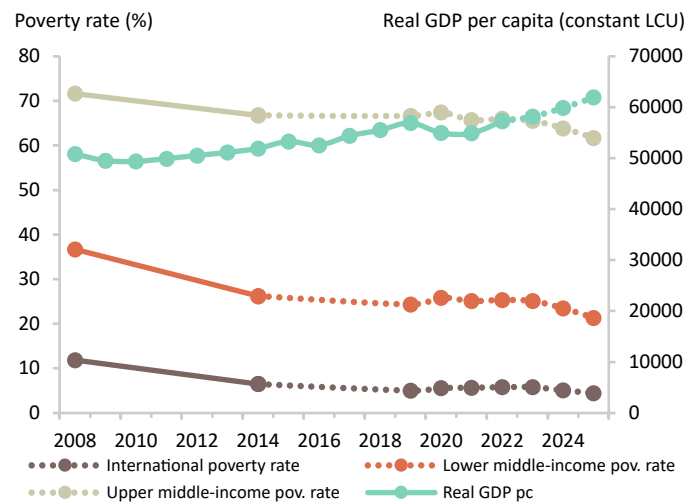
Economic activity is expected to remain robust at 4.3 percent in 2023 (1.6 percent per capita), supported by the expansion of services and higher mineral exports. Industrial production had a slow start in the first quarter, contracting by 18 percent due to weak mining, manufacturing, and construction activity. This was mostly offset by the services sector, while growth remained weak in the primary sector. Industry and primary sectors recovered in the second quarter thanks to increases in iron, copper and electricity production and good rainfall. Inflation continued its downward trend, driven by lower increases in food prices, reaching 3.7 percent (y/y) in August 2023, compared to 11.1 percent (y/y) in 2022. The downward trend is expected to continue through 2023 to reach an annual average inflation of 6 percent (y/y). The Central Bank increased the policy rate from 5 to 7 percent in August 2022, and intervened in the forex market

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.

to absorb excess liquidity, in an effort to subdue inflation.

The fiscal balance registered a deficit of 3 percent of GDP in 2022, due to higher transfers, and lower revenues. Compared to the first seven months of 2022, the fiscal balance worsened in 2023 to about -1 percent of GDP from a surplus of 0.26 percent of GDP, driven by strong growth in recurrent expenses (45.2 percent, y/y). Debt-to-GDP fell by 4.4 percentage points to reach 44.7 percent of GDP in 2022 although the accumulation of debt could be higher in 2023 given the government's ambitious investment plan. External debt remains sustainable and at moderate risk of debt distress.

The current account deficit (CAD) widened in 2022, to 12.7 percent of GDP, on account of higher imports of equipment for the extractive sector. A current account deficit of 6.1 percent of GDP in H1-2023, driven by lower exports of gold, and higher imports of extractive industry equipment and petroleum products, is projected to narrow the CAD to 11.9 percent of GDP in 2023 with lower extractive equipment imports and falling food import prices.

The decline in food inflation in 2023, along with growth in agriculture and services, is expected to reduce the US\$3.65 a day poverty rate. However, this decline will be tempered by higher non-food inflation and a decline in industrial prices, which will reduce labor incomes of industrial workers. These make up 14 percent of the employed population and 12 percent of the poor.

Outlook

During 2024-2025, growth should average 6 percent (3.4 percent per capita) supported by higher gold and iron production, the commencement of gas exports, and higher agriculture output. The onset of gas production could yield fiscal space of 0.5-1.2 percent of GDP per annum to support infrastructure expenditures. Average inflation could reach 6 percent in 2023, driven by lower food and energy prices, and gradually fall to 2.5 percent by 2025.

The US\$3.65-a-day poverty rate is expected to fall to 23.5 percent in 2024 in line with

lower food and non-food inflation (-3.4 pp and +2.6 pp respectively) and higher value added per capita growth in all sectors. This decline should continue in 2025.

The CAD is projected to narrow after 2023 with higher production of iron, gas exports and stronger growth in Europe (2025), which should compensate for lower commodity prices and decelerating demand from the main trading partners in 2024. FDI related to the extractive industry should finance the current account deficits. Fiscal pressures are expected to decrease in 2024-2025 leading to an average fiscal deficit of 1.4 percent of GDP, supported by higher revenue mobilization, lower energy subsidies and lower current transfers. However, increases in the wage bill in 2023 and the government's ambitious public investment program may pose a risk to a downward fiscal and debt-to-GDP path between 2023 and 2025.

Risks to the outlook remain from a slowdown in the Euro Zone and China, if external demand decelerates, as well as from vulnerabilities to climatic shocks, and regional insecurity.

TABLE 2 Mauritania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-0.9	2.4	7.1	4.3	5.7	6.2
Private consumption	2.4	2.4	2.5	2.4	2.6	2.7
Government consumption	9.2	26.1	22.3	11.6	9.3	8.5
Gross fixed capital investment	3.7	35.2	11.9	4.2	4.8	7.0
Exports, goods and services	-8.6	-11.7	6.8	6.7	7.0	9.9
Imports, goods and services	2.1	25.1	13.6	5.4	4.5	6.5
Real GDP growth, at constant factor prices	-0.2	2.0	7.1	4.3	5.7	6.2
Agriculture	-2.6	-3.8	7.7	5.0	5.5	5.7
Industry	2.4	-8.2	9.2	2.8	7.2	8.4
Services	-0.5	10.2	6.0	4.7	5.1	5.4
Inflation (consumer price index)	2.4	3.6	9.5	6.0	3.0	2.0
Current account balance (% of GDP)	-6.9	-8.1	-12.7	-11.9	-7.8	-6.0
Net foreign direct investment inflow (% of GDP)	11.0	10.6	12.7	12.1	9.2	5.8
Fiscal balance (% of GDP)	2.3	1.4	-3.0	-2.9	-2.0	-0.8
Revenues (% of GDP)	20.2	20.5	21.9	24.6	25.3	26.8
Debt (% of GDP)	55.8	49.1	44.7	46.8	46.8	45.9
Primary balance (% of GDP)	3.0	2.2	-2.3	-2.1	-1.1	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	5.6	5.7	5.8	5.8	5.0	4.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	25.8	25.1	25.3	25.1	23.5	21.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	67.5	65.7	66.0	65.5	63.9	61.7
GHG emissions growth (mtCO₂e)	3.4	2.8	2.9	3.2	3.2	3.4
Energy related GHG emissions (% of total)	31.1	31.3	31.6	32.2	32.8	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 2014-EPCV. Actual data: 2014. Nowcast: 2015-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

MAURITIUS

Table 1 **2022**

Population, million	1.3
GDP, current US\$ billion	12.7
GDP per capita, current US\$	10062.7
Lower middle-income poverty rate (\$3.65) ^a	1.8
Upper middle-income poverty rate (\$6.85) ^a	13.5
Gini index ^a	36.8
School enrollment, primary (% gross) ^b	98.4
Life expectancy at birth, years ^b	73.7
Total GHG emissions (mtCO2e)	7.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2021).

Real GDP is expected to grow by 5 percent in 2023, as the economy continues to recover from the deep recession in 2020. Inflation reached a projected 7.3 percent in 2023, but is forecast to ease in the medium term. Higher pension and social benefits spending will add pressure to the fiscal deficit in 2023. The poverty rate is projected to decline from 17 percent in 2020 to 13 percent in 2023. The growth outlook is subject to downside risks.

Key conditions and challenges

Mauritius sustained spectacular growth since its independence in 1968, reaching high-income status in July 2020. But real GDP plunged by 14.6 percent due to the COVID-19 pandemic, causing Mauritius to fall back into the upper-middle-income category in 2021. The economy continues to recover following efforts to contain the pandemic and has demonstrated resilience against external shocks from the war in Ukraine.

But Mauritius' growth prospects face challenges. Mauritius is highly dependent on tourism, while export competitiveness has been eroded by rising labor costs and skills shortages. The pandemic responses and the expansive fiscal stance created mounting pressure on public finances. High and increasing social spending, partly driven by the aging population, has led to persistent fiscal deficits and an elevated public debt-to-GDP ratio, which reached 94.6 percent in FY20/21 before declining to 88.4 percent in FY21/22. During the pandemic, the Bank of Mauritius (BOM) established the Mauritius Investment Corporation to channel support measures to minimize the crisis' impact on the private sector. Avoiding policy distortion and strengthening monetary policy effectiveness will require phasing out BOM's involvement in financing firms.

Mauritius faces significant risks from climate change and natural disasters, affecting its growth potential. It is also

highly vulnerable to global energy shocks. In 2021, about 80 percent of its electricity was generated from imported coal and petroleum products.

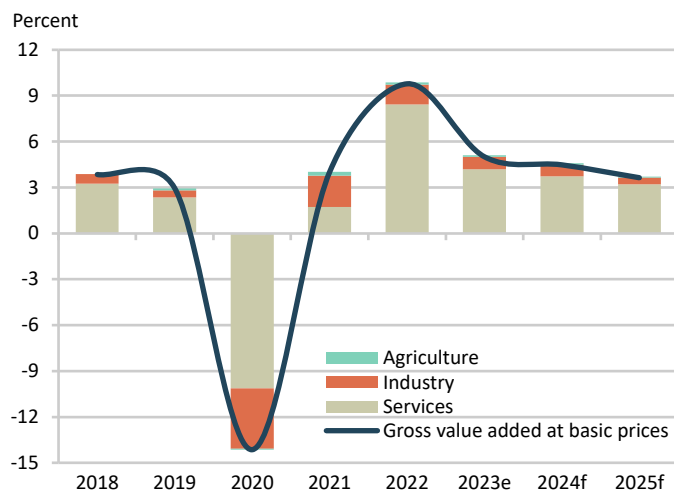
The labor market has seen a significant recovery post-pandemic, with lower unemployment rates for both men and women and increased female participation, suggesting a diminished burden from households chores. Youth unemployment has also shown signs of reduction over the last year.

Recent developments

Real GDP expanded by 5.5 percent (yoy) in 2023Q1 compared to 6.1 percent during the same period in 2022, supported by domestic demand and services exports. On the demand side, gross fixed capital formation grew by 8.3 percent (yoy), driven by higher investments in construction and machinery in Q1. Meanwhile, consumption spending only grew by 0.5 percent yoy, due to weaker growth in household consumption spending. On the supply side, a strong rebound in the tourism sector supported growth in accommodation and food services.

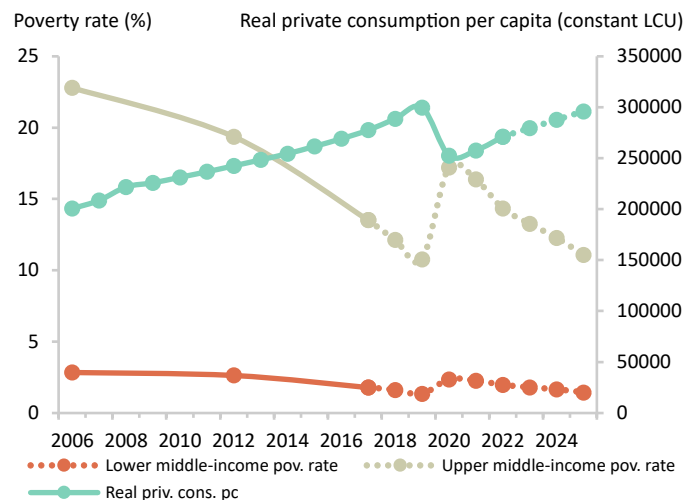
The revival in international tourism and positive inflow of primary income contributed to the narrowing of the current account deficit in Q1 of 2023 to \$97 million compared to \$333 million last year. International tourist arrivals in Mauritius reached 685,000 in the first half of 2023, substantially higher than the same period last year and close to the 2019H1 level before the pandemic.

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

The BOM has kept the key repo rate at 4.5 percent after increasing it by 265 basis points in 2022. Monthly headline inflation declined to 5.8 percent yoy in August 2023, compared to 12.1 percent in December 2022, supported by lower global energy and food prices, of which Mauritius is a net importer, and a slower depreciation of the Mauritian rupee. Higher domestic interest rates led to declining household loans and stagnant loans to private corporations. However, banking loans to public non-financial corporations increased by 54 percent yoy in July 2023, reflecting higher activities of state-owned companies. Gross official international reserves remained broadly adequate at \$6.6 billion (10.3 months of imports) as of July 2023. In July, the government introduced a new income tax regime, which nudges income tax policy progressivity. However, the revenue impact will depend on securing collection from the tax base, particularly those facing a higher effective tax rate. The strong economic rebound will likely increase VAT receipt. Meanwhile, social spending is projected to increase by 11.5 percent in FY23/24, owing to higher social and welfare measures.

Poverty (upper-middle-income country threshold of US\$6.85 a day, 2017 PPP) fell from 19 percent to 11 percent between 2012 and 2019. However, given the dramatic contraction of GDP in 2020, poverty that year is projected to increase by over 6 percentage points before falling to around 13 percent by 2023.

Outlook

Real GDP is projected at 5 percent in 2023, driven by a strong rebound in tourism and investments before decelerating to 4.6 percent in 2024. Annual inflation is expected to decline to 7.3 percent this year, aided by lower inflation in key trading partners, and the introduction of a new monetary framework should help anchor inflation expectations. The softening of commodity prices and the rebound of international tourism in Mauritius will likely narrow this year's current account deficit to 7.6 percent of GDP. Sustained spending will likely widen the fiscal deficit to 5.8 percent of GDP in FY23/24 and set the public debt-to-GDP

ratio to 78.7 percent. Meanwhile, the amendment to the BOM Act will likely curb BOM's financing of the government's budget deficit.

The economic outlook remains subject to downside risks from the tightening of global financing conditions, slower global GDP growth, and geopolitical risks from the war in Ukraine. The rebound in international tourism in Mauritius could reach its peak, with the country facing competition from other destinations. The return of El Niño could negatively affect food production in certain parts of the world, leading to increased prices of imported food and adding pressure to domestic inflation.

The government should continue strengthen macroeconomic resilience by rebuilding fiscal buffers by raising revenue and lowering the public debt-to-GDP ratio. Better targeting of social spending for those most in need will improve spending efficiency, improve fiscal sustainability, and free up scarce resources for human capital investments. Structural reforms and policies to improve climate adaptation and mitigation can help strengthen Mauritius' growth trajectory.

TABLE 2 Mauritius / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices^a	-14.6	3.4	8.8	5.0	4.6	3.6
Private consumption	-15.7	2.1	5.3	3.2	3.0	3.0
Government consumption	-4.7	-3.1	4.9	2.0	2.0	1.5
Gross fixed capital investment	-25.8	13.9	6.0	7.0	3.2	2.8
Exports, goods and services	-27.6	9.8	22.7	9.9	9.5	7.6
Imports, goods and services	-28.5	8.0	12.8	6.8	5.8	5.9
Real GDP growth, at constant factor prices	-14.1	4.0	9.8	5.0	4.5	3.6
Agriculture	-1.9	7.2	3.6	3.2	3.0	1.9
Industry	-19.7	10.9	6.5	4.1	3.8	2.3
Services	-13.2	2.2	10.9	5.3	4.7	4.0
Inflation (consumer price index)	2.5	4.0	10.8	7.3	6.2	4.8
Current account balance (% of GDP)	-8.8	-13.0	-12.3	-7.6	-8.2	-8.2
Net foreign direct investment inflow (% of GDP)	111.7	21.1	-8.3	-21.4	-21.4	-21.6
Fiscal Balance (% of GDP)^b	-18.7	-6.8	-5.0	-5.8	-5.2	-3.7
Revenues (% of GDP)	21.6	24.0	23.6	22.5	22.2	22.2
Debt (% of GDP)^b	94.6	88.4	81.0	78.7	79.1	78.8
Primary Balance (% of GDP)^b	-16.0	-4.3	-2.5	-3.4	-2.8	-1.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	2.4	2.3	2.0	1.8	1.7	1.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	17.2	16.4	14.3	13.3	12.3	11.1
GHG emissions growth (mtCO₂e)	-12.0	10.3	7.6	3.3	3.8	3.6
Energy related GHG emissions (% of total)	61.2	60.6	62.3	62.7	63.0	63.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ 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: 2018-2022. Forecasts are from 2023 to 2025.

d/ Projection using neutral distribution (2017) with pass-through = 1 (High (1)) based on private consumption per capita in constant LCU.

MOZAMBIQUE

Key conditions and challenges

Table 1 2022

Population, million	33.0
GDP, current US\$ billion	19.2
GDP per capita, current US\$	582.9
International poverty rate (\$2.15) ^a	74.4
Lower middle-income poverty rate (\$3.65) ^a	88.6
Gini index ^a	50.5
School enrollment, primary (% gross) ^b	118.4
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO ₂ e)	109.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2021).

Growth is expected to reach 6 percent in 2023, largely reflecting the start of liquefied natural gas (LNG) production. Fiscal pressures have increased due to a higher public sector wage bill and debt service. The poverty rate remains high but is projected to fall slightly from 74.5 percent to 72.9 percent between 2023 and 2025. Medium-term prospects are subject to substantial fiscal risks stemming from a large wage bill in a context of upcoming elections, and the insecurity in northern Mozambique.

Mozambique faces substantial development challenges, including widespread poverty and inequality, and limited structural transformation. Three-quarters of the population live in poverty and Mozambique is one of the most unequal countries in Sub-Saharan Africa – partly reflecting low and uneven human and physical capital accumulation, and vulnerability to climatic shocks. The economy’s dual focus on labor-intensive, low-productivity agriculture and capital-intensive extractives, with limited economic links, constrains inclusive growth.

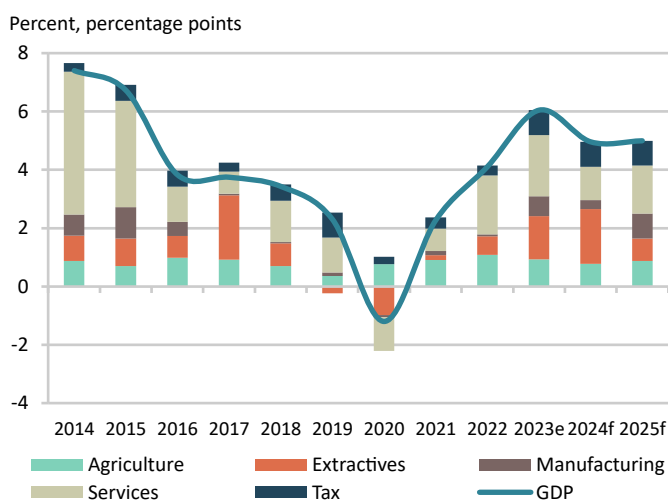
Over half a million people enter the labor force each year, but less than 30,000 new formal jobs are created annually. The private sector’s potential for job creation and economic transformation has been hampered by regulatory bottlenecks, a large infrastructure deficit, and the high cost of credit, among other factors. Lending interest rates in Mozambique are among the highest in Sub-Saharan Africa, reflecting a shallow financial sector, rising government domestic borrowing, and high-risk premia. Mozambique is at high risk of debt distress, with the country lacking access to international capital markets, and concessional financing remains limited. The government’s capacity to finance development is heavily constrained, with the wage bill and debt-service costs absorbing 95 percent of tax revenues.

Mozambique needs more diverse and green sources of growth and jobs. Policy priorities include enhancing macroeconomic stability and governance, promoting private sector participation, and strengthening resilience to shocks. Given the upcoming LNG revenues, managing the vast LNG resources efficiently, improving spending efficiency, and strengthening domestic revenue mobilization can help generate fiscal resources to finance development. Rising food prices undermine the welfare of the poor and most vulnerable, who spend a large portion of their budget on food. High vulnerability to climate shocks, and fragility and conflict are enduring structural challenges, particularly for the poor. Sustained, broad-based, and inclusive growth will require, among other things, raising agricultural productivity, including through improved availability and accessibility of inputs and access to markets for smallholder farmers.

Recent developments

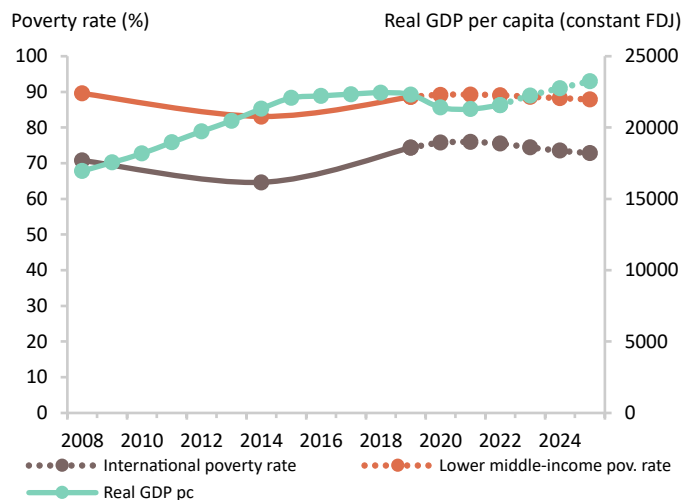
The economy grew by 4.4 percent (yoy) in the first half of 2023, driven by the start of LNG production at the Coral South offshore facility. Higher growth in agriculture and services, particularly transport, also contributed to the expansion of the economy. Inflation moderated from a peak of 12.9 percent yoy in August 2022 to 5.7 percent in July 2023, as global food prices continued to subside. Nevertheless, per capita GDP growth remains

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



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

low at 1.3 percent. As a result, the poverty rate remains high at 74.5 percent.

Fiscal pressures remain elevated. Total expenditure reached 32.3 percent of GDP in 2022, up from 30.9 percent in 2021, mainly reflecting overrun in the cost of ongoing wage bill reform, which aims to unify salary scales to better control public sector compensations. Total revenues decreased from 25.5 percent to 23.4 percent of GDP between 2021 and 2022, due to lower collection of value-added tax on goods and services and non-tax revenue. Domestic debt rose from 24 percent to 26 percent of GDP over the same period, as the country's access to international capital markets remains limited. Pressures from higher wage bill expenses and debt-service costs persist in 2023, with the overall fiscal deficit increasing by 30 percent in the first quarter yoy.

The current account deficit increased from 22.3 percent to 32.9 percent of GDP between 2021 and 2022, driven by imports of LNG equipment, fuel, and food. The external financing gap in 2022, estimated at 2.5 percent of GDP, was covered by World Bank Development Policy Financing, IMF credits, debt, and a drawdown in reserves. In the first quarter of 2023, the current account deficit

declined by 90 percent y/y to US\$586 million, as LNG imports moderated. This contributed to a recovery in gross international reserves from US\$2.6 billion to US\$2.9 billion (3.3 months of non-megaproject imports) over the same period.

