

**Sub-Saharan Africa**

# Macro Poverty Outlook

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

Spring  
Meetings  
2023



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# Sub-Saharan Africa

Spring Meetings 2023

Angola  
Benin  
Botswana  
Burkina Faso  
Burundi  
Cabo Verde  
Cameroon  
Central African Republic  
Chad  
Comoros  
Congo, Dem. Republic  
Congo, Republic

Côte d'Ivoire  
Equatorial Guinea  
Eritrea  
Eswatini  
Ethiopia  
Gabon  
Gambia, The  
Ghana  
Guinea  
Guinea-Bissau  
Kenya  
Lesotho

Liberia  
Madagascar  
Malawi  
Mali  
Mauritania  
Mauritius  
Mozambique  
Namibia  
Niger  
Nigeria  
Rwanda  
São Tomé and Príncipe

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

# ANGOLA

## Key conditions and challenges

**Table 1** **2022**

Population, million	35.0
GDP, current US\$ billion	122.1
GDP per capita, current US\$	3486.5
International poverty rate (\$2.15) <sup>a</sup>	31.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	52.9
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	78.0
Gini index <sup>a</sup>	51.3
School enrollment, primary (% gross) <sup>b</sup>	85.0
Life expectancy at birth, years <sup>b</sup>	62.3
Total GHG emissions (mtCO2e)	126.3

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2018), 2017 PPPs.  
b/ Most recent WDI value (2020).

*Growth accelerated in 2022 due to increased oil production and higher oil prices allowing for an expansive fiscal stance in an election year. With an appreciating currency and food prices easing, inflation declined rapidly, and poverty fell to 32.7 percent. Growth is expected to moderate in the near-term, bogged down by the oil sector. Risks are elevated due to excessive dependence on oil revenue, with policies aimed at removing market distortions and enhancing resilience remaining a high priority.*

Angola's economic fortunes have been tied to global oil demand, which brought volatile growth and left Angola with high levels of poverty and inequality. Reforms over the past 5 years have improved macroeconomic management and public sector governance. Macroeconomic stability has been enhanced through a more flexible exchange rate regime, central bank autonomy, sound monetary policy, and fiscal consolidation. Laws to allow greater private sector participation in the economy, increase the stability of the financial sector and reduce the impact of oil revenue volatility on public finances have also been introduced.

High poverty is linked to a lack of good-quality jobs: 80 percent of jobs are informal, and half are in the primary sector (often subsistence work). Urban and youth unemployment remain high, exceeding 38 percent and 50 percent, respectively. Economic diversification remains elusive while oil production is declining and global decarbonization looms in the medium-term. Angola needs to urgently invest in removing barriers to private sector investment to achieve economic diversification to support growth, job creation, and poverty reduction.

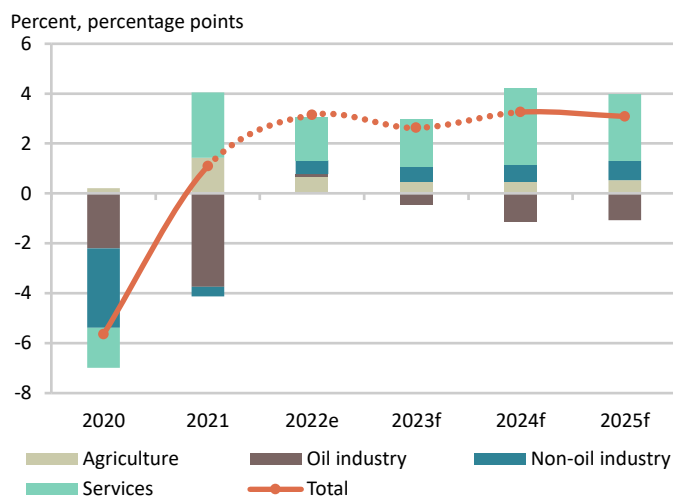
Given the jobs challenge, high poverty, and a rapidly growing population, investing in human capital and poverty reduction is a top priority. Inadequate provision

of health and education reduce the potential productivity of a child born in Angola to 36 percent what it could be. Investments in human capital will require sustainably increasing spending and improving management and accountability to ensure results. Investments in education and health have been complemented with the roll-out of a social registry and the Kwenda cash transfer program in 2020, with close to a million rural households registered. A broader social safety net with adaptable income support could substantially reduce extreme poverty, mitigate the impact of shocks on households, and support investments in human capital.

## Recent developments

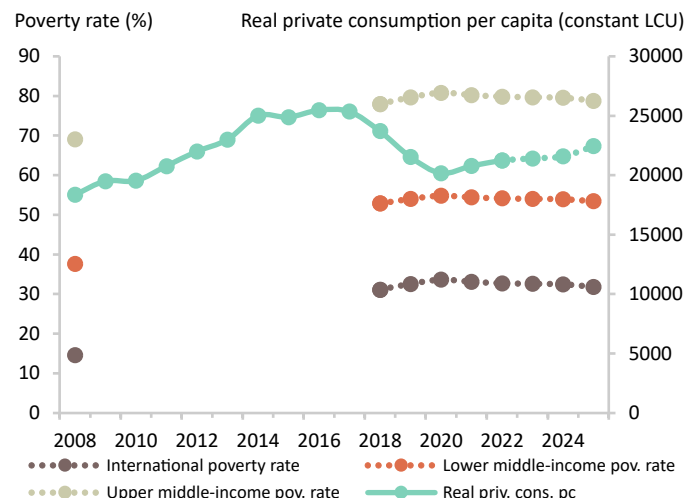
GDP growth accelerated in 2022 to an estimated 3.5 percent - the first time since 2014 that it outpaced population growth - thanks to a small rebound in oil production and high oil revenues. Higher oil prices allowed for fiscal expansion, especially in public investments, and appreciation of the domestic currency, underpinning strengthening domestic demand and generating growth in private consumption estimated at around 5 percent. The oil sector contributed to this recovery with a growth of 1.4 percent, the first expansion since 2015. Non-oil output accelerated with agriculture and fisheries growing almost 7 percent and the services sector recovering to pre-COVID-19 levels. Construction activity expanded, benefitting from higher government investment in the

**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.



context of improved financial conditions and an election year.

With higher oil prices, the currency appreciated by 26.2 percent in 2022, though appreciation pressures have receded since late 2022. The current account surplus stood at about 11 percent of GDP, driven by high growth in oil exports (51 percent year-on-year). International reserves stood at US\$14.5 billion dollars at the end of 2022, or about 6 months of imports.

Inflation has fallen rapidly, allowing the Central Bank to moderately loosen monetary policy. The year-over-year rate fell from 27 percent in December 2021 to 13.9 percent in December 2022, the lowest rate since 2015. As inflation pressures subside, the Central Bank lowered the reference rate from 20 percent until September 2022 to 18 percent by January 2023.

Positive per capita growth and slowing inflation are expected to have reduced poverty at \$2.15 per day (2017 PPP) by 0.4 percentage points to 32.7 percent, yet the number of people living in poverty continued to grow, surpassing 11.4 million.

The government achieved a fiscal surplus of 2.7 percent of GDP, despite expenditure significantly exceeding budgeted

levels, especially on investment and fuel subsidies. However, the non-oil primary deficit, a measure of the structural fiscal position, increased to 7.7 percent of GDP, up from 4.8 percent in 2021 and above the government's medium-term target of 5 percent. Debt-to-GDP declined to about 65 percent, with proactive debt management, including purchase of outstanding Eurobonds reducing near-term external financing needs.

## Outlook

Due to decreased oil production and reduced fiscal impulse, growth is expected to moderate to 2.6 percent in 2023, falling once again below population growth (3.1 percent). Growth in the non-oil economy, especially in agriculture, construction and services is expected to remain robust, with non-oil GDP growth exceeding four percent annually. While the poverty rate is expected to continue marginally decreasing, due to rapid population growth, the number of poor will surpass 11.7 million.

Inflation is expected to remain on a moderating trend, however possible adjustments in regulated prices, especially for fuel, could temporarily increase prices. The current account surplus is expected to narrow gradually, as growth in non-oil exports will be insufficient to offset the declining trend of oil production and the expected reduction of oil prices, while import growth remains robust. The flexible exchange rate is expected to mitigate the pressures on external reserves and serve as a first line of defense against external shocks. External financing requirements resulting from the large external debt service are met by bilateral and multilateral loans, bond issuances and, increasingly, foreign direct investment.

Fiscal accounts are expected to remain balanced in the absence of new oil price shocks. The 2023 budget targets a small overall fiscal surplus. A significant decline of oil prices could result in a fiscal deficit and increased financing needs. Fuel subsidy reform, which the government intends to undertake in the course of 2023, could free up fiscal space that can be used for greater investments in poverty reduction and human capital formation.

**TABLE 2** Angola / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-5.6	1.1	3.5	2.6	3.3	3.1
Private Consumption	-3.3	6.4	5.5	4.0	4.0	4.0
Government Consumption	-8.2	-6.4	-1.6	10.1	25.0	12.3
Gross Fixed Capital Investment	-15.5	9.2	-0.6	3.7	0.2	1.0
Exports, Goods and Services	-6.2	-10.7	1.5	-1.3	-3.5	-3.4
Imports, Goods and Services	-19.6	-18.3	13.8	9.6	7.0	0.8
<b>Real GDP growth, at constant factor prices</b>	-6.8	-0.1	3.4	2.5	3.1	2.9
Agriculture	2.8	17.2	6.8	4.6	4.6	5.0
Industry	-10.5	-8.3	2.1	0.3	-1.1	-0.7
Services	-3.9	6.2	3.9	4.2	6.7	5.7
<b>Inflation (Consumer Price Index)</b>	22.3	25.8	21.4	9.8	4.4	3.5
<b>Current Account Balance (% of GDP)</b>	2.4	5.8	13.5	8.6	9.1	9.2
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	3.3	4.5	4.8	1.5	0.6	1.3
<b>Fiscal Balance (% of GDP)</b>	-1.9	3.9	2.6	1.9	0.1	-0.1
<b>Revenues (% of GDP)</b>	20.8	24.1	24.4	22.7	20.6	19.2
<b>Debt (% of GDP)</b>	130.7	85.7	64.5	60.7	54.9	50.8
<b>Primary Balance (% of GDP)</b>	4.9	9.3	7.0	6.0	3.6	3.0
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	33.6	33.1	32.7	32.6	32.5	31.8
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	54.8	54.4	54.2	54.1	54.0	53.5
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	80.8	80.2	79.8	79.7	79.5	78.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.3	-1.7	-0.1	-0.5	-0.8	-0.8
<b>Energy related GHG emissions (% of total)</b>	16.3	16.0	17.3	18.5	19.3	20.0

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-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

## Key conditions and challenges

**Table 1** **2022**

Population, million	13.4
GDP, current US\$ billion	20.0
GDP per capita, current US\$	1501.3
International poverty rate (\$2.15) <sup>a</sup>	19.9
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	53.2
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	83.4
Gini index <sup>a</sup>	37.8
School enrollment, primary (% gross) <sup>b</sup>	116.7
Life expectancy at birth, years <sup>b</sup>	60.1
Total GHG emissions (mtCO2e)	28.5

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

After a strong rebound in 2021, real growth moderated to 6 percent in 2022. Inflation remained subdued at 2.5 percent due to a strong harvest season and measures to partially offset import price pressure and extreme poverty incidence declined by 1.1 percent. Benin's fiscal response to overlapping crises has significantly reduced fiscal space, with a steep increase in debt levels. Food, energy, and fertilizer price volatility, increased security risks in the North, and extreme weather events cloud the outlook.

Real GDP growth moderated in 2022 due to the global economic slowdown and uncertainties generated by Russia's invasion of Ukraine. Fiscal consolidation efforts between 2016-19 enabled countercyclical, expansionary fiscal policy to respond to overlapping crises over 2020-22. This, combined with significant infrastructure investment under the second Government Action Plan (PAG, 2021-26) and a resilient agriculture sector, allowed Benin to maintain above-regional average growth and is expected to have led to a reduction in poverty in 2022. However, poverty and vulnerability remain high, with substantial spatial disparities.

With rising global uncertainties and security threats in the North, sustaining economic growth over the medium term will require pursuing structural reforms to alleviate critical constraints. First, rebuilding fiscal space through improved revenue collection and streamlined tax expenditures, while enhancing the efficiency of public spending. Second, the impacts of recent crises and recurrent climate shocks highlighted the need for accelerated implementation of reforms to strengthen shock resilience, notably social protection.

In terms of risks, increased insecurity and social tensions in the North together with sustained food, energy, and fertilizer price volatility would negatively impact poor and vulnerable households, slowing

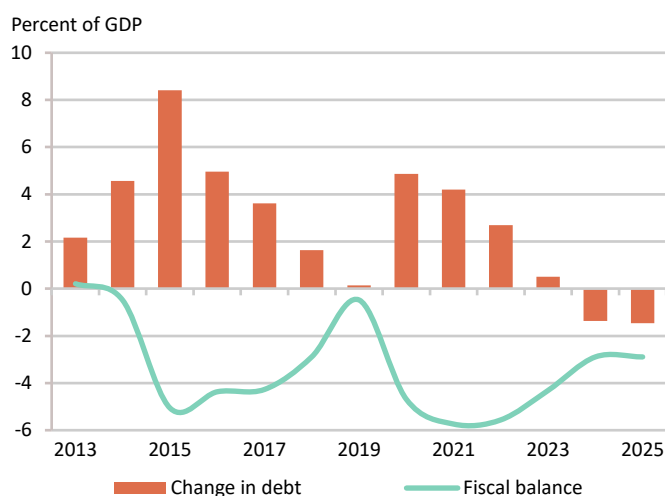
poverty reduction and pushing more households into fragility. Extreme climate events could also cause severe damage and jeopardize agricultural output.

## Recent developments

Real GDP growth decelerated to 6 percent in 2022 (3.1 percent in per capita term) due to global geopolitical tensions and regional instability. On the supply side, the primary sector remained resilient despite fertilizer supply disruptions, thanks to higher cotton exports. Services remained the major contributor to growth on the back of strong transport and logistics sectors. On the demand side, private consumption growth slowed moderately, while public investment was scaled back as fiscal space narrowed. Year-on-year inflation accelerated to 2.8 percent at end-2022, remaining well below peers due to a strong harvest supporting local food supply and measures to combat inflation, such as temporary import tax exemptions and export restrictions to neighboring countries. Growth in agriculture combined with relatively low inflation is expected to have reduced the international poverty rate (\$2.15 a day, 2017 PPP) from 18.6 percent in 2021 to 17.5 percent in 2022.

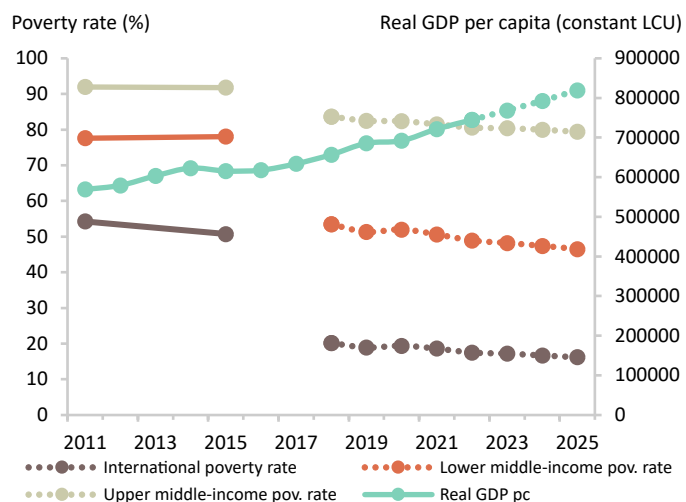
Higher formal oil prices coupled with significant construction and security imports widened the current account deficit (CAD) (including grants) to 6.1 percent of GDP in 2022 from 4.1 percent in 2021. The CAD was primarily financed by regional bond emissions and concessional financing.

**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 GDP per capita**



Sources: World Bank. Notes: see Table 2.

The fiscal deficit has remained elevated for the third consecutive year, at 5.7 percent of GDP in 2022, owing to unanticipated spending to cushion the effects of the war in Ukraine and contain rising security threats in the North. Domestic revenues remained resilient in 2022, reaching 13.4 percent of GDP, compared to 13.2 in 2021, thanks to improvements in tax administration and the application of the new Tax Code. Public debt continued to increase, reaching 52.8 percent of GDP in 2022 (+11.6 ppt compared to 2019), with the share of external debt significantly increasing over the last few years. 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 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely need to continue tightening in 2023 in line with other major central banks, and as foreign exchange reserves have declined and inflation remains well above the target range of 1-3 percent.

Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks in some countries, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks.

## Outlook

In the medium-term, real growth is expected to hover around 6 percent, equivalent to 3.1 percent per capita. Growth will be driven by private consumption as inflationary pressures abate, and total investment will gradually shift from public to private. On the supply side, the dynamism of the construction sector and agriculture production 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, thanks to an expected decrease in the price of oil products. Regional bond issuances will largely finance the CAD as international financial markets are expected to remain tight.

Poverty reduction is expected to gradually revert to its pre-crisis downward trend as economic growth remains robust. However, slower growth in services over the medium term is expected to lead to a deceleration in the pace of poverty reduction, with the headcount rate (\$2.15 a day, 2017 PPP) declining only marginally from 17.5 percent in 2022 to 17.2 percent in 2023 and further to 16.2 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 4.3 percent of GDP in 2023 and around 3 percent from 2024, in line with the current WAEMU convergence criterion. Delaying fiscal adjustment towards the regional fiscal deficit target could exacerbate debt sustainability risks in some countries, while a deterioration of the external environment, a strong increase in military and security spending, or an extreme weather event could delay consolidation. Under more benign conditions, public debt is expected to decline gradually after peaking at 53.2 percent in 2023.

**TABLE 2 Benin / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	3.8	7.2	6.0	6.0	5.9	6.1
Private Consumption	3.0	4.2	3.7	3.9	4.0	4.1
Government Consumption	19.6	2.0	12.4	3.2	1.7	3.8
Gross Fixed Capital Investment	-6.2	17.7	17.7	9.9	7.6	10.7
Exports, Goods and Services	-6.7	22.2	13.6	3.6	7.8	7.5
Imports, Goods and Services	-11.3	19.6	22.4	1.8	2.8	7.1
<b>Real GDP growth, at constant factor prices</b>	3.8	7.2	6.0	6.0	5.9	6.1
Agriculture	1.8	4.7	5.5	5.7	5.8	5.8
Industry	5.2	10.5	7.0	8.2	6.8	7.2
Services	4.2	7.0	5.8	5.1	5.5	5.7
<b>Inflation (Consumer Price Index)</b>	3.0	1.7	2.5	3.0	2.0	2.0
<b>Current Account Balance (% of GDP)</b>	-1.7	-4.2	-6.1	-5.5	-4.7	-4.7
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	0.5	-1.0	0.7	1.0	1.1	0.9
<b>Fiscal Balance (% of GDP)</b>	-4.7	-5.7	-5.6	-4.3	-2.9	-2.9
<b>Revenues (% of GDP)</b>	14.4	14.1	13.9	14.4	15.2	15.6
<b>Debt (% of GDP)</b>	46.1	50.3	53.0	53.5	52.1	50.7
<b>Primary Balance (% of GDP)</b>	-2.7	-3.5	-3.7	-2.8	-1.1	-1.2
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	19.4	18.6	17.5	17.2	16.7	16.2
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	52.0	50.6	48.9	48.2	47.4	46.5
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	82.4	81.5	80.6	80.4	80.0	79.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.1	6.7	1.7	1.1	4.5	4.7
<b>Energy related GHG emissions (% of total)</b>	31.7	35.5	35.8	35.8	37.7	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/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# BOTSWANA

**Table 1** **2022**

Population, million	2.5
GDP, current US\$ billion	20.4
GDP per capita, current US\$	8287.7
International poverty rate (\$2.15) <sup>a</sup>	15.4
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	38.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	63.5
Gini index <sup>a</sup>	53.3
School enrollment, primary (% gross) <sup>b</sup>	99.0
Life expectancy at birth, years <sup>b</sup>	65.6
Total GHG emissions (mtCO2e)	59.6

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2015), 2017 PPPs.  
 b/ WDI for School enrollment (2021); Life expectancy (2020).