Outlook

Medium-term prospects remain positive despite being subject to substantial risks. Growth is projected to average 5 percent over 2023-25, driven by higher offshore LNG production and the resumption of the Total-led LNG project. Inflation is expected to decline as global pressures on food and fuel prices ease. Poverty is projected to decline from 74.5 percent to 72.9 percent of the population by 2025, although the total number of poor people is expected to continue to rise owing to population growth.

Despite ongoing spending pressures, the fiscal deficit is expected to improve, as the government takes measures to strengthen fiscal sustainability. Measures including the downward adjustments of base salaries

and supplements are expected to generate savings amounting to 1 percent of GDP. As a result, the overall fiscal deficit is projected to decline from 4.9 percent of GDP in 2022 to 2.3 percent of GDP over 2023-25.

The current account deficit is expected to increase, averaging 31.9 percent of GDP in the medium term, as LNG-related imports rise. Total imports of goods are projected to average 44.8 percent of GDP over 2023-25, higher than the 37 percent of GDP observed in 2022. Gas exports, foreign direct investment inflows, grants, and concessional financing will help support sustainable levels of gross reserves (around \$3.3 billion, roughly 5 months of imports).

Key risks to the outlook stem from the large wage bill and debt service, climate shocks, waning commitment to reforms in the run-up to the elections, and uncertainty around the security situation in the north. On the fiscal side, concentration of government domestic bond repayments between 2024 and 2026 could absorb about 8 percent of total revenues, and the realization of contingent liabilities under legal dispute could undermine debt sustainability indicators.

TABLE 2 Mozambique / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.2	2.3	4.2	6.0	5.0	5.0
Private consumption	-2.2	17.3	3.0	3.7	9.2	7.0
Government consumption	-19.1	-7.8	17.2	-25.4	-3.5	-8.1
Gross fixed capital investment	60.9	32.5	-6.4	10.1	0.0	6.0
Exports, goods and services	-14.9	23.8	10.2	19.5	4.7	5.1
Imports, goods and services	0.0	37.2	1.9	3.3	4.1	5.0
Real GDP growth, at constant factor prices	-1.8	2.2	4.2	6.0	5.0	5.0
Agriculture	3.6	3.7	4.4	6.0	4.0	4.0
Industry	-5.7	1.6	3.8	7.6	8.2	8.1
Services	-2.9	1.6	4.3	5.4	4.2	4.3
Inflation (consumer price index)	3.1	5.7	9.8	7.4	6.5	6.3
Current account balance (% of GDP)	-27.4	-22.3	-32.9	-15.9	-37.6	-42.4
Net foreign direct investment inflow (% of GDP)	21.5	31.6	10.3	4.3	13.4	14.4
Fiscal Balance (% of GDP)^a	-5.7	-4.6	-4.9	-3.4	-2.5	-1.1
Revenues (% of GDP)	27.5	27.4	27.4	27.6	26.2	26.3
Debt (% of GDP)	120.0	105.0	95.2	91.0	93.4	91.5
Primary Balance (% of GDP)^a	-2.6	-1.9	-2.0	-0.2	0.6	1.8
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	75.8	76.0	75.6	74.5	73.6	72.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	89.2	89.2	89.1	88.6	88.3	87.9
GHG emissions growth (mtCO₂e)	1.0	1.5	0.3	1.1	2.2	3.0
Energy related GHG emissions (% of total)	8.5	9.3	8.9	9.0	9.9	10.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

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

b/ Calculations based on 2019-IOF. Actual data: 2019. Nowcast: 2020-2022. Forecasts are from 2023 to 2025.

c/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NAMIBIA

Table 1 **2022**

Population, million	2.6
GDP, current US\$ billion	12.6
GDP per capita, current US\$	4911.3
International poverty rate (\$2.15) ^a	15.6
Lower middle-income poverty rate (\$3.65) ^a	33.3
Upper middle-income poverty rate (\$6.85) ^a	57.3
Gini index ^a	59.1
School enrollment, primary (% gross) ^b	125.7
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO2e)	21.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2021).

After a strong expansion in 2022, Namibia's economy is projected to grow at a slower pace of 2.8 percent in 2023 as growth in the mining sector moderates and other sectors continue to recover from the pandemic. Higher import costs led to higher inflation, which has compounded socio-economic challenges. The projected international poverty rate remains high at 18.4 percent.

Key conditions and challenges

Namibia's growth averaged 4.4 percent between 2001 and 2015, favored by the commodity super cycle, which spurred mining investment and services linked to mining and boosted exports. During this period, growth was primarily driven by investment and a growing labor force, while total factor productivity declined due to persistent structural bottlenecks, including highly segmented input and output markets and severe skills shortages. Resource wealth allowed for an increase in public spending, which expanded household support and the delivery of public services, although access to services remains low among the poorest segments of the population. Stronger economic growth and improvements in education outcomes supported reductions in the national poverty rate from 35.9 percent in 2003 to 15.6 percent in 2015 (based on the US\$2.15 per day international poverty line) – one of the fastest declines in Sub-Saharan Africa. The expanded social programs partly drove a decline in inequality. Growth came to a halt in 2016 as the commodity cycle ended, major investment projects were completed, severe drought took its course, and the government embarked on fiscal consolidation after the debt ratio more than doubled from 2010 to 2015. This brought to the fore Namibia's structural weaknesses, and the subsequent pre-pandemic years were mostly marked by recession. Authorities

successfully contained spending until the COVID-19 pandemic, but reducing public debt proved difficult in a context of low growth. Debt increased markedly during the pandemic as spending increased to support households.

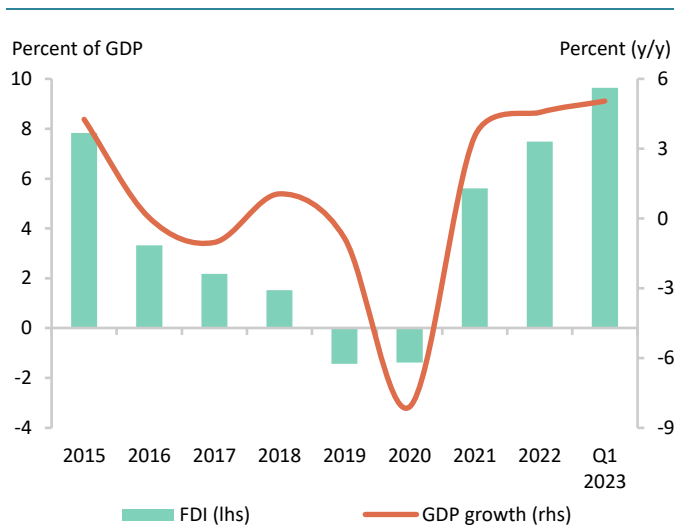
The slow post-pandemic recovery underscores Namibia's long-standing dependence on mineral extraction, fiscal constraints, and structurally high unemployment, which limits poverty reduction and efforts to reduce high inequality. Estimated at 18.8 percent in 2022, the poverty rate (using the international poverty line) is high for a country of Namibia's income level. The country remains one of the most unequal in the world (with the Gini index at 59.1 in 2015).

Recent developments

In the first six months of 2023, economic activity expanded by about 4 percent. The mining sector contributed most to this growth, supported by mineral exploration activities, higher uranium output, and robust growth in diamond production. From the expenditure side, higher investment and net exports underpinned growth. Household spending declined amid high inflation, substantial increases in the interest rate since the start of 2022, and estimated weak employment growth.

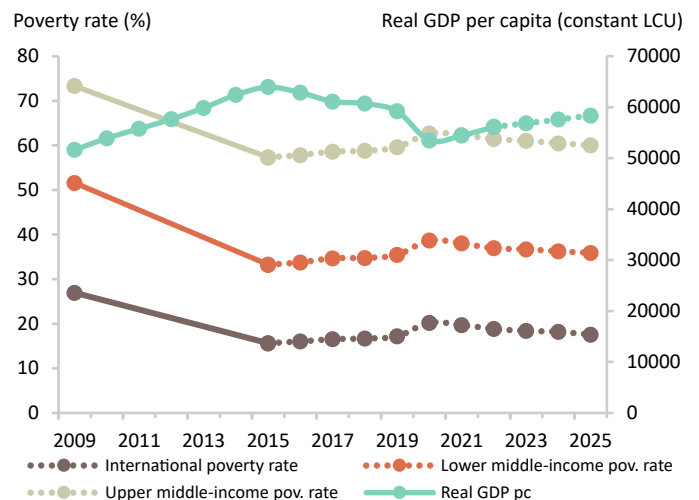
Namibia's twin deficits have narrowed from their post-pandemic peaks. Higher exports, particularly of diamonds and other minerals, helped to narrow the current account deficit from 15.2 percent of GDP in

FIGURE 1 Namibia / FDI inflows and real GDP growth



Sources: Bank of Namibia 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.

2022Q1 to 8.2 percent in 2023Q1. The current account deficit is being adequately financed by foreign direct investment, leading to an increase in foreign exchange reserves to \$3 billion in July 2023 from \$2.8 billion in December 2022. The reserve levels were comfortable at 5.3 months of imports and above 20 percent of GDP. There was progress on fiscal consolidation in FY2022/23 – the primary deficit was reduced by 3.8 percentage points and the fiscal deficit narrowed to 5.1 percent of GDP. Amid better-than-expected growth and enhanced tax administration measures, revenues were higher than predicted, offsetting higher-than-budgeted expenditure. The public debt ratio, including guarantees, was contained at 72.5 percent of GDP, supported by stronger GDP growth. Monetary policy remains broadly aligned with the one adopted by the South African Reserve Bank given that the Namibian dollar is pegged to the South African rand. The Bank of Namibia hiked its policy rate by a further 100 basis points in 2023H1, adding to the cumulative 300 basis points in hikes in 2022. The restrictive policy stance and lower fuel prices supported

moderation of headline inflation to a 16-month low of 4.5 percent in July 2023.

Outlook

Namibia's economic growth is projected to reach 2.8 percent in 2023, and to remain around this level over the next 2-3 years. Relatively moderate growth is due to still-high inflation and monetary tightening, sluggish growth in South Africa and Europe, and base effects from the launch of a new diamond recovery vessel, which boosted mining output from 2022Q2. Against a tepid recovery, unemployment is expected to remain elevated. Severe skill shortages will require an increase in services imports to support energy investments. As the recovery in jobs continues to lag, the international poverty rate is projected at 18.4 percent in 2023. Inflation is projected to decline as fuel prices decrease and food price pressures ease. Foreign direct investment-related imports are expected to drive a large deficit in the current account. The fiscal deficit

is projected to narrow further in FY 2023/24, supported by stronger SACU inflows. Spending will increase in FY2023/24, driven by higher cash transfers, costs related to the census and national elections, and higher capital expenditure in transport and water. The wage bill growth is expected to remain contained, although its magnitude, representing 40 percent of expenditure, and a high debt service, will continue to constrain fiscal policy flexibility. Given high debt levels, fiscal policy should build on recent gains and remain prudent and support the stabilization of the debt ratio in the medium term.

Risks to the recovery remain elevated. A weaker global outlook and a tighter monetary policy stance could lower export demand. While global oil prices are projected to stabilize at high levels, supply concerns and renewed food price pressures could generate new bouts of inflation, with negative impacts on households' purchasing power. Water and electricity supply disruptions and an intensification of the drought could also weigh on the recovery, with severe impacts on mining and agricultural output.

TABLE 2 Namibia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-8.1	3.5	4.6	2.8	2.9	3.1
Private consumption	-9.8	12.7	14.4	1.7	3.4	3.8
Government consumption	0.3	1.5	0.7	1.3	1.0	1.0
Gross fixed capital investment	-17.7	18.4	-10.7	9.0	8.8	7.7
Exports, goods and services	-16.6	1.4	20.0	9.8	3.9	3.1
Imports, goods and services	-15.0	20.3	23.6	5.8	4.5	4.1
Real GDP growth, at constant factor prices	-6.8	1.7	4.4	2.8	2.9	3.1
Agriculture	6.3	1.3	2.6	0.5	2.0	2.0
Industry	-12.8	1.6	10.4	4.0	2.6	3.2
Services	-5.6	1.8	2.2	2.6	3.1	3.2
Inflation (consumer price index)	2.2	3.6	6.1	5.5	4.8	4.5
Current account balance (% of GDP)	2.8	-9.9	-12.6	-7.7	-7.9	-8.2
Net foreign direct investment inflow (% of GDP)	-1.9	5.5	7.4	8.1	5.2	5.2
Fiscal balance (% of GDP)	-8.9	-8.7	-5.1	-4.4	-4.3	-4.3
Revenues (% of GDP)	33.4	29.6	31.4	33.7	32.8	31.6
Debt (% of GDP)^a	70.0	72.7	72.5	74.4	74.6	73.7
Primary balance (% of GDP)	-4.7	-4.4	-0.6	0.5	0.5	0.5
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	20.2	19.7	18.8	18.4	18.2	17.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	38.7	38.0	36.9	36.7	36.2	35.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	62.7	62.3	61.4	61.0	60.5	60.0
GHG emissions growth (mtCO₂e)	-1.5	-0.2	1.9	0.5	2.0	2.0
Energy related GHG emissions (% of total)	17.9	18.0	18.3	18.3	18.4	18.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Refers to Public and Publicly Guaranteed debt.

b/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2022. Forecasts are from 2023 to 2025.

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

NIGERIA

Table 1

	2022
Population, million	218.5
GDP, current US\$ billion	477.4
GDP per capita, current US\$	2184.4
International poverty rate (\$2.15) ^a	30.9
Lower middle-income poverty rate (\$3.65) ^a	63.5
Gini index ^b	35.1
School enrollment, primary (% gross) ^c	85.7
Life expectancy at birth, years ^c	52.7
Total GHG emissions (mtCO2e)	389.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022).
 b/ Most recent value (2018), 2017 PPPs.
 c/ WDI for School enrollment (2019); Life expectancy (2021).

Nigeria faced several economic challenges in H1-2023, including a growth deceleration in the first quarter and rising inflation, which pushed more people into poverty. Recognizing the need to change course, the new administration undertook crucial reforms to restore macroeconomic stability by removing the fuel subsidy and liberalizing the exchange rate. If sustained, these reforms will yield large fiscal savings and lift Nigeria's growth prospects. Risks to the outlook include policy reversals, protracted decline in oil production, insecurity, and climate shocks.

Key conditions and challenges

To rise to its potential and reverse its increasing trend in poverty, Nigeria needs to grow faster and create more quality jobs, which is predicated on a stable macroeconomy and a conducive business environment. Macroeconomic stability in Nigeria has steadily deteriorated over the past decade due to several factors. First, over-reliance on volatile oil exports, which account for more than 90 percent of total exports. Second, limited fiscal space that stemmed from very costly petrol subsidies, low tax rates, and weak tax administration hindered the government's ability to deliver quality public services. Third, restrictive trade policies, weaknesses in exchange rate management, monetization of the fiscal deficit by the Central Bank of Nigeria (CBN), and surging food prices led to double-digit inflation. Other external shocks—including the lingering effects of the COVID-19 pandemic, and Russia's invasion of Ukraine—contributed to the macroeconomic deterioration. The new administration, faced with mounting fiscal and external pressures and poverty, has undertaken key reforms to restore macroeconomic stability by removing the fuel subsidy and unifying and significantly liberalizing the exchange rate. These reforms should help free up fiscal space, unwind critical macroeconomic distortions that hold back growth, and reduce the space for rent-seeking.

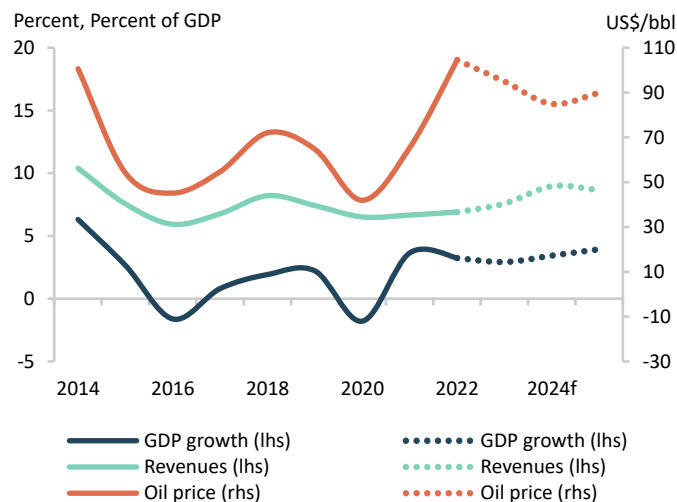
Recent developments

Weak economic performance in H1 2023 largely reflected the difficult pre-reform conditions. After growing by 3.6 percent in 2021, GDP growth slowed to 3.3 percent in 2022 and further to 2.4 percent year-on-year (y-o-y) in H1 2023. The deceleration was driven by the continued weakness in oil production, lower agriculture output stemming from the sustained impact of severe floods in Q3 2022, and a disruptive and costly demonetization policy, which adversely impacted the non-oil industrial and service sectors.

Nigeria's chronically high inflation reached a 17 year high of 24.1 percent (y-o-y) in July 2023, partly reflecting surging food prices and the temporary impact of the removal of the fuel subsidy. A cumulative 725 basis points hike in the monetary policy rate since May 2022 has had little effect to rein in inflation due to clogged transmission channels, also weakened by direct credit allocation by the central bank, and the continued monetization of the fiscal deficit. By the end of 2023, the rise in inflation and low economic growth will have contributed to an increase of 2.8 million people in poverty (y-o-y), a 0.4 percentage points bump to 37.5 percent of the population.

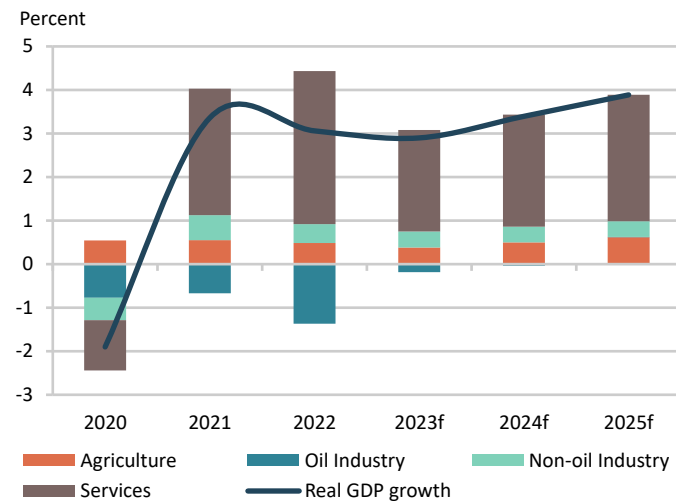
The federal fiscal deficit was 63 percent higher between January and May 2023 than in the same period in 2022, due to increasing interest payments, higher capital spending ahead of the elections, and the continuous large cost of the fuel

FIGURE 1 Nigeria / Oil price, government revenues, and real GDP growth



Sources: WDI, NBS, and World Bank.

FIGURE 2 Nigeria / Real GDP growth and sectoral contributions to real GDP growth



Sources: NBS and World Bank.

subsidy. Although non-oil revenues increased, they are still among the lowest globally as a share of GDP. The fiscal financing need and the devaluation of the naira are expected to push the public debt to 45 percent of GDP and keep the debt service above total revenues in 2023. The current account balance (CAB) recorded a surplus of 2.2 percent of GDP in Q1 2023, driven by lower imports and income outflows. However, the small CAB surpluses and capital flows since 2022 have been insufficient to increase foreign reserves, as oil export FX flows to CBN contracted, likely as a result of the direct crude sale-direct fuel purchase arrangements.

Outlook

Future economic growth in Nigeria will depend on the continued implementation of macro-fiscal and inclusive structural reforms. Benefiting from the recent reforms, the economy is expected to grow at an average of 3.4 percent in 2023-2025,

higher than the past average of 1.4 percent in 2015-2022 and the estimated population growth, driven by services, trade, construction, and agriculture. Inflation will further increase to 24.4 percent in 2023 due to the removal of the fuel subsidy but gradually moderate from early 2024. The revenues-to-GDP ratio will rebound to 7.6 percent of GDP in 2023 and increase further to 8.8 percent of GDP in 2024-2025, thanks to the fuel subsidy and the FX reforms. Although spending will increase as the Government rolls out compensating measures to shield households from the initial impacts of the subsidy reform, the fiscal deficit is projected to still shrink from 5.0 percent of GDP in 2022 to about 4.0 percent in 2025. Debt servicing is expected to drop to about 68 percent of revenues by 2025. On the external front, exports and capital inflows are expected to remain subdued in the short-term but could rise substantially if further macroeconomic and regulatory reforms are pursued. Consequently, the CAB is expected to remain positive over the projection period. The share

of Nigerians living below the international poverty line is expected to peak in 2024 at 38.8 percent before beginning a gradual decline, as inflation cools down and economic growth picks up. Targeted measures, including cash transfers, could mitigate short-term adjustment costs to the poor and vulnerable and mitigate their risk of falling into intergenerational poverty traps.

Several risks could result in weaker than expected economic performance. Internally, policy reversals and weaker reform impetus could lower the expected payoffs. A further decline in oil production or inability to ramp-up non-oil revenues quickly could also affect the external and fiscal balances. Externally, continued monetary tightening globally, the war in Ukraine, unilateral food export bans, and climate events could undermine economic activity in Nigeria. Regional instability sparked by the recent coup in Niger could also weigh on the recovery. Sustaining the reform momentum and unwinding structural constraints to inclusive growth offers a path forward.

TABLE 2 Nigeria / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.8	3.6	3.3	2.9	3.4	3.9
Real GDP growth, at constant factor prices	-1.9	3.4	3.1	2.9	3.4	3.9
Agriculture	2.2	2.1	1.9	1.5	2.0	2.5
Industry	-5.8	-0.5	-4.6	1.0	1.8	2.0
Services	-2.2	5.6	6.7	4.3	4.7	5.2
Inflation (consumer price index)	13.2	17.0	18.8	24.4	14.5	10.9
Current account balance (% of GDP)	-3.7	-0.7	0.2	0.6	0.6	0.8
Net foreign direct investment inflow (% of GDP)	-0.2	-0.3	0.0	-0.1	-0.5	-0.6
Fiscal balance (% of GDP)	-5.1	-6.6	-5.0	-5.1	-4.1	-4.0
Revenues (% of GDP)	6.5	6.7	6.9	7.6	9.0	8.6
Debt (% of GDP)	36.1	38.8	40.3	42.8	45.6	44.4
Primary balance (% of GDP)	-2.8	-3.9	-1.8	-1.2	-0.4	-0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	34.0	36.3	37.1	37.5	38.8	38.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	67.2	69.1	70.0	70.4	71.6	70.8
GHG emissions growth (mtCO₂e)	0.3	4.8	4.7	3.1	4.2	4.6
Energy related GHG emissions (% of total)	36.6	37.8	38.8	39.0	39.7	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/ Calculations based on 2018-LSS. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

RWANDA

Key conditions and challenges

Table 1 **2022**

Population, million	13.8
GDP, current US\$ billion	13.3
GDP per capita, current US\$	963.8
International poverty rate (\$2.15) ^a	52.0
Lower middle-income poverty rate (\$3.65) ^a	78.0
Upper middle-income poverty rate (\$6.85) ^a	92.2
Gini index ^a	43.7
School enrollment, primary (% gross) ^b	140.7
Life expectancy at birth, years ^b	66.1
Total GHG emissions (mtCO2e)	7.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2021).