*Botswana's economy grew strongly, by 6.5 percent in 2022 supported by favorable external demand for diamonds. Growth is expected to slow and average 4.0 percent over 2023-25. The outlook relies on robust though slowing diamond demand and a pickup in non-mineral activities, supported by improved electricity and water supply and continued tourism recovery. Poverty is projected to decrease slightly to 14.6 percent, using the US\$2.15 per day international poverty line, while inequality remains among the highest in the world.*

## Key conditions and challenges

Prudent macroeconomic and fiscal policies explain the low public debt ratio of 20.8 percent of GDP reported by Botswana at the end of 2022, justifying favorable ratings by international rating agencies. However, the significant fiscal buffers accumulated in the Government Investment Account were depleted during the COVID-19 pandemic. Preserving Botswana's strong fiscal position requires efforts to increase domestic revenue mobilization and limit expenditure growth. The government's plan includes improving the efficiency of public spending and reorientating expenditures toward investment and human capital to enable the private sector in order to diversify the economy, raise productivity, and create more jobs.

Botswana's diamond-led growth model has started to show its limitations, including fiscal vulnerabilities, weak economic diversification, and persistent income inequities, which were further exacerbated by the COVID-19 pandemic. Economic growth slowed to 3.3 percent annually on average over 2012-21 and translated into low job creation, resulting in high unemployment (25.4 percent in 2022). Botswana is vulnerable to external shocks, especially fluctuations in the prices of diamonds and other commodities as well as climate shocks such as droughts. In particular, droughts affect livestock (beef is the primary agricultural export product) and

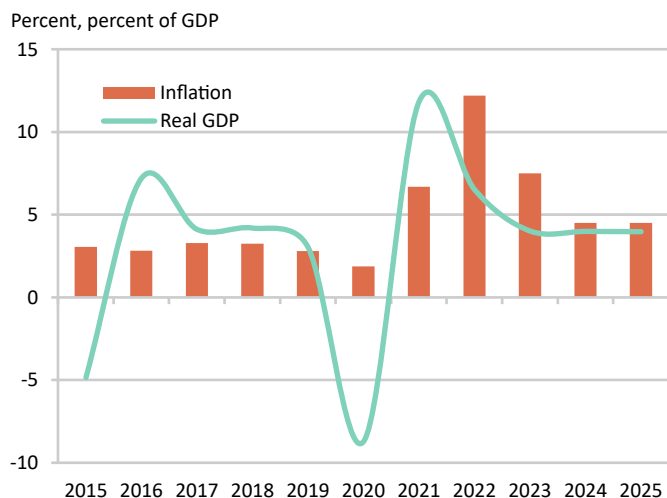
crop production therefore negatively impacting rural households. There is need to reform the public sector and its role in the economy to enable private sector development. Investments in the tourism, agriculture (mainly livestock value chain), energy, and manufacturing sectors bode well to attract international capital flows. Government needs to accelerate the implementation of the "Reset Agenda" to transform the economy into a high-income economy. This should be supported by enhanced accountability, competition, and governance. Excessive reliance on import substitution and restrictions to promote industrialization should be avoided.

## Recent developments

Thanks to a favorable global environment (especially the diamond sector), Botswana's GDP grew by an estimated 6.5 percent in 2022, in line with the strong recovery recorded in 2021. This growth was mainly driven by the good performance in mining and diamond trading. The external balance improved, supported by the increased value of diamond exports (20.4 percent in 2022), with the current account recording an estimated surplus of 2.5 percent of GDP.

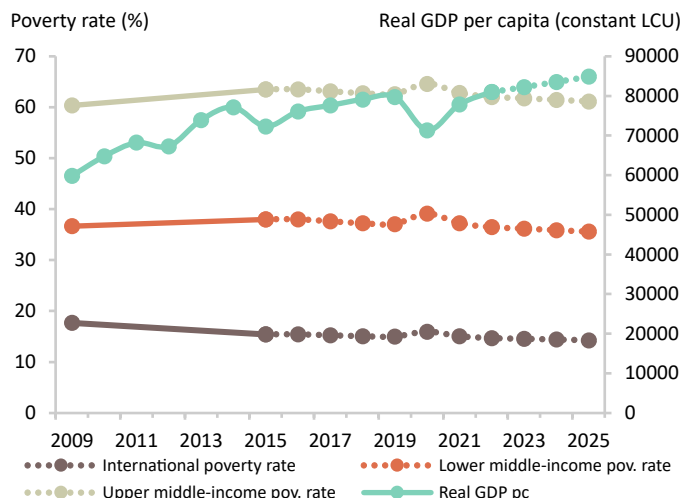
Inflation increased sharply to a decade high of 12.2 percent in 2022 (from 6.7 percent in 2021). It was triggered by an upward adjustment of administered prices, a modest recovery in domestic demand, and higher international food and fuel prices emanating from supply chain shocks from

**FIGURE 1 Botswana / Inflation and real GDP growth**



Sources: Bank of Botswana and World Bank staff.

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



Source: World Bank. Notes: see Table 2.



Russia's invasion of Ukraine. Import restrictions to promote local industries put pressure on domestic prices. Higher food prices might be a source of income growth for some poor rural households engaged in agriculture, but they are expected to further hurt poor urban households, while higher fertilizer prices hamper agricultural production. As a response, the Bank of Botswana tightened monetary policy by raising the interest rate by a cumulative 151 basis points during 2022.

The overall fiscal deficit narrowed to an estimated 2 percent of GDP in 2022. Fiscal revenues exceeded budgeted levels by 5.4 percent, outpacing the increase in wage expenditure, the fuel subsidy program, and social welfare. Public debt reached 20.8 percent of GDP in 2022. Most of the new borrowing was on the domestic market at relatively low interest rates. Interest payments on debt increased to 0.7 percent of GDP in 2022 compared to 0.5 percent of GDP in 2021 owing to monetary tightening.

Unemployment remains structurally high, posing challenges to Botswana's inclusive development strategy, though it declined slightly from the post-pandemic peak of

26 percent in 2021 to 25.4 percent in 2022. Poverty based on the international poverty line of US\$2.15 per person per day (2017 PPP) was estimated at 14.7 percent in 2022.

## Outlook

As global demand is expected to decelerate and diamond prices to stabilize, GDP growth is projected at 4 percent in 2023 and into the medium term. The outlook relies on a stable but robust performance of the diamond sector, while a modest pickup is projected in non-mineral activities, supported by improved electricity and water supply. Poverty under the US\$2.15 international poverty line is projected to remain relatively high for an upper-middle-income country at around 14.5 percent in 2023.

Fiscal pressures are expected to remain significant amid elevated capital and current spending. Planned capital spending has been increased significantly (27.8 percent in FY23) as an 'economic stimulus' but given the history of underspending due to limited absorptive capacity, it raises

concerns of spending inefficiencies. The consolidation of the public sector's wage bill could prove difficult in a high inflation context. The overall fiscal deficit is projected to increase to 2.9 percent in 2023, and then to decline to 0.9 percent of GDP in FY25. Public debt is projected to decline to below 20 percent of GDP by 2025. The current account is expected to improve to a surplus of 3.1 percent of GDP in 2023 and to 4.8 percent of GDP in 2025.

Priorities for reform include accelerating digital connectivity, business environment reforms, value chain development in both mining and non-mining sectors, and accelerating infrastructure development. Emphasis on strengthening fiscal prudence and discipline (including through implementation of state-owned enterprise reforms), enhancing revenue mobilization through improvements in tax collection, and replenishing the Government Investment account to manage debt sustainability are key measures that would aid inclusive growth. The outlook is subject to substantial downside risks mainly related to the broad effects of the war in Ukraine and the projected deceleration in global demand.

**TABLE 2 Botswana / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-8.7	11.8	6.5	4.0	4.0	4.0
Private Consumption	2.6	2.4	3.0	2.5	2.5	2.0
Government Consumption	5.3	4.0	4.3	7.1	1.3	0.6
Gross Fixed Capital Investment	-9.2	-0.3	7.2	1.3	2.7	3.2
Exports, Goods and Services	-18.6	31.7	12.0	6.8	7.0	7.0
Imports, Goods and Services	5.0	2.3	3.9	4.2	3.5	3.0
<b>Real GDP growth, at constant factor prices</b>	-9.1	11.9	6.5	4.0	4.0	4.0
Agriculture	-2.7	-1.0	0.8	2.8	2.6	2.6
Industry	-20.5	19.3	11.3	8.0	4.4	4.4
Services	-1.3	8.1	3.7	1.3	3.8	3.7
<b>Inflation (Consumer Price Index)</b>	1.9	6.7	12.2	7.5	4.5	4.5
<b>Current Account Balance (% of GDP)</b>	-8.6	-0.5	2.5	3.1	4.3	4.8
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	0.7	0.6	0.9	0.8	0.7	0.6
<b>Fiscal Balance (% of GDP)<sup>a</sup></b>	-9.5	0.0	-2.0	-2.9	-2.4	-0.9
<b>Revenues (% of GDP)</b>	28.6	31.8	29.7	29.0	28.5	29.1
<b>Debt (% of GDP)<sup>b</sup></b>	24.6	22.3	20.8	21.9	20.4	19.9
<b>Primary Balance (% of GDP)<sup>a</sup></b>	-8.9	0.5	-1.4	-2.0	-1.6	-0.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>c,d</sup></b>	16.0	15.1	14.7	14.5	14.4	14.3
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>c,d</sup></b>	39.1	37.2	36.5	36.2	35.9	35.6
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>c,d</sup></b>	64.6	62.8	62.0	61.7	61.5	61.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.4	3.7	0.9	0.3	0.4	-9.6
<b>Energy related GHG emissions (% of total)</b>	15.7	16.8	17.5	17.8	18.1	13.0

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

Notes: e = estimate, f = forecast.

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

b/ Refers to Public and Publicly Guaranteed debt.

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

d/ Projection for \$2.15 poverty using annualized elasticity (2009-2015) with pass-through = 0.87 based on GDP per capita in constant LCU. For higher lines use 85% and 50% of the 2.15 elasticity, respectively.

# BURKINA FASO

## Key conditions and challenges

Table 1	2022
Population, million	22.7
GDP, current US\$ billion	21.3
GDP per capita, current US\$	941.1
International poverty rate (\$2.15) <sup>a</sup>	30.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	59.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	81.1
Gini index <sup>a</sup>	47.3
School enrollment, primary (% gross) <sup>b</sup>	92.2
Life expectancy at birth, years <sup>b</sup>	59.7
Total GHG emissions (mtCO <sub>2</sub> e)	64.4

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

GDP growth slowed to 2.5 percent in 2022 (-0.1 percent per capita) as insecurity led to the closure of several gold mines and high food prices drove inflation to a region-high 14.1 percent; poverty incidence increased by 5.9 percentage points. Growth could strengthen to 4.3 percent in 2023 with improved security; however, the medium-term outlook is subject to substantial downside risks with security spending and expensive borrowing delaying fiscal consolidation.

Insecurity and political instability remain the most critical growth constraints in the short term. Several mines suspended operations in 2022 as a result of insecurity and new mining investments were postponed. As local populations are displaced, agricultural output growth weakens, aggravating food insecurity. The two coups in 2022 triggered a sharp reduction in the international community's financial support while negatively affecting private investment and foreign direct investment (FDI). Continued violent incidents could further reduce mining activity and the country's vital gold exports that provide a hedge amid global uncertainty. 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, remain highly vulnerable to climate shocks and natural disasters.

## Recent developments

GDP growth slowed to an estimated 2.5 percent in 2022 (-0.1 percent per capita). Growth was driven by the primary and tertiary sectors, which grew 5.1 and 5.6 percent, respectively, underpinned by a return to average rainfall and higher government support to public services. After

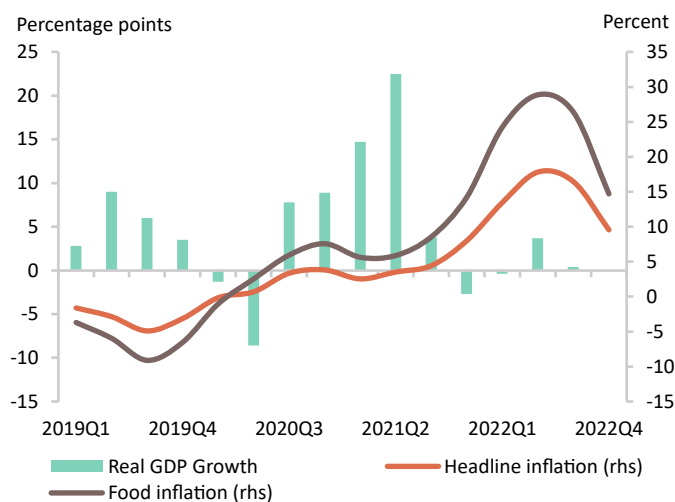
strong 2021 growth, the secondary sector contracted 4.9 percent in 2022 due to the insecurity-induced closure of several mines. As a result, growth was restrained by lower exports (-0.6 percent) and private investment (-6 percent) while buoyed by higher public investment (+39.8 percent), as the authorities increased security spending.

Soaring food prices (peaking at 30.8 percent year-on-year inflation in July) brought annual inflation to 14.1 percent, which coupled with negative per capita income growth eroded the purchasing power of households. Poverty incidence is estimated to have increased by 5.9 percentage points, implying an additional 1.5 million fell into extreme poverty during 2022. While the rise in import prices related to Russia's invasion of Ukraine fed into domestic inflation, supply-side shocks from a poor harvest in late 2021 and insecurity driving farmers from their lands drove inflation. Providing supplies to blockaded areas has been very difficult and food insecurity has increased, with the country's far north already in an emergency situation. Furthermore, local prices were up to 6 times the 5-year average.

High international gold and cotton prices mitigated the impacts of production shortfalls caused by mine closures and pest infestations. Nevertheless, the current account balance deteriorated to -5.2 percent of GDP with defense spending bringing in higher fuel imports.

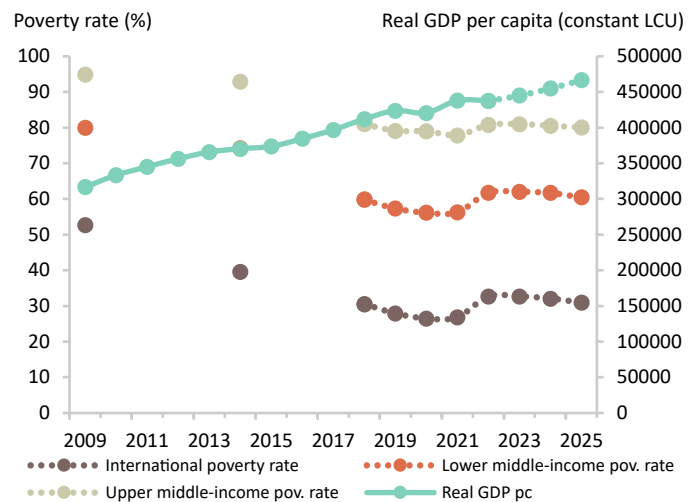
To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 75 basis

FIGURE 1 Burkina Faso / Real GDP growth and inflation



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely need to continue tightening in 2023 in line with other major central banks, as foreign exchange reserves have declined, and inflation remains well above the target range of 1-3 percent. Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks in some countries, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks.

The fiscal deficit increased to 10.6 percent of GDP in 2022 - the largest deficit in the region. Revenues increased as a share of GDP despite an underperforming mining sector, thanks to higher import taxes and ongoing reforms in digitalizing tax administration processes. Given worsening insecurity, security spending rose to 4.6 percent of GDP in 2022 (3.4 percent in 2021). Fiscal transfers (9 percent of GDP) were also higher than normal, partly due to a one-time payment of arrears linked to fuel subsidies (4.6 percent of GDP).

Public debt reached 54.3 percent of GDP by the end of 2022, with higher-interest domestic debt making up the majority of the public debt stock.

## Outlook

Growth will increase to 4.3 percent in 2023 (1.7 percent in per capita terms), driven by the agriculture and service sectors, and a recovery in gold mining.

Average annual inflation is projected to decline to 4.9 percent in 2023, reflecting a decline in global oil and food prices and assuming no further deterioration in insecurity. The fiscal deficit is projected to remain high, at 6.9 percent of GDP, exceeding the target (4.7 percent) of the adopted budget, due to higher security spending and the inclusion of securitized debt linked to fuel subsidies in spending figures. Convergence to the WAEMU's 3 percent target is not expected before 2027. Financing the deficit will prove challenging as tighter global financing has already increased the cost of funding on the WAEMU regional

bond market and access to concessional funding remains constrained. A return to civilian rule, scheduled for mid-2024, could usher in renewed concessional funding, helping debt sustainability.

Assuming improvements in security and the implementation of the transition agenda, growth is projected to improve over the medium term, reaching 5.1 percent by 2025.

Poverty rates are predicted to remain unchanged in 2023, as inflation offsets growth in the incomes of poor households, before beginning to trend downwards by about 1 percentage point a year. This marginal decline will only just keep up with increasing population growth, and the number of poor is expected to remain about 7.5 million.

Persistent insecurity is the primary risk to the outlook. Furthermore, a slowdown in global growth, higher inflation, and monetary tightening internationally could lead to higher financing costs. The price of gold remains at historically high levels, but could weaken in real terms, posing a risk to the current account and domestic revenue mobilization.

**TABLE 2 Burkina Faso / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.9	6.9	2.5	4.3	4.8	5.1
Private Consumption	8.6	3.4	3.4	3.1	4.3	4.1
Government Consumption	7.1	6.6	1.3	10.9	6.9	6.5
Gross Fixed Capital Investment	-4.6	34.8	3.8	5.1	5.0	6.1
Exports, Goods and Services	-7.1	6.5	-0.6	2.8	3.4	4.1
Imports, Goods and Services	5.3	15.5	1.7	4.6	4.0	3.9
<b>Real GDP growth, at constant factor prices</b>	1.9	6.9	2.5	4.3	4.8	5.1
Agriculture	5.2	-4.1	5.1	4.7	4.5	4.3
Industry	12.8	11.0	-4.9	0.5	2.8	4.1
Services	-4.9	10.3	5.6	6.2	6.0	6.0
<b>Inflation (Consumer Price Index)</b>	1.9	3.9	14.1	4.9	3.8	2.4
<b>Current Account Balance (% of GDP)</b>	-0.1	-3.0	-5.2	-4.4	-3.6	-3.0
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-0.6	0.5	0.5	0.6	0.5	0.5
<b>Fiscal Balance (% of GDP)</b>	-5.1	-7.5	-10.6	-6.9	-5.4	-5.1
<b>Revenues (% of GDP)</b>	19.1	20.3	20.7	20.6	20.6	20.5
<b>Debt (% of GDP)</b>	44.9	48.2	54.3	58.3	60.8	62.4
<b>Primary Balance (% of GDP)</b>	-3.7	-6.0	-8.5	-5.1	-3.5	-3.1
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	26.5	26.8	32.7	32.7	32.1	30.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	56.2	56.3	61.8	62.0	61.7	60.5
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	79.0	77.8	80.8	81.0	80.5	80.0
<b>GHG emissions growth (mtCO2e)</b>	3.2	6.0	4.6	5.0	5.1	5.1
<b>Energy related GHG emissions (% of total)</b>	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/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# BURUNDI

## Key conditions and challenges

**Table 1** **2022**

Population, million	12.9
GDP, current US\$ billion	3.6
GDP per capita, current US\$	279.8
International poverty rate (\$2.15) <sup>a</sup>	65.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	86.7
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	96.5
Gini index <sup>a</sup>	38.6
School enrollment, primary (% gross) <sup>b</sup>	115.1
Life expectancy at birth, years <sup>b</sup>	61.6
Total GHG emissions (mtCO2e)	8.9

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2013), 2017 PPPs.  
 b/ Most recent WDI value (2020).