Rwanda's strong growth momentum continued in early 2023—led by services and manufacturing. Inflationary pressures started easing but remained elevated, thus monetary policy rate was raised to 7.5 percent in August. Persistently high food inflation is a threat to poverty reduction, especially in rural areas. Real GDP growth is projected at about 7 percent in 2023, then to 7.6 percent on average in 2024–2025.

In the decade to 2019, Rwanda's GDP per capita increased steadily at a rate of 4.5 percent a year, surpassed only by Ethiopia among SSA economies. Rwanda has also achieved substantial gains in poverty reduction, educational attainment, health conditions, and access to basic services. Nevertheless, the economy confronts significant challenges. While efforts have been made to establish a regulatory framework, constraints on competition and the dominant role of public investment have limited innovation and impaired allocative efficiency. Many households, particularly in rural areas, have received little benefit from the overall development progress. Mounting public debt presents serious challenges to sustainability. Rapid urbanization and depletion of forest and water resources in recent years led to increased vulnerability to flood risks, land degradation, and biodiversity loss. Overcoming these challenges will require greater reliance on private sector investment to enhance productivity growth, raise the income of poor farmers and the supply of off-farm employment in rural and urban areas, and provide financing to address infrastructure shortfalls in the face of constraints on government expenditures and increasing climate change related shocks. Strengthening resilience to climate shocks will

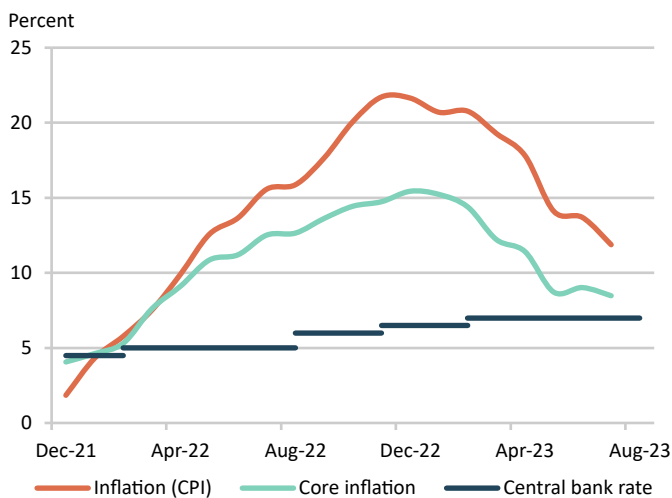
involve access to public and private finance to increase investment to nature-based solutions and renewable raw material production as well as improve capacity to utilize the financing.

Recent developments

GDP growth is expected to soften to about 7 percent in 2023, due to weaker agricultural output and recent floods, despite stronger than expected real GDP growth of 9.2 percent in the first quarter (Q1). Heavy rainfall in late April and early May caused loss of life, flooding, landslides, and significant damage to infrastructure and agricultural production. In Q1, growth was fueled by strong private consumption and improved net exports as well as services and industry. Despite floods, early economic indicators point to continued growth in the second quarter. The industrial production index increased by 6.8 percent compared to 0.1 percent in the same period of 2022. Similarly, the composite indicator of economic activities rose by 6.8 percent. Merchandise exports rose by 40.3 percent, outpacing a 21.6 percent increase in imports. As in the first quarter, the momentum in the tourism sector continued with Rwanda hosting more than 20 events in the second one. Strong tourism activity is expected to narrow the trade deficit in 2023.

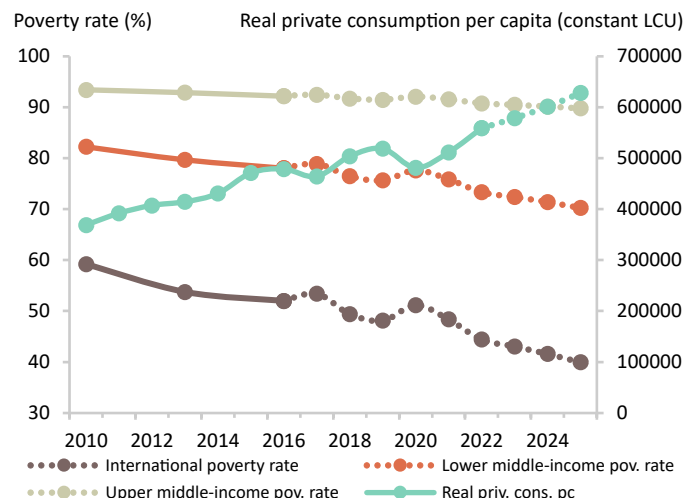
The National Bank of Rwanda (NBR) tightened further its monetary stance, raising the policy rate by 50 bps to 7.5 percent

FIGURE 1 Rwanda / Headline and core inflation and central bank rate



Source: 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.

in August despite the headline inflation rate falling to 11.9 percent (yoy) in July 2023—well below the 27.7 percent peak in November 2022. To counteract the effect of a sharp depreciation of the franc against the US dollar—10.6 percent between end-December 2022 and August 2023—on inflation, the NBR has doubled its dollar sales to commercial banks from US\$5 to US\$10 million per week. Persistently high food inflation—exceeding 30 percent (yoy) in rural areas since July 2022—will continue burdening poor households, who spend most of their resources on food.

Fiscal deficits—both primary and overall—are expected to narrow in 2023 on account of ongoing fiscal consolidation. Key drivers of fiscal consolidation are revenue and tax policy reforms and spending rationalization focusing on improved efficiency of government services, limits to subsidies, and more efficient capital expenditure. The primary deficit is expected to decline to 4.9 percent of GDP. Public debt to GDP is estimated at 69.2 percent in 2023.

Outlook

Growth is expected to regain momentum, growing by 7.6 percent on average in 2024–25. This would be driven by some improvement in global tourism demand, a pickup in construction with the new airport, and manufacturing activities supported by Manufacture and Build to Recover Program. While goods exports are expected to slow, the external current account deficit is projected to improve to 19.3 percent of GDP on the back of the recovering tourism sector and services exports. Continued strong FDI inflows and concessional financing will cover external financing needs. Inflation is expected to gradually return within NBR's target of 5±3 percent in 2024.

The FY24-FY26 budget framework reflects the Government's commitment to fiscal consolidation, which will largely through streamlining and gradually reducing subsidies particularly those related to energy and fuel, and state-owned-enterprises by

strengthening their oversight and governance and risk management while safeguarding fiscal space for human capital spending. On the revenue side, the Government plans to introduce a number of tax policy measures, envisioned in the MTRS. Despite increases in 2024-25, public debt is assessed to remain sustainable with moderate risk of external and overall public debt distress.

This outlook is subject to substantial downside risks. Geopolitical tensions could cause global commodity prices to rise again, placing renewed pressure on inflation and the current account. Rwanda's agricultural sector remains exposed to increasingly frequent weather shocks, which would reduce agricultural output and lead to food insecurity and higher food prices. Projected poverty reductions of 3 ppts between 2023 and 2025 (from 43.1 to 40 percent) could be reduced or even reverted if high food inflation persists. To improve on resilience to climate change, Rwanda needs to invest in and operationalize nature-based solutions that contribute to adaptation and growth.

TABLE 2 Rwanda / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-3.4	10.9	8.2	6.9	7.5	7.8
Private consumption	-5.0	8.8	11.9	5.9	6.2	6.8
Government consumption	1.9	13.7	10.6	7.5	5.8	4.5
Gross fixed capital investment	-4.5	16.5	-4.2	10.1	5.3	5.7
Exports, goods and services	-9.2	2.9	30.1	11.4	13.2	11.2
Imports, goods and services	-3.4	3.6	16.1	10.9	7.0	5.9
Real GDP growth, at constant factor prices	-3.5	10.6	7.8	6.9	7.5	7.8
Agriculture	0.9	6.4	1.6	0.9	4.7	5.0
Industry	-4.2	13.4	5.0	11.0	8.5	8.5
Services	-5.5	11.9	12.2	8.2	8.4	8.7
Inflation (consumer price index)	7.7	0.8	13.9	7.3	5.6	5.0
Current account balance (% of GDP)	-12.1	-11.3	-9.8	-11.5	-10.1	-9.4
Net foreign direct investment inflow (% of GDP)	1.5	2.1	3.0	3.2	3.2	3.4
Fiscal balance (% of GDP)	-12.6	-8.8	-7.3	-7.0	-6.8	-5.7
Revenues (% of GDP)	23.9	24.6	23.8	22.8	22.3	22.8
Debt (% of GDP)	72.5	73.4	67.5	69.2	74.5	75.1
Primary balance (% of GDP)	-10.9	-7.0	-5.5	-4.9	-5.1	-4.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	51.2	48.4	44.4	43.1	41.6	40.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	77.6	75.9	73.3	72.4	71.4	70.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	92.1	91.6	90.8	90.5	90.2	89.8
GHG emissions growth (mtCO₂e)	0.1	3.1	2.8	3.2	3.8	3.7
Energy related GHG emissions (% of total)	16.1	16.1	15.8	15.6	15.6	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/ Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2022. Forecasts are from 2023 to 2025.

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

Key conditions and challenges

Population, million	0.2
GDP, current US\$ billion	0.5
GDP per capita, current US\$	2401.3
International poverty rate (\$2.15) ^a	15.6
Lower middle-income poverty rate (\$3.65) ^a	44.8
Upper middle-income poverty rate (\$6.85) ^a	79.7
Gini index ^a	40.7
School enrollment, primary (% gross) ^b	106.8
Life expectancy at birth, years ^b	67.6
Total GHG emissions (mtCO2e)	0.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2021).

São Tomé and Príncipe (STP)’s economy is expected to stagnate, with GDP growing only by 0.5 percent in 2023, due to persistent power shortages and high commodities prices. As a result, extreme poverty is expected to increase. In the medium term, reforms supported by the new IMF program will help restore macro-stability and unlock growth potential. Delays in the implementation of energy reforms are the main risks to the outlook.

STP is a fragile and small island state constrained by remoteness, a small private sector, limited institutional capacity, and scarce human capital. Underdeveloped infrastructure, particularly unreliable and costly electricity, is a key challenge to growth and fiscal sustainability. STP is highly dependent on external concessional financing and has primarily pursued a “public expenditure-led” growth model. This model has become unsustainable due to the decline and volatility of grants. STP is especially vulnerable to climate change due to the high risk of drought, coastal erosion, and flooding.

In recent years, economic growth has slowed significantly due to the lingering effects of the COVID-19 pandemic, persistent power outages, climate shocks, and high commodity prices triggered by the heightened global geopolitical tensions. Also, delays in external financing disbursements reduced foreign exchange reserves to critical levels. The new government is committed to implement the needed structural reforms to restore macroeconomic stability and promote growth, particularly energy reforms. The authorities have introduced new fiscal measures such as the value-added tax (VAT) and fuel price adjustments. The government has also requested a new IMF program to support the reform agenda, which is also expected to mobilize additional concessional financing.

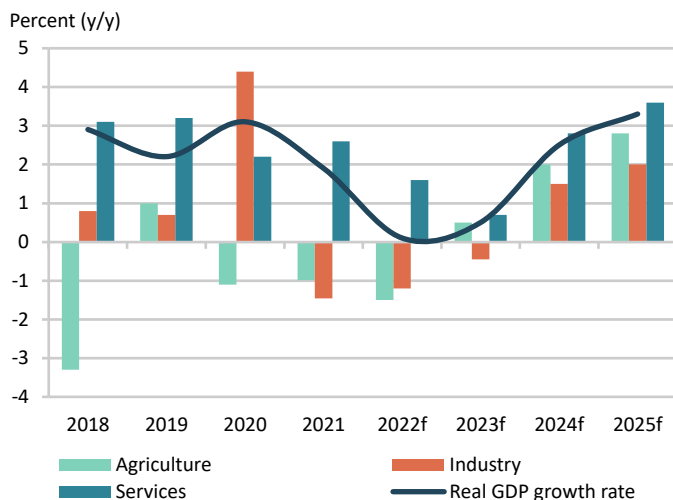
The main risks result from continued power shortages due to non-implementation of the energy reforms, higher commodity prices, lower external financing, slow recovery of the tourism sector. In addition, adverse climate events could continue to undermine the primary sector, affecting food production and exports.

Recent developments

Growth is estimated to have decelerated in the first half of 2023 due to recurrent energy shortage, aggravated by severe fuel shortages, and high commodities prices (food and fuel). Thus, the economy is expected to expand by only 0.5 percent driven by the rebound of the tourism sector, as monthly tourist arrivals have increased from 1,339 in January 2022 to 2,172 in January 2023. Tourism recovery is being propelled by the additional flight connections to STP and the complete removal of pandemic restrictions. In addition, higher global growth is driving strong demand for cocoa and palm oil, which lifted total goods exports by 5.8 percent year-on-year in June 2023.

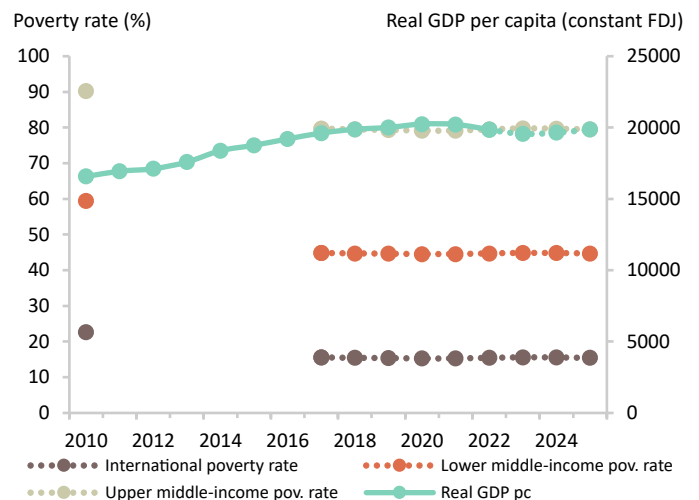
The current account deficit (CAD), excluding grants, has narrowed from US\$ 20.2 million to US\$ 15.6 million year-on-year in the first quarter of 2023 (H1) due to higher agricultural and tourism exports growth, which helped to partially offset the higher costs of imports, particularly food, fuel, and fertilizers. However, the lower-than-expected external financing disbursements have decreased net international reserves

FIGURE 1 São Tomé and Príncipe / Real GDP growth and contributions to real GDP growth



Sources: São Tomé and Príncipe authorities' data and IMF and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

from US\$ 23.3 million (equivalent to 1.5 months of imports) in April 2022 to US\$ 12.3 million (0.8 months of imports) in May 2023 after being topped up by a currency swap between the central bank and Afreximbank in the amount of US\$ 30 million. This transaction also aimed to protect the currency peg to the euro.

Fiscal performance has deteriorated due to a decline of 22.3 percent in grants in H1. But it is expected to improve due to the introduction of VAT, and resumption of grants disbursements. Public expenditures will be contained by a front-loaded fiscal adjustment under the new IMF program. As such, the domestic primary deficit (excluding oil and grants) is projected to reduce significantly from 5.7 percent in 2022 to 2.4 percent in 2023. Similarly, public debt will decrease from 92.3 percent to 89.2 percent of GDP over the same period. Inflation remained high at 25.4 percent in June 2023, reflecting continued pressure on prices of imported goods, and the fuel price adjustments in mid-2023. These dynamics are likely to further increase extreme poverty which is already high with 15.5 percent of the population living on

less than US\$2.15 per day (in 2017 PPP terms) in 2022.

Outlook

Real GDP growth is expected to recover to 2.5 percent in 2024 supported by a dynamic agricultural sector, stronger tourism rebound and continued implementation of externally funded infrastructure development projects. The CAD is projected to slightly narrow to 17.9 percent of GDP boosted by gains from cocoa and palm oil exports, expansion of tourism services along with a moderate decline in the import of oil products as the energy sector becomes more efficient.

The country's fiscal position is expected to further improve in 2024, thanks to the introduction of VAT in June 2023. Moreover, the implementation of the planned energy reforms as well as the gradual resumption of fiscal consolidation supported by the IMF program will contribute to a domestic primary surplus of around 0.5 percent of GDP in 2024. These measures

are projected to drive a moderate decline in public debt in the medium term. While the introduction of the VAT is likely to lead to a temporary increase in prices, inflation is projected to drop to 7.2 percent by the end of 2024, owing to the continued support of the peg by the Central Bank and lower commodity price pressure. However, without appropriate welfare monitoring and targeted social support following the introduction of the VAT, the share of people living in extreme poverty is expected to slightly increase in 2023 and poverty reduction could stagnate in 2024, despite the positive growth prospects.

The outlook is subject to significant downside risks. Delays in the implementation of overdue energy reforms could intensify power shortages. Additional risks stem from the slower implementation of externally funded infrastructure projects which could subdue industrial activity and undermine economic growth. Further delays on the new IMF program could lead to uncertainty on external financing. Moreover, climate-related events could also strain the agricultural and fisheries sectors.

TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	3.1	1.9	0.1	0.5	2.5	3.3
Real GDP growth, at constant factor prices	2.3	1.6	0.9	0.5	2.5	3.3
Agriculture	-1.1	-1.0	-1.5	0.5	2.0	2.8
Industry	4.4	-1.5	-1.2	-0.5	1.5	2.0
Services	2.2	2.6	1.6	0.7	2.8	3.6
Inflation (consumer price index)	9.4	9.5	25.2	15.4	7.2	5.0
Current account balance (% of GDP)	-11.3	-18.6	-16.0	-19.3	-17.9	-16.6
Fiscal balance (% of GDP)	-4.9	-6.0	-6.1	-4.9	-2.9	-1.0
Revenues (% of GDP)	26.0	19.7	21.8	19.4	20.9	21.4
Debt (% of GDP)	87.6	91.6	92.3	89.2	86.5	84.2
Primary balance (% of GDP)	-4.5	-5.8	-5.6	-4.6	-2.5	-0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	15.3	15.3	15.5	15.6	15.5	15.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	44.5	44.5	44.7	44.9	44.8	44.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	79.1	79.2	79.5	79.8	79.7	79.5
GHG emissions growth (mtCO₂e)	1.2	0.9	0.6	1.0	1.6	1.8
Energy related GHG emissions (% of total)	37.0	37.1	37.1	37.4	38.0	38.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ 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: 2018-2022. Forecasts are from 2023 to 2025.

b/ Actual data: 2017. Nowcast: 2018-2022. Forecasts are from 2023 to 2025. Actual data: 2017. Nowcast: 2018-2022. Forecasts are from 2023 to 2025.

SENEGAL

Table 1 **2022**

Population, million	17.3
GDP, current US\$ billion	27.7
GDP per capita, current US\$	1598.7
International poverty rate (\$2.15) ^a	9.2
Lower middle-income poverty rate (\$3.65) ^a	37.6
Upper middle-income poverty rate (\$6.85) ^a	74.4
Gini index ^a	38.3
School enrollment, primary (% gross) ^b	81.2
Life expectancy at birth, years ^b	67.1
Total GHG emissions (mtCO2e)	36.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth is projected to slow to 4.1 percent in 2023, reflecting the impact of domestic social unrest, while the fiscal deficit should narrow to 4.9 percent of GDP, following a commitment to fiscal consolidation. Growth should rebound to 8.8 percent in 2024 driven by hydrocarbon production. Risks are tilted to the downside, including persistent inflation, a delay of hydrocarbon production, failure to eliminate energy subsidies and domestic and regional instability.

Key conditions and challenges

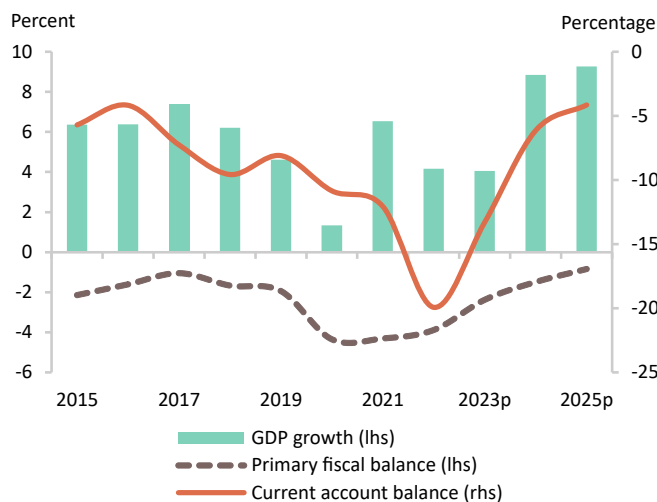
The implementation of the Emerging Senegal Plan has resulted in economic growth averaging 6 percent between 2014 and 2019, thanks to the dynamism of the agriculture and services sectors coupled with public and private investment in infrastructure. This has contrasted with persistent structural weakness, including productivity stagnation, limited human capital, slow poverty reduction, and increasing informality. Recent external shocks and inflation due to spillovers from Russia's invasion of Ukraine and political tensions linked to the 2024 Presidential elections have led to an upsurge in social unrest, leading to the periodic closure of businesses that disproportionately affects the service sector, deterring domestic and foreign investment. The situation is further exacerbated by growing regional instability, with multiple coups in neighboring countries, creating a more unpredictable outlook that threatens to undermine efforts to reduce poverty. Persistent inflationary pressures have reduced households purchasing power, particularly for the most vulnerable, which have less flexibility to access alternative sources of income while tightening financial market conditions continue to drive up the cost of debt service and investment. Regressive energy subsidies remain significant, to the detriment of social and investment spending. The June

2023 Debt Sustainability Analysis assessed Senegal at moderate risk of debt distress with limited fiscal space to absorb shocks. Interest payments have risen rapidly in recent years, totaling 8.4 percent of public spending in 2022. Putting debt on a downward trajectory would require improved governance and enhanced public expenditures efficiency, creating space for more targeted social spending.