Economic growth is estimated at 1.8 percent in 2022, a slight deceleration over 2021, driven by industry and services. Agriculture contracted due to insufficient rainfall and delays in fertilizer distribution. Higher commodity prices due to Russia's invasion of Ukraine lifted inflation. Growth is expected to accelerate in 2023-25, although downside risks, including from fiscal slippage, are substantial. With rapid population growth, per capita GDP continues to contract, while poverty is expected to reach 83 percent in 2023.

Burundi's economic development has been hampered by structural challenges that reinforced a cycle of fragility and poverty. Burundi is faced with 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.

Moreover, human capital accumulation has not kept up with fast population growth. Transition to secondary schooling remains low (48 percent), and below LIC and SSA averages. Learning poverty rates - measured as the share of children who cannot understand a simple text by the end of primary school - remain high (93 percent). Among adolescent girls, as many as 30 percent are out of school. Furthermore, Burundi has one of the highest rates of chronic undernutrition in SSA and worldwide, with almost one in two households being food insecure and 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 this is poised

to deteriorate with the inflationary pressures on food prices due to the war in Ukraine. Against this backdrop, monetary poverty has been estimated at 83.0 percent (based on the international poverty line of \$2.15/day) in 2022, up from 65.1 in 2013 (the last year with current data availability to the World Bank).

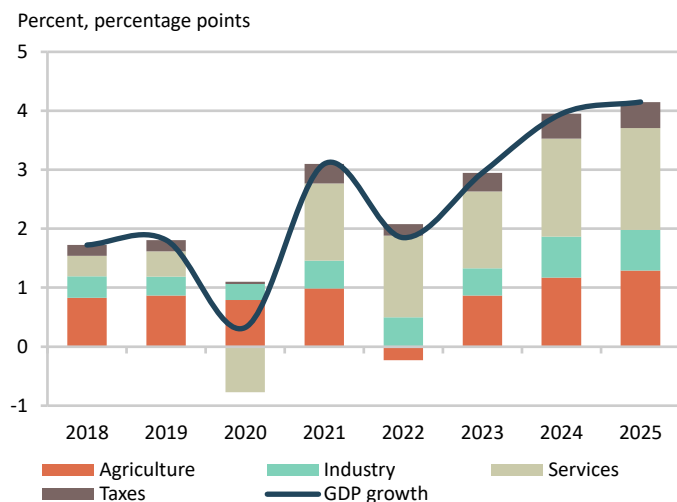
Gradual re-engagement with the international community since 2020 creates an opportunity for reforms to stabilize the country's economy and scale up investments in human capital and infrastructure as a part of a process to change Burundi's growth trajectory.

## Recent developments

Higher oil and food prices led to negative terms of trade shock which slowed economic growth, accelerated inflation, and increased fiscal and current account deficits. Growth decelerated to 1.8 percent in 2022 (-0.8 percent in per capita terms) from 3.1 percent in 2021, driven by industry and services. Agriculture contracted by 0.8 percent due to delays in fertilizer supply, limited rainfall, and poor seed quality. Government consumption and investment supported growth on the demand side.

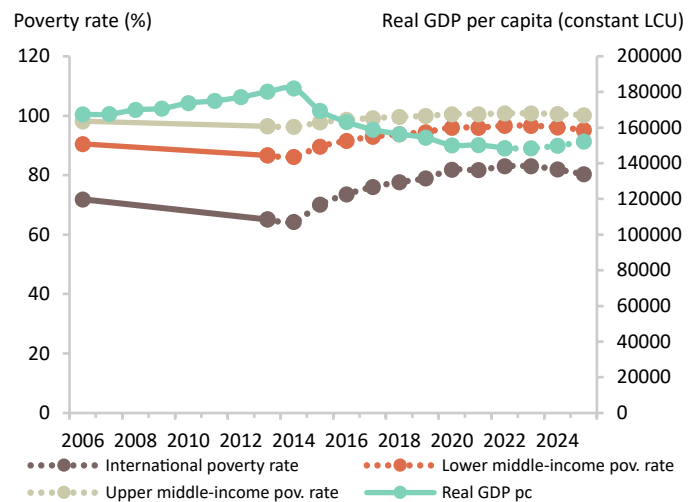
At 11.5 percent of GDP, the fiscal deficit has worsened from 4.6 percent in 2021. This reflects a sharp increase in subsidies, transfers, and stronger capital spending while revenues slightly decreased. The fiscal deficit was mainly financed by T-bonds and credits from the Central Bank with public debt reaching 67.5 percent of GDP.

**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 GDP per capita**



Source: World Bank. Notes: see Table 2.



Driven by oil prices, the current account deficit (CAD) remained high at 15.5 percent of GDP in 2022. Weak demand in key export markets and ongoing mining contract negotiations affected export performance while imports of both capital and consumption goods increased. The CAD is primarily financed by trade credits. International reserves cover 1.8 months of imports at end-2022, down from 3.2 months in 2021. The foreign exchange parallel market premium reached 75 percent in February 2023 (2022: 62 percent).

Headline inflation reached 18.8 percent in 2022, while food inflation was reported at 39.2 percent in December-2022. The latter will disproportionately burden the poor who spend a higher share of their income on food products. In the short term, this is expected to further increase the number of poor. In the longer term, this is likely to lead to human capital depletion as households are forced to adopt coping strategies such as reducing food consumption, selling productive assets, or putting children to work, resulting in premature school dropout, particularly among girls.

## Outlook

Growth is projected to increase to 3-4 percent over 2023-25. Services should continue to recover while the pace of agricultural growth is likely to 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 a recovery in partner-financed public infrastructure programs. The fiscal deficit is expected to narrow to 5.5 percent of GDP in 2023 and 4 percent by 2025 as revenues increase, aligned with fiscal consolidation efforts under the recently requested IMF program. As a result, public debt is expected to decrease, reaching 62 percent of GDP by 2025. External pressures will aggravate in 2023 before gradually easing as import prices moderate, and exports pick up, but the CAD will remain high at 11 percent of GDP in 2025.

Against the backdrop of Burundi's population set to double as early as 2050 – further exacerbating existing pressures on limited land resources - substantial structural reforms are necessary to dramatically expand the private nonfarm sector and increase agricultural productivity. In the absence of that, Burundi's growth path remains vulnerable to a return to the cycle of fragility and poverty. Under the current trajectory, poverty is projected at 81.9 percent (based on \$2.15/day, 2017 PPP) for 2024.

Downside risks are high, particularly on the fiscal front. Weak domestic revenue mobilization efforts could lead to revenue shortfalls and unexpected arrears, which would undermine fiscal sustainability. Weather shocks may hold back agricultural growth and poverty reduction. On the upside, foreign aid could accelerate reflecting the re-engagement with the international community and exports could strengthen as a result of broad structural reforms, which would significantly strengthen the BOP, growth, and revenue collection.

**TABLE 2 Burundi / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	0.3	3.1	1.8	3.0	4.0	4.2
Private Consumption	0.3	3.0	2.4	3.3	3.6	3.7
Government Consumption	19.2	2.9	5.9	5.1	5.0	4.4
Gross Fixed Capital Investment	-16.6	3.9	4.0	6.6	8.7	10.4
Exports, Goods and Services	-14.9	3.4	5.8	8.2	12.8	13.2
Imports, Goods and Services	3.4	3.2	7.0	7.1	7.1	7.1
<b>Real GDP growth, at constant factor prices</b>	0.3	3.1	1.8	3.0	4.0	4.2
Agriculture	2.8	3.4	-0.8	3.1	4.1	4.5
Industry	1.8	3.0	3.2	2.9	4.4	4.3
Services	-1.7	2.9	3.1	2.9	3.7	3.8
<b>Inflation (Consumer Price Index)</b>	7.5	8.3	18.8	23.8	16.0	13.0
<b>Current Account Balance (% of GDP)</b>	-10.3	-12.3	-15.5	-17.0	-12.9	-11.5
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	0.2	0.3	0.3	-0.1	-0.1	-0.1
<b>Fiscal Balance (% of GDP)</b>	-6.6	-4.6	-11.5	-5.5	-4.5	-4.0
<b>Revenues (% of GDP)</b>	22.6	23.8	23.3	26.4	27.2	27.7
<b>Debt (% of GDP)</b>	66.0	60.3	67.5	66.5	63.5	61.9
<b>Primary Balance (% of GDP)</b>	-3.6	-1.6	-8.7	-2.6	-1.4	-1.4
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	81.8	81.8	83.0	83.0	81.9	80.3
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	96.0	96.0	96.6	96.6	96.1	95.2
<b>GHG emissions growth (mtCO2e)</b>	2.6	3.9	4.0	3.9	3.8	3.7
<b>Energy related GHG emissions (% of total)</b>	8.7	8.7	8.6	8.6	8.7	8.8

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 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2022. Forecasts are from 2023 to 2025.

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

# CABO VERDE

## Key conditions and challenges

Table 1	2022
Population, million	0.6
GDP, current US\$ billion	2.3
GDP per capita, current US\$	3943.9
International poverty rate (\$2.15) <sup>a</sup>	4.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	19.3
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	50.9
Gini index <sup>a</sup>	42.4
School enrollment, primary (% gross) <sup>b</sup>	100.9
Life expectancy at birth, years <sup>b</sup>	74.8
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 (2020).

Growth rebounded to 15 percent in 2022, with real per capita incomes surpassing pre-pandemic levels, driven by the recovery of tourism. Russia's invasion of Ukraine intensified inflation pressures, which peaked at 7.9 percent. Growth-friendly fiscal consolidation should support growth converging to 5.5 percent over the medium term while the outlook remains subject to downside risks stemming from the war in Ukraine, a global deceleration, delayed structural reforms, and climatic shocks.

Political stability, democratic institutions, and relatively pro-market reforms have generated significant economic and social progress since independence in 1975. However, Cabo Verde's development model, predominantly based on tourism and foreign direct investment (FDI), has shown signs of fatigue since the 2008 global financial crisis. Ineffective counter-cyclical fiscal policies led to growing financing needs and increased public debt between 2010-2015. To put public debt back on a sustainable path, the Government initiated a fiscal consolidation program in 2016, including the reform of loss-making state-owned enterprises (SOEs).

The shock resulting from COVID-19 produced the largest economic contraction on record (14.8 percent) in 2020 and exposed the country's economic vulnerabilities. Global travel restrictions led to a sharp contraction in tourism and related activities. Progress in fiscal consolidation and debt reduction were reversed, particularly as contingent liabilities related to SOEs materialized, and the poverty rate peaked at 21.5 percent (using the \$3.65 per-day-2017 PPP), driven by substantial job losses, particularly in the tourism sector. Recent shocks have highlighted the economy's exposure to external risks and narrow dependence on tourism, in addition

to growing climate risks and fiscal risks, which requires investments and structural reforms to help diversify the economy.

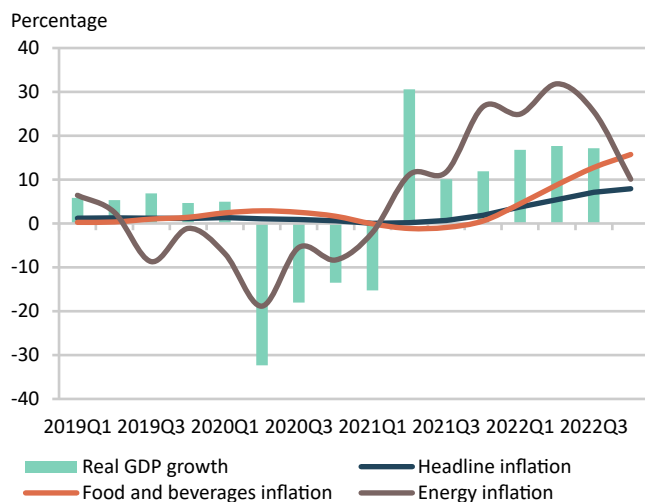
## Recent developments

Economic activity is estimated to have expanded by 15 percent in 2022, with per capita incomes surpassing pre-pandemic levels (2019). On the supply side, accommodation, transport, and commerce explained 60 percent of growth. On the demand side, exports (mainly tourism) and private consumption accounted for 90 percent of growth. The rebound in economic activity in 2022 was accompanied by a reduction in poverty (0.8 percentage points to reach 19.3 percent in 2022), despite the spike in inflation.

Headline inflation reached 7.9 percent (y/y) in December 2022 after inflationary pressures emerged in 2021, fueled by high international oil and food prices and global supply chain disruptions due to the war in Ukraine. Food inflation peaked at 15.7 percent while energy and transportation inflation increased to 10.1 and 11.1 percent, respectively. Higher food prices and low agricultural production, driven by the five-year long drought, intensified food insecurity. Cabo Verde's monetary policy is aligned with the Eurozone, as the escudo is pegged to the euro.

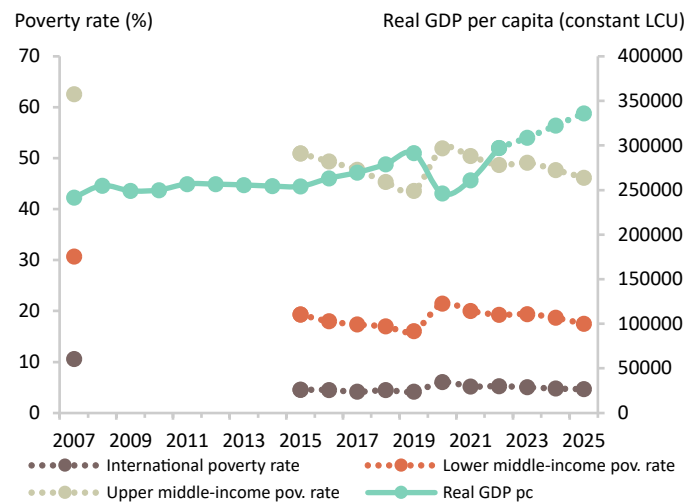
The poverty rate fell from 20.1 percent in 2021 to 19.3 percent in 2022 (using US\$3.65 per-day-2017 PPP), reaching the poverty levels of 2015. Economic growth was fundamental for poverty reduction,

**FIGURE 1 Cabo Verde / Real GDP growth and inflation**



Source: Government of Cabo Verde.

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



Source: World Bank. Notes: see Table 2.

led by the creation of new jobs, especially in the tourism sector. However, poverty reduction was dampened by the increase in inflation in 2022, especially higher food prices. It is estimated that without the increase in food prices, poverty would have been 16.2 percent in 2022 (\$3.65 per day PPP 2017), almost 3 percentage points lower and close to the pre-pandemic level (16.1 percent) in 2019.

The fiscal deficit narrowed to 3.8 percent of GDP in 2022, supported by the strong economic performance and increased fiscal revenues. Public debt declined from 142.7 to 126.2 percent of GDP, driven by GDP growth. Total revenue increased 39 percent, driven by personal income and VAT taxes, while total expenditure increased 20.6 percent, reflecting higher current expenditure, estimated at 4.2 percent of GDP, to protect the most vulnerable from rising food insecurity and to control fuel and energy prices. The social protection system, through cash transfers, supported the most vulnerable.

The current account deficit (CAD) declined from 11.2 percent of GDP in 2021 to 0.9 percent in 2022, supported by a higher surplus in net-services exports and robust remittances. The CAD was financed by

concessional loans and FDI as international reserves reached 7.2 months of imports.

## Outlook

Real GDP growth is projected to reach 4.8 percent in 2023 (3.8 percent in per capita terms). Over the medium-term, private consumption, investment in tourism and the blue economy should support growth. The outlook is subject to substantial downside risks stemming from uncertainties due to the war in Ukraine, mainly through inflation and its impact on private consumption, slow global growth, particularly in Europe, delayed structural reforms to manage fiscal risks, and climatic shocks.

Inflation is expected to moderate in 2023, as global growth moderates, commodity prices stabilize, and supply bottlenecks ease. Headline inflation is projected at 4.5 percent. Over the medium-term, the nominal anchor (peg to the Euro) and return to fiscal consolidation should contain inflation, converging to 2 percent by end-2024. The authorities are committed to gradual revenue-driven fiscal consolidation over

the medium-term, which includes enhanced management of fiscal risks, revenue mobilization, and the waning of exceptional shock measures. Consequently, the fiscal deficit is projected to reach 2 percent of GDP by 2025 and the public debt-to-GDP ratio to improve from 126.2 percent in 2022 to 106 percent by 2025. Fiscal risks will remain high as the fiscal deficit is exposed to contingent liabilities in sectors particularly vulnerable to external shocks. The CAD is projected to reach 2.1 percent of GDP in 2023, driven by higher imports, particularly for private investment. Over the medium-term, higher public debt amortization outflows are expected to increase external financing needs, which will be covered by official borrowing and FDI. International reserves are expected to remain adequate, at 5.5 months of prospective imports.

Poverty (using US\$3.65 per-day-2017 PPP) is projected to remain above 19 percent in 2023 due to higher prices, especially of food items. The poverty rate is expected to fall to 18.7 percent in 2024 and then continue falling to 17.5 percent by 2025, supported by economic growth and the stabilization of inflation.

**TABLE 2 Cabo Verde / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-14.8	7.0	15.0	4.8	5.4	5.3
Private Consumption	-11.3	9.4	18.6	4.6	5.1	5.0
Government Consumption	0.8	30.1	15.5	5.2	-10.6	-1.0
Gross Fixed Capital Investment	19.7	-9.1	-1.9	11.7	19.3	12.7
Exports, Goods and Services	-58.6	6.4	57.6	9.8	9.6	9.4
Imports, Goods and Services	-22.6	4.4	25.0	11.1	8.9	9.5
<b>Real GDP growth, at constant factor prices</b>	-14.8	7.0	15.0	4.8	5.4	5.3
Agriculture	-6.3	4.8	-10.3	0.5	1.0	1.0
Industry	-2.0	9.5	5.3	4.2	4.9	5.2
Services	-19.2	6.3	20.9	5.3	5.8	5.6
<b>Inflation (Consumer Price Index)</b>	0.6	1.9	7.9	4.5	2.0	2.0
<b>Current Account Balance (% of GDP)</b>	-15.0	-11.2	-0.9	-2.1	-2.4	-1.8
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	3.7	3.5	5.0	4.2	3.1	2.9
<b>Fiscal Balance (% of GDP)</b>	-9.1	-7.3	-3.8	-3.9	-3.1	-2.0
<b>Revenues (% of GDP)</b>	24.7	22.6	26.1	27.3	26.0	26.2
<b>Debt (% of GDP)</b>	142.6	142.7	126.2	119.2	113.2	106.2
<b>Primary Balance (% of GDP)</b>	-6.5	-5.2	-1.4	-1.6	-0.7	0.2
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	6.1	5.2	5.3	5.0	4.8	4.7
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	21.5	20.1	19.3	19.4	18.7	17.5
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	51.9	50.4	48.7	49.1	47.7	46.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.9	-2.1	-1.0	-0.5	0.1	0.8
<b>Energy related GHG emissions (% of total)</b>	87.0	86.3	86.0	85.8	85.7	85.7

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

b/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# CAMEROON

**Table 1** **2022**

Population, million	27.9
GDP, current US\$ billion	47.2
GDP per capita, current US\$	1689.6
International poverty rate (\$2.15) <sup>a</sup>	25.7
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	47.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	74.8
Gini index <sup>a</sup>	46.6
School enrollment, primary (% gross) <sup>b</sup>	105.7
Life expectancy at birth, years <sup>b</sup>	60.8
Total GHG emissions (mtCO2e)	126.1

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2014), 2017 PPPs.  
 b/ Most recent WDI value (2020).