Recent developments

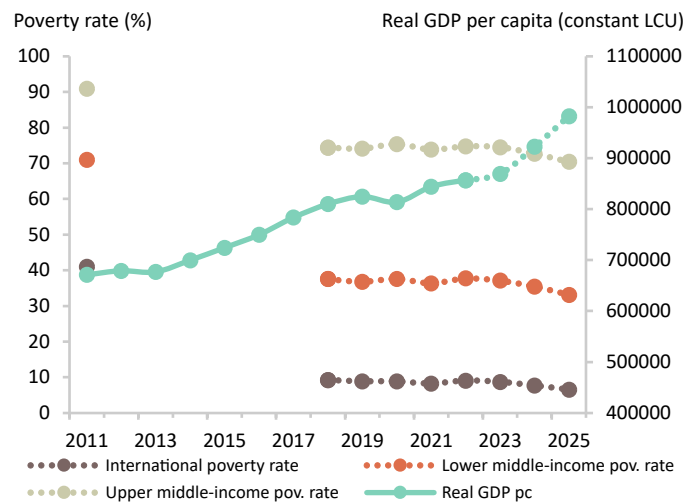
Senegal's GDP is expected at 4.1 percent in 2023 (1.4 percent per capita), with a downward revision from the previous MPO forecast of 4.7 percent growth reflecting the impact of social unrest in advance of elections in 2024, combined with higher inflation and monetary tightening. Social unrest has disrupted key sectors, reducing consumer spending and investment. The ICT and financial sectors are also set to contract, and foreign investment could decline, hampering growth prospects. Growth in the agriculture sector should be bolstered by a good rainy season and an increase in budgeted support services to FCFA 100 billion. Using the international low middle income poverty line of \$3.65 per person a day, poverty is expected to slightly decline to 37.1 percent in 2023 from 37.7 percent in 2022. The moderation in the downward trend is due to inflation remaining high (projected to average 5 percent at end-2023) while growth is expected to rebound in per capita terms in

FIGURE 1 Senegal / Evolution of main macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

the agricultural sector, which employs 28 percent of the workforce, 51 percent of rural workers, and 48 percent of workers in poverty. Poverty could decline faster if the coverage and amount of social assistance payments increases, notably from savings due to the elimination of costly, regressive energy subsidies.

To counter inflation across WAEMU countries, the Central Bank of West African States raised policy interest rates by a cumulative 125 basis points since the start of 2022 to 3.25 percent for liquidity calls and 5.25 percent for the marginal lending facility. However, the monetary policy stance remains broadly accommodative, inflation is still above target, and foreign exchange reserves have been on a downward trend.

The fiscal balance is projected to narrow to 4.9 percent of GDP in 2023. While the authorities are committed to fiscal consolidation, expected tax policy reforms and the phasing out of costly, regressive energy

subsidies look slower than anticipated, resulting in less financial resources channeled towards government social and investment priorities. The current account deficit (CAD) is projected to narrow to 13.3 percent in 2023, with the resumption of trade with Mali and the gradual decline in investment in the hydrocarbon sector.

Outlook

Growth is expected to increase to 8.8 percent in 2024 and 9.3 percent in 2025, driven by hydrocarbon production and public and private investments. Inflation is expected to gradually decline to 2 percent by 2025, relieving pressure on financing rates and enabling poverty reduction. The fiscal deficit is expected to meet the regional convergence criteria of 3 percent of GDP by 2025, thanks to fiscal consolidation efforts. As a result, public debt is set to decline to

69.1 percent by 2025 from 75.0 percent in 2022. The CAD is projected to narrow over the medium term to 4.2 in 2025, supported by hydrocarbon exports.

The combination of rising growth, accelerated by the production of hydrocarbons, good agricultural performance, and a decline in inflation to the 3 percent regional target should lead to a significant decline in poverty in 2024, with the incidence reaching 33.1 percent in 2025. However, sustaining more inclusive growth requires greater investment in human capital and adaptive social protection systems to help the vulnerable cope with shocks, along with a phasing out of regressive energy subsidies and more sustained domestic revenue mobilization efforts. Other risks to the outlook include a further delay in hydrocarbon production, poor agriculture performance due to climate variability, high regional interest rates persistent inflation, and continued social instability.

TABLE 2 Senegal / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.3	6.5	4.2	4.1	8.8	9.3
Private consumption	2.3	3.1	2.9	2.0	6.0	6.4
Government consumption	0.8	13.3	6.4	6.2	6.1	5.5
Gross fixed capital investment	7.2	16.5	7.2	8.1	10.7	11.5
Exports, goods and services	-13.2	22.6	8.1	8.3	15.1	18.2
Imports, goods and services	7.0	15.5	23.8	5.7	6.9	8.9
Real GDP growth, at constant factor prices	1.9	6.3	3.9	4.1	8.8	9.3
Agriculture	12.2	0.6	-1.4	5.2	5.5	5.6
Industry	-1.5	7.8	1.1	3.2	16.9	22.3
Services	0.6	7.5	6.7	4.1	6.3	4.4
Inflation (consumer price index)	2.5	2.2	9.6	5.0	3.0	2.0
Current account balance (% of GDP)	-10.9	-12.1	-19.9	-13.3	-6.1	-4.2
Fiscal balance (% of GDP)	-6.4	-6.3	-6.1	-4.9	-3.9	-3.0
Revenues (% of GDP)	20.1	19.5	20.5	21.5	22.0	22.3
Debt (% of GDP)	69.1	73.3	75.0	75.9	71.9	69.1
Primary balance (% of GDP)	-4.3	-4.3	-3.9	-2.4	-1.5	-0.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	8.8	8.2	9.1	8.7	7.7	6.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	37.6	36.4	37.7	37.1	35.4	33.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	75.4	73.9	74.8	74.5	72.7	70.4
GHG emissions growth (mtCO₂e)	0.9	5.2	2.6	2.5	5.1	5.0
Energy related GHG emissions (% of total)	25.5	27.0	28.0	28.9	30.5	32.3

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 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

SEYCHELLES

Key conditions and challenges

Table 1 2022

Population, million	0.1
GDP, current US\$ billion	1.6
GDP per capita, current US\$	15931.5
International poverty rate (\$2.15) ^a	0.5
Lower middle-income poverty rate (\$3.65) ^a	1.2
Upper middle-income poverty rate (\$6.85) ^a	6.7
Gini index ^a	32.1
School enrollment, primary (% gross) ^b	99.3
Life expectancy at birth, years ^b	73.4
Total GHG emissions (mtCO2e)	0.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

GDP growth is expected to slow to around 4 percent in the medium-term, given reduced tourism receipts; and moderate global prices are expected to ease inflation. Slower growth is projected to marginally reduce poverty to 5.6 percent of the population in 2023. The government's effort to maintain fiscal sustainability while increasing resilience in the fisheries and tourism sectors is expected to keep the economy on a stronger footing in the medium term.

A rebound in tourism, coupled with prudent fiscal management, has supported the Seychelles' quick economic recovery from the COVID-19 pandemic. The tourism recovery and inflows of foreign exchange contributed to strengthen the Seychelles' currency, offsetting imported food and fuel inflation, and helping contain annual inflation in 2023. The rollback of COVID-19 supports measures, including a reduced wage bill and the scaling back of social programs, reduced spending and helped contain inflation.

However, the Seychelles remains vulnerable to external shocks. A global slowdown or a sudden drop in tourist arrivals could have severe negative impacts on growth. The decline of tourism-led foreign exchange inflows could spill over into a sharp weakening of the Seychelles rupee, with a high pass-through to inflation. Weaker prospects for external grants may limit financing options and weaken the balance of payments. Moreover, financial stability risks may arise from further increases in non-performing loans due to large exposures and credit concentration. Sustaining high growth and macroeconomic stability requires increased efforts to address the country's high vulnerability to climate shocks. More than 4 percent of Seychelles' budget goes towards climate resilience measures, including strategic investments to address coastal

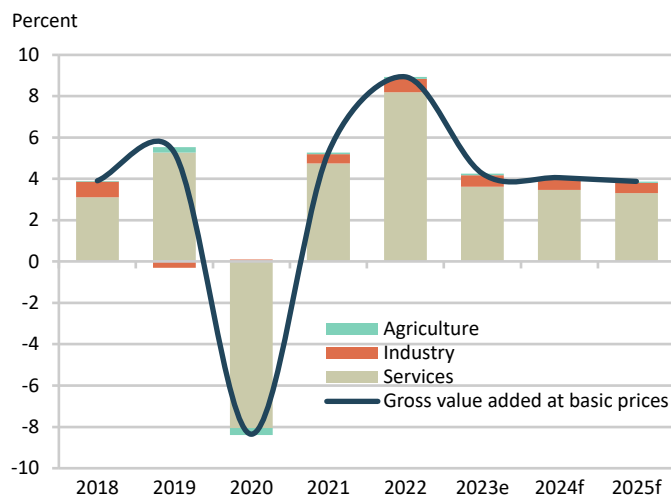
flooding, erosion, and ecosystem degradation. Also, an environment levy on visitors was approved in the 2023 Budget. Seychelles aims to strengthen its climate resilience using mostly concessional financing, complemented by private sector efforts, given the country's clear climate change strategies and commitments and a public-private partnership law that can facilitate investment in green energy and eco-friendly transport.

Wage income has played a crucial role in reducing poverty levels, as more households participate in the labor market. Unfortunately, the rapidly growing rate of drug and alcohol addiction is becoming a challenge to labor market participation. This is increasing the country's reliance on migrant workers to sustain its growing tourism industry.

Recent developments

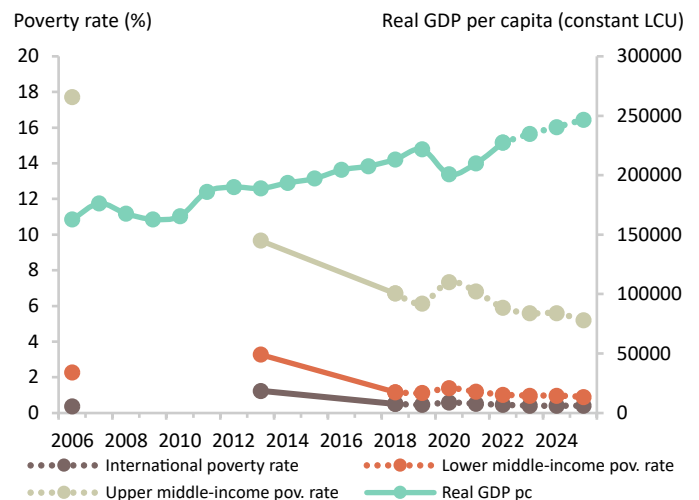
Real GDP is expected to grow by 4.3 percent in 2023, compared to 9 percent in 2022, owing to slower tourism growth. As of July 2023, tourist arrivals were 201,028, or about 93 percent of 2019 levels. The inflation rate contracted by 2 percent in July 2023, owing to continued currency appreciation, helped by declining global food and fuel prices. The Seychelles rupee appreciated to SRs13.5 per US dollar in 2023 from SRs14.3 per US dollar in 2022, owing to the robust performance of the tourism industry, which has resulted in sustained foreign exchange inflows.

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

The current account deficit is estimated to increase from 7.6 percent in 2022 to 9.5 percent of GDP in 2023, as tourism inflows moderate and imports rise, reflecting a rebound in capital investments. Foreign exchange reserves stood at US\$728 million (3.1 months of imports) as of July 2023, due to higher foreign exchange demand for goods and services imports. The fiscal deficit increased from 1.6 percent of GDP in 2022 to 3 percent in 2023, reflecting an increase in capital expenditure due to some new projects financed by grants (a drug rehabilitation center, and a new hospital on La Digue island). Revenues remain buoyant, supported by efforts to improve tax administration and compliance through the Tax Amnesty Programme. Lower spending on wages and social programs, coupled with delayed capital spending helped reduce financing needs in 2022, contributing to lower public debt to 68.3 percent of GDP in 2023 from 69.9 percent of GDP in 2022.

Slower economic growth is also reflected in employment numbers. In 2023Q1, total employment increased by 3.7 percent while average earnings increased by 0.4 percent

compared to 2022Q1, leading to a slight decrease in poverty levels, from 5.9 percent in 2022 to 5.6 percent in 2023.

Outlook

The outlook remains positive; however, a slowdown in GDP growth of 4 percent is expected in 2023-24, reflecting weak tourism earnings. The outlook for tourism earnings is subject to downside risks based on global developments that could lead to both lower arrivals and reduced spending by tourists. Growth will be supported by efforts to increase climate resilience in fisheries management while investing in new fish-processing units, and hotels (as well as renovation of existing establishments).

The ICT sector is expected to remain strong, in line with rapid increases in data traffic. A steady recovery is also expected in transportation and storage activities. Average inflation is projected to average 1.7 percent in the medium term, reflecting a moderation in global energy and food prices and recovering private consumption. The Seychelles

rupee is expected to remain strong at SRs13.3 per US dollar by end-2024, supported by modest flows of foreign exchange into the tourism sector. The current account deficit is projected to average 10.4 percent of GDP in the medium term, due to lower tourism inflows and a decline in foreign direct investment inflows to hotels and resorts. The deficit will be financed by concessional loans and domestic borrowing. Foreign exchange reserves are projected to reach 3.6 months of imports by the end of 2024.

Continued fiscal consolidation is expected to put the country in a stronger fiscal position and improved investor confidence. A planned increase in the wage bill of 0.6 percent of GDP would be partially financed by cuts in allowances. The government will continue its targeted program of social support and temporary cash transfers to protect the most vulnerable and empower Seychellois to get well-paying jobs. Ongoing reforms to the social protection system will ensure its sustainability and promote increased labor force participation of working-age beneficiaries. This would contribute to reducing poverty.

TABLE 2 Seychelles / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-7.7	5.4	9.0	4.3	4.1	3.9
Private consumption	-5.1	4.2	6.6	6.5	6.0	3.5
Government consumption	17.0	7.3	2.6	1.2	1.4	1.4
Gross fixed capital investment	-11.4	3.3	2.8	1.9	1.3	0.9
Exports, goods and services	-25.2	9.2	9.2	2.6	2.2	3.4
Imports, goods and services	-15.5	7.7	3.1	2.0	1.4	1.2
Real GDP growth, at constant factor prices	-8.4	5.3	8.9	4.3	4.1	3.9
Agriculture	-12.5	3.1	3.5	3.1	2.9	2.7
Industry	0.6	2.5	3.7	3.3	3.1	3.0
Services	-10.0	6.0	10.3	4.5	4.3	4.1
Inflation (consumer price index)	1.2	9.8	2.6	0.9	1.4	2.0
Current account balance (% of GDP)	-14.0	-11.0	-7.6	-9.5	-10.1	-10.8
Net foreign direct investment inflow (% of GDP)	11.4	12.4	14.2	12.6	13.2	17.5
Fiscal balance (% of GDP)	-18.2	-6.4	-1.6	-3.0	-2.4	-1.4
Revenues (% of GDP)	35.2	36.1	33.7	35.8	36.3	35.9
Debt (% of GDP)	91.9	81.3	69.9	68.3	66.8	64.7
Primary balance (% of GDP)	-15.2	-3.2	0.7	-0.4	0.2	1.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.6	0.5	0.5	0.4	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	1.4	1.2	1.0	1.0	1.0	0.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	7.3	6.8	5.9	5.6	5.6	5.2
GHG emissions growth (mtCO₂e)	-17.3	16.8	17.4	3.2	2.5	3.6
Energy related GHG emissions (% of total)	76.0	79.0	81.7	81.9	82.0	82.2

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 2018-HBS. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

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

SIERRA LEONE

Key conditions and challenges

Table 1	2022
Population, million	8.6
GDP, current US\$ billion	3.9
GDP per capita, current US\$	457.4
International poverty rate (\$2.15) ^a	26.1
Lower middle-income poverty rate (\$3.65) ^a	64.3
Upper middle-income poverty rate (\$6.85) ^a	89.9
Gini index ^a	35.7
School enrollment, primary (% gross) ^b	156.4
Life expectancy at birth, years ^b	60.1
Total GHG emissions (mtCO2e)	9.7

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

The economy has been set back by a combination of exogenous shocks and policy slippages. Loose monetary and fiscal policies have aggravated the impact of exogenous shocks, resulting in soaring inflation, exchange rate pressures, and a rapid debt buildup. Record inflation has precipitated a cost-of-living crisis and intensified food insecurity. Looking ahead, a sustained growth momentum and a credible commitment to fiscal discipline will be crucial for restoring macroeconomic and social stability.

Economic development has been constrained by concurrent shocks and periods of weak economic management. Growth has been slower and more volatile during the past decade than before. Economic activities have remained concentrated in low-value-added agriculture, mining, and informal services, reflecting policy and institutional weaknesses in creating an enabling business environment and the prevalence of weak accountability and vulnerability to exogenous shocks. The COVID-19 pandemic and spillovers from the Russian invasion of Ukraine have exacerbated economic deterioration, with GDP growth slowing during 2020-2022 to less than 1/3rd of pre-pandemic average (2017-2019). Macroeconomic management remains challenging. Fiscal and debt pressures have significantly intensified, while inflation has soared, driven by global supply shocks, and exchange rate depreciation. A rise in cost of living combined with weak growth threatens to increase poverty. Higher prices have squeezed household budgets, and poverty, food insecurity have worsened (affecting 57 percent of the population), affecting social and political stability.

Recent developments

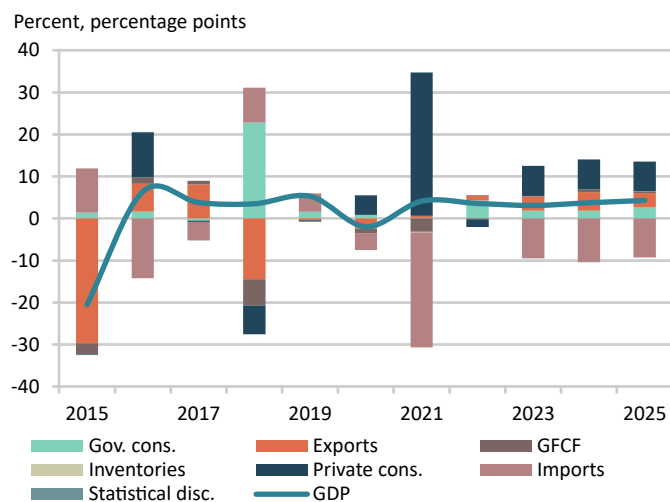
Economic growth surprised on the upside in 2022 due to strong mining production

and fiscal overspend. GDP growth was estimated at 3.6 percent in 2022, only marginally lower than the post-pandemic rebound in 2021 (4.1 percent). This higher-than-expected growth was driven by robust agriculture, gains in iron-ore mining, and government spending, although the latter invoked higher inflation and fiscal deterioration. Preliminary 2023 data indicates that the growth momentum may have stalled as persistent inflationary pressures have eroded household consumption.

Inflationary pressures have persisted amidst a combination of global shocks, and policy slippages. Headline inflation averaged 27 percent while the Leone depreciated by over 40 percent during 2022 on the back of higher import prices and monetization of the fiscal deficit. These pressures have persisted in 2023, with inflation rising to a 26-year high of 44.9 percent (y-o-y) in July (the third highest in Sub-Saharan Africa) and the Leone depreciating further by 15 percent year-to-date. Food inflation rose to 60 percent y-o-y in July 2023. The Bank of Sierra Leone has raised rates since the start of 2022 by 500bps to 19.25 percent, but monetary policy effectiveness was limited by shallow financial markets and fiscal dominance.

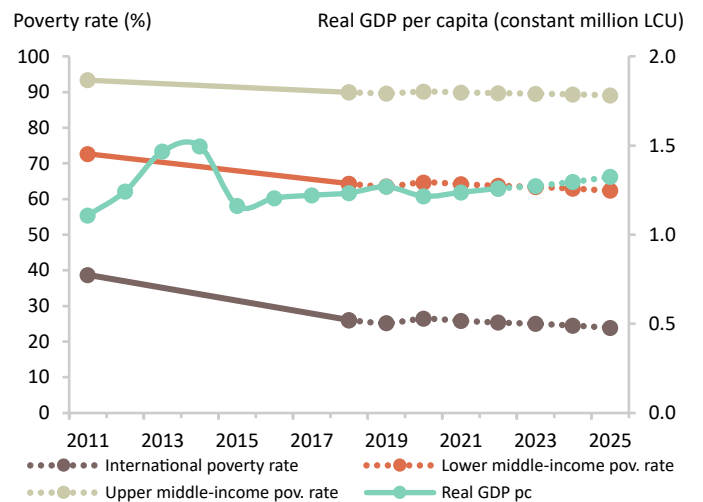
The fiscal position has worsened and risks to debt sustainability have intensified. The fiscal deficit widened to 9.6 percent of GDP in 2022 – 2pp higher than in 2021 – driven largely by higher-than-budgeted expenditures at 28.9 percent of GDP (7.7pp above target). Revenues came in slightly lower

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



Sources: Statistics Sierra Leone and World Bank.

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



Source: World Bank. Notes: see Table 2.

than expected (1.1pp below target). The excess deficit was financed domestically, aided by BSL interventions in the secondary market. By end-2022, public debt rose to 96 percent of GDP (from 85 percent in 2021) and risks to debt sustainability had considerably intensified. External debt, mainly owed to multilaterals, constituted 2/3rd of the total; while the remaining is high-interest, short-term domestic debt. In early 2023, the government began tightening its policy stance to restore macro stability – this included expenditure restraint and the enactment of a revised Finance Act to improve revenue collections. These efforts facilitated the completion of a delayed IMF-ECF program review by its Board in June 2023. The trade balance has improved marginally due to stronger exports. Exports grew by 50 percent during 2022 – and further by 19 percent-o-y during the first half of 2023 – largely due to iron-ore. The current account deficit narrowed slightly to 8.5 percent of GDP in 2022, despite higher imports prices. However, gross reserves declined to 4 months of imports in 2022 (from 6 in 2021) and further to 3 months by August 2023 as capital inflows

were insufficient, and as the BSL intervened to contain currency depreciation. Although international poverty (US\$2.15/person/day 2017 PPP) rates have declined since 2020, it remains higher than the pre-pandemic levels. The international poverty is projected at 25 percent in 2023, nearly the same level as 2019, due largely to the cumulative effects of economic contraction in 2020, followed by rising inflation, particularly food inflation which disproportionately affects the poor.

Outlook

Growth is projected to decelerate to 3.1 percent in 2023 against a backdrop of high inflation and fiscal consolidation, before converging to its long-term average of 4-4.5 percent in the medium-term. The projected recovery will be supported by mining and agricultural growth, and the gradual restoration of macro stability with a more supportive fiscal stance. Inflation will be influenced by global commodity prices and is expected to moderate only to 14.3 percent by 2025.

Maintaining fiscal discipline will be crucial in restoring macroeconomic stability and is contingent on the government's adherence to its stated reforms, including (i) sharp expenditure consolidation, followed by continued revenue mobilization efforts, and (ii) gradual reduction in net credit to government.

Poverty is expected to decrease gradually as households regain their purchasing power, to 23.9 percent in 2025 (US\$2.15/person/day). The economy's outlook is tied to a limited number of exports, mostly minerals. However, the mining sector is capital intensive and has a limited impact on poverty reduction which requires higher agricultural productivity, infrastructure development, and human capital investments.

This outlook is subject to several downside risks. Recent fiscal slippages have raised concerns about budget credibility and macro stability. Risks to debt sustainability will remain elevated until fiscal balances improve further, and the reliance on expensive domestic borrowings is addressed. Severe climate vulnerabilities and inflation could increase food insecurity and social tensions and affect reform appetite.

TABLE 2 Sierra Leone / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-2.0	4.1	3.5	3.1	3.7	4.3
Private consumption	5.4	36.7	-1.5	6.2	6.0	5.8
Government consumption	2.7	0.6	13.7	5.5	5.2	7.4
Gross fixed capital investment	-9.6	-30.0	-3.3	2.2	8.6	5.2
Exports, goods and services	-9.8	1.9	5.0	15.0	18.0	12.0
Imports, goods and services	7.5	46.6	-0.3	11.9	12.0	9.9
Real GDP growth, at constant factor prices	-2.0	4.0	3.6	3.1	3.7	4.3
Agriculture	1.6	2.5	3.0	2.7	3.2	3.3
Industry	-7.1	17.4	8.2	5.0	6.0	6.6
Services	-5.8	2.8	3.3	3.2	3.7	5.0
Inflation (consumer price index)	13.5	11.9	27.0	35.0	19.8	14.3
Current account balance (% of GDP)	-6.8	-8.7	-8.5	-7.2	-6.6	-5.9
Net foreign direct investment inflow (% of GDP)	3.3	8.5	8.5	6.4	5.6	4.1
Fiscal balance (% of GDP)	-6.7	-7.6	-9.6	-5.9	-3.8	-4.3
Revenues (% of GDP)	19.0	21.1	19.6	19.9	22.4	22.6
Debt (% of GDP)	78.0	84.7	96.3	88.0	79.0	77.3
Primary balance (% of GDP)	-3.7	-4.2	-6.2	-1.4	1.7	1.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	26.4	25.9	25.4	25.0	24.5	23.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	64.6	64.2	63.7	63.4	62.9	62.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.1	89.9	89.7	89.6	89.3	89.1
GHG emissions growth (mtCO₂e)	-1.4	0.8	3.2	2.4	2.9	3.3
Energy related GHG emissions (% of total)	9.1	9.1	8.7	8.4	8.1	7.8

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-SLIHS and 2018-SLIHS. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projection using point-to-point elasticity (2011-2018) with pass-through = 0.4 based on GDP per capita in constant LCU.

SOMALIA

Table 1 **2022**

Population, million ^a	15.6
GDP, current US\$ billion ^b	10.4
GDP per capita, current US\$	667.3
Gini index ^c	35.2
School enrollment, primary (% net) ^c	25.0
Life expectancy at birth, years ^d	55.3
Total GHG emissions (mtCO2e)	42.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Estimates based on 2013 population estimates by UNFPA and assume an average annual population growth of 2.8%.
 b/ Somalia released new GDP series (2017-22) in June 2023, rebasing the old series.
 c/ Somalia Integrated Household Budget Survey 2022 (SNBS, 2023).
 d/ Most recent WDI value (2021).

The economy is expected to record a modest recovery due to improved agriculture conditions and easing inflation. Real GDP growth is projected at 3.1 percent in 2023, picking up after a prolonged severe drought and high commodity prices. Better rains are boosting agriculture production and private consumption. Food inflation slowed to 3.6 percent in January-July 2023 from a double-digit rate a year ago. Nevertheless, poverty remains high and widespread, estimated at 73 percent in 2023.

Key conditions and challenges

Somalia continues to contend with increasingly frequent shocks in the context of widespread fragility, conflict, and violence. Recurrent climate-related shocks such as cycles of droughts, floods, locusts' infestation, higher international commodity prices, as well as increased insecurity and conflict have interrupted the country's growth trajectory and slowed the transition from fragility. Real GDP growth averaged only 2 percent per year in 2018–22, while real GDP per capita growth averaged -0.8 percent per year. Repeated shocks have eroded households' asset base and purchasing power, increasing the risk of more people falling into poverty. Labor force participation rates are exceptionally low with large gender gaps. Only one-third of men and 12 percent of women participate in the labor market. Accelerating the momentum in building institutions and developing resilience is fundamental for growth, poverty reduction, and transition from fragility.

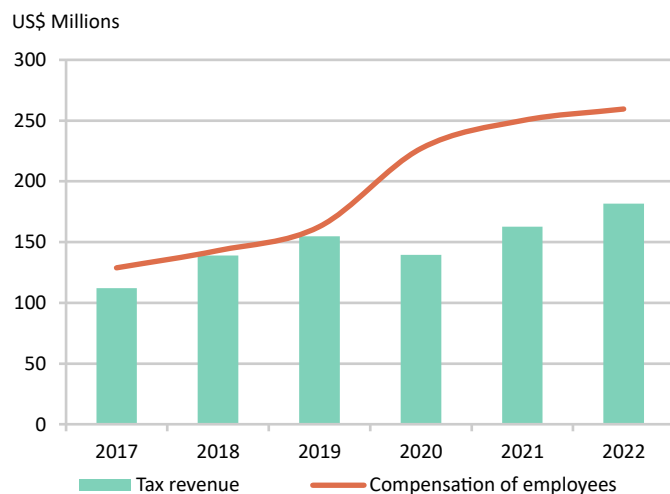
Somalia is anticipated to reach the Completion Point of the Heavily Indebted Poor Countries (HIPC) initiative by the end of 2023. Somalia will then receive full and irrevocable debt relief. To avoid falling back into debt distress once the country is again able to borrow to finance development needs, the government will need to rely solely on concessional finance and carefully manage public debt.

Currently, the government has limited fiscal space to respond to shocks and development priorities, including taking over the provision of security services as the withdrawal of the African Union Peacekeeping Mission (ATMIS) continues through 2024. The country therefore needs to continue strengthening its macroeconomic stability, raise domestic revenues, prioritize public expenditures to promote economic growth and poverty reduction, and ensure that debt levels remain sustainable.

Recent developments

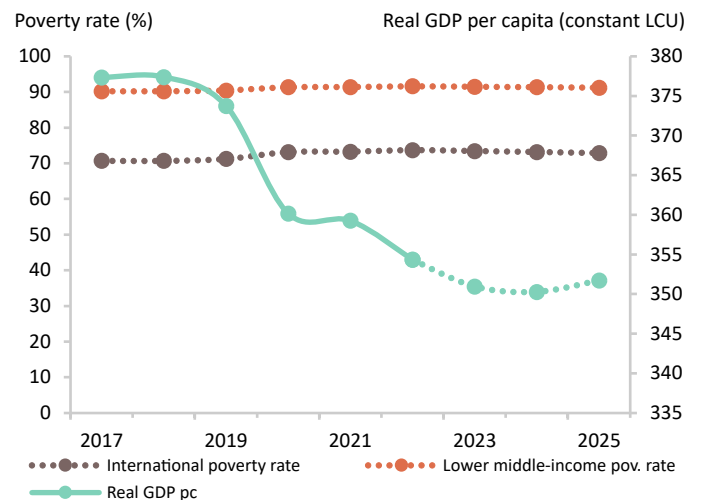
The economy is expected to record GDP growth of 3.1 percent (see Table 2) as the country emerges from the severe 2020/23 drought. The April–June Gu rainfall season is boosting agricultural production, reducing food insecurity, and supporting private consumption, the main driver of growth. Sustained growth in remittances and private sector credit contributed to strengthening of construction, real estate, and investment. Though improving, net exports continue to be a drag on growth because the economy remains heavily import-dependent. Moreover, livestock production, the main source of export earnings, will remain constrained as it will take longer for pastoralists to rebuild their herds, especially in the worst drought-affected areas. The trade deficit, estimated at 58 percent of GDP in 2023, will continue to be financed by official grants and remittances.

FIGURE 1 Somalia / Federal government of Somalia tax revenue and compensation of employees



Sources: Somalia Authorities and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

Price growth moderated in 2023, following high spikes in 2022. Overall inflation has eased to 6 percent in July 2023 (y-o-y) compared to 6.7 percent in July 2022, driven by declining food prices. The onset of a favorable 2023 Gu harvest season has resulted in continued easing of local staple food prices. Food inflation averaged 3.6 percent in the first seven months of 2023, compared to 13.9 percent during the same period in 2022. Similarly, global fuel and wheat prices have declined from their peaks in 2022. They declined by 27 percent and 20 percent in February - July 2023 respectively, compared to the same period in 2022.

The fiscal situation remains challenging. While domestic revenue mobilization has improved over time, it remains low. In the first half of 2023, overall domestic revenue collection reached 1.2 percent of GDP, compared to 1.1 percent a year ago. The Federal Government of Somalia (FGS) is constrained to finance its wage bill and transfers to Federal Member States (FMS). In 2022, domestic revenue provided for only 77 percent of spending on FGS wage bill and intergovernmental transfers, the rest was covered by external

grants. To improve fiscal sustainability and maintain prudent fiscal policy, the government will need to fast-track the numerous efforts underway to increase domestic revenue as well as constrain its wage bill and its reliance on external donor funds.

Poverty remains high. Projections based on GDP per capita growth suggest poverty has increased from 71 percent in 2017 to 73.7 in 2022, based on the 2017 poverty line. According to the 2022 Integrated Household Budget Survey, poverty rates are larger among the nomadic population, however, due to the country's high urbanization, the majority of the poor are in urban areas. While the international community has provided support in the form of food assistance, an expansion of social safety net programs, and support to informal settlers in urban areas, people remain vulnerable to falling below the poverty line. In a context of increasing global shocks, there are competing demands for limited ODA, underscoring the importance of Somalia strengthening resilience through advancing reforms to support growth, food security, and the provision of basic services.

Outlook

Medium-term recovery is projected to be modest as risks remain significant. Real GDP growth is projected to expand to 3.5 percent in 2024 and 3.8 percent in 2025, slightly outpacing the estimated population growth of 2.8 percent. Economic reforms and post-HIPC investor confidence should attract FDI and encourage increased broad-based private sector activity, which will gradually boost the low domestic productive capacity. The growth projections are also anchored on a gradual recovery of the agriculture sector and continued easing of the global commodity prices. Nonetheless, the outlook is subject to significant risks including climatic shocks, security threats, and globaleconomicshocks.

The poverty rate is projected to remain at around 73 percent between 2023 and 2025. Accelerating the pace of poverty reduction will require policy interventions and public investments that raise productivity, strengthen resilience, create jobs, and expand pro-poor programs that focus on women and youth.

TABLE 2 Somalia / Macro poverty outlook indicators

(percent of GDP unless indicated otherwise)^a

	2020	2021	2022e	2023f	2024f	2025f
Real GDP growth, at constant market prices	-2.6	3.3	2.4	3.1	3.5	3.8
CPI Inflation, annual percentage change	4.3	4.6	6.8	4.2	3.8	3.6
Current Account Balance	-11.1	-9.7	-15.2	-12.8	-11.3	-11.8
Trade balance	-50.4	-50.9	-61.2	-58.5	-56.5	-57.8
Private remittances	17.4	21.5	20.6	21.6	22.2	23.1
Official grants	22.8	20.7	25.9	24.6	23.3	23.2
Fiscal Balance^b	0.3	-0.8	-0.1	-0.2	-1.2	-1.4
Domestic revenue	2.3	2.3	2.5	2.5	2.7	3.0
External grants	3.2	1.5	4.4	3.6	2.6	2.0
Total expenditure	5.2	4.7	7.0	6.3	6.5	6.4
Compensation of employees	2.5	2.5	2.5	2.5	2.4	2.4
External debt	42.5	35.6	31.3	4.9	6.1	7.2
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	73.1	73.3	73.7	73.4	73.2	72.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	91.4	91.4	91.6	91.5	91.4	91.2
GHG emissions growth (mtCO₂e)	-0.2	0.0	0.0	0.0	0.0	0.0
Energy related GHG emissions (percent of total)	1.6	1.6	1.6	1.6	1.7	1.7

Sources: Federal Government of Somalia, IMF, and World Bank staff estimates. Emissions data sourced from CAIT and OECD.

Notes: e = estimate; f = forecast.

a/ GDP baseline estimates 2020-22 are by Somalia National Bureau of Statistics (SNBS, June 2023).

b/ Federal Government of Somalia (FGS).

c/ Calculations based on Takamatsu et al. (2022) "Rapid Consumption Method and Poverty and Inequality Estimation in Somalia Revisited." Actual data: 2017. Nowcast: 2020-22. Forecasts are from 2023-25.

d/ Projection using neutral distribution (2017) with pass-through = 1 (High) based on GDP per capita in constant LCU.

SOUTH AFRICA

Key conditions and challenges

Table 1	2022
Population, million	59.9
GDP, current US\$ billion	405.3
GDP per capita, current US\$	6766.5
International poverty rate (\$2.15) ^a	20.5
Lower middle-income poverty rate (\$3.65) ^a	40.0
Upper middle-income poverty rate (\$6.85) ^a	61.6
Gini index ^a	63.0
School enrollment, primary (% gross) ^b	97.4
Life expectancy at birth, years ^b	62.3
Total GHG emissions (mtCO2e)	586.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

South Africa's economy is slowing sharply, hampered by the acute energy crisis, transport bottlenecks, and other structural constraints. Real GDP growth is projected at 0.5 percent in 2023 and around 1.5 percent over the medium term. Inflation is declining thanks to lower commodity prices and monetary policy tightening. Job creation is anticipated to remain weak, constraining poverty reduction. Fiscal policy remains prudent but spending pressures are elevated, especially ahead of general elections next year.

South Africa is stuck in a trajectory of low growth, high unemployment, high poverty, and high inequality, driven by a lack of structural reforms and inefficient investment in and management of public infrastructure. In the past two years, rolling scheduled power cuts (loadshedding) intensified exponentially, and to date in 2023, they already exceed the level reached in 2022. The overall cost of loadshedding is estimated at between 6 percent and 15 percent of GDP. Growing maintenance problems and infrastructure theft have also taken a toll on port and rail performance, affecting transport corridors and creating bottlenecks for trade. This weak growth is insufficient to generate jobs to reduce unemployment, poverty, and inequality, which remains among the highest in the world.

Macroeconomic policies are relatively sound. Fiscal policy has been prudent despite spending pressures, and monetary policy has tightened in response to rising inflation. The fiscal deficit declined from 9.9 percent of GDP in FY2020/21 to 4.2 percent of GDP in FY2022/23. The central bank gradually increased the policy rate from 3.5 percent in October 2021 to 8.25 percent in May 2023.

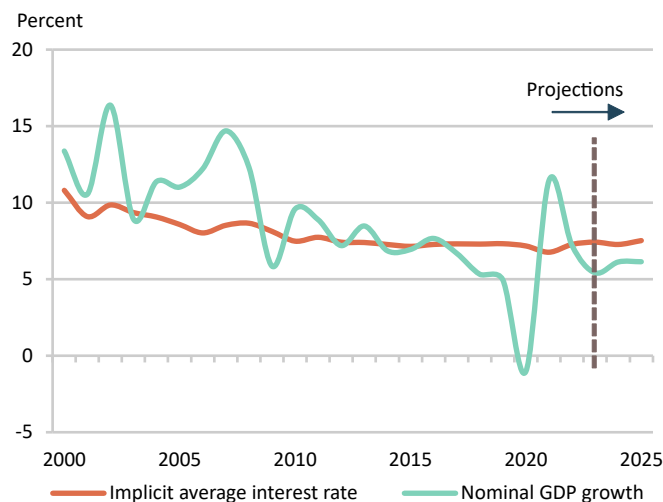
South Africa needs to grow faster to escape the middle-income trap; reduce unemployment, poverty, and inequality; and preserve long-term fiscal sustainability. Confronted with the emergency of the energy crisis, the

government has begun to act, but reforms need to be bolder and implemented faster. Raising productivity will require investing in public infrastructure and human capital, promoting innovation, and strengthening institutions to restore private sector confidence. Given the limited fiscal space, improving the efficiency of public spending is also critical.

Recent developments

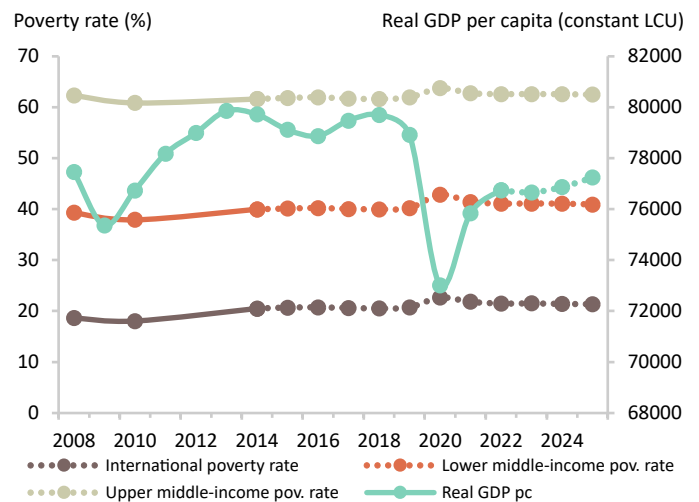
GDP growth declined to 1.9 percent in 2022 from 4.7 percent in 2021, and to 0.9 percent in 2023H1. On the spending side, household consumption continued to be the main growth driver, but its support is fading. It increased by 0.7 percent annually over the first half of 2023 against 2.5 percent in 2022. On the production side, services sectors have been the main drivers of growth over 2023H1. Mining and manufacturing have been particularly affected by loadshedding. The unemployment rate remains extremely high at 32.6 percent in June 2023 (42.1 percent when including discouraged job seekers). The labor absorption rate is low due to the weak economy. Based on the upper-middle-income poverty line, the poverty rate was estimated at 62.6 percent in 2022, with about 1.5 million more people living in poverty compared to 2019. Inflation is decreasing but remains above the central bank's 3-6 percent target range, averaging 6.6 percent in 2023H1. High fuel and food inflation has hit low-income households the hardest.

FIGURE 1 South Africa / Public debt dynamics are unfavorable



Sources: National Treasury, IMF WEO, and World Bank.

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



Source: World Bank. Notes: see Table 2.

The global environment has become less supportive and domestic factors have also contributed to the weakening of South Africa's external sector. Global risk aversion has resulted in rand depreciation and portfolio outflows, reinforced by the greylisting of the country by the Financial Action Task Force in February 2023. South Africa's terms of trade deteriorated by 15.3 percent between 2021Q2 (historical high) and 2023Q2. This, combined with domestic floods and strikes at the ports, led to a continued reduction in the trade surplus and a return to current account deficits of 0.5 percent of GDP in 2022 and 1.6 percent of GDP in 2023H1, financed by net financial inflows. International reserves increased by nearly \$1 billion over 2023H1, to US\$61.6 billion at the end of June. On the fiscal side, tax collection over April-July 2023 has been significantly weaker than over the previous two years.

Outlook

GDP growth is projected at 0.5 percent in 2023 and is expected to stabilize at

around 1.5 percent over the medium term as reforms in the energy sector are anticipated to support a reduction in loadshedding and a pick-up in activity. However, the slow pace of other structural reforms will continue to limit South Africa's growth potential. Inflation is projected to decrease progressively, from 6 percent in 2023 to 4.5 percent by 2025. The unemployment rate is projected to remain above 32 percent throughout the projection period and the poverty rate to decline only slightly to 62.5 percent by 2025. Lower commodity prices and transport bottlenecks are expected to continue to constrain the external sector, leading to persistent current account deficits slightly above 2 percent of GDP over the medium-term. These deficits are expected to be financed by net financial inflows.

The government is expected to continue restraining expenditure growth to reduce fiscal deficits, whose trajectory will be impacted by the debt-relief arrangement with Eskom and lower revenue because of weaker

commodity prices. The deficit is projected to reach 5.9 percent of GDP in FY2023/24 and to improve to 4.5 percent of GDP in FY2026/27, after the end of the Eskom deal. The public debt-to-GDP ratio is projected to increase, reaching 72.3 percent in FY2023/24 and 76.3 percent in FY2025/26.

Risks are significant. Externally, South Africa is exposed to portfolio flows reversals and increases in global interest rates. Higher energy prices could affect domestic inflation, complicating monetary policy in a context of weak domestic demand. The country is also vulnerable to climate shocks. Domestically, South Africa is vulnerable to a slowdown in structural reforms ahead of next year's elections. Fiscal risks are high, with spending pressures on public sector wages, social and state-owned enterprise transfers, and rising debt-service payments. Improving primary balances is critical to ensure debt sustainability in a context of unfavorable debt dynamics, as economic growth is projected to be lower than the average interest rate on public debt.

TABLE 2 South Africa / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-6.0	4.7	1.9	0.5	1.5	1.6
Private consumption	-6.1	5.8	2.5	0.7	1.9	1.5
Government consumption	0.9	0.5	1.0	2.1	0.5	0.9
Gross fixed capital investment	-14.6	0.6	4.8	5.3	4.8	4.2
Exports, goods and services	-12.0	9.1	7.4	3.2	3.0	3.0
Imports, goods and services	-17.6	9.6	14.9	6.0	4.5	3.5
Real GDP growth, at constant factor prices	-5.5	4.4	1.9	0.5	1.5	1.6
Agriculture	17.8	7.4	0.9	0.9	2.0	2.0
Industry	-12.1	6.2	-2.5	-1.6	0.5	1.1
Services	-4.1	3.8	3.4	1.1	1.8	1.7
Inflation (consumer price index)	3.3	4.5	6.9	6.0	4.9	4.5
Current account balance (% of GDP)	1.9	3.7	-0.5	-2.0	-2.1	-2.2
Net foreign direct investment inflow (% of GDP)	1.5	9.7	1.6	0.9	1.2	1.2
Fiscal Balance (% of GDP)^a	-9.9	-4.6	-4.2	-5.9	-5.5	-6.0
Revenues (% of GDP)	25.1	27.8	28.5	27.7	27.5	27.5
Debt (% of GDP)	70.1	67.9	71.2	72.3	73.8	76.3
Primary balance (% of GDP)	-5.7	-0.4	0.5	-0.9	-0.5	-0.8
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	22.6	21.7	21.5	21.6	21.5	21.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	42.7	41.4	41.1	41.3	41.1	41.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	63.6	62.8	62.6	62.7	62.6	62.5
GHG emissions growth (mtCO₂e)	-2.5	3.2	3.7	-2.6	0.8	1.5
Energy related GHG emissions (% of total)	77.7	78.3	78.8	78.3	78.2	78.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ The Eskom debt-relief arrangement is reported above the line, in expenditures.

b/ Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015-2022. Forecasts are from 2023 to 2025.

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

SOUTH SUDAN

Key conditions and challenges

Table 1 2022

Population, million	11.4
GDP, current US\$ billion	5.2
GDP per capita, current US\$	457.9
International poverty rate (\$2.15) ^a	67.3
Lower middle-income poverty rate (\$3.65) ^a	86.5
Upper middle-income poverty rate (\$6.85) ^a	96.6
Gini index ^a	44.1
School enrollment, primary (% gross) ^b	73.0
Life expectancy at birth, years ^b	55.0
Total GHG emissions (mtCO2e)	60.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ WDI for School enrollment (2015); Life expectancy (2021).