*Recent shocks undermined Cameroon's real GDP growth in 2022 and fueled inflation, with adverse consequences on poverty. The medium-term outlook shows reduced fiscal and current account deficits, with growth remaining firmly positive. Inflation should ease but remain above the regional target of 3 percent in 2023. Extreme poverty incidence (less than \$2.15 a day PPP) is expected to be 24.3 percent in 2023, almost unchanged from 2022. Several downside risks surround this outlook, adding the urgency to accelerate structural reforms and rebuild fiscal buffers.*

## Key conditions and challenges

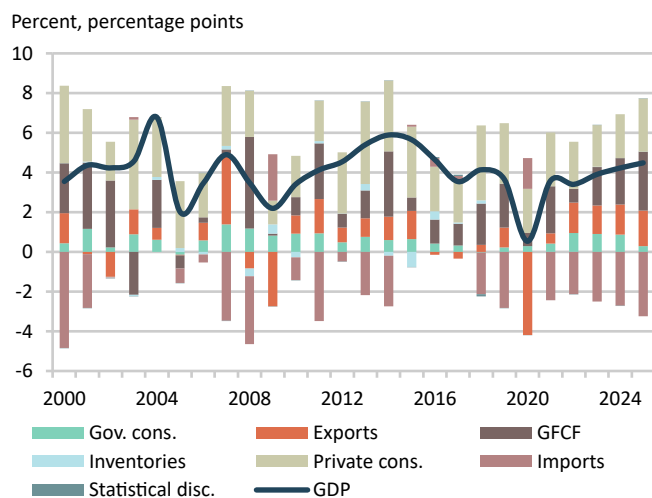
Cameroon is the largest economy in the Economic and Monetary Community of Central Africa (CEMAC), accounting for over 40 percent of the region's GDP and over 60 percent of regional foreign exchange reserves. The oil sector accounted for 4 percent of the country's GDP and 15 percent of its fiscal revenues in 2022. Cameroon's debt service is on the rise, calling for improved debt management. The current development model has run out of steam, as governance indicators have deteriorated, human capital remains weak, the business environment is unfavorable, and climate change represents a growing threat. The country has become more fragile since conflicts affecting 6 out of 10 of its regions have displaced people, increased violence, and led to social services collapsing. The country struggles to lower poverty meaningfully faced with modest growth and conflicts.

## Recent developments

Cameroon's economy expanded at a slightly slower pace in 2022, after growing by 3.6 percent in 2021. Real GDP growth recorded 3.4 percent in 2022, supported by LNG exports, agri-food industries, construction, and services. Oil GDP grew at a slower pace (0.9 percent y-o-

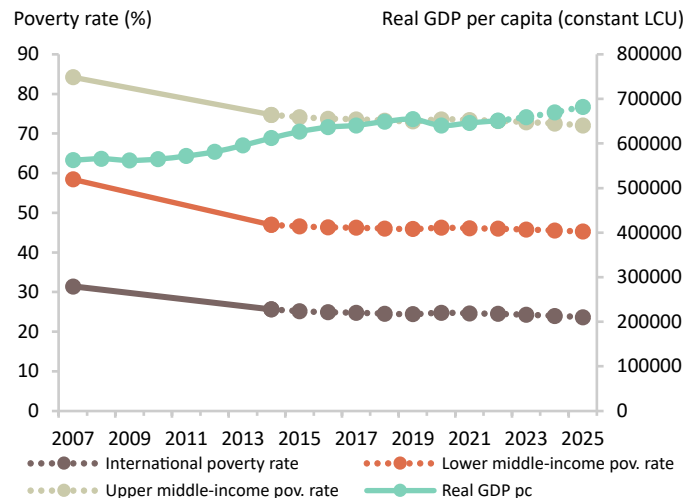
y at the end of 2022Q3). In the primary sector, food crop production dropped because of higher farm input prices. In the secondary sector, oil production declined while LNG production was sustained. Financial services and communications drove the expansion of the tertiary sector. Staple food prices and administratively controlled prices of selected mass-consumption products have increased, driving headline inflation up in 2022. Higher exports (+48.2 percent y-o-y in October) driven by increased oil prices, and private transfers from abroad improved Cameroon's current account balance in 2022. Imports increased by 14.4 percent in end-October 2022, compared to the previous year, as import costs increased due to supply chain tensions. The current account deficit is estimated to have narrowed to 2.9 percent of GDP in 2022 (from 3.8 percent of GDP in 2021). Cameroon's fiscal position has improved amid higher expenses on fuel subsidies, thanks to higher oil revenues (+67 percent y-o-y in end-June 2022) and cuts in current and capital spending to cover the higher fuel subsidy bill (2.9 percent of GDP). Non-oil tax revenues grew by 19 percent over the same period, driven by corporate income tax and VAT collections. Overall, increased spending on fuel subsidies has offset the revenue gains from higher oil prices (1.4 percent of GDP). The overall fiscal deficit (payment order basis, including grants) reached 1.8 percent of GDP in 2022. More arrears have, however, been accumulated (6.5 percent of total expenditures, from 1.5 percent in 2021).

**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.

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 policy rate in September 2022 (to 4.5 percent), its second increase in 2022. Moreover, the BEAC decreased its weekly liquidity injections from CFAF 160 billion in April 2022 to CFAF 50 billion in December 2022.

The last household poverty survey, carried out in 2014, indicated that 25.7 percent of the population lived below the international poverty line of \$2.15 PPP per person per day. Simulations suggest that, due to low economic growth and limited safety net programs, the country has struggled to reduce poverty in a substantial manner. Extreme poverty is estimated at 24.3 percent in 2023 – just 1.4 percentage point decline in nine years. In the meantime, the number

of poor has increased by 1.2 million since 2014 due to population growth.

## Outlook

Economic growth is expected to gain momentum over the medium term and reach 4.2 percent, on average, over 2023-24, supported by sustained activity in the secondary and tertiary sectors. The fiscal deficit is projected to narrow to 1.5 percent of GDP by 2024 amid increasing non-oil revenues. The reduction of fuel subsidies, supported by an average 21 percent increase in retail fuel prices decided in end-January 2023, and other spending reprioritization would contain public spending. The current account deficit is expected to remain below 3 percent of GDP, owing to high oil and non-oil commodity export revenues.

The outlook remains subject to risks associated with (i) tighter financial conditions, (ii) higher inflation, and (iii) a persistent security crisis in the North-West, South-West, and Far North regions. Should such risks materialize, real GDP would grow more modestly than expected, affecting fiscal and external accounts. Higher international oil and food prices would add to inflationary and fiscal pressures, although oil revenues would increase. The government would then have to drastically reduce expenditures to narrow the fiscal deficit and match more limited financing that would be available from external and domestic sources.

As the country recovers from the various shocks, extreme poverty incidence (less than \$2.15 PPP a day) is expected to decline in 2024 and in 2025, albeit at a very slow pace of only about 0.3 percentage points per year.

**TABLE 2 Cameroon / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	0.5	3.6	3.4	3.9	4.2	4.5
Private Consumption	3.3	3.9	3.4	3.0	3.2	3.9
Government Consumption	2.3	3.4	7.6	6.9	6.4	2.1
Gross Fixed Capital Investment	2.4	8.2	2.3	6.5	7.6	9.4
Exports, Goods and Services	-21.0	3.2	9.8	8.7	8.8	9.9
Imports, Goods and Services	-5.4	9.0	7.5	8.5	8.8	10.1
<b>Real GDP growth, at constant factor prices</b>	0.5	3.6	3.4	3.9	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	4.5	4.5
Services	0.3	3.2	2.7	3.4	3.9	4.2
<b>Inflation (Consumer Price Index)</b>	2.5	2.5	5.5	5.7	4.3	3.0
<b>Current Account Balance (% of GDP)</b>	-3.6	-3.8	-3.0	-2.7	-2.3	-2.1
<b>Fiscal Balance (% of GDP)</b>	-3.2	-3.2	-1.8	-1.6	-1.5	-1.4
<b>Revenues (% of GDP)</b>	12.6	13.7	15.5	15.8	16.1	16.4
<b>Debt (% of GDP)</b>	45.8	47.1	46.4	42.8	40.4	38.5
<b>Primary Balance (% of GDP)</b>	-2.3	-2.1	-0.8	-0.6	-0.6	-0.5
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	24.8	24.6	24.5	24.3	24.0	23.7
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	46.3	46.1	46.0	45.8	45.6	45.3
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	73.6	73.4	73.2	72.9	72.5	72.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.1	0.3	0.6	0.8	0.9	0.9
<b>Energy related GHG emissions (% of total)</b>	6.8	6.8	7.0	7.1	7.2	7.3

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 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	2.4
GDP per capita, current US\$	438.8
International poverty rate (\$2.15) <sup>a</sup>	61.9
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	80.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	92.8
Gini index <sup>a</sup>	56.2
School enrollment, primary (% gross) <sup>b</sup>	128.1
Life expectancy at birth, years <sup>b</sup>	54.6
Total GHG emissions (mtCO2e)	48.1

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2008), 2017 PPPs.  
 b/ WDI for School enrollment (2017); Life expectancy (2020).

After two consecutive years of virtual stagnation, CAR's economy is estimated to have recorded zero growth in 2022 and is projected to grow at an average rate of 3.6 percent in 2023-25, allowing per capita GDP to return to its pre-covid-19 pandemic level. Nevertheless, the poverty rate is expected to remain high despite gradual increases in private consumption. The medium-term outlook remains subject to heightened external and internal risks.

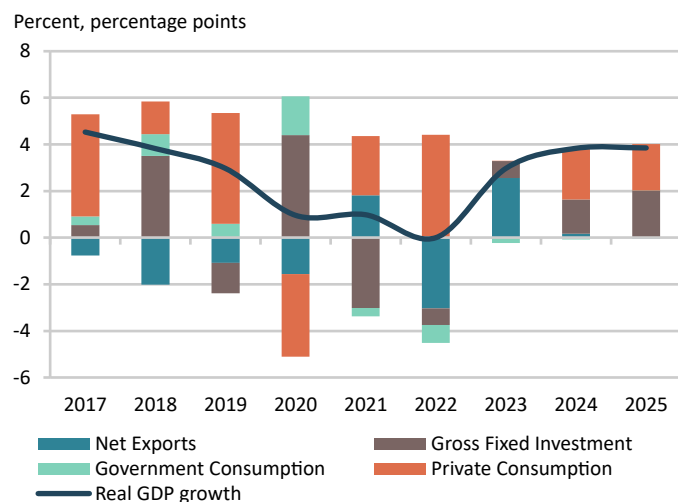
## Key conditions and challenges

The Central African Republic (CAR) is a sparsely populated country with an area of 623,000 square kilometers and a population of under six million. Despite its abundant natural resources, the country ranks at the bottom of human capital and development indices and remains one of the most fragile countries in the world. The agricultural sector remains one of the key drivers to economic growth, but its potential (and the potential of the rest of the economy) continues to be constrained by a huge infrastructure deficit, limited human capital accumulation and a fragile security environment. Repeated cycles of armed conflicts have hampered CAR's ability to add value to its local production, create jobs and bridge the poverty gap. Poverty remains widespread, with the bulk of the poor living in extreme poverty. Limited fiscal space constrains the provision of public goods in remote areas, where access to education and health remains weak: access to basic service delivery is limited and concentrated in the capital city. The private sector continues to suffer from limited access to financing, although the banking sector remains well capitalized. The humanitarian situation is still alarming, exacerbated in 2022 by rising food and energy prices.

## Recent developments

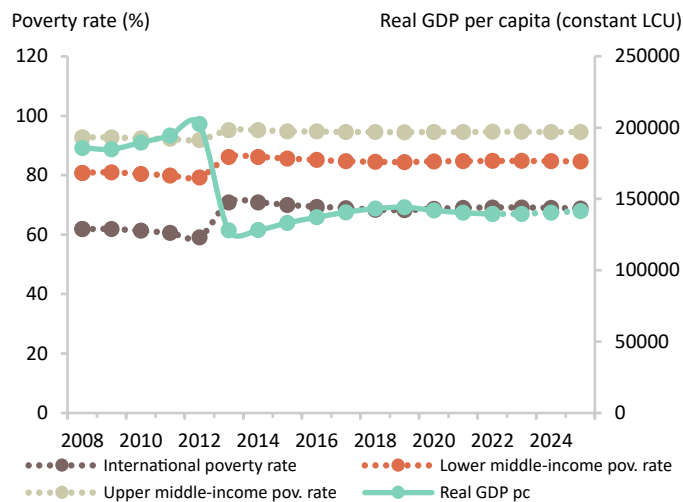
After two consecutive years of virtual stagnation, economic activity is estimated to have reached a complete standstill in 2022, due to floods and fuel shortages. The production of the agriculture sector suffered from floods, which destroyed about 18,000 hectares of crops, and forced the displacement of more than 6,000 people since June 2022. Timber production, which accounts for about 56.8 percent of CAR's export earnings, was the hardest hit in 2022, as prices declined steadily by an average of 16.1 percent since the peak reached in January 2021. The positive performance of the mining sector in 2022H1 was offset by persistent fuel shortages, exacerbated by Russia's invasion of Ukraine. On the aggregate demand side, private consumption remained the principal growth driver, supported by increased domestic credit. As cash flow pressures remained high throughout 2022, public investment contracted by 17.7 percent, contributing to a decline in gross fixed investment. Limited fuel supply, due to the protracted effect of the war in Ukraine has led to an unprecedented increase in the retail price of petroleum products and contributed to inflationary pressures in 2022. The fuel shortage worsened an already worrisome humanitarian situation and pushed thousands of households into extreme poverty. Overall, poverty is projected to remain elevated, with 69.1 percent of the population living in extreme poverty in 2022

**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.

(i.e., below the international poverty line of US\$ 2.15 per person per day, 2017 PPP).

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 policy rate in September 2022 (to 4.5 percent), its second increase in 2022. Notwithstanding spending moderation, the overall fiscal balance (including grants) improved marginally in 2022 but remained in deficit as a standstill in donor budget support continued to weigh on the budget. Tax revenues declined from 8.2 percent of GDP in 2021 to 7.2 percent of GDP in 2022, driven by persistent fuel shortages which resulted in lower petroleum taxes. Fiscal consolidation efforts have been maintained and are expected to continue, as uncertainty about budget support remains high. Financing needs for 2022 were almost fully covered by the use of the country's SDR allocation, with the residual being covered by domestic borrowing from commercial banks (CFAF 46.1 billion, an equivalent US\$74.9 million or 3.0 percent of nominal GDP).

Despite a marginal improvement in net transfers (private and official), the current account deficit widened in 2022, due to lower export earnings and a high import

bill resulting from higher international oil prices. Increased capital and financial inflows in the form of foreign direct investment, due to an improved security situation, could only partially cover this wider current account deficit. As a result, the overall balance of payment switched from a surplus of 0.6 percent of GDP in 2021 to a deficit of 8.3 percent of GDP in 2022.

## Outlook

The medium-term outlook is of modest rebound. Provided that official fuel prices will reflect regular market prices and the security gains continue, real GDP growth is projected at 3.0 percent in 2023, before reaching 3.8 percent on average over the period 2024-25. Net exports, private consumption and gross fixed investment are expected to drive growth from the demand side over the medium term, supported by higher international timber prices, lower inflation, and a moderate fiscal consolidation effort. Over the medium term, Inflation is projected to fall within the 3 percent CEMAC ceiling. The overall fiscal balance (including grants) is expected to remain in deficit over the medium term despite the introduction of new taxes on electronic

communication. Public debt is expected to remain sustainable provided that the government continues to implement reforms to reduce fiscal risks and debt-related vulnerabilities under the Sustainable Development Finance Policy (SDFP). With sustained security gains, capital and financial inflows are expected to more than offset the deficit in the current account, resulting in a moderate balance of payment surplus over the medium term.

The medium-term outlook is subject to high external and internal downside risks. Internal risks include a reversal in security gains due in part to the constitutional referendum, a deterioration in food security due to food price pressures, and climate change-related events (flooding) that could further exacerbate humanitarian needs. A continued freeze on budget support and a decline in international timber prices are the main external risks. Lower international timber prices could affect the agricultural sector, reduce export earnings, and delay prospects for economic recovery. Although the poverty trend is projected to be stable until 2024, the poverty rate remains high and the increase in fuel prices at the pump could impact the cost of the household consumption basket and increase the number of poor if adequate measures are not taken.

**TABLE 2 Central African Republic / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.0	1.0	0.0	3.0	3.8	3.8
Private Consumption	-3.7	2.8	4.8	0.0	2.3	2.1
Government Consumption	20.6	-3.8	-8.4	-2.8	-0.9	0.0
Gross Fixed Capital Investment	30.0	-15.9	-4.6	4.9	9.6	12.5
Exports, Goods and Services	-10.5	-4.3	-6.5	8.2	3.6	16.3
Imports, Goods and Services	-0.3	-7.2	7.0	-4.7	1.0	7.2
<b>Real GDP growth, at constant factor prices</b>	1.0	1.0	0.0	3.0	3.8	3.8
Agriculture	5.0	2.9	-2.4	3.2	3.3	3.4
Industry	0.6	-0.4	-5.6	0.1	0.3	0.7
Services	-1.9	0.1	4.9	4.1	5.8	5.5
<b>Inflation (Consumer Price Index)</b>	0.9	4.3	5.8	6.3	2.7	2.8
<b>Current Account Balance (% of GDP)</b>	-8.5	-10.6	-13.2	-8.9	-7.2	-7.0
<b>Fiscal Balance (% of GDP)</b>	-3.4	-6.0	-5.6	-4.0	-2.5	-2.3
<b>Revenues (% of GDP)</b>	21.8	13.7	12.3	13.3	14.6	15.6
<b>Debt (% of GDP)</b>	43.4	47.6	52.1	49.5	49.3	49.3
<b>Primary Balance (% of GDP)</b>	-3.1	-5.7	-5.2	-3.5	-1.8	-1.5
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	68.7	69.0	69.1	69.1	69.0	68.8
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	84.7	84.7	84.8	84.8	84.7	84.7
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	94.6	94.6	94.7	94.7	94.6	94.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.6	1.0	0.6	0.8	0.9	0.9
<b>Energy related GHG emissions (% of total)</b>	0.5	0.5	0.5	0.5	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 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2022. Forecasts are from 2023 to 2025.

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

# CHAD

**Table 1** **2022**

Population, million	17.7
GDP, current US\$ billion	12.8
GDP per capita, current US\$	720.5
International poverty rate (\$2.15) <sup>a</sup>	30.9
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	64.6
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	89.4
Gini index <sup>a</sup>	37.5
School enrollment, primary (% gross) <sup>b</sup>	93.7
Life expectancy at birth, years <sup>b</sup>	52.8
Total GHG emissions (mtCO2e)	115.4

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

*Chad's economic recovery in 2022 was dampened by floods and insecurity; GDP growth was moderate at 2.2 percent (-0.9 percent in per capita terms), while poverty incidence increased by 2.4 percentage points. Growth is expected to remain modest over the medium-term, around 3.2 percent, as oil prices remain high, but downside risks from food scarcity and general insecurity, climatic shocks, an extended political transition and oil price volatility predominate.*

## Key conditions and challenges

Chad's oil-dependent economy has witnessed successive crises since the 2014-15 oil price shocks. Notwithstanding the 2018-19 recovery, annual GDP growth has been subdued, averaging 0.3 percent over the past six years, which, given high population growth (3.3 percent on average), translates into an average annual decrease in per capita income of 2.9 percent. The main constraints sustained economic and social development include: oil dependence and poor oil revenue management; insecurity; vulnerability to climate change; political unrest; institutional instability; weak governance and transparency; poor trade networks; weak human capital investment; and a large infrastructure deficit.