Falling oil production will drag on growth for a fourth consecutive year, albeit at a lessening pace. Climate and external shocks, declining official development assistance, coupled with structural challenges related to weak governance, inadequate service delivery, and ongoing localized conflict, contributed to high levels of food insecurity and widespread extreme poverty. The conflict in Sudan poses acute downside risks to South Sudan's macroeconomic stability amid limited fiscal resources and pressing humanitarian needs.

A decade after independence, South Sudan's development prospects remain constrained by fragility amid localized/intercommunal conflict. A 2018 peace agreement ended five years of civil war; however, the transition period needed for its full implementation has been extended until 2025. The country is vulnerable to climate change and external shocks. Oil accounts for nearly all exports and around 90 percent of government revenues. A modest economic recovery in 2019 was upended by historic floods and the COVID-19 pandemic.

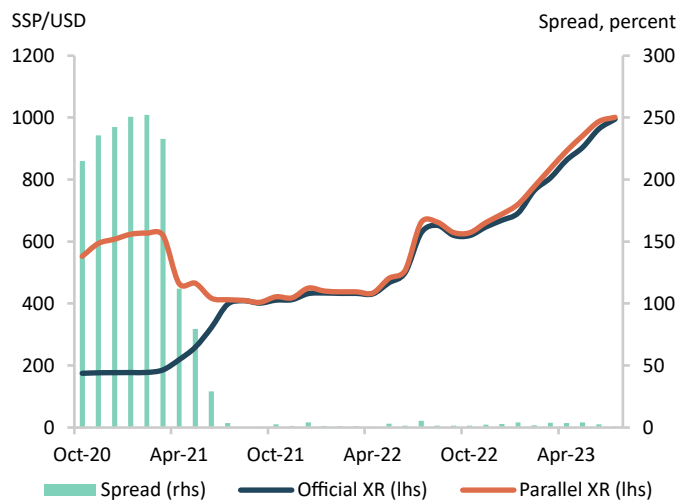
Since 2021, reforms initiated under an IMF staff-monitored program have helped improve macroeconomic and price stability. Higher oil prices following the war in Ukraine have supported foreign exchange buffers and fiscal revenues, although expenditures have also increased. Poverty remains dire, with 7 in 10 people living in extreme poverty. Some 8.9 million people, comprising 78 percent of the population, face severe food insecurity, which is made worse by higher global food prices and domestic floods. In addition, 2.2 million people are internally displaced (55 percent of whom are women and girls), and 2.3 million remain refugees in neighboring countries. South Sudan is receiving returnees and refugees displaced by the conflict in Sudan. About 140,000 people have crossed

the border since April 2023, of which 91 percent are South Sudanese returnees. External risks stem from adverse global oil and food price developments; acute macroeconomic risks will materialize if oil pipeline routes through Sudan are disrupted by the conflict there. Implementing the 2018 peace deal is essential for domestic peace and the resumption of growth. Macroeconomic, governance, and transparency reforms need to be urgently implemented to ensure scarce resources are spent on development needs and to facilitate a sustainable and inclusive economic recovery. Reforms and investments are especially critical in agriculture, which supports livelihoods for 80 percent of the population; these will help to support diversification away from the oil sector, create jobs, and build resilience to climate change.

Recent developments

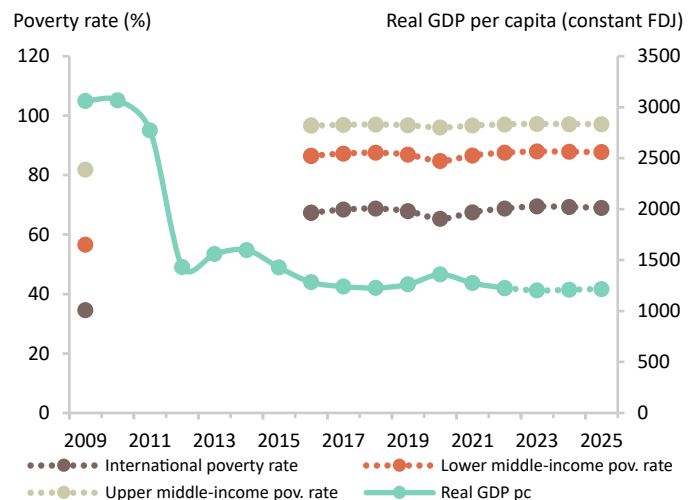
Economic activity remained weak in FY2022/23 due to a fourth consecutive year of flooding and reduced agricultural yields, flare-ups of violence, and higher food inflation due to the war in Ukraine and lingering impacts of the COVID-19 pandemic. Oil production fell by 8.8 percent in FY2022/23 due to floods and low investments in oil fields. These dynamics reduced households' purchasing power and worsened food insecurity. GDP is estimated to have contracted by 0.4 percent in FY 2022/23, following a 2.3 percent decline the previous year.

FIGURE 1 South Sudan / Exchange rate developments



Sources: Bank of South Sudan and World Bank.

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



Source: World Bank. Notes: see Table 2.

After briefly turning negative at end-2022, inflation averaged 18 percent between January and July 2023 due to the weakening currency. Despite the onset of the conflict in Sudan and drawdowns on foreign exchange reserves at the central bank, the premium over the official exchange rate has remained narrow (below 1 percent), indicating improved open market operations under the term deposit facility, newly introduced instrument by the central bank, and regulatory tightening on parallel market operators. Notwithstanding higher oil revenues, fiscal pressures proved greater than anticipated in FY2021/22. Expenses exceeded planned outlays by 68 percent, causing the government to revert to oil advances and monetary financing of the fiscal deficit in mid-2022. Higher oil prices, and revenue and customs administration reforms lifted overall revenues by 83 percent in real terms. The FY2023/24 draft budget envisages increases in capital expenditures, a 130 percent increase in public sector salaries to protect against the impacts of inflation, and rising transfers to regions, which will further widen the fiscal deficit and may require the government to either accumulate salary arrears or deficit monetization. Data for FY23Q1 show continued

overdrafts at the central bank and use of oil advances to finance the budget. Public financial management reforms to strengthen expenditure controls and cash management have been initiated, including an integrated financial management system. But there is limited transparency on oil revenues, including servicing of non-concessional external debt. South Sudan remains at high risk of debt distress for both external and domestic debt. Despite increased oil receipts and weaker demand for capital imports, the current account balance widened in line with rising food import costs, increased repatriation of investor profits, and continued transfers to Sudan as part of the transitional financial arrangement under the peace deal.

Outlook

Growth is expected to remain negative in FY2023/24, with oil production projected to drop by 7 percent. Nonetheless, higher government current spending and expanding domestic credit should support a recovery in the non-oil sector, with farm output also expected to improve as floods eventually recede.

Over the medium term, growth should rise to above 2 percent as oil output recovers and non-oil activity improves, supported by higher government outlays on critical public investments, health, and education, and moderating inflation. This outlook is predicated on prudent monetary and fiscal policies that anchor macroeconomic stability; progress on governance, transparency, and structural reforms; and steady implementation of the peace deal. The pressure on the current account balance is expected to increase due to higher debt-service obligations, a decline in oil prices, and a decline in international aid.

Poverty is tenacious expected to remain stagnant at around 70 percent in the medium term as real growth prospects are limited. Addressing this reinforces the urgency of fiscal and PFM reforms that generate budgetary resources to increase social expenditures. While efforts to modernize tax administration using digital solutions and expand the tax base will help, fiscal pressures will remain substantial given sizable debt-service obligations, a reduction in legacy arrears, and increasing social and humanitarian expenditures. It is thus also vital to strengthen the management and transparency of oil revenues.

TABLE 2 South Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	9.5	-5.1	-2.3	-0.4	-0.2	2.1
Real GDP growth, at constant factor prices	9.5	-5.1	-2.3	-0.4	-0.2	2.1
Agriculture	6.0	-4.0	-1.8	-1.4	2.8	2.8
Industry	27.5	-2.3	-4.8	-5.4	-4.1	0.5
Services	-9.6	-9.7	1.7	7.7	4.5	4.0
Inflation (consumer price index)	33.3	43.1	22.0	18.0	16.1	8.5
Current account balance (% of GDP)	-20.3	-5.5	-1.5	1.9	1.9	1.8
Net foreign direct investment inflow (% of GDP)	-0.4	0.9	1.0	-0.3	-0.6	-0.9
Fiscal balance (% of GDP)	-9.8	-6.8	-6.1	-4.1	-4.6	-4.9
Revenues (% of GDP)	29.5	30.9	30.1	31.2	30.5	30.2
Debt (% of GDP)	40.7	57.6	59.5	52.3	53.2	55.9
Primary balance (% of GDP)	-7.8	-4.4	-4.0	-2.8	-3.5	-3.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	65.3	67.5	68.8	69.5	69.3	69.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	84.7	86.6	87.6	88.0	87.9	87.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	96.1	96.7	97.1	97.2	97.2	97.1
GHG emissions growth (mtCO₂e)	-0.2	0.6	0.1	0.0	0.1	0.4
Energy related GHG emissions (% of total)	3.0	2.9	2.9	2.9	3.0	3.1

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 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2022. Forecasts are from 2023 to 2025.

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

SUDAN

Table 1 **2022**

Population, million	46.9
GDP, current US\$ billion	51.7
GDP per capita, current US\$	1102.2
International poverty rate (\$2.15) ^a	15.3
Lower middle-income poverty rate (\$3.65) ^a	49.7
Upper middle-income poverty rate (\$6.85) ^a	86.2
Gini index ^a	34.2
School enrollment, primary (% gross) ^b	79.0
Life expectancy at birth, years ^b	65.3
Total GHG emissions (mtCO2e)	126.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2021).

Broad destruction of the economic base due to the conflict has set the country back several decades. GDP is expected to contract by 12 percent in 2023, driven by substantial socioeconomic and infrastructure damage and lower consumption. This would result in a deterioration of households' welfare as the extreme poverty rate is projected to increase to 35.7 percent in 2024. Alongside a collapse in government revenues, significant currency pressure and supply-side disruptions are expected to cause a return to triple-digit inflation.

Key conditions and challenges

Entering the April 2023 conflict, the economy was already weak, having suffered five consecutive years of contraction. Attempts in 2019 to shift course via a brief transition to a reform-minded civilian government, re-engagement with the international community, and the launch of the Heavily Indebted Poor Country debt relief process, were derailed by a military takeover in 2021. The loss of an estimated US\$2 billion in annual foreign inflows, along with slow-downs in reforms and foreign investments, further depressed growth. Additional tax hikes, as the government attempted to compensate for forgone revenues, further depressed private sector activity.

In 2022, there was a fresh effort to transition to civilian administration: a framework political agreement was signed in December 2022, with elections planned for two years later. However, mounting tensions between the Sudanese Armed Forces and the Rapid Support Forces delayed the return to a civilian-led transitional government. The conflict that erupted in April 2023 destroyed the industrial base, halted services, and led to the erosion of state capacity amid high and rising levels of displacement and food insecurity. As of August 15, more than 4mn people have been displaced inside and outside the country. Per the UN, conflict-induced food scarcity has plunged 20.3mn people into severe acute hunger, of which 6.3mn (more than

1 in 10 people in Sudan) are facing emergency levels close to famine.

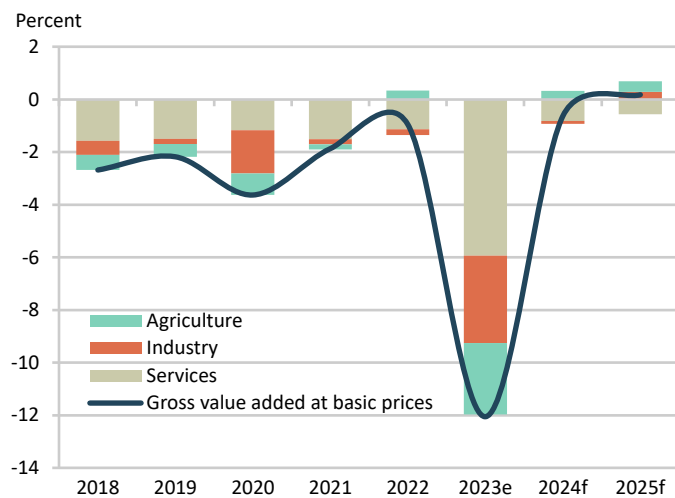
The broad destruction of the economic base will set the country back several decades. The erosion of state capacity to deliver basic services is expected to prolong reconstruction efforts and recovery from the conflict when it ends. The cost of the conflict to the economy is more starkly evident in the cumulative loss in GDP and GDP per capita.

Recent developments

GDP fell by an estimated 1 percent in 2022. The conflict has triggered a further collapse in activity, including wholesale/retail sales, restaurants, financial and ICT services, and damaged education and health facilities. Prior to April 2023, cereal production was improving due to better weather and a shift to less resource-intensive crops. Net exports, investment, and revenues were negligible prior to the outbreak of fighting in April 2023, but have since collapsed, while agricultural output and exports (gold, sesame, gum Arabic, and livestock) have been severely affected. Rising displacement and the devastation of the marketed surplus/incomes of agricultural households have weighed on consumption, which comprises roughly 94 percent of GDP.

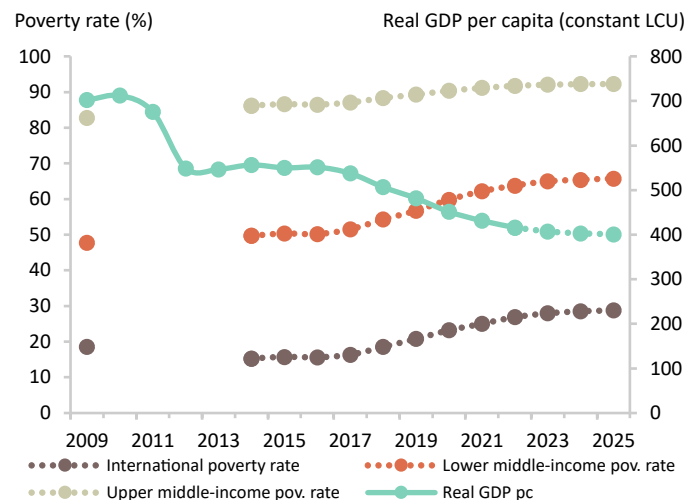
Fiscal pressures, already significant in recent years, have increased, while the ability to deliver basic services has been severely disrupted. Tax revenues were expected to contribute 68 percent to

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.

total revenues, but are now expected to fall to extremely low levels, with implications for non-military expenditures. Sudan faces a dire economic situation, with rapid currency depreciation as Sudan's central bank is forced to monetize a mounting government deficit, supply disruptions, and food shortages contributing to hyperinflation. Foreign reserves were already below one month's of import coverage at end-2022, and the state remains unable to access external financing due to its default status.

Although official poverty statistics are not available after 2014, the percentage of the population living on less than US 2.15 per day (2017 PPP) is estimated to have increased from 20.4 percent in 2018 to 35 percent in 2023. The protracted economy and the ongoing conflict contributed to an estimated 15 percentage-point increase in extreme poverty.

Sudan's closest neighbors are shifting to alternative trade routes. Last year, Sudan imported almost 1.8 million tons of mainly Indian sugar, with much of it then going to Chad and the Central African Republic. Those countries are now importing

Brazilian sugar, which is routed through West African ports. As new trade routes are established, Port Sudan could lose its regional importance, with negative long-term consequences for the country.

Outlook

The conflict is expected to significantly affect the coming agricultural growing season, in turn worsening an already dire food security situation, with the number of people in need of humanitarian food assistance estimated at 25 million out of 42 million population, according to the UN.

The outlook remains highly uncertain; predicated on a gradual cessation of conflict over the coming year, it remains subject to large downside risks of prolonged conflict and tensions. Given conflict-related economic losses and destruction of infrastructure, a 12 percent GDP contraction is anticipated in 2023 (this follows a cumulative 11.3 percent decline since 2018). As economic activity stabilizes and households

and businesses adjust, a modest 0.6 percent decline is expected in 2024 and a slow recovery thereafter, amid limited external and domestic resources to support reconstruction. Agriculture will remain a mainstay for livelihoods, and rising agricultural output and exports of livestock, as well as mining and services should gradually support activity and incomes in coming years. The fiscal deficit is projected to narrow over the medium term, reflecting modest recovery in tax revenue collections; however, continued monetization should keep inflation high. The current account deficit is expected to widen modestly in the medium term and average 7.5 percent of GDP over 2023-25, reflecting Sudan's high import requirements due to the war and a partial recovery of exports.

Extreme poverty is expected to worsen with the massive destruction of infrastructure and limited access to essential services. Projections suggest that extreme poverty will steadily increase to 36 percent by 2025. A quick end to the conflict and a collaborative reconstruction effort are needed to reverse the trend of poverty in Sudan.

TABLE 2 Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-3.6	-1.9	-1.0	-12.0	-0.6	0.2
Private consumption	-3.4	-0.9	-0.8	-10.6	-0.2	1.1
Government consumption	-8.8	-9.6	1.9	-36.5	1.1	1.6
Gross fixed capital investment	-2.0	-2.1	1.2	-20.0	1.3	2.5
Exports, goods and services	5.2	8.0	12.0	-32.0	6.0	9.0
Imports, goods and services	-9.0	-0.5	8.7	-36.0	11.0	19.0
Real GDP growth, at constant factor prices	-3.6	-1.9	-1.0	-12.0	-0.6	0.1
Agriculture	-2.5	-0.6	1.0	-7.9	0.9	1.1
Industry	-5.7	-0.7	-0.7	-11.6	-0.4	1.0
Services	-3.0	-3.9	-3.0	-16.0	-2.3	-1.6
Inflation (consumer price index)	163.3	359.7	164.2	230.0	95.0	65.0
Current account balance (% of GDP)	-21.6	-7.3	-6.0	-0.6	-7.2	-7.8
Net foreign direct investment inflow (% of GDP)	-2.7	-1.6	-1.3	-0.6	-0.5	-0.4
Fiscal balance (% of GDP)	-5.9	-0.3	-1.7	-3.5	-3.0	-2.6
Revenues (% of GDP)	4.8	10.5	10.0	5.1	6.0	6.8
Debt (% of GDP)^a	281.4	215.6	183.6	167.3	157.9	149.5
Primary balance (% of GDP)	-5.9	-0.3	-1.4	-3.5	-2.9	-2.5
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	27.3	30.6	33.3	35.0	35.7	36.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	64.4	67.6	69.9	71.3	72.0	72.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	91.9	92.9	93.6	93.8	94.0	94.0
GHG emissions growth (mtCO₂e)	-0.1	-0.3	-0.4	0.1	0.5	0.8
Energy related GHG emissions (% of total)	16.4	16.3	16.0	15.7	15.7	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: 2015-2022. Forecasts are from 2023 to 2025.

c/ Projection using neutral distribution (2014) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

TANZANIA

Key conditions and challenges

Table 1	2022
Population, million	65.6
GDP, current US\$ billion	75.5
GDP per capita, current US\$	1151.4
International poverty rate (\$2.15) ^a	44.9
Lower middle-income poverty rate (\$3.65) ^a	74.3
Upper middle-income poverty rate (\$6.85) ^a	92.3
Gini index ^a	40.5
School enrollment, primary (% gross) ^b	97.2
Life expectancy at birth, years ^b	66.2
Total GHG emissions (mtCO2e)	159.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

In 2023, Tanzania has maintained its economic momentum. High-frequency indicators suggest that GDP growth has already reached its pre-pandemic levels, 5.1 percent in 2023 (annual estimate). In the medium-term, with transformative reforms aimed at improving business environment, boosting private sector investment, and creating jobs, a 6 percent growth rate can be reached. Risks to the country's macroeconomic outlook include the incomplete implementation of these reforms, global economic slowdown, protracted war in Ukraine, and increased commodity price volatilities.

Tanzania has adequate opportunities to accelerate its transition to a successful middle-income status. With relatively limited impact of external shocks, including Covid-19 pandemic and the war in Ukraine, and moderate risk of debt distress, the country continues to hold sufficient fiscal space to implement its development programs. Although official gross reserves have declined, they remain adequate. To lay the foundation for robust, inclusive, and sustainable long-term growth, the government should seize the opportunity to implement more ambitious human capital investments and structural reforms to improve business environment for private investment, including FDI. Tanzania's private sector has been challenged by a costly business regulatory environment, high taxes, weak infrastructure, and inadequate skills.

To reduce high and persistent rates of poverty in the country, significant increase in public spending on social services and infrastructure is required, especially in rural areas. Priority reforms should aim to strengthen the macroeconomic stability (including exchange rate), efficiency of public investment, debt management, and domestic revenue mobilization. To enhance the impact of growth on poverty reduction, investing in human capital, raising smallholder agricultural productivity, and supporting the creation of good jobs

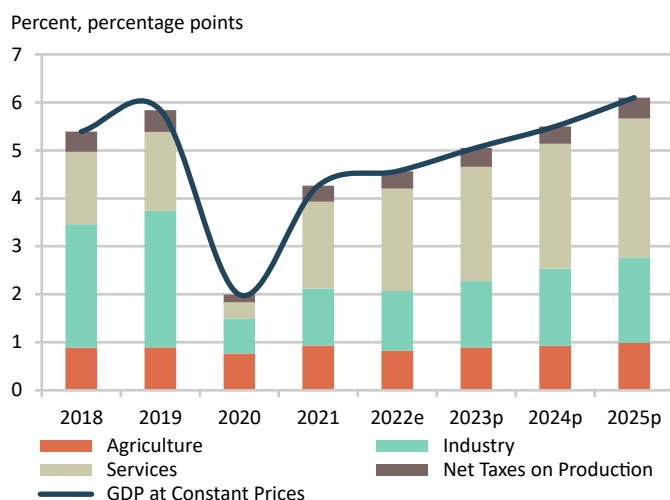
by facilitating private sector investment through regulatory environment streamlining will be essential. Moreover, helping women access economic opportunities and assets such as land remains critical.

Recent developments

Following the COVID-19 pandemic and facing the headwind of the war in Ukraine and its global economic impact, Tanzania's economic growth rate rose to 4.6 percent in 2022, up from 4.3 percent in 2021. This moderate rebound was driven by the services sector led by trade, transportation, tourism, and financial services which accounted for half of GDP growth. High-frequency indicators including cement production, electricity generation, and tourist arrivals indicate economic activity remained robust during the H1 2023. The tightening of liquidity in the financial system and subsidies for fuel and fertilizer helped to contain inflationary pressures. Headline inflation stood at 3.3 percent in July 2023, well below Tanzania's neighbors.