## Recent developments

Chad's economy was expected to recover in 2022, following a 1.2 percent contraction in 2021 (-4.3 percent in per capita terms), on the back of higher global oil prices (averaging \$99.8/bbl in 2022) coupled with increased oil production. However, this recovery was dampened by floods and a volatile security environment with GDP growth estimated at 2.2 percent (-0.9 per capita), and non-oil GDP growth at 1.3 percent. Industry on account of the oil sector was the

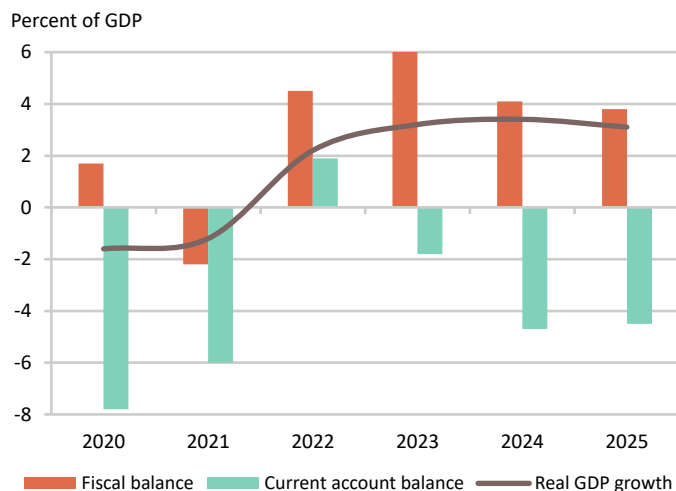
main contributor to growth (4.1 percentage points [ppts]), followed by agriculture (0.6 ppts), which experienced inadequate rainfall distribution and severe floods. The value of exports increased by 54.9 percent due to high oil prices, leading to a current account surplus of 1.9 percent of GDP in 2022, versus a 6 percent deficit in 2021.

Inflation increased from 1 percent in 2021 to 5.8 percent in 2022 driven by high global prices in food and energy resulting from Russia's invasion of Ukraine, and food supply restrictions due to the security situation. Food inflation, averaging 12.2 percent in 2022, also suffered from weak domestic agricultural production.

Chad declared a national food emergency in June 2022. The situation was worsened by unprecedented floods during the lean season, which affected over 340,000 people and destroyed 2,700 hectares of crops and farming land. Food insecurity currently affects 2.1 million people (12.1 percent of the population). Cereal production for 2022-2023 is estimated at 2.9 million tons with a gross deficit of 443,950 tons. The extreme poverty rate (US\$2.15/day per capita, 2017 PPP) is expected to have increased by 2.4 percentage points in 2022, reaching 38.7 percent, implying the number of extreme poverty increased by almost 625,000 people to reach 6.8 million.

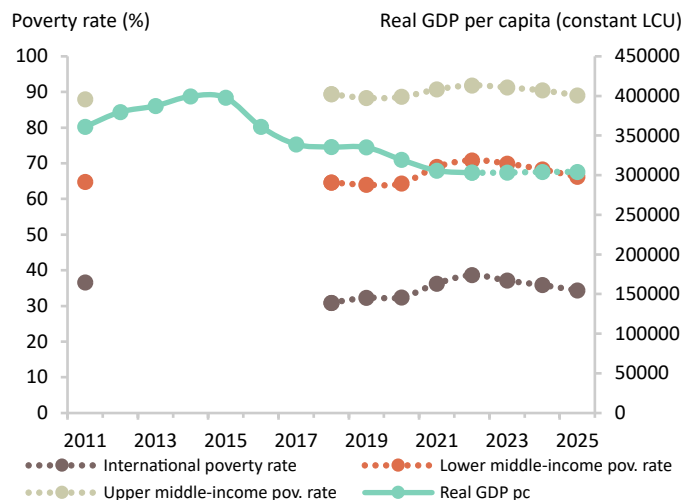
Chad's monetary and exchange rate policies are managed by the regional Central Bank (BEAC), which continued to tighten its monetary conditions in 2022 to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC raised its policy rate in

**FIGURE 1 Chad / GDP growth, current account and fiscal balances**



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.



September 2022 from 4.0 to 4.5 percent, its second increase in 2022. The BEAC also reduced its weekly liquidity injections from XAF 160 billion in April 2022 to XAF 50 billion in December 2022.

The fiscal balance, including grants, reached a surplus of 4.5 percent of GDP in 2022 (non-oil fiscal deficit was 7.4 percent of GDP), due to the one-year lag in the main component of oil-revenue tax collection and lower capital expenditure. Total public debt is estimated to have dropped to 49.6 percent of GDP by end-2022. Chad became the first country to reach an agreement under the G20 Common Framework (CF) in November 2022 with its official and largest private creditors.

## Outlook

In 2023, growth will increase to 3.2 percent (zero per capita growth) with 2.4 percent non-oil GDP growth, as oil prices moderate in the global markets. While significant

government investments are expected, government consumption will be constrained. Assuming ongoing global recovery in international trade, moderate oil prices and increased government investment, economic growth is expected to remain relatively constant over 2024-25. Inflation is expected to fall slightly to 5.2 percent in 2023, declining to 3 percent in 2025, as food inflation gradually decreases thanks to government measures addressing food insecurity.

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 and the low coverage of social protection programs will limit the pace of poverty reduction. Extreme poverty is expected to decrease to 34.4 percent in 2025, in line with moderate growth in the agriculture and services sectors and declining inflation. However, with rapid population growth, the total

number of poor declined by only 81,000 people to 6.7 million.

Reflecting significantly higher oil prices in 2022 and more controlled current spending, the fiscal surplus is projected to expand to 6.1 percent of GDP in 2023 (with a non-oil fiscal deficit of 6.5 percent of GDP), before gradually decreasing to an average 4 percent of GDP over 2024-25 as oil prices ease. Total public debt is projected to drop to 36.4 percent of GDP by end-2025. The current account is expected to deteriorate over the medium term (from -1.8 percent of GDP in 2023 to an average -4.6 percent of GDP over 2024-25) owing to the projected decline in oil prices and increased imports to support growing capital investment.

This outlook is subject to significant uncertainty and downside risks, namely: dampening and volatile oil prices; increased political instability surrounding the political transition and elections; intensified security risks; further climate-related shocks; continuing food security challenges and related social discontent.

**TABLE 2 Chad /** Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-1.6	-1.2	2.2	3.2	3.4	3.1
Private Consumption	0.5	1.6	2.1	1.0	2.5	2.6
Government Consumption	11.1	3.7	-1.5	-1.6	-3.2	-1.8
Gross Fixed Capital Investment	-14.7	-4.5	-6.8	16.5	3.2	2.6
Exports, Goods and Services	1.1	-0.4	5.0	5.1	3.9	3.9
Imports, Goods and Services	1.8	5.1	2.0	4.8	1.6	2.8
<b>Real GDP growth, at constant factor prices</b>	-1.6	-1.2	2.2	3.2	3.4	3.0
Agriculture	3.9	6.2	2.0	2.2	1.6	1.7
Industry	-0.1	-4.6	4.1	4.5	2.1	2.0
Services	-7.0	-4.4	0.7	2.8	6.2	5.2
<b>Inflation (Consumer Price Index)</b>	3.5	1.0	5.8	5.2	4.0	3.0
<b>Current Account Balance (% of GDP)</b>	-7.8	-6.0	1.9	-1.8	-4.7	-4.5
<b>Fiscal Balance (% of GDP)</b>	1.7	-2.2	4.5	6.1	4.1	3.8
<b>Revenues (% of GDP)</b>	20.7	16.3	19.9	22.5	19.4	19.5
<b>Debt (% of GDP)</b>	49.9	52.1	49.6	43.4	40.0	36.4
<b>Primary Balance (% of GDP)</b>	3.4	-0.6	5.9	7.8	5.3	5.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	32.4	36.3	38.7	37.1	35.9	34.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	64.3	69.0	70.9	69.9	68.3	66.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	88.6	90.7	91.9	91.3	90.4	89.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.8	2.9	3.2	3.3	3.3	3.3
<b>Energy related GHG emissions (% of total)</b>	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 based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# COMOROS

**Table 1** **2022**

Population, million	0.8
GDP, current US\$ billion	1.3
GDP per capita, current US\$	1577.8
International poverty rate (\$2.15) <sup>a</sup>	18.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	39.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	68.6
Gini index <sup>a</sup>	45.3
School enrollment, primary (% gross) <sup>b</sup>	99.5
Life expectancy at birth, years <sup>b</sup>	64.2
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 (2020).

*The Comoros' recovery has been hindered by Russia's invasion of Ukraine. For the fourth consecutive year, growth remained below pre-Cyclone Kenneth levels. Low-income households have been affected by rising prices, which reached record levels in 2022. As the impact of the war lessens, growth is expected to recover slightly in 2023 and 2024, marginally reducing poverty. Debt is projected to increase substantially, but it should remain sustainable.*

## Key conditions and challenges

The COVID-19 pandemic and the war in Ukraine have emphasized the Comoros' external and structural challenges. Geographical characteristics predispose the Comoros to low exports and a high dependency on imports – about 70 percent of food is imported. The resulting structural trade deficit is primarily financed by remittances and proceeds from the arrival of the diaspora during grand marriage celebrations. Consumption, supported by remittances, is the main driver of growth. The contribution of investment and productivity is constrained by the poor investment environment. Labor participation, particularly by women, is low compared with peer countries. Moreover, given poor economic outcomes, poverty levels remain high, estimated at 39.0 percent in 2022.

Slow economic growth and weak revenue administration capacities are hindering domestic revenue mobilization. Low tax revenues (7.6 percent of GDP in 2012-21) affect the government's capacity to deliver public services. Moreover, fiscal rigidity remains a major constraint with the wage bill absorbing 53 percent of domestic revenues, while public investment efficiency is below peers' levels. The country remains at high risk of debt distress, with debt at 32.7 percent of GDP in 2022 – nearly twice the value in 2017. With a medium debt-carrying capacity, the debt profile deteriorated following

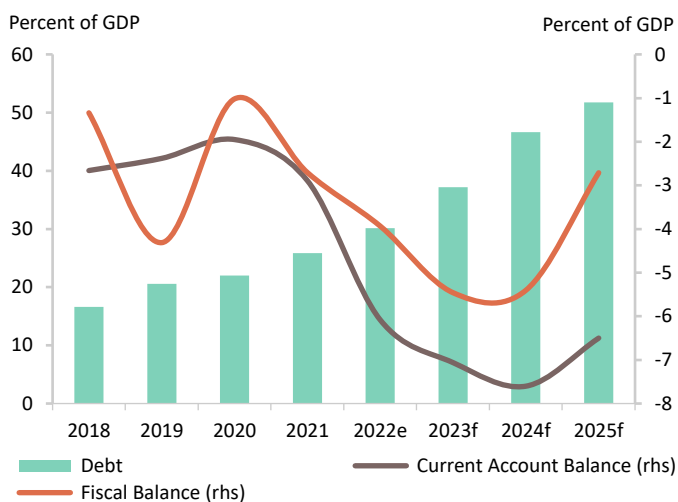
the contracting of a large non-concessional loan with a short maturity in 2018-20. Since then, the debt service to exports ratio and the debt service to revenue ratio have been exceeding their thresholds. The country's vulnerability to climate change and natural disasters could further slowdown the economic recovery, given structural and institutional fragilities.

## Recent developments

Rising global food and fuel prices negatively affected the Comoros' economy last year, highlighting its vulnerability to external shocks. Growth has been below potential for the fourth consecutive year. The expected strong recovery in 2022 was thwarted by sluggish consumption in both the private sector and government, although the high number of arrivals of the diaspora to celebrate grand marriages in the third quarter of 2022 significantly contributed to tourism service exports.

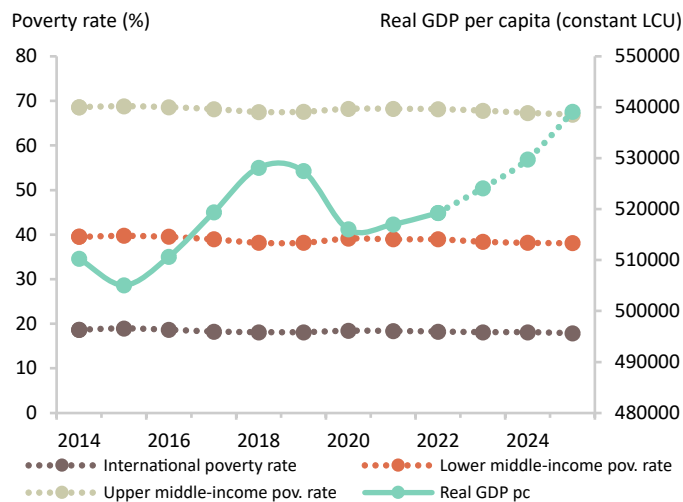
Inflation levels in 2022 set a record, reaching 12.5 percent for the year. By December 2022, headline inflation had surged to 20.6 percent year-on-year, driven by high food prices. As poor households tend to allocate a larger share of their expenditure to food, they are expected to bear the brunt of the shock. To contain rising domestic prices, the central bank tightened its monetary stance by conducting liquidity-absorbing operations (US\$ 2.4 million in July-September 2022). These included increasing obligatory reserve requirements to 15 percent in June 2022 and increasing the minimum debit and

**FIGURE 1 Comoros / Selected macroeconomic imbalance indicators**



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

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



Source: World Bank. Notes: see Table 2.

credit interest rate by 2.5 percentage points since August 2022.

Tax measures adopted by the government to help cushion households from rising prices and the underperformance of state-owned enterprises led to a significant decline in government revenues and widened the fiscal deficit from 2.7 percent in 2021 to 3.9 percent in 2022. Containment measures led to a decline in government expenditure by 1.2 percentage points of GDP between 2021 and 2022, but these were insufficient to offset the decline in government revenues (2.4 percentage points). State-owned enterprises are increasingly using commercial loans and have weakened financial conditions due to the business cycle and structural problems. As a result, public guarantees have increased significantly, as evidenced by the increase in credit to the public sector from 1.6 percent of GDP in December 2021 to 2.5 percent in the third quarter of 2022.

On the external side, due to a higher import bill, the current account deficit more than doubled to 6.1 percent of GDP in 2022

(from 2.9 percent in 2021) and external stability weakened, with reserve coverage decreasing to 7.6 months of imports at end-2022 from 9 months at end-2021.

## Outlook

Growth is expected to recover modestly to 2.8 percent in 2023, remain subdued in 2024 at 2.9 percent, and then bounce back to 3.6 percent in 2025 after the electoral cycle. With easing inflationary pressures, the recovery is projected to be driven by higher private and government consumption. Investment to complete the El Maarouf project and the Galawa hotel, and to improve the port infrastructure in Mohéli, will also support the recovery. The fiscal deficit is projected to narrow to 3.6 percent of GDP in 2025, based on the assumptions of a marginal increase in tax revenues and lower support to state-owned enterprises.

As the government completes major projects between 2023 and 2025, and the fiscal

gap could amount to \$26.6 million, public debt is projected to reach a record level of 44.1 percent of GDP in 2025. The debt trajectory remains sustainable because of the limited size and duration of the breaches, but sustainability is contingent on fiscal consolidation and prudent debt management. Inflationary pressures are expected to ease in 2023 thanks to the euro peg system and the decline in global commodity prices. Despite the slow decline in commodity prices, the current account deficit is projected to average 7.1 percent of GDP in 2023, on the back of increased domestic demand, which will fuel imports. The poverty rate therefore is expected to reach 38.4 percent in 2023 and decline to its pre-pandemic level of 38.1 percent in 2025.

There are several downside risks to the outlook, including a potential renewed impact from the war in Ukraine, increased contingent liabilities, slow implementation of the recovery plan due to the electoral cycle, and substantial inflationary pressures due to supply disruptions.

**TABLE 2 Comoros / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-0.3	2.1	2.3	2.8	2.9	3.6
Private Consumption	3.8	1.0	0.2	2.0	2.6	3.2
Government Consumption	4.1	5.0	2.0	5.3	0.4	-7.4
Gross Fixed Capital Investment	-14.4	9.6	2.5	2.9	2.4	3.0
Exports, Goods and Services	-46.3	48.2	22.6	6.3	8.8	14.3
Imports, Goods and Services	-9.3	7.7	4.2	3.3	3.4	2.6
<b>Real GDP growth, at constant factor prices</b>	-0.8	2.0	2.1	2.8	2.9	3.6
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	-2.2	1.8	1.8	1.9	2.6	3.5
<b>Inflation (Consumer Price Index)</b>	0.8	0.0	12.5	8.0	4.5	1.7
<b>Current Account Balance (% of GDP)</b>	-2.0	-2.9	-6.1	-7.1	-7.6	-6.5
<b>Fiscal Balance (% of GDP)</b>	-1.0	-2.7	-3.9	-5.5	-5.4	-3.6
<b>Revenues (% of GDP)</b>	18.2	16.1	13.7	14.7	14.9	14.6
<b>Debt (% of GDP)</b>	22.0	25.9	32.7	36.0	40.7	44.1
<b>Primary Balance (% of GDP)</b>	-0.8	-2.4	-3.5	-4.8	-4.4	-2.6
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	18.4	18.4	18.2	18.1	18.1	17.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	39.2	39.0	39.0	38.4	38.2	38.1
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	68.2	68.2	68.2	67.8	67.3	66.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.6	2.1	1.8	2.4	3.1	3.6
<b>Energy related GHG emissions (% of total)</b>	45.2	44.7	44.2	44.3	44.6	45.2

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

Notes: e = estimate, f = forecast.

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

b/ Projection using neutral distribution (2014) with pass-through = 0.7 (Low (0.7)) 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	63.1
GDP per capita, current US\$	637.8
International poverty rate (\$2.15) <sup>a</sup>	69.7
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	87.7
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	97.4
Gini index <sup>a</sup>	42.1
School enrollment, primary (% gross) <sup>b</sup>	123.9
Life expectancy at birth, years <sup>b</sup>	59.7
Total GHG emissions (mtCO2e)	681.7

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2012), 2017 PPPs.  
b/ Most recent WDI value (2020).

DRC's economy grew by 8.6 percent in 2022 as mining production expanded. Elevated prices of imported food and oil led to higher inflation and a wider current account deficit despite rising exports. Capital inflows added to foreign reserves and supported currency stability. Government revenues improved, but the fiscal deficit widened with increased security and infrastructure spending. Prospects for growth and poverty reduction are favorable, but vulnerable to commodity price shocks.

The Democratic Republic of the Congo (DRC), home to the second-largest rainforest in the world and vast metal deposits, has yet to leverage its natural wealth into economic development. The economy is highly concentrated in the extraction of copper and cobalt, which constitute over 80 percent of exports (40 percent of which headed to China). With its agricultural potential untapped, DRC is a net food importer, increasing vulnerabilities to external shocks. Political instability, weak institutional capacity, poor governance, and recurring episodes of violence have prevented DRC from building the foundations of a diversified and resilient economy capable of generating economic opportunities for a rapidly growing population, leading to high levels of poverty. Persistent structural constraints result in an underdeveloped private sector and large informal economy. Climate change adds to these challenges.

The fragile political context is fueled by the complex dynamics of political coalitions. Reaching political consensus – mainly ahead of the 2023 presidential elections – and increasing the presence and credibility of the state, including through improved governance, are key to maintaining stability, peace and advancing structural reforms that will attract investments and create jobs. The need for the state to deliver more

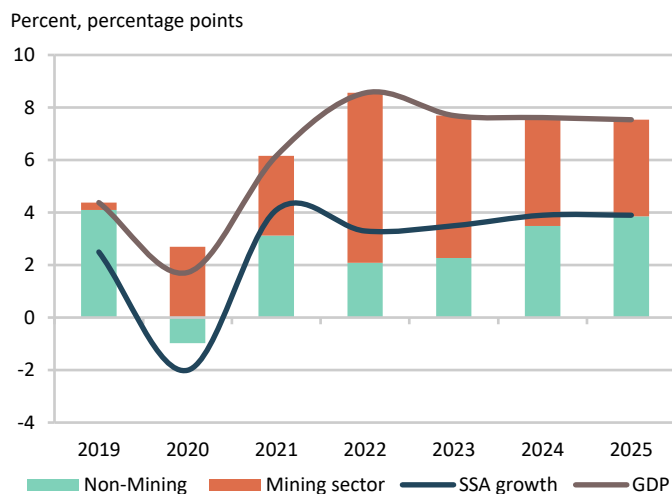
and better services to citizens while maintaining hard-earned macroeconomic stability highlights the crucial role of improving domestic revenue mobilization to widen fiscal space.

Poverty remains widespread in the country, with the bulk of the poor living in extreme poverty. While there are significant geographical disparities between provinces, with the poorest living along two densely populated corridors running from West (Kongo Central) to East (Haut Katanga), and North (Ituri) to South (Tanganyika), poverty exceeds 50 percent even in the wealthier provinces. DRC remains second in Sub-Saharan Africa after Nigeria in terms of the number of extreme poor despite some improvements in the past decades.

## Recent developments

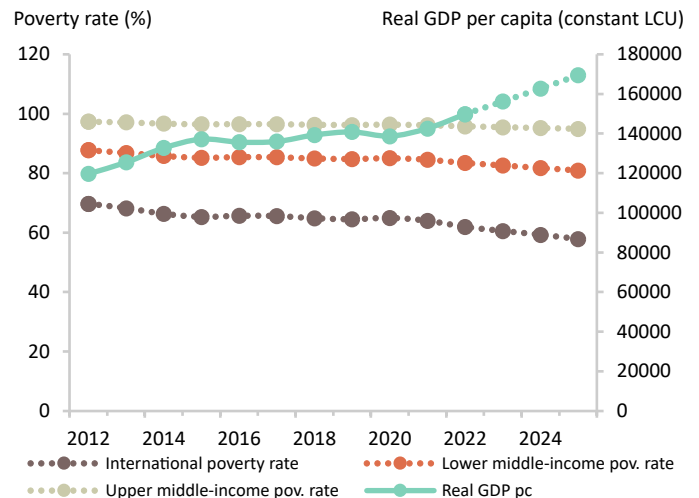
GDP growth picked up to 8.6 percent in 2022 driven by a strong mining sector, which expanded by 20.8 percent, owing to capacity expansion and recovery in global demand. Copper and cobalt production increased by 33.3 and 24.0 percent, respectively, in 2022. However, DRC faced an overall negative terms-of-trade shock due to the Russia's invasion of Ukraine, and growth in non-mining sectors was modest, slowing down to 3.0 percent in 2022 (2021: 4.5 percent). On the demand side, growth was led by public investment and exports, while private consumption was constrained by higher inflation.

**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.

The current account deficit deteriorated to 2.9 percent of GDP in 2022 as strong export earnings could not compensate rising food and fuel import bills. Average inflation accelerated to 9.2 percent in 2022 and the Central bank opted for a tight monetary policy to anchor inflation expectations. Nevertheless, FDI and external financing contributed to build up foreign reserves, reaching 7.9 weeks of imports in 2022 (2021: 5.4 weeks), and to exchange rate stability.

The fiscal deficit widened to 2.7 percent in 2022. Domestic revenues peaked at 15.6 percent of GDP in 2022, owing to favorable commodity prices and digitalization of revenue collection process. In turn, expenditures stood at 19.7 percent of GDP in 2022 due to exceptional security spending and arrears repayments, in addition to wage adjustments and fuel subsidies.

The latest World Bank projections put extreme poverty at 60.5 percent in 2023, a 1.4 percentage points decrease compared to 2022. This decrease is due to favorable economic performance, despite the negative effects of the war in Ukraine.

## Outlook

GDP growth is projected to decelerate to 7.7 percent in 2023 and 7.5 percent in 2025 with the end of the Kamo-Kakula mine expansion in 2024. The mining sector is expected to slightly decelerate, while growth in non-mining sectors (services, manufacturing) gradually picks up, doubling to 6.2 percent by 2025.

The fiscal deficit is expected at 2.1 percent of GDP in 2023, driven by election-related spending, before narrowing to 1.0 percent in 2025. Despite rising imports of capital goods, the current account deficit will narrow to a range of 1.0 percent of GDP in 2023-2025 given improved terms of trade associated with favorable commodity prices. Further FDI inflows will contribute to building-up reserves and maintaining exchange rate stability while the inflation rate is expected to be brought back down to its 7 percent medium-term target.

Extreme poverty is projected to further decrease by 2.7 percentage points by 2025 given favorable economic prospects,

despite the lasting negative effects of the pandemic, the insecurity in the east of the country, and the war in Ukraine.

DRC's economy remains vulnerable to commodity price swings and growth performance of major trading partners which might be disturbed by geopolitical conflicts. The continued economic consequences of the war in Ukraine, through rising global food costs and higher oil prices, could exert stronger pressure on fiscal deficit, inflation and on households' consumption, thus, exacerbating poverty and inequality.

With the agriculture sector employing over 60 percent of the working age population, vulnerability to climate change related risks (floods, droughts) is substantial. Finally, an escalating war in the East and continued political uncertainty ahead of the planned 2023 presidential elections, might delay reform efforts, worsen fiscal imbalances and generate arrears. Given persistent conflicts in the East, DRC's immediate challenge is to strengthen security and maintain political and macroeconomic stability while stepping up ongoing reforms to ensure sustainable growth.

**TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.7	6.2	8.6	7.7	7.6	7.5
Private Consumption	-8.0	1.6	0.8	4.2	3.8	2.5
Government Consumption	9.5	11.8	25.1	9.2	1.7	-2.2
Gross Fixed Capital Investment	37.8	21.8	25.5	7.8	10.9	11.8
Exports, Goods and Services	4.0	19.9	23.8	15.8	6.0	5.5
Imports, Goods and Services	15.1	21.7	24.5	9.1	6.0	5.0
<b>Real GDP growth, at constant factor prices</b>	2.3	6.2	8.6	7.7	7.6	7.5
Agriculture	2.5	2.4	2.7	2.8	2.9	3.1
Industry	4.2	7.9	15.1	12.4	9.8	9.0
Services	0.1	5.6	3.0	3.3	6.2	7.0
<b>Inflation (Consumer Price Index)</b>	11.4	9.1	9.2	8.5	7.2	6.8
<b>Current Account Balance (% of GDP)</b>	-2.3	-0.9	-2.9	-1.0	-0.9	-1.0
<b>Fiscal Balance (% of GDP)</b>	-1.2	-0.8	-2.7	-2.1	-1.0	-1.0
<b>Revenues (% of GDP)</b>	9.2	13.8	16.9	17.0	16.5	16.3
<b>Debt (% of GDP)</b>	22.9	23.9	25.1	23.3	23.1	23.1
<b>Primary Balance (% of GDP)</b>	-1.0	-0.7	-2.2	-1.5	-0.5	-0.4
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	64.9	64.0	61.9	60.5	59.3	57.8
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	85.0	84.5	83.4	82.6	81.7	80.9
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	96.4	96.1	95.8	95.5	95.2	94.9
<b>GHG emissions growth (mtCO2e)</b>	0.0	0.1	0.2	0.2	0.3	0.4
<b>Energy related GHG emissions (% of total)</b>	1.2	1.2	1.2	1.2	1.2	1.2

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

Notes: e = estimate, f = forecast.

a/ Calculations based on 2012-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

Between 2015 and 2021, Congo's economy contracted by -4.6 percent on average, with economic activity underperforming since the 2014-16 collapse in oil prices that led to a massive cut in public spending and investment and the accumulation of domestic arrears to private sector firms, impacting private investment. The protracted recession led to a cumulative decline of real GDP by 28 percent and of GDP per capita by 40 percent during 2014-2021. The country's reliance on volatile oil revenue and weak governance, reflected in high levels of non-concessional borrowing, led Congo's 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 113.2 percent in 2020. Higher oil prices, improved debt management, and debt restructuring agreements helped restore debt sustainability in the second half of 2021, but ROC remains in debt distress due to external arrears. The prolonged economic recession reversed previous progress in poverty reduction, with the proportion of the population living below the international extreme poverty line of US\$2.15 PPP per day increasing from 34.8 percent in 2015 to 52.0 percent in 2021. Furthermore, human capital development lags that of peer countries. The impact of the war in Ukraine is exacerbating socio-economic challenges, including food insecurity, partly due to ROC's high dependence on food imports. Diversifying

the economy and sustaining economic growth are among key challenges. The National Development Plan for 2022-2026 and increased oil revenues offer a good opportunity to transform ROC's economy and boost inclusive and sustainable development to reduce the country's vulnerability to volatile oil prices and unsteady production.

**Table 1** 2022

Population, million	5.8
GDP, current US\$ billion	14.6
GDP per capita, current US\$	2520.2
International poverty rate (\$2.15) <sup>a</sup>	35.4
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	59.1
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	83.5
Gini index <sup>a</sup>	48.9
School enrollment, primary (% gross) <sup>b</sup>	93.7
Life expectancy at birth, years <sup>b</sup>	63.8
Total GHG emissions (mtCO2e)	32.4

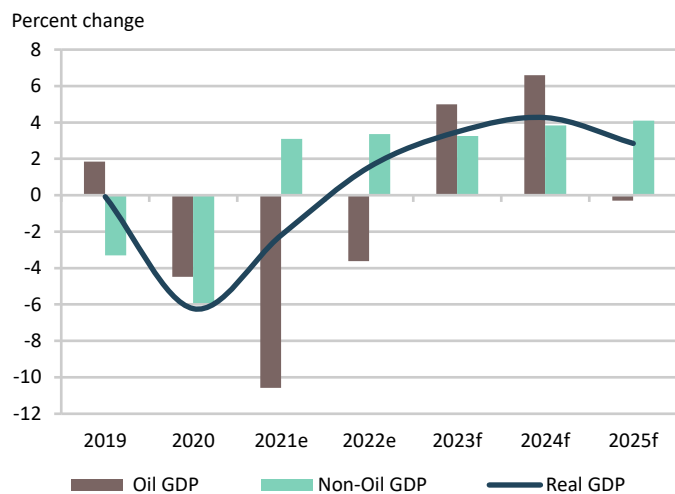
Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2011), 2017 PPPs.  
b/ WDI for School enrollment (2018); Life expectancy (2020).

Following a protracted recession that started in 2015, the Republic of Congo's (ROC) economy grew by an estimated 1.5 percent in 2022. Higher commodity prices stemming from Russia's invasion of Ukraine are improving ROC's fiscal and external positions, but high food inflation could worsen food insecurity. Economic recovery is expected to strengthen in 2023-2025. Uncertainties related to oil prices and production, and spillovers from the war in Ukraine are key risks to the outlook.

## Recent developments

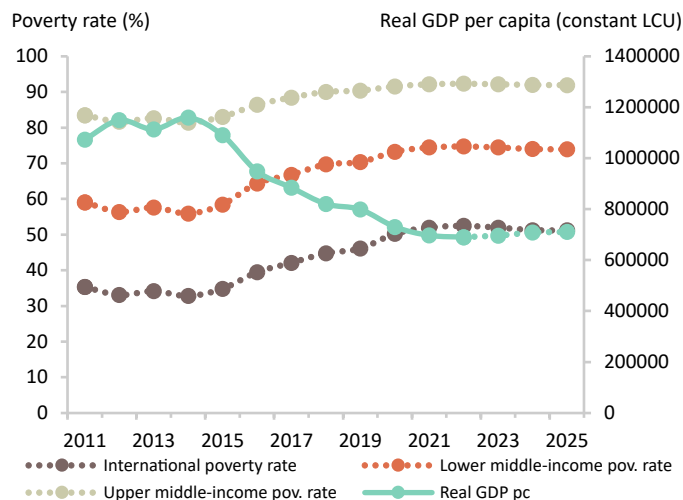
Driven by the non-oil sector, economic activity in Congo is estimated to have increased by 1.5 percent in 2022, compared to a contraction of 2.2 percent in 2021. Non-oil sector growth, estimated at 3.4 percent in 2022, was spurred by the complete removal of COVID-19 restrictions, the clearance of government domestic arrears, which provided liquidity to domestic banks and firms, and to a certain extent, public investment spending. Oil production on the other hand continued to fall, decreasing by 3.6 percent in 2022 percent, y-o-y, due to delayed investment and maturing oil fields. ROC's fiscal and external positions improved. High oil prices led to a significant increase in government revenues, which together with a more moderate increase in government spending, resulted in a budget surplus of 6.8 percent of GDP in 2022. However, the non-oil primary balance deteriorated primarily due to fuel subsidies, which increased from 1.3 percent of GDP in 2021 to 3.6 percent in 2022. Higher export receipts strengthened the current account surplus to 18.2 percent of GDP in 2022.

**FIGURE 1 Republic of Congo / Real GDP growth**



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

The banking sector remains solvent, but vulnerability to non-performing loans (NPLs) remains high. Bank deposits and credit to the private sector were up as of end-September 2022 (y-o-y) but the NPL to gross loan ratio has been around 19 percent over the past year, which is high by international standards. 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 policy rate in September 2022 (to 4.5 percent), its second increase in 2022. Moreover, the BEAC decreased its weekly liquidity injections from CFAF 160 billion in April 2022 to CFAF 50 billion in December 2022.

The poverty rate increased slightly in 2022 to an estimated 52.5 percent in 2022. While overall inflation remained contained at 3.0 percent in 2022, existing supply chain bottlenecks and the effects of the war in Ukraine are pushing up food prices in ROC, with food inflation averaging 6.2 percent (y-o-y) in 2022, which is likely 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 to recover gradually from its recent protracted recession. ROC's GDP is projected to grow at 3.5 percent in 2023 and to average 3.6 percent in 2024-25. Oil sector growth (expected to average 3.8 percent in 2023-25) will be driven primarily by the resumption of investments by oil companies. Non-oil sector growth (expected to average 3.7 percent in 2023-25) will be spurred by growth in agriculture and services, and the implementation of structural reforms on the supply side, and by the continued clearance of government arrears, and the gradual increase in social spending and public investment on the demand side. Overall inflation is expected to remain close to BEAC's 3.0 percent target over the medium term, but food inflation is expected to continue to outpace overall inflation. The poverty rate is expected to marginally decrease to 52.0 percent in 2023

and to an average of 51.2 percent in 2024-25, consistent with projected growth in GDP per capita. The fiscal balance is expected to remain positive, fueled by high oil prices, increased oil production and fiscal discipline. In line with the 2023 budget law, 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), ROC's debt-to-GDP ratio will decline to 78.8 percent by 2025 due to improved debt management, fiscal discipline, and significant oil revenues. The current account surplus will decline as increased investments will lead to an increase in imports, partially offsetting high oil exports receipts.

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

**TABLE 2 Republic of Congo / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-6.2	-2.2	1.5	3.5	4.3	2.8
Private Consumption	-6.9	8.5	6.7	6.0	6.0	5.8
Government Consumption	-33.1	16.9	-2.0	3.2	3.8	3.3
Gross Fixed Capital Investment	-45.0	9.5	8.3	11.5	8.5	7.0
Exports, Goods and Services	-11.1	-12.2	-0.9	4.4	6.2	0.9
Imports, Goods and Services	-36.3	2.5	4.8	10.6	10.3	5.2
<b>Real GDP growth, at constant factor prices</b>	-5.1	-2.2	1.5	3.5	4.3	2.8
Agriculture	4.5	1.5	3.1	3.3	3.9	4.3
Industry	-3.7	-7.9	-1.7	4.4	5.8	1.2
Services	-9.2	3.9	3.5	3.3	3.8	3.9
<b>Inflation (Consumer Price Index)</b>	1.4	2.0	3.0	3.2	3.1	3.0
<b>Current Account Balance (% of GDP)</b>	0.9	10.9	18.2	9.7	4.2	2.1
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	2.4	3.8	3.8	4.2	4.7	5.0
<b>Fiscal Balance (% of GDP)</b>	-2.4	1.4	6.8	4.2	3.5	2.6
<b>Revenues (% of GDP)</b>	21.6	23.4	31.4	27.5	26.7	26.2
<b>Debt (% of GDP)</b>	113.2	102.2	93.8	87.9	82.5	78.8
<b>Primary Balance (% of GDP)</b>	-0.6	3.4	9.1	6.7	5.9	5.1
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	50.2	52.0	52.5	52.0	51.3	51.2
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	73.3	74.5	74.8	74.5	74.0	74.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	91.6	92.2	92.3	92.2	92.0	91.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.4	2.5	2.6	2.7	2.8	2.8
<b>Energy related GHG emissions (% of total)</b>	14.0	14.1	14.3	14.6	15.0	15.3

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 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	70.1
GDP per capita, current US\$	2487.9
International poverty rate (\$2.15) <sup>a</sup>	11.4
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	39.6
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	75.4
Gini index <sup>a</sup>	37.2
School enrollment, primary (% gross) <sup>b</sup>	98.2
Life expectancy at birth, years <sup>b</sup>	59.0
Total GHG emissions (mtCO2e)	57.1

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

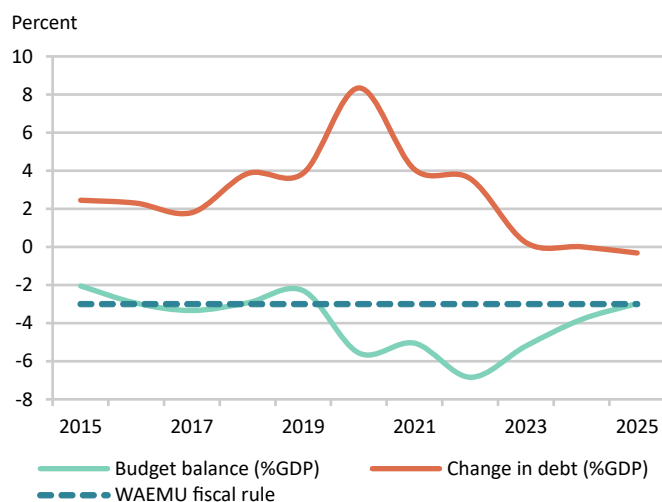
Although growth rebounded from COVID-19 in 2021, adverse spillovers from Russia's invasion of Ukraine and global monetary tightening emphasize macroeconomic imbalances. Real growth is estimated at 6.7 percent in 2022 (4 percent per capita) with limited poverty reduction due to higher food prices. Annual inflation reached 5.2 percent in 2022 – a decade high increase given price volatility and deteriorating terms of trade. The outlook hinges on robust revenue mobilization, debt management and structural reforms to rebuild fiscal buffers.

After being one of the fastest growing economies in SSA for almost a decade – with real GDP growth averaging 8.2 percent over 2012–19 (5.7 percent in per capita terms) – the global crises brought about by COVID-19 and war in Ukraine, have underlined the need for continued structural reforms to move towards the objective of doubling GDP per capita by 2030. Productivity growth has remained flat since 2017. Leveraging private investment, greater capital deepening, reducing allocative inefficiencies through pro-competition policies, improving human capital, as well as increasing resilience to climate risks would create a more resilient and sustainable growth path.

Downside risks predominate in the short term. The war in Ukraine increases commodity price volatility, worsening external balances of net commodity importers, such as Côte d'Ivoire, while increasing energy and food inflation. Tightening global financial markets, despite early signs of monetary policy normalization in advanced economies, put additional pressure on fiscal vulnerabilities and require active debt and fiscal management. Regional insecurity and climate-related factors could also dampen the outlook. In the medium term, the rollout of the National Development Plan will depend on adequate financing, premised on greater domestic revenue mobilization and private investment.