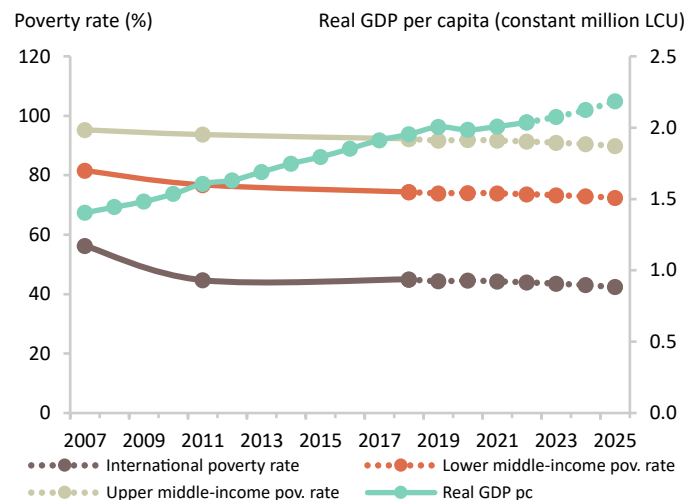
Despite a robust growth in exports, the stronger growth of imports pushed up by domestic demand compounded with rising international commodity prices widened the current-account deficit to 5.6 percent of GDP in 2022. The Bank of Tanzania has relied on foreign exchange sales in response to the balance of payment pressure. As a result, official gross foreign reserve fell to US\$5.3 billion (covering 4.8 months of imports) by end of June 2023

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



Source: World Bank staff estimates and projections (2018-2025).

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



Source: World Bank. Notes: see Table 2.

from US\$6.4 billion (6.6 months of imports) at the end of 2021. Although the Tanzanian shilling remained relatively stable against the US dollar in 2022, in 2023 pressure on the shilling has increased and there are signs of emergence of parallel exchange market.

Despite broadly stable public revenue collection, an increase in overall expenditures widened fiscal deficit from 3.6 percent of GDP in FY2021/22 to 4.4 percent in FY2022/23. Domestic borrowing, mainly from bank and non-bank sources, covered almost 60 percent of the fiscal deficit. According to the latest Debt Sustainability Analysis (DSA) Tanzania's Public and Publicly Guaranteed debt stock stood at 43.8 percent of GDP by end-June 2022, compared to 41.3 percent by end-June 2021. The DSA shows Tanzania's risk of debt distress remains moderate.

The rate of poverty reduction, which notably decelerated in the 2010s, is expected to continue its slow pace into the 2020s. In 2022, extreme poverty was at 44 percent, and it's projected to decline marginally to 43 percent in 2023 and 2024, further dropping to 42 percent in 2025. Considering the

country's rapid population growth, the absolute number of individuals living in extreme poverty is expected to rise from 26 million in 2018 to over 30 million by 2025. At the lower middle-income poverty line, the count is likely to increase from 44 million in 2018 to 52 million by 2025.

Outlook

GDP is projected to grow at 5.1 percent in 2023 and 6.1 percent by 2025, close to its long-run potential, supported by increasing domestic demand and exports as reforms to improve business climate are implemented successfully. The current account deficit is projected to narrow to 5.1 percent of GDP in 2023 as exports are expected to grow faster than imports, partly due to a combination of easing commodity prices and strong rebound in tourism. The current account deficit is expected to be financed by external loans and increasing FDI. The fiscal deficit is projected to decline further to about 2 percent of GDP in 2024/25, well below the 3 percent of GDP

ceiling posed by the convergence criterion of the East African Community, as improved business environment strengthens domestic revenue mobilization and public expenditures stabilize. The narrowing fiscal deficit is expected to be financed by both external and domestic loans.

Tanzania's macroeconomic outlook face downside risks, which could suppress GDP growth by 1-2 percentage points if one of those risks materialize. A global slowdown, protracted war in Ukraine, and increased commodity price volatilities are among major downside external risks. Domestic risks include slow or incomplete implementation of structural reforms particularly related to key issues such as private sector and gender as well as climate change effects on the agriculture and tourism sectors.

The poverty rate will likely follow a consistent downward trend. Projections suggest a decline of 1.3 percentage points, from 43.4 percent in 2023 to 42.1 percent in 2025. This trajectory is underpinned by robust growth prospects, that will likely propel the country's GDP growth to pre-pandemic levels by 2025.

TABLE 2 Tanzania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	2.0	4.3	4.6	5.1	5.5	6.1
Private consumption	0.9	2.3	4.8	2.2	3.3	3.3
Government consumption	7.4	9.0	8.4	10.7	6.2	11.3
Gross fixed capital investment	2.4	7.8	9.3	5.3	5.4	5.3
Exports, goods and services	-8.6	5.2	10.2	13.8	10.4	10.2
Imports, goods and services	-7.6	9.6	23.7	6.8	4.2	3.6
Real GDP growth, at constant factor prices	2.0	4.3	4.6	5.1	5.5	6.1
Agriculture	3.1	3.7	3.3	3.6	3.8	4.1
Industry	2.5	4.1	4.3	4.8	5.6	6.2
Services	0.9	4.8	5.6	6.3	6.4	7.2
Inflation (consumer price index)	3.3	3.7	4.3	4.2	4.1	3.9
Current account balance (% of GDP)	-2.5	-3.2	-5.6	-5.1	-4.4	-3.5
Net foreign direct investment inflow (% of GDP)	1.4	1.6	1.8	2.1	2.6	2.9
Fiscal balance (% of GDP)	-2.9	-3.8	-3.5	-4.0	-3.4	-2.9
Revenues (% of GDP)	14.3	14.5	15.6	15.9	16.4	16.9
Debt (% of GDP)	39.3	42.0	42.2	43.2	42.7	42.2
Primary balance (% of GDP)	-1.3	-2.1	-1.8	-2.3	-1.8	-1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	44.6	44.3	44.0	43.5	43.0	42.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	74.1	73.9	73.6	73.3	72.9	72.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	91.9	91.7	91.4	90.9	90.5	89.9
GHG emissions growth (mtCO₂e)	1.9	-0.4	1.5	2.3	1.4	1.5
Energy related GHG emissions (% of total)	11.0	9.3	9.4	10.2	10.1	10.1

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 2013- and 2018-HBS. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

TOGO

Table 1

	2022
Population, million	8.8
GDP, current US\$ billion	8.2
GDP per capita, current US\$	930.5
International poverty rate (\$2.15) ^a	28.4
Lower middle-income poverty rate (\$3.65) ^a	56.9
Upper middle-income poverty rate (\$6.85) ^a	84.0
Gini index ^a	42.5
School enrollment, primary (% gross) ^b	124.2
Life expectancy at birth, years ^b	61.6
Total GHG emissions (mtCO2e)	9.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

Growth in Togo should benefit from strengthening consumer spending and private investment in 2023 and 2024 but is still projected to soften somewhat to 5.2 percent reflecting the impact of fiscal consolidation measures, tighter financing conditions, and soft external demand. It should accelerate again in 2025, supported by a more favorable international backdrop. Real income gains combined with moderating inflation should enable the poverty rate to decrease to 24.8 percent by 2025.

Key conditions and challenges

Since the COVID-19 pandemic in 2020, Togo has faced significant headwinds ranging from the fallout from Russia's invasion of Ukraine on energy and food prices, to slowing external demand, tighter financing conditions and regional instability. A sharp increase in public spending helped stabilize growth in the face of these shocks but vulnerable populations have been adversely impacted by the rising cost of living and fiscal space has been depleted. Large fiscal financing needs amid tightening borrowing conditions have encouraged authorities to frontload consolidation measures to bring the deficit back to 3 percent of GDP by 2025, while at the same time implementing an emergency program to address growing fragility risks in the Northern Savanes region. Rebuilding fiscal space while supporting priority investments and social spending are among the most pressing policy challenges facing the country.

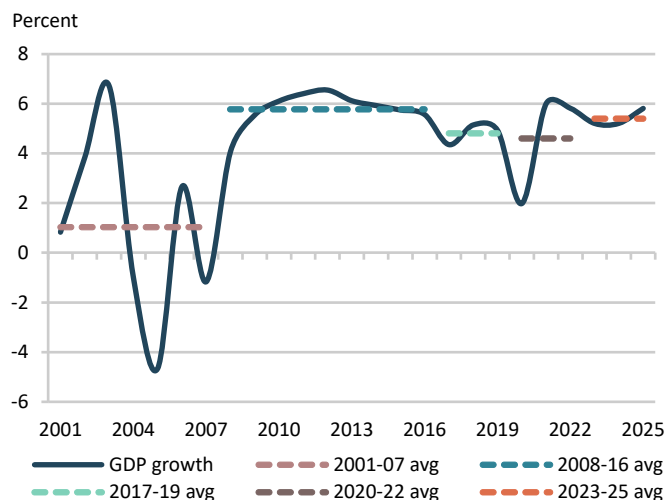
Recent developments

Growth remained robust in 2023, at an estimated 5.2 percent, but moderated from 5.8 percent in 2022 as the government shifted from an expansionary fiscal policy stance to a more restrictive one. Slow execution of planned public investment so far this

year and additional spending cuts considered for the revised 2023 budget are expected to narrow the fiscal deficit to 5.8 percent of GDP, down from 8.3 percent in 2022. The dampening effect of fiscal consolidation measures on economic activity should be partially offset by a recovery in consumer spending supported by abating food and energy price inflation, while private investment is bolstered by improving business sentiment and ongoing infrastructure projects. On the external side, the trade deficit has been narrowing as export revenues outpaced imports so far this year, but the current account deficit is still expected to widen somewhat to reach 3.5 percent of GDP in 2023. At the sectoral level, industrial activity has shown signs of recovery from a weak start of the year, with positive contributions from the extractive, power, and manufacturing sectors. Regarding agriculture, meteorological conditions have been conducive to a relatively favorable crop harvest for the 2023/24 season. Real GDP per capita gains estimated at 2.8 percent in 2023, combined with consumer price inflation moderating from 7.6 percent in 2022 to 5.8 percent in 2023 should help the extreme poverty rate (US\$2.15/day) to decrease to 27.6 percent this year, its first decline since the onset of the COVID-19 pandemic in 2020.

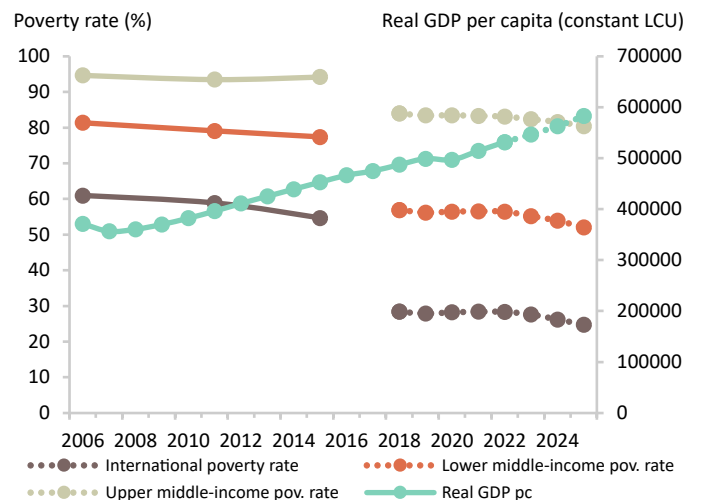
To counter inflationary pressures across WAEMU countries, the Central Bank of West African States (BCEAO) has raised policy interest rates by a cumulative 125 basis points since mid-2022 but the monetary policy stance remains broadly accommodative, while inflation is still above

FIGURE 1 Togo / Real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

target and foreign exchange reserves have been on a downward trend.

Outlook

Growth in Togo is projected to stabilize at 5.2 percent in 2024, as additional fiscal consolidation measures are counterbalanced by a further acceleration in consumer spending and private investment. The former will benefit from receding inflationary pressures while the latter will be boosted by the Adétikope Industrial Park development and ongoing reforms in the agriculture, logistics, and trade sectors. Export growth should remain subdued in 2024 as key trading partners face mounting economic challenges, before recovering in 2025, in line with projected improvements in global demand. The

fiscal deficit is predicted to narrow to 3 percent of GDP by 2025, and the current account deficit to 2.7 percent of GDP. Under a realistic reform scenario, potential growth in the short to medium term could average 5.5 percent, while more substantial gains in private capital spending, agricultural productivity, female labor force participation, and human capital could lift it to 7 percent under the best-case scenario. The poverty rate is projected to decline to 24.8 percent in 2025, a substantial drop from an estimated 28.4 percent in 2022.

Uncertainty related to the evolution of global demand, energy, food prices, financing conditions, security risks, and climate change imply that the balance of risks to the outlook remains tilted to the downside. In particular, a sharper deterioration in regional debt markets could lead to financing risks given the high

rollover needs from domestic sovereign debt while growing regional insecurity could dampen economic prospects by reducing market access to important trading partners. Under an alternative scenario of persistent headwinds reflected in lower export growth (-2 percentage points below baseline projections in 2023-25), higher domestic inflation (+1 percentage point), and tighter financing conditions on regional debt markets (+150 basis points), growth would be expected to slow down to an average of 4.2 percent over the period 2023-25 (-1.2 percentage point below baseline projections) while the budget deficit would stay above 4.5 percent of GDP until 2025. In this scenario, the public debt-to-GDP ratio would only return below the estimated risk threshold for Togo by 2028 but the overall assessment regarding debt sustainability risks would not be fundamentally altered.

TABLE 2 Togo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	2.0	6.0	5.8	5.2	5.2	5.8
Private consumption	-14.3	9.9	1.3	5.0	5.2	5.5
Government consumption	1.8	0.2	8.8	6.6	-5.9	2.1
Gross fixed capital investment	36.6	-0.2	26.4	5.5	12.2	9.0
Exports, goods and services	6.5	5.3	-1.1	4.2	4.3	6.8
Imports, goods and services	1.6	6.9	5.1	3.8	4.9	6.3
Real GDP growth, at constant factor prices	2.2	5.3	6.2	5.1	5.2	5.8
Agriculture	3.3	3.4	5.0	4.6	5.0	5.2
Industry	4.0	5.7	7.3	7.0	6.3	6.7
Services	1.1	5.9	6.2	4.4	4.9	5.7
Inflation (consumer price index)	1.8	4.5	7.5	5.8	3.8	3.0
Current account balance (% of GDP)	-0.3	-0.9	-3.0	-3.5	-3.4	-2.7
Net foreign direct investment inflow (% of GDP)	0.7	0.3	0.3	0.4	0.4	0.4
Fiscal balance (% of GDP)	-7.0	-4.7	-8.3	-5.8	-4.1	-3.0
Revenues (% of GDP)	16.6	17.1	17.6	17.2	16.5	16.2
Debt (% of GDP)	60.1	63.0	65.8	66.3	65.9	65.0
Primary balance (% of GDP)	-4.7	-2.5	-5.9	-3.4	-1.7	-0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	28.2	28.4	28.4	27.6	26.2	24.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	56.4	56.5	56.4	55.2	53.9	52.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	83.5	83.3	83.1	82.4	81.6	80.5
GHG emissions growth (mtCO₂e)	1.8	6.4	5.4	2.9	4.0	4.5
Energy related GHG emissions (% of total)	22.9	25.7	26.9	26.4	26.3	26.5

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-EHCVM. Actual data: 2018. Nowcast: 2019-2022. Forecasts are from 2023 to 2025.

b/ Projections using microsimulation methodology.

UGANDA

Key conditions and challenges

Table 1	2022
Population, million	47.2
GDP, current US\$ billion	38.8
GDP per capita, current US\$	822.2
International poverty rate (\$2.15) ^a	42.2
Lower middle-income poverty rate (\$3.65) ^a	71.9
Upper middle-income poverty rate (\$6.85) ^a	91.1
Gini index ^a	42.7
School enrollment, primary (% gross) ^b	102.7
Life expectancy at birth, years ^b	62.7
Total GHG emissions (mtCO ₂ e)	63.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2019), 2017 PPPs.
 b/ WDI for School enrollment (2017); Life expectancy (2021).

Uganda's economy is rebounding, benefiting from improvements in all three sectors that allowed for an economic growth of 5.3 percent in FY2023 and likely a reduction in poverty. Fiscal performance is improving as the government continues to embark on fiscal consolidation by reducing expenditures and bolstering revenues. Medium-term growth prospects appear favorable due to recovery in tourism, although considerable uncertainty around the start of oil production remains.

Increased shocks and less momentum behind policy reform create challenges for sustaining economic growth and reducing poverty in Uganda. Rapid population growth has kept a large share of the population below the poverty line, while human capital and infrastructure deficits have limited the country's growth potential and contain improvements in social indicators. Further, almost one million working age Ugandans enter the labor market every year. Majority of them are still employed in the agriculture sector which is prone to natural disasters that climate change is making more frequent and impactful—and adapting to which is hampered by low adaptive capacity.

To promote economic growth over the medium-term Uganda needs to pursue structural reforms to alleviate critical constraints. First, the country needs to shift towards more private investment by reducing the cost of doing business and fostering access to finance. Second, the country needs to enhance debt sustainability and improve budget efficiency by increasing revenue collection, cutting tax expenditures, and prioritizing social spending. Third, the government needs to adopt a more open and transparent trade regime, invest in transport infrastructure to support regional trade and benefit from the African Continental Free Trade Area (AFCFTA), simplify customs procedures to

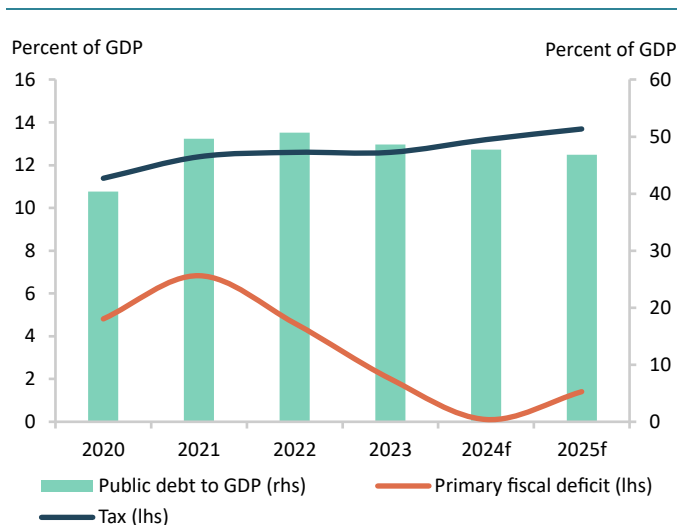
reduce trade cost and reduce ad hoc tariff increases. Finally, adopting climate-smart agriculture methods and improving adaptive capabilities would build resilience to climate change.

Recent developments

Real GDP growth accelerated to 5.3 percent in FY2023, despite multiple shocks and tighter financial conditions. Economic growth was buoyed by the industrial and services sectors, which grew by 3.9 and 6.2 percent respectively. In addition, the agriculture sector improved to 5.0 percent despite unfavorable weather conditions in the first quarter of the fiscal year. Private consumption increased, while public investment was scaled back as fiscal space narrowed. Higher capital imports widened the current account deficit to 8.7 percent of GDP in FY2023 from 7.9 percent in FY2022. Imports increased due primarily to oil project related investments.

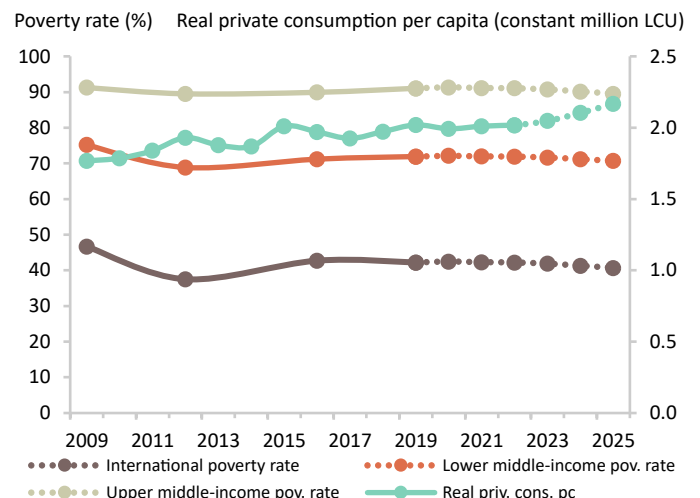
The Bank of Uganda has maintained a tight monetary policy stance to keep inflation under control. For FY2023, inflation averaged 8.8 percent, this reflects five months of steady increase in prices which peaked at 10.7 percent in October 2022 driven by high energy and food prices. In February 2023 inflation began to decline reaching 4.9 percent by June 2023 driven by declining energy prices, improved global supply chains and tight monetary policy. Based on the consistent decline in the inflation rate, the Bank of Uganda reduced its policy rate by 50 basis points in August 2023, to 9.5 percent.

FIGURE 1 Uganda / Fiscal adjustment



Source: Ministry of Finance, Planning and Economic Development.

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



Source: World Bank. Notes: see Table 2.

The overall fiscal deficit declined to 5.1 from 7.4 percent of GDP between FY2022 and FY2023, reflecting a reduction in recurrent and development expenditure as well as increases in domestic revenue and grants. Recurrent spending declined by 0.6 percentage points due primarily to a reduction in spending on goods and services. Development spending declined by 0.8 percent, as the government cut back on public investment spending. Tax revenue and grants increased by 0.5 percentage points each. The increase in revenue was driven by an increase in import duty. The fiscal deficit was financed by domestic and external borrowing. Uganda's public debt continues to be sustainable in the medium term due to the implementation of fiscal consolidation.

Consistent with accelerated economic growth, more respondents shared positive perceptions on current and future household and country economic wellbeing according to the most recent round of the phone survey from February/March 2023. Nevertheless, about 34 percent of households were moderately food insecure and seven percent were severe food insecure. About half of respondents were also certain to experience extreme weather

events during next 12 months and negative expectations were higher among the poorest households.

Outlook

In the medium-term, real growth is expected to accelerate beyond 6 percent, if not derailed by a global slowdown, disruptions to global finances and weather shocks. The recovery in the medium-term will be driven by a recovery in tourism, and the developments in the oil sector that is attracting foreign and domestic private investment in related infrastructure ahead of the start of oil production in 2025. Economic growth will also be driven by increase private consumption, as inflationary pressures continues to abate. Inflation is projected to decline from FY2024 onwards reaching the Bank of Uganda's medium-term target of 5 percent, after averaging at 8.9 percent in FY2023. This reflects the impact of more favorable weather conditions on domestic harvests, the softening of global commodity prices and easing of global demand-supply imbalances, and the effects of monetary and fiscal policy tightening.

Accelerated growth is expected to reduce poverty (measured at the \$2.15/day international poverty line) from 41.7 percent in 2023 to 40.7 percent by 2025. But given that households have limited adaptive capacity, the pace of poverty reduction will ultimately depend on how food access and affordability evolve, and on the incidence of weather and other shocks.