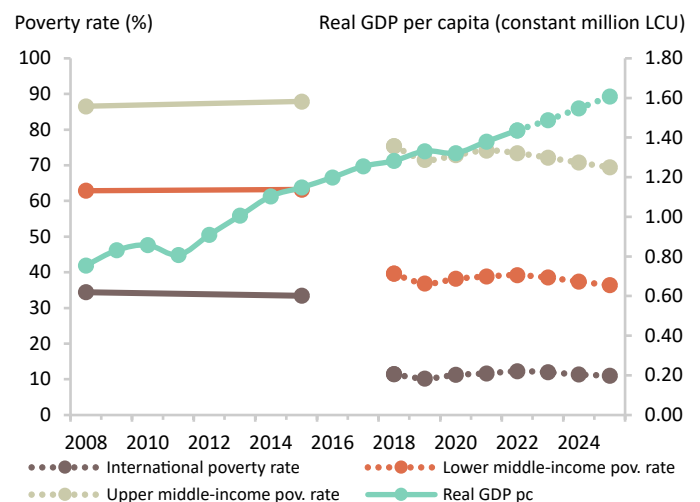
Amid the global turmoil, the Ivorian economy has started to decelerate, posting an estimated 6.7 percent real GDP growth in 2022 (4.0 percent per capita), down from the 7 percent registered in 2021. Growth was driven by private consumption, supported by increases in public sector wages and public investment. Industry, including construction, and services were the main supply-side growth motors, contributing 1.5 and 4.7 percentage points, respectively. Construction and retail trade indices increased by 21.2 percent and 11.9 percent y-o-y, respectively. Inflation averaged 5.2 percent in 2022, up from 4.2 percent in 2021, on account of higher food (+8.9 percent), housing, water, energy (+5.7 percent) and transport (+6.4 percent) prices. Regional security-related disruptions, the war in Ukraine-induced commodity price spike, and the depreciation of the CFAF against the US dollar passed-through via imported and local prices. Price caps on key food staples and fuel subsidies contained further upward pressure with core inflation contributing 2.7 percentage points to headline inflation. To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). The trade balance turned negative at -2.6 percent of GDP in 2022, widening the current account deficit from 4.1 percent in 2021, to an estimated 6.5 percent in 2022, owing to

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



Source: MFMOD and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.



sustained infrastructure related imports, higher import prices and declining export demand and prices.

Containing inflationary pressures has been achieved largely through fiscal policy, with expenditures of around 1.6 percent of GDP (including 0.6 percent of GDP in revenue forgone due to implicit fuel subsidies), lifting the fiscal deficit to a decade-high 6.8 percent of GDP in 2022. The hike resulted also from infrastructure spending (at 6.8 percent of GDP), and high interest payments. As a result, public and publicly guaranteed debt increased, to 56.9 percent of GDP, from 52.1 percent of GDP in 2021. The aborted Eurobond operation in 2022 was replaced by more expensive commercial debt set to increase interest payments in the short-term, unless reprofiled.

The extreme poverty incidence (less than \$2.15 a day per capita in PPP) is expected to have increased to 12.3 percent in 2022, 0.6 percentage points higher than in 2021. The expansion of services and industry (6.7 and 8.2 percent real growth in 2022), which employ 46.7 and 14.1 percent of the labor force, respectively, were drivers of poverty reduction. However, the increase in food prices offset the effects of economic growth on poverty (without the effects of food inflation, we estimate that poverty would have fallen).

## Outlook

Economic activity should decelerate slightly in 2023 on the back of continued global headwinds subduing net exports, clouding private investment expectations, and fueling uncertainty around inflationary expectations. Growth is however expected to remain strong over the medium-term, projected to average 6.5 percent between 2024-2025, driven by domestic demand, continued high public investment increasingly complemented by private investment if pro-competitive market reforms continue and structural reforms aligned with macroeconomic stability deepen.

The fiscal deficit should converge towards the regional target of 3 percent by 2025, stabilizing debt at about 56 percent of GDP. However, this hinges on a credible revenue mobilization strategy. Delaying fiscal adjustment towards the regional fiscal deficit target could exacerbate debt sustainability risks, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks. Inflation should decelerate from 2023 and gradually converge below 2 percent, as global commodity prices ease. BCEAO will

likely need to continue tightening in 2023 in line with other major central banks, as FX reserves have declined, and inflation remains well above the target range of 1-3 percent. Any delays to fiscal adjustments towards the regional fiscal deficit target could exacerbate debt sustainability risks in some countries and put additional pressure on the regional financial sector.

Despite the deceleration in economic growth in 2023, poverty is expected to fall to 12 percent driven by the industry and services sectors, and the reduction in inflation, especially among food items (expected to fall from 8.9 percent in 2022 to 4.8 percent in 2023). Poverty reduction should continue in the medium term despite the negative headwinds, reflecting higher employment in industry and services. Extreme poverty (US\$2.15 2017 PPP) is expected fall to 11.4 percent by 2024 and to 11.0 by 2025.

Heightened market uncertainties and tight monetary policy will continue driving up costs of external and domestic debt, increasing debt vulnerabilities due to rollover risks in the short-term, aggravating tensions between rebuilding fiscal space and sustaining strong growth. Increasing domestic revenue mobilization, efficient public spending, and prudent borrowing remain crucial to ensure macroeconomic stability.

**TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.7	7.0	6.7	6.2	6.5	6.5
Private Consumption	4.7	3.5	3.3	3.7	3.9	4.3
Government Consumption	2.5	8.6	8.0	7.0	2.7	2.3
Gross Fixed Capital Investment	26.8	8.6	9.8	8.5	10.6	9.7
Exports, Goods and Services	10.7	10.6	10.2	8.4	8.8	9.2
Imports, Goods and Services	6.1	13.4	6.8	6.4	6.8	7.6
<b>Real GDP growth, at constant factor prices</b>	1.3	7.0	6.7	6.2	6.5	6.5
Agriculture	8.9	2.7	5.1	-0.4	1.4	11.1
Industry	-1.6	7.4	8.1	10.1	10.0	4.1
Services	-0.2	8.6	6.8	7.0	6.7	6.1
<b>Inflation (Consumer Price Index)</b>	2.4	4.2	5.2	3.5	1.8	1.7
<b>Current Account Balance (% of GDP)</b>	-3.1	-4.0	-6.5	-5.6	-5.0	-4.1
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.1	1.5	1.3	1.7	2.2	1.9
<b>Fiscal Balance (% of GDP)</b>	-5.4	-5.0	-6.8	-5.2	-4.1	-3.0
<b>Revenues (% of GDP)</b>	14.6	15.6	15.0	15.9	16.2	16.4
<b>Debt (% of GDP)</b>	48.1	52.1	56.9	56.6	56.3	56.0
<b>Primary Balance (% of GDP)</b>	-3.6	-3.0	-4.5	-2.6	-1.8	-0.9
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	11.2	11.7	12.3	12.0	11.4	11.0
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	38.2	38.8	39.2	38.5	37.4	36.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	72.9	74.2	73.4	72.1	70.8	69.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.7	3.8	3.1	3.4	3.3	3.1
<b>Energy related GHG emissions (% of total)</b>	25.7	27.8	29.2	30.6	31.7	32.4

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

b/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# EQUATORIAL GUINEA

**Table 1** **2022**

Population, million	1.7
GDP, current US\$ billion	14.4
GDP per capita, current US\$	8577.1
School enrollment, primary (% gross) <sup>a</sup>	61.8
Life expectancy at birth, years <sup>a</sup>	60.7
Total GHG emissions (mtCO2e)	15.6

Source: WDI, Macro Poverty Outlook, and official data.  
a/ WDI for School enrollment (2015); Life expectancy (2020).

*Equatorial Guinea's economy expanded by an estimated 2.9 percent in 2022, driven by the rebound in the hydrocarbon sector. The fiscal and external balances improved thanks to an increase in oil production and prices. Barring new substantial hydrocarbon discoveries and progress in structural reforms, growth is projected to turn negative. Further increases in international food prices, lower-than-expected oil production and prices, and a further tightening of global financial conditions represent downside risks to the outlook.*

## Key conditions and challenges

Equatorial Guinea's oil-dependent economy has been in recession over most of the past decade amid maturing oil fields and low investment. GNI per capita has been declining since 2014, averaging -9.7 percent per year in 2014-2021 and estimated at \$US 5,150 in 2021 (58 percent lower than its peak level in 2008). While the country is classified as upper-middle-income, insufficient social spending, a weak social protection system, and poor public service delivery have hampered progress toward shared prosperity and poverty reduction. Public expenditure on education, health, and water sectors combined is estimated to represent only 1.9 percent of GDP. Limited social spending explains poor development outcomes with net primary school enrollment rate of 43.5 percent, well below that of the average upper middle-income country (95.4 percent). Life expectancy at birth is low at only 59 years.

The economy's reliance on the capital-intensive hydrocarbon sector has provided few opportunities for job creation, and the country's business environment is not conducive to investment and private sector development. Hydrocarbon production is expected to decline in the next years as most of the country's largest oil fields are reaching maturity, adding urgency to the government's objective to diversify the economy and change the current growth model.

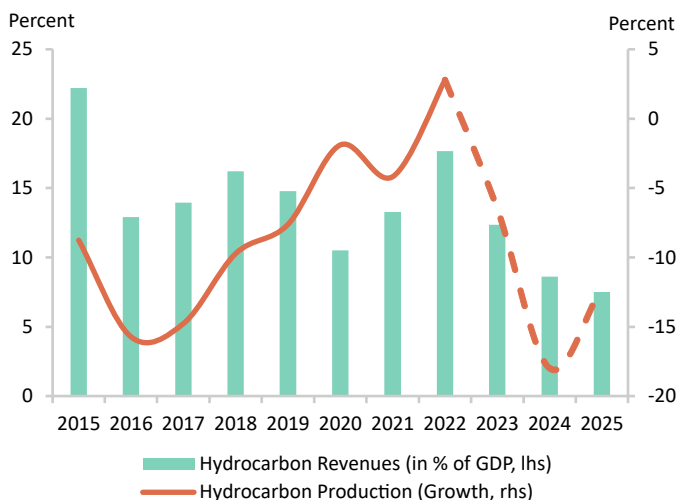
## Recent developments

After seven consecutive years of recession, the Equatoguinean economy is estimated to have recorded positive growth of 2.9 percent in 2022 (from -2.8 percent in 2021), mainly driven by the rebound of the hydrocarbon sector (14.2 percent growth in 2022H1 compared to 2021H2). The economic rebound was lower than previously projected due to an incident in the Zafiro offshore platform – the largest crude oil production platform in Equatorial Guinea – in September 2022, which led to a drop in hydrocarbon production of 15.2 percent in 2022Q4 (q-o-q). Growth was also supported by higher public demand and growth in the telecommunications, transport, and construction sectors.

A stronger-than-expected rebound in oil production in the first half of the year and more favorable oil prices boosted government revenues and improved the fiscal balance in 2022 to 3.8 percent of GDP, compared to 2.8 percent of GDP in 2021. While fiscal revenues exceeded budgeted levels by 200 percent as of September-2022, they dropped in the fourth quarter of the year amid the incident in the Zafiro offshore platform. Higher hydrocarbon export earnings narrowed the current account deficit in 2022 which is estimated to have reached 0.8 percent of GDP in 2022, compared to a deficit of 2.3 percent of GDP in 2021.

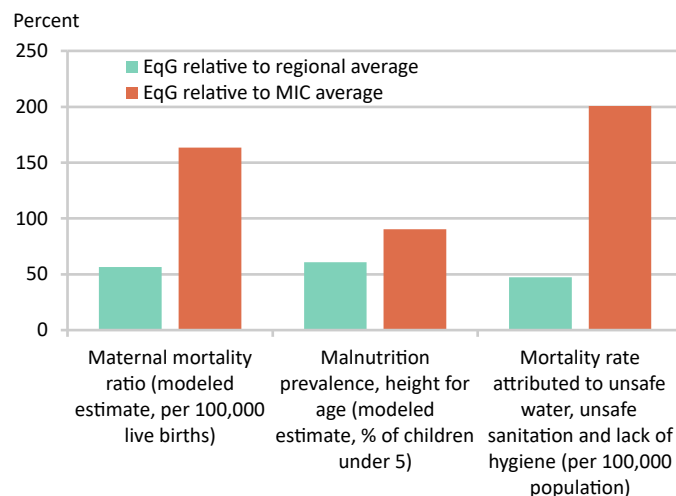
Inflation is estimated to have increased from 1.8 percent in 2021 to 4.9 percent in

**FIGURE 1 Equatorial Guinea / Hydrocarbon production and revenues**



Sources: Equatorial Guinea Ministry of Mines and Hydrocarbons and World Bank.

**FIGURE 2 Equatorial Guinea / Non-income poverty indicators**



Source: World Bank.

2022, driven by higher food prices following Russia's invasion of Ukraine. While the rise in food prices has likely impacted food security and poverty in Equatorial Guinea, data to track poverty remain scarce. The results of the National Household Survey II –fieldwork ending in August 2023 – will be critical in this regard.

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 policy rate in September 2022 to 4.5 percent, its second increase in 2022. Moreover, the BEAC decreased its weekly liquidity injections from CFAF 160 billion in April 2022 to CFAF 50 billion in December 2022.

In 2022, the government committed to settling domestic arrears using 90 percent of the IMF SDR allocation and government bonds, which should reduce the share of non-performing loans and improve the liquidity and solvency of the

banking sector. The government has cleared US\$ 102 million of domestic arrears by 2022H1.

## Outlook

Equatorial Guinea is expected to re-enter recession in 2023 (with a negative growth of 3.7 percent) on the back of lower hydrocarbon production and domestic demand. Without significant diversification efforts or discoveries of new hydrocarbon reserves, the projected decline in hydrocarbon production combined with the slow progress in structural reforms are projected to lead to an average negative growth of 4.6 percent in 2024-2025.

The government is expected to continue its fiscal consolidation efforts amid a projected decrease in hydrocarbon production. The decline in public spending is expected to compensate for the decrease in government revenues over the medium term. As a

result, the fiscal position is projected to deteriorate slightly but still reach a surplus of 2.1 percent of GDP in 2023, and then narrow further in 2024-25 (average surplus of 0.6 percent of GDP). The current account balance is projected to deteriorate gradually over the medium term to an average of -1.6 percent of GDP over 2023-2025, on the back of declining export earnings.

Risks to the outlook are tilted to the downside. A rise in food prices amid a protracted war in Ukraine would increase food insecurity, especially for the most vulnerable, and possibly cause social tensions. Lower oil prices would further reduce fiscal space over the medium term amid declining oil production, albeit this risk could be attenuated by the end of China's zero-COVID policy. A further tightening of global financial conditions could impact investment flows. Delays in addressing governance issues, and banking sector instability could also hinder further private investment, including into new oil or gas fields.

**TABLE 2 Equatorial Guinea / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-4.2	-2.8	2.9	-3.7	-6.0	-3.1
Private Consumption	2.2	2.2	2.2	3.7	2.4	0.9
Government Consumption	-3.2	-5.0	18.1	-11.8	-13.5	-9.8
Gross Fixed Capital Investment	-64.5	-27.5	-35.0	-0.5	-15.0	-5.0
Exports, Goods and Services	-4.9	2.0	0.4	-4.4	-10.1	-6.3
Imports, Goods and Services	-10.8	8.1	3.9	-1.0	-6.5	-6.0
<b>Real GDP growth, at constant factor prices</b>	-4.2	-2.8	2.9	-3.7	-6.0	-3.1
Agriculture	-6.3	9.7	-7.5	2.0	2.2	2.0
Industry	-4.4	-3.2	2.5	-6.5	-17.9	-10.0
Services	-3.8	-2.9	4.1	0.4	11.6	4.3
<b>Inflation (Consumer Price Index)</b>	5.8	1.8	4.9	3.5	2.2	2.3
<b>Current Account Balance (% of GDP)</b>	-10.4	-2.3	-0.8	-2.8	-1.2	-0.9
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	3.7	5.5	4.7	4.3	4.3	4.8
<b>Fiscal Balance (% of GDP)</b>	-1.7	2.8	3.8	2.1	0.6	0.7
<b>Revenues (% of GDP)</b>	14.1	16.6	21.0	15.7	12.8	12.2
<b>Debt (% of GDP)</b>	48.4	46.3	33.0	36.0	34.9	36.6
<b>Primary Balance (% of GDP)</b>	-0.4	3.9	5.1	3.2	1.8	1.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-6.5	10.3	2.6	-4.1	-5.4	-1.7
<b>Energy related GHG emissions (% of total)</b>	30.0	28.0	24.2	24.8	22.0	21.1

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) <sup>a</sup>	68.6
Life expectancy at birth, years <sup>a</sup>	67.1
Total GHG emissions (mtCO <sub>2</sub> e)	7.2

Source: WDI, Macro Poverty Outlook, and official data.  
a/ WDI for School enrollment (2019); Life expectancy (2020).

*After rebounding to 2.9 percent in 2021, GDP growth moderated to 2.5 percent in 2022, impacted by sluggish global demand. A convergence to pre-pandemic growth trends over the medium term is anticipated, helped by the ongoing recovery in China. Inflation would moderate from 2023 as commodity prices decline. Low global growth, climate vulnerabilities, and geopolitical tensions cloud the medium-term outlook. National accounts and poverty statistics have not been produced over the last decade.*

## Key conditions and challenges

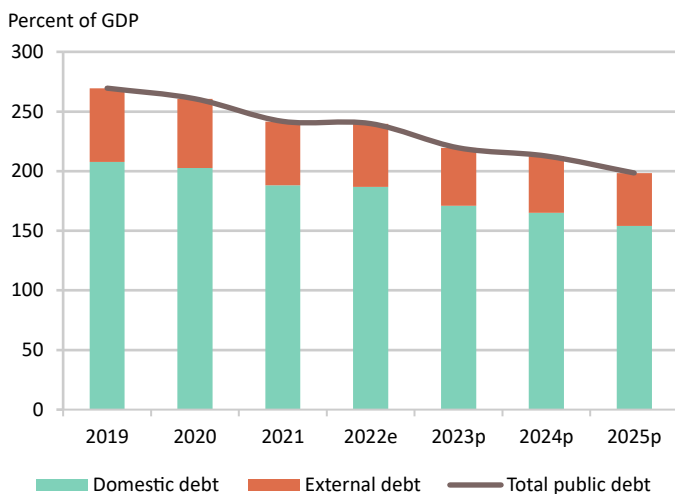
With the lifting of UN sanctions in November 2018, Eritrea emerged from a decade of international isolation. During that period, the government followed a self-sufficiency policy. As a result, large state-owned enterprises dominate the economy and, outside the mining industry, the private sector is virtually non-existent. Zinc, copper and gold account for over 90 percent of exports, underscoring the country's heightened exposure to external shocks. Monetary policy is characterized by administrative measures, fiscal dominance, and a fixed exchange rate regime pegged to the US dollar, enabled by severe import restrictions in a context of low foreign exchange reserves. The financial sector is small and underdeveloped. The country is one of the most vulnerable and least adapted to climate change in Sub-Saharan Africa, 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 reengagement with development partners, leaving it without much needed external funding. In addition, informal cross-border trade was affected by the conflict in northern Ethiopia. However, Eritrea's isolation moderated the magnitude of the initial external shock.

The emergency conditions that prevailed in Eritrea over the past decade 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 city, Asmara, and full balance of payments accounts are missing. The last population census in Eritrea took place more than 25 years ago, and little is known about poverty. Data from 1996/97, covering only urban areas, suggest that about 70 percent of the population lived in poverty.