The government aims to narrow the fiscal deficit to 3.4 percent of GDP in 2024–25 through more efficient spending and implementation of the Domestic Revenue Mobilization Strategy (DRMS). The government plans to reduce non-priority capital expenditures while maintaining the share of social spending. The government's domestic revenue mobilization strategy which includes rationalization of exemptions, and revenue administration modernization to improve compliance is expected to yield approximately 0.6 and 0.5 percent of GDP in FY2024 and FY2025, respectively. Continued fiscal consolidation will modestly reduce debt to around 47 percent of GDP by 2025, keep debt service manageable, and reduce crowding out private sector investment.

TABLE 2 Uganda / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	3.0	3.4	4.7	5.3	6.0	6.6
Private consumption	2.0	4.2	3.4	4.4	5.6	5.8
Government consumption	7.9	6.1	-17.4	5.1	5.0	5.3
Gross fixed capital investment	-0.1	5.1	20.1	5.5	8.2	9.3
Exports, goods and services	-1.2	2.6	-18.6	7.0	7.8	8.7
Imports, goods and services	-5.4	8.6	-8.9	3.2	8.6	8.8
Real GDP growth, at constant factor prices	3.0	3.4	4.7	5.3	6.0	6.6
Agriculture	4.6	3.8	4.4	5.0	5.1	5.3
Industry	3.1	3.4	5.4	3.9	5.6	6.5
Services	2.2	3.3	4.4	6.3	6.8	7.3
Inflation (consumer price index)	2.3	2.5	3.7	8.8	7.2	5.0
Current account balance (% of GDP)	-6.7	-10.2	-7.9	-7.2	-7.9	-10.4
Net foreign direct investment inflow (% of GDP)	2.6	2.1	3.1	5.9	8.7	10.9
Fiscal balance (% of GDP)	-7.1	-9.5	-7.4	-5.0	-3.4	-3.4
Revenues (% of GDP)	13.1	14.7	14.2	15.0	15.4	15.9
Debt (% of GDP)	40.4	49.6	50.7	48.3	47.4	46.3
Primary balance (% of GDP)	-4.8	-6.8	-4.6	-2.0	-0.1	-1.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	42.5	42.3	42.2	41.9	41.3	40.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	72.2	72.0	71.9	71.7	71.2	70.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	91.3	91.2	91.1	90.8	90.2	89.5
GHG emissions growth (mtCO₂e)	1.3	2.7	3.4	3.6	3.8	3.9
Energy related GHG emissions (% of total)	18.4	18.4	18.6	18.8	19.2	19.6

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 2009-UNHS, 2012-UNHS, and 2019-UNHS. Actual data: 2019. Nowcast: 2020-2022. Forecasts are from 2023 to 2025.

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

ZAMBIA

Key conditions and challenges

Table 1 **2022**

Population, million	20.0
GDP, current US\$ billion	29.0
GDP per capita, current US\$	1449.2
International poverty rate (\$2.15) ^a	60.8
Lower middle-income poverty rate (\$3.65) ^a	78.0
Upper middle-income poverty rate (\$6.85) ^a	91.0
Gini index ^a	55.9
School enrollment, primary (% gross) ^b	98.7
Life expectancy at birth, years ^b	61.2
Total GHG emissions (mtCO2e)	94.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2021).

After two years of solid growth, the Zambian economy moderated in 2023 as muted copper prices and legacy operational challenges constrained copper production, and power outages hit early in the year. Growth is expected to accelerate in 2024-25, averaging 4.7 percent as mining picks up and induces services activity. Completing debt treatment would help restore macroeconomic and debt sustainability, supporting the Government's ambitious reform program and accelerating more diversified and inclusive growth.

Zambia is in debt distress and requires debt restructuring. A decade of unsustainable macroeconomic policies and falling copper prices caused external debt to jump from 6.7 percent of GDP in 2011 to 66.4 percent in 2019. The COVID-19 pandemic exacerbated these vulnerabilities, leading to a default on Eurobond payments in 2020. In early 2021, Zambia requested debt treatment under the G20 Common Framework. Its official creditors reached an agreement on key parameters of debt relief in June 2023 and are now finalizing the memorandum of understanding. Once formalized, the agreement will reduce the net present value of Zambia's US\$ 6.3 billion external bilateral debt by 40 percent. It should pave the way for completing negotiations with private creditors on comparable terms. Despite this challenging environment, Zambia's economy has recovered from the pandemic-induced recession thanks to the new administration's bold macroeconomic and structural reforms. Still, multiple shocks, including global commodity prices and adverse weather, have negatively affected fiscal and external sector balances as the country remains dependent on mining and agriculture. Weak links between the capital-intensive mining sector and other sectors of the economy, coupled with low productivity in labor-intensive agriculture, limit opportunities for inclusive and sustainable development. Poverty remains

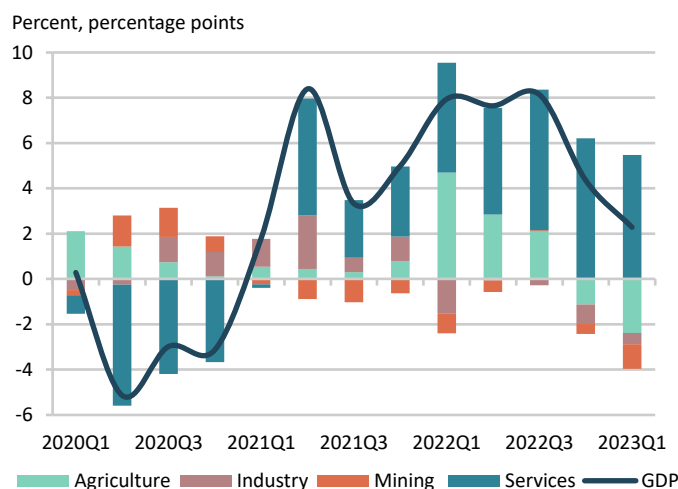
widespread and is predominantly rural, estimated at 60.8 percent, of which 80 percent are rural poor. Inequality is among the highest in Sub-Saharan Africa, as evidenced by a high Gini coefficient of 0.56 in 2015, the most recent data available.

A youthful population offers an opportunity for Zambia to harness a sizeable demographic dividend if it can create more and better jobs for new labor force entrants. Available estimates suggest that 300,000 new jobs must be created annually. However, generating jobs will remain a challenge as the potential for the private sector to drive job growth and lead economic transformation is hampered by regulatory bottlenecks, large infrastructure deficits, and the high cost of finance. The government's current capacity to finance development is significantly constrained. Completing debt treatments would give Zambia breathing space to restore macroeconomic stability and debt sustainability, supporting the ambitious reform program and accelerating more diversified and inclusive economic growth.

Recent developments

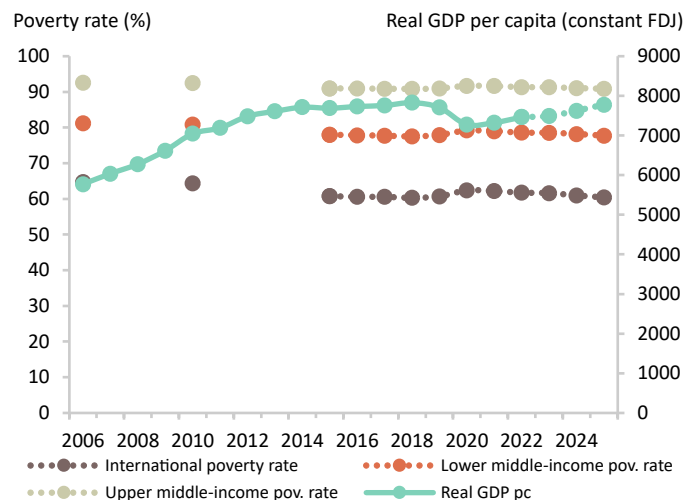
In H1 2023, economic growth slowed as muted copper prices and unresolved management challenges at Mopani and Konkola Copper Mines (KCM) continued to constrain copper production and, with low water levels at the Kariba dam, power outages hit the economy. Q1 GDP grew by only 2.3 percent year-on-year, down from 7.9 percent in Q1 2022, reflecting declines

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



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

in agriculture, mining, electricity, and the wholesale and retail trade sectors. The Stanbic Bank Purchasing Managers' Index suggests that private sector activity remained subdued, with the uncertainty surrounding debt restructuring hindering business confidence. In the year to June, copper earnings declined by 22.6 percent, while imports rose by 23.1 percent. As a result, the merchandise trade surplus narrowed to US\$ 0.2 billion from US\$ 1.7 billion in H1 2022, weakening the current account surplus. International reserves declined from covering 3.8 months of imports at the end of December 2022 to 3.3 months in March 2023.

The average exchange rate depreciated by 16.6 percent between H1 2023 and H2 2022 because of reduced inflows from mining and portfolio capital outflows amid the uncertainty surrounding the conclusion of external debt restructuring. Inflationary pressures intensified in H1 2023, stemming largely from exchange rate pass-through of the weakening currency. In August, BoZ raised its policy rate by 50 basis points to 10 percent after inflation spiked to two digits, well above the 6-8 percent target band. High inflation is hampering the recovery in living standards which remains slow and uneven since 2020.

Fiscal balances have remained within budget in H1 2023, evidencing the robust fiscal consolidation that started in 2022. While fiscal revenues softened due to a shortfall in tax

revenue as mineral production struggled, grants were 50 percent above target, reflecting greater support from development partners. Total expenditure remained below budget as spending on the farmer input support program was cut, and planned local development spending was delayed. Despite significant overruns on roads, the authorities benefitted from lower-than-expected debt repayments related to the debt service standstill and a hefty dividend from BoZ.

Outlook

The Zambian economy is expected to grow, driven by robust copper production, with real GDP projected to average 4.7 percent annually in 2024-25. This outlook assumes firmer global copper demand and production ramping up at KCM after the government returned control of the mine to Vedanta Resources following four years of disputed liquidation. Reaching a final agreement with creditors on debt restructuring will stabilize the exchange rate. This stability and ongoing business regulatory reforms are expected to attract more FDI. With the recent overhaul of the mining fiscal regime, seeking to raise copper production from 800,000 tons to 3 million tons, additional mining investments will stimulate more vigorous activity in services that support

mining. This favorable outlook relies on greater private investment as sustained primary surpluses reduce the state's competition with the private sector for domestic credit. It also depends on the authorities maximizing concessional financing and leveraging public-private partnerships as an alternative source of financing to promote investment in various sectors, including mining, agriculture, tourism, and digitalization. While robust social spending is expected to improve household welfare, under current growth projections, poverty reduction will remain slow and gradually approach pre-pandemic levels by 2025.

Downside risks for Zambia's economic outlook are considerable. Copper revenues may remain constrained because of lower ore grades, delayed investments in the sector, or weakening copper prices owing to subdued global growth and a further slowdown in the Chinese economy, a central market for Zambia's copper exports. The effects of climate change pose a risk to food security and hydropower generation. There could be additional inflationary pressures from a depreciating Kwacha (due to elevated import demand and foreign debt service) or climate-driven food shortages. Finally, a prolonged war in Ukraine could pressure fertilizer and food prices, increasing inflation and spending on agricultural inputs.

TABLE 2 Zambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-2.8	4.6	4.7	2.7	4.6	4.8
Private consumption	3.1	3.1	3.7	2.5	4.0	4.5
Government consumption	10.8	5.6	-3.4	15.5	4.6	3.2
Gross fixed capital investment	-29.7	8.3	8.7	2.1	8.5	8.7
Exports, goods and services	21.8	4.6	5.0	2.8	3.0	3.2
Imports, goods and services	10.6	2.5	4.0	4.5	3.9	4.3
Real GDP growth, at constant factor prices	-2.2	4.7	4.8	2.5	4.7	4.9
Agriculture	17.2	6.9	-2.4	3.0	1.0	2.0
Industry	1.3	4.2	-2.1	1.0	3.0	2.5
Services	-6.1	4.6	9.7	3.3	6.0	6.4
Inflation (consumer price index)	15.7	22.3	10.7	11.1	10.1	7.2
Current account balance (% of GDP)	10.6	9.7	3.6	3.8	6.8	8.2
Net foreign direct investment inflow (% of GDP)	1.0	-1.9	1.1	2.1	2.8	3.6
Revenues (% of GDP)	20.4	22.6	20.5	21.1	21.8	21.6
Primary balance (% of GDP)	-7.9	-2.0	-1.6	0.2	1.2	2.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	62.4	62.2	61.8	61.6	61.0	60.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	79.2	79.0	78.6	78.5	78.2	77.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	91.7	91.7	91.4	91.3	91.1	90.9
GHG emissions growth (mtCO₂e)	1.0	1.7	0.9	0.9	1.1	1.3
Energy related GHG emissions (% of total)	8.2	8.8	8.8	9.1	9.6	10.2

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 2015-LCMS-VII. Actual data: 2015. Nowcast: 2016-2022. Forecasts are from 2023 to 2025.

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

ZIMBABWE

Table 1 **2022**

Population, million	16.3
GDP, current US\$ billion	31.1
GDP per capita, current US\$	1902.6
International poverty rate (\$2.15) ^a	39.8
Lower middle-income poverty rate (\$3.65) ^a	64.5
Upper middle-income poverty rate (\$6.85) ^a	85.0
Gini index ^a	50.3
School enrollment, primary (% gross) ^b	96.1
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO2e)	119.3

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2019), 2017 PPPs.

b/ Most recent WDI value (2021).

Real GDP growth was high at 6.5 percent in 2022, largely driven by the agricultural sector, yet other sectors were constrained by price and exchange rate instability. Annual inflation returned to triple-digit levels in 2022 and remained high in the first half of 2023, driven by both monetary expansion and external shocks. Poverty levels declined moderately. Economic growth is projected to slow to 4.5 percent in 2023 and to remain under 5 percent in the medium term, reflecting global shocks and structural bottlenecks.

Key conditions and challenges

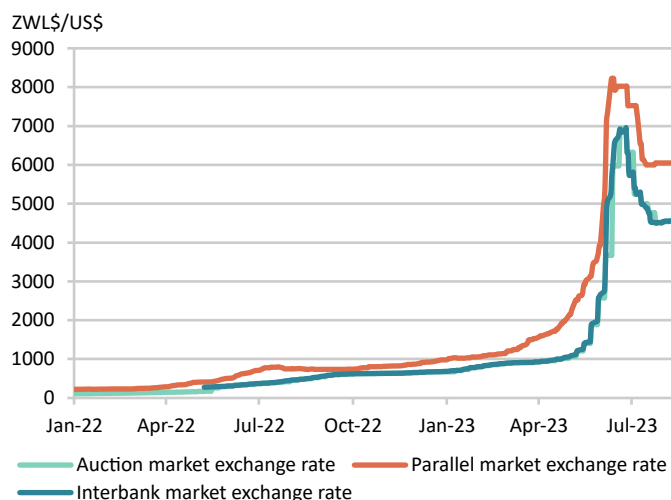
Exchange rate and inflationary pressures continue to constrain Zimbabwe's full growth potential. Since 2016, reforms to maintain the local currency have been associated with periodic macroeconomic instability- high inflation and exchange rate depreciation that distorted economic activity. This has affected both domestic and foreign investment which remain far below regional peers. With waning economic and employment activity in the formal sector, informality has grown in recent years. High unsustainable debt and arrears to international financial institutions (IFIs) continue to limit the fiscal space and growth potential. External debt rose from 40 to 70 percent of GDP between 2018 and 2022. The government ceased servicing external debt in 2000, and arrears have since risen to 37 percent of GDP (US\$6.7 billion) as of December 2022. The country resumed token payments to multilateral creditors in 2021, and initiated an arrears clearance dialogue process in 2022, as a signal for reengagement commitment. The government has accumulated two types of legacy debt since 2021: (i) US\$1.6 billion compensation for a 2019 imposition of exchange rate restrictions that blocked external payments to foreign suppliers and investors ("blocked funds"), and (ii) US\$3.5 billion agreed as compensation to former farm owners who lost land and assets during the post-2000 land reform.

Poverty has been elevated on account of macroeconomic instability, poor job creation in the productive sectors, weather and global health shocks, and weak social protection systems. Extreme poverty rate has declined from its 2020 peak but remains high against the background of cyclical agricultural production and elevated food prices.

Recent developments

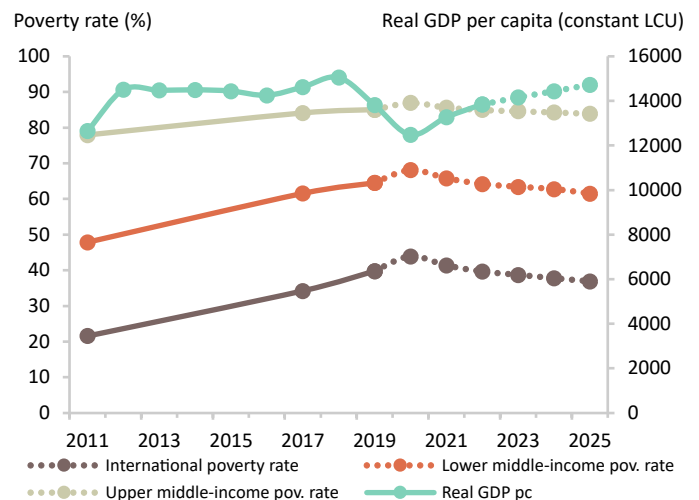
Real GDP growth remained high at 6.5 percent in 2022 from 8.5 percent in 2021 driven by a significant revision in agricultural production. Earlier projections had anticipated agriculture output to contract by 14 percent, but growth in maize and wheat production saw agriculture output revised upward to 6.2 percent in 2022. During the first half of 2023, exchange rate and inflationary pressures intensified, with manufacturing, construction, electricity supply and accommodation, and food service activities contracting in 2023Q1. The unemployment rate increased on quarter-on-quarter basis from 19.3 percent in 2023Q1 to 19.7 percent in 2023Q2. Inflation reached hyperinflation levels in June 2023, but declined thereafter, as authorities implemented various measures to curb currency depreciation. After depreciating sharply from the turn of 2022 to May 2023, the parallel market exchange rate started to appreciate in June, falling to below 35 percent in July 2023, from over 100 percent in May 2023, partly reflecting the impact of tight monetary

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.

policy and slowing of quasi-fiscal activities. This dampened month-on-month inflation from 74.5 percent in June 2023 to -15.3 percent in July 2023. Notwithstanding, Zimbabwe dollar denominated prices remain elevated, eroding the purchasing power, and putting many goods and services out of reach of most households.

The fiscal balance continued to be in surplus during the first half of 2023, as government slowed spending to contain inflation and exchange rate pressures. High inflation contributed to higher revenue while the government restrained the implementation of capital projects. However, recurrent spending pressures increased ahead of national elections, as the government increased civil servants' salaries sharply, both in foreign and local currency. The government transferred all quasi-fiscal operations (QFOs) from the Central Bank to the Treasury, and this will increase interest payment during the second half of 2023.

The current account surplus narrowed during the first half of 2023 as the widening of the trade deficit outpaced the growth of remittances. The merchandise trade deficit increased by 19 percent

during the first half of 2023 compared to the same period last year, reflecting a decline in mineral exports and increase in imports. Remittances from non-governmental organization contracted by 10.5 percent.

Outlook

Real GDP growth is projected to slow to 4.5 percent in 2023, constrained by global headwinds, structural bottlenecks, and price and exchange rate instability. Growth in 2023 will be driven mostly by agriculture and services, particularly tourism. Manufacturing and mining sector growth are projected to slow in 2023, partly affected by electricity shortage, inflation, and exchange rate pressures. Downside risks to the outlook could include policy slippages after elections, a weak global environment for growth, volatile commodity prices, and climate change. Inflationary pressures are expected to slow, but inflation will remain in triple-digits in 2023, before returning to double digits in 2024 and 2025, as exchange rate pressures are contained.

The fiscal balance is projected to turn into deficit in 2023 on a high wage bill, high interest payments from QFOs, and the resumption of spending after elections. Moreover, the government is expected to resume paying its contractors and suppliers after elections. Interest payments from servicing QFOs debts are projected to significantly increase, posing liquidity risks, amid limited access to concessional financing. Fiscal deficit is projected to reach 3.2 percent of GDP in 2023, before slowing to under 2.0 percent in 2024 and 2025. The current account surplus is expected to continue shrinking, reflecting an increase in imports and a slowdown in remittance inflows.

The poverty rate is expected to decline modestly in the medium term along with the projected increase in GDP per capita. However, structural changes are necessary to accelerate poverty reduction and break its dependence on weather cycles. Improving labor productivity through an increase in agricultural productivity, structural transformation, and capital deepening, as well as instituting a robust social protection system are the key structural priorities to reduce poverty and vulnerability.

TABLE 2 Zimbabwe / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-7.8	8.5	6.5	4.5	3.9	4.1
Private consumption	-2.3	1.5	4.9	3.0	4.0	4.8
Government consumption	-23.8	142.1	31.3	26.8	3.5	1.7
Gross fixed capital investment	-18.2	12.8	22.3	-21.6	0.9	0.8
Exports, goods and services	-48.9	47.0	43.9	3.0	1.5	3.4
Imports, goods and services	-44.1	61.5	54.6	2.0	1.1	2.5
Real GDP growth, at constant factor prices	-7.7	8.4	6.4	4.5	3.9	4.1
Agriculture	4.1	17.5	6.2	6.3	0.9	3.0
Industry	-8.2	6.4	5.5	2.9	4.5	4.2
Services	-9.6	7.7	7.0	4.9	4.2	4.3
Inflation (consumer price index)	557.2	98.5	193.4	305.0	45.1	15.9
Current account balance (% of GDP)	2.9	1.0	1.0	0.8	0.5	0.4
Net foreign direct investment inflow (% of GDP)	0.7	0.7	1.0	1.4	1.5	0.5
Fiscal balance (% of GDP)	1.5	-2.0	0.1	-3.2	-1.6	-1.2
Revenues (% of GDP)	13.3	15.3	16.4	18.7	18.9	19.5
Debt (% of GDP)	51.2	58.4	99.6	130.8	111.1	123.7
Primary balance (% of GDP)	1.6	-1.9	0.2	-2.3	-0.3	0.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	43.9	41.4	39.6	38.7	37.8	36.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	68.1	65.8	64.2	63.4	62.8	61.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	86.9	85.6	85.0	84.6	84.3	83.9
GHG emissions growth (mtCO₂e)	-1.4	1.2	1.4	0.5	1.0	1.6
Energy related GHG emissions (% of total)	11.3	12.5	13.2	14.4	15.4	16.6

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 2019-PICES. Actual data: 2019. Nowcast: 2020-2022. Forecasts are from 2023 to 2025.

b/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

Macro Poverty Outlook

10 /
2023