## Recent developments

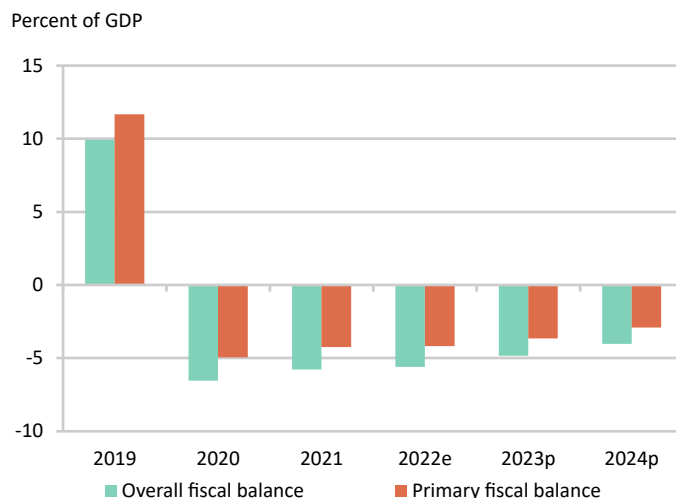
Real GDP slowed from 2.9 percent in 2021 to 2.5 percent in 2022, impacted by weak demand in major trading partners, especially China. Headline inflation averaged 7.4 percent, fueled by rising international commodity prices stemming from pandemic-related value chain disruptions and Russia's invasion of Ukraine, in addition to the continued closure of the Ethiopian border since April 2019. High international prices of wheat and fertilizers, along with severe drought conditions, placed acute strain on the food security of vulnerable populations. The current account surplus narrowed to 13 percent of GDP in 2022 from 14 percent in 2021, affected by the rising prices of oil and wheat, despite the partial compensation from higher prices of zinc exports.

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



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

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



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

Notwithstanding such large surpluses, international reserves are estimated at around 3 months of imports. High global zinc prices supported fiscal revenues in 2022, reducing the fiscal deficit to 5.6 percent of GDP from 5.8 percent in 2021. Public debt is estimated at around 239.8 percent of GDP, of which nearly 80 percent is owed to domestic banks, and the country is in debt distress.

Eritrea remains mostly isolated but has begun to reengage with development partners and revitalize some bilateral relations. In June 2022, Eritrea and South Sudan signed an agreement to establish direct flights between Asmara and Juba to promote business, trade, and tourism. Following a visit by the Kenyan president to Asmara in December 2022 to discuss trade and regional security, the Kenyan and Eritrean governments agreed on February 9, 2023, to permanently abolish visa requirements for their citizens, with the aim of strengthening bilateral relations and advancing regional integration.

## Outlook

Real GDP growth is projected to grow by 2.7 percent in 2023, bolstered by the recovery in China, and continue at just below 3 percent over the medium term, consistent with its pre-pandemic trend. As the international prices of fuel, wheat, and other cereals begin subsiding, inflation is expected to decrease to 6.4 percent in 2023, before stabilizing at around 4.2 percent over the medium term, which would provide some respite to poor households. A recovery in agricultural output would also support households' consumption over the medium term, while construction work associated to mining projects would continue driving capital expenditures. The current account surplus is expected to widen to 14.1 percent in the near term reflecting the decrease in imported commodity prices after sharp increases in 2022, but should narrow modestly over the medium term as the prices

of zinc and other Eritrean mineral exports also drop. Steady remittances should also continue to support households' incomes. The fiscal deficit is expected to narrow progressively over the medium term, underpinned by a gradual fiscal consolidation, while the strong growth in nominal GDP should reduce the public debt-to-GDP ratios. Nevertheless, fiscal and domestic debt outcomes and the outlook for public finances remain uncertain given the frequent data revisions due to reporting lags driven by widespread manual processes. Significant downside risks cloud the horizon. Weak global growth and further disruptions from COVID-19 could dampen growth in China, weakening external demand for Eritrean exports. Eritrea's continued involvement in the northern Ethiopia conflict could attract renewed international sanctions, while the escalation of regional geopolitical tensions could dampen Eritrea's nascent efforts to break its isolation. Finally, severe climate vulnerabilities that burden Eritrea could worsen in coming years, posing high risks to food security.

**TABLE 2 Eritrea / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-0.5	2.9	2.5	2.7	2.9	2.8
Private Consumption	-1.9	3.0	3.6	4.0	4.3	4.1
Government Consumption	16.4	14.0	5.7	3.6	3.7	3.5
Gross Fixed Capital Investment	152.2	39.1	13.1	11.8	14.6	10.6
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
<b>Real GDP growth, at constant factor prices</b>	-0.5	2.9	2.5	2.7	2.9	2.8
Agriculture	-0.5	4.5	1.6	3.5	3.7	3.2
Industry	-0.7	1.4	3.2	2.9	3.0	3.1
Services	-0.1	5.3	1.3	1.6	2.1	1.8
<b>Inflation (Consumer Price Index)</b>	5.6	6.6	7.4	6.4	4.1	4.3
<b>Current Account Balance (% of GDP)</b>	14.4	14.0	13.0	14.1	12.4	11.1
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.4	1.4	1.3	1.2	1.2	1.1
<b>Fiscal Balance (% of GDP)</b>	-6.5	-5.8	-5.6	-4.8	-4.0	-3.3
<b>Revenues (% of GDP)</b>	24.9	26.7	27.0	27.6	28.5	29.3
<b>Debt (% of GDP)</b>	260.6	241.7	239.8	219.4	212.6	198.4
<b>Primary Balance (% of GDP)</b>	-5.0	-4.2	-4.2	-3.7	-2.9	-2.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.2	2.1	2.5	2.7	2.8	2.9
<b>Energy related GHG emissions (% of total)</b>	13.1	13.2	13.4	13.7	14.2	14.7

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	4.3
GDP per capita, current US\$	3569.9
International poverty rate (\$2.15) <sup>a</sup>	36.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	58.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	78.1
Gini index <sup>a</sup>	54.6
School enrollment, primary (% gross) <sup>b</sup>	114.5
Life expectancy at birth, years <sup>b</sup>	59.7
Total GHG emissions (mtCO2e)	2.7

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2016), 2017 PPPs.  
b/ WDI for School enrollment (2019); Life expectancy (2020).

GDP growth slowed to an estimated 0.4 percent in 2022, partly reflecting the impact of inflationary pressures on domestic demand and weak performance in agriculture. The fiscal deficit increased between FY21-22 and FY22-23, while the current account balance recorded a deficit for the first time since FY10-11, reflecting lower Southern African Customs Union (SACU) revenues. Economic growth is projected to rebound to 3.0 percent in 2023, supported by higher SACU revenues, which should lead to a small decrease in poverty rates.

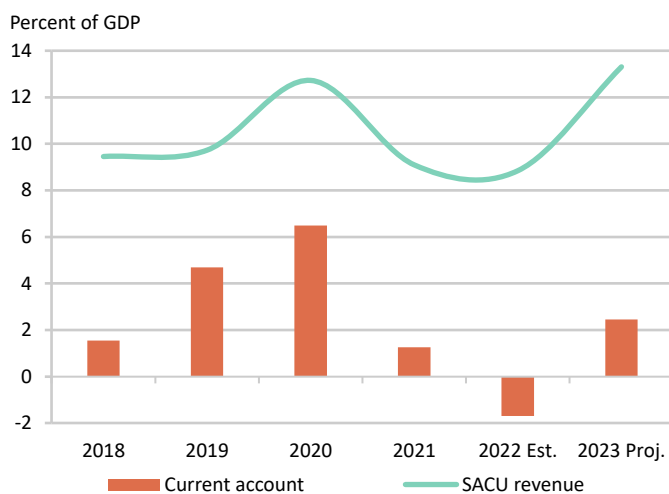
## Key conditions and challenges

Economic growth remains constrained by persistent social and political uncertainties and slow progress in implementing business and structural reforms, which undermine private investment and economic diversification. Investment declined after the end of apartheid as firms relocated to South Africa and it has not recovered since, declining from an average of 11 percent of GDP in the early 1990s to an average of 6 percent over the past decade. The government's dependence on volatile SACU revenues continues to lead to substantial fluctuations in fiscal policy and public investment over time. Moreover, this dependence deepens Eswatini's reliance on South Africa. Eswatini has little discretion over monetary and exchange rate policies due to the country's membership in the Common Monetary Area, which pegs the lilangeni to the South African rand. Unemployment and poverty are high in Eswatini partly due to weak job creation in the formal economy. The 2021 labor force survey puts the unemployment rate at 33.3 percent, the highest in over a decade. An estimated 32 percent of the population lived below the US\$2.15/day (2017 PPP) international poverty line in 2022, while 55 percent of the population was 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

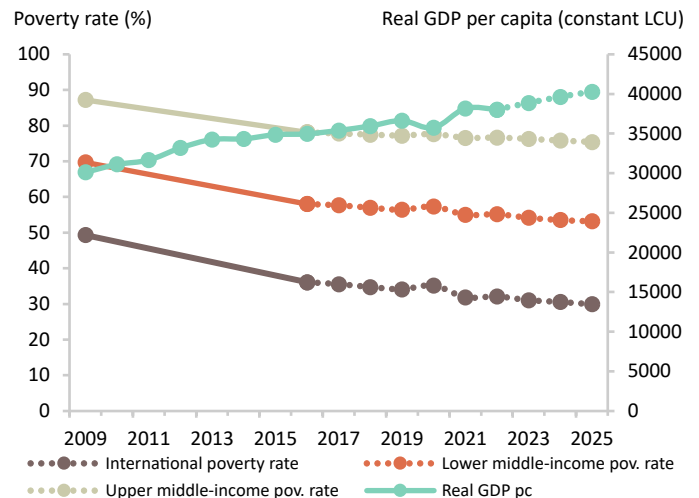
Real GDP growth slowed to an estimated 0.4 percent in 2022 from 7.9 percent in 2021. The low growth reflects weak performance in the agriculture and agro-processing sub-sectors, mainly the sugar industry, which were affected by higher input costs, above-average rainfall, arson attacks, and labor unrest. Furthermore, higher inflation and supply disruptions emanating from Russia's invasion of Ukraine constrained both demand and supply. Transport and storage, and public administration also underperformed. Nevertheless, faster growth was recorded in electricity, tourism, professional, administrative, and support services. Annual inflation increased from 3.7 percent in 2021 to 4.8 percent in 2022, largely driven by energy, food, and transport prices, reflecting the impact of the war in Ukraine. In response, between January and December 2022, the central bank increased the discount/repo rate by a cumulative 275 basis points to 6.5 percent. It further increased this rate by 25 basis points in February 2023. Transport and food inflation disproportionately affect the poor, who spend a higher share of their resources on these items. The combination of slow economic growth and high inflation led to a slight increase in the estimated poverty rate in 2022. The fiscal deficit reached an estimated 5.5 percent of GDP in FY22-23 from 4.6 percent of GDP in FY21-22, driven by an increase in wages and security spending as well as a decline in SACU revenue. Public debt reached

**FIGURE 1 Eswatini / Current account balance and SACU revenues**



Sources: Eswatini Ministry of Finance and World Bank staff projections.

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



Source: World Bank. Notes: see Table 2.

a peak of 45 percent of GDP in 2022, as the government increased external borrowing in the aftermath of the pandemic and the shocks emanating from the war in Ukraine. The current account balance recorded an estimated deficit of 1.3 percent of GDP in 2022 for the first time since the FY10-11 fiscal crisis. The trade balance remained in surplus despite a faster increase in imports than exports. The relatively fast increase in imports was largely driven by higher prices of food, fuel, and electricity. Gross official reserves declined in 2022 as import cover stood at 2.5 months of imports compared with 3.5 months in 2021.

## Outlook

Real GDP growth is projected to rebound to 3.0 percent in 2023, supported by higher SACU revenue, which will provide additional fiscal space for an expansionary fiscal policy. On the demand side, the projected

increase in government expenditure will boost economic activity, including the beginning of major capital projects such as the Mkhondvo-Ngwavuma dam. The wholesale and retail, construction, and public administration sectors are all expected to benefit from higher SACU revenue and public spending. Tourism is expected to continue recovering. However, significant external and domestic risks, including slower global growth, unfavorable weather conditions, and social and political uncertainty may affect the growth outlook. Inflation is projected to increase to 5.7 percent in 2023 due to the expected gradual transmission of higher imported prices to local prices and the increase in administered prices.

The fiscal deficit is projected to decline to 2.3 percent of GDP in 2023 and stabilize around this level in the medium term. SACU revenue is projected to increase from 7.8 percent of GDP in FY22-23 to 14.4 percent of GDP in FY23-24. This increase will finance higher capital expenditure as well as election- and security-related

spending. About 1.8 percent of GDP of SACU revenue will be allocated to fund the SACU Revenue Stabilization Fund, to be used to mitigate future unexpected shocks. In the medium term, adherence to the government's three-year Fiscal Adjustment Program is critical to contain fiscal deficits and preserve debt sustainability.

The current account balance is projected to record a surplus in 2023, partly reflecting higher SACU revenues. The trade balance is expected to remain in surplus as exports are expected to increase, boosted by a recovery in sugar production and moderating import prices.

Poverty based on the lower-middle-income country poverty line (US\$3.65/day, 2017 PPP) is projected to decline slightly from 55.2 percent in 2022 to 53.2 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, at least in the short term.

**TABLE 2 Eswatini /** Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-1.6	7.9	0.4	3.0	2.9	2.7
Private Consumption	0.5	3.3	2.2	3.9	3.6	3.5
Government Consumption	6.8	-8.7	-2.3	8.6	1.7	0.0
Gross Fixed Capital Investment	-8.2	11.4	3.1	2.2	2.7	1.0
Exports, Goods and Services	-2.4	9.9	6.0	3.5	2.6	2.4
Imports, Goods and Services	-1.3	14.4	6.8	6.0	3.0	2.0
<b>Real GDP growth, at constant factor prices</b>	-1.4	7.9	0.4	3.0	2.9	2.7
Agriculture	-7.5	2.5	1.6	1.9	3.1	3.0
Industry	-9.7	15.4	-1.0	2.3	3.1	3.9
Services	5.4	4.1	1.2	3.6	2.7	1.9
<b>Inflation (Consumer Price Index)</b>	3.9	3.7	4.8	5.7	5.4	5.3
<b>Current Account Balance (% of GDP)</b>	6.5	1.3	-1.3	2.1	1.1	0.6
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-0.1	-0.7	-0.8	-0.8	-0.8	-0.8
<b>Fiscal Balance (% of GDP)</b>	-4.6	-4.6	-5.5	-2.3	-2.4	-1.1
<b>Revenues (% of GDP)</b>	29.4	25.1	24.9	30.1	28.1	27.5
<b>Debt (% of GDP)</b>	41.6	42.4	45.4	41.8	37.8	34.9
<b>Primary Balance (% of GDP)</b>	-2.4	-2.9	-2.4	0.6	0.0	1.2
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	35.2	31.9	32.1	31.1	30.6	29.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	57.4	55.0	55.2	54.2	53.6	53.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	77.7	76.6	76.7	76.3	75.8	75.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.1	1.5	-0.1	0.9	1.3	1.4
<b>Energy related GHG emissions (% of total)</b>	35.1	36.2	36.0	36.5	37.1	37.6

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	123.5
GDP, current US\$ billion	131.8
GDP per capita, current US\$	1067.3
International poverty rate (\$2.15) <sup>a</sup>	27.0
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	65.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	90.9
Gini index <sup>a</sup>	35.0
School enrollment, primary (% gross) <sup>b</sup>	106.0
Life expectancy at birth, years <sup>b</sup>	65.4
Total GHG emissions (mtCO2e)	198.0

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2015), 2017 PPPs.  
 b/ WDI for School enrollment (2021); Life expectancy (2020).

*Strong agriculture and services output resulted in higher-than-expected GDP growth estimated at 6.4 percent in FY22. But growth remains lower than pre-COVID-19 levels and the economy remains vulnerable to shocks such as global food and supply disruptions. Fiscal and external buffers are nearly exhausted, posing a risk to macroeconomic stability, while poverty and inequality are elevated. As these shocks abate, and as peace endures in northern Ethiopia, an opportunity is emerging to restore macroeconomic balance and revive reforms to accelerate growth and poverty reduction.*

## Key conditions and challenges

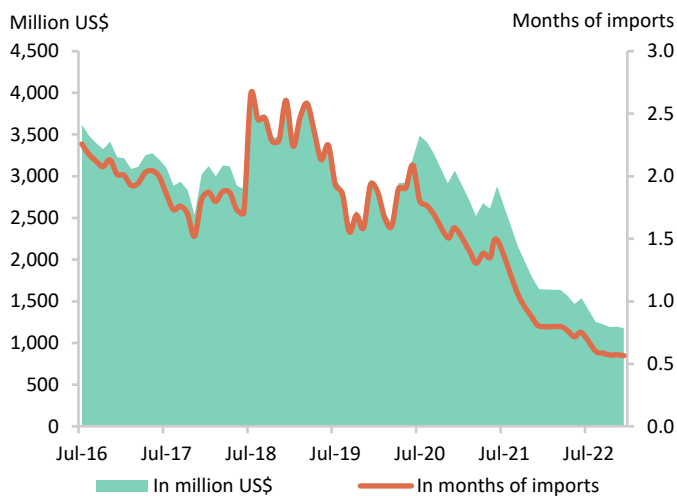
The government's 2019 Homegrown Economic Reform Program aimed to shift the economy from state-led growth and investment toward greater private sector participation and market orientation. The program emphasized growth in energy, logistics, and telecommunications; greater competition; higher exports; and fewer market distortions. A critical priority was establishing a competitive foreign exchange market to boost competitiveness and reduce input shortages in the economy. Implementation of the reforms, however, has been uneven. Multiple shocks (COVID-19, persistent droughts, internal conflicts, and global commodity price shocks) have increased economic costs, exacerbated macroeconomic distortions, and heightened vulnerabilities. This has greatly slowed reform progress and severely affected lives and livelihoods. Already acute food insecurity has worsened due to global food and energy price shocks, disruptions to grain supply due to Russia's invasion of Ukraine, and below-average local crop production. Given the deteriorating humanitarian conditions in Ethiopia due to the combination of climate shocks, disease outbreaks, armed conflict, and the socio-economic impacts of COVID-19, about 28.6 million people – around one-fourth of the country's population – need humanitarian assistance in 2023, an increase of about 2.7 million from 2022.

As progress continues in implementing a peace agreement between the federal government and the Tigray People's Liberation Front, there is a renewed opportunity to revive the economic reform agenda. The government is expected to soon launch a revised version of the reform program, which is expected to set out an agenda to reduce macroeconomic imbalances, remove exchange rate and other market distortions, and advance much-needed structural reforms to increase Ethiopia's long-term economic growth potential. A strong focus on protecting the poorest from potential adjustment costs is critical to ensure that reforms are effective and sustainable.

## Recent developments

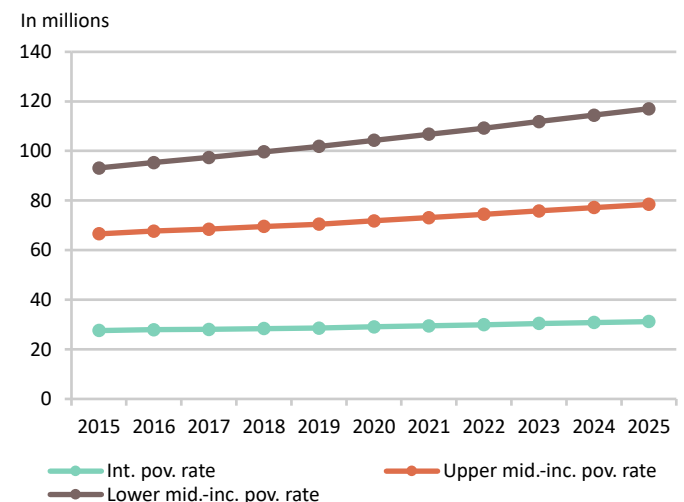
Official growth estimates for FY22 (6.4 percent) were higher than expected due to strong contributions from services and agriculture. Industrial growth, however, slowed as worsening foreign exchange shortages, the conflict in the northern part of the country, and the suspension of preferential US market access hurt manufacturing and construction activities. External financing pressures intensified in FY22. Costlier fuel, fertilizer, and food imports and a sharp fall in official development assistance increased the current account deficit to 4 percent of GDP from 2.9 percent in FY21. The larger current account deficit and higher debt-service costs sharply reduced official foreign exchange reserves, which fell to just 2.5 weeks of imports by the end of 2022. This shortage has

**FIGURE 1 Ethiopia / Gross foreign exchange reserves**



Source: National Bank of Ethiopia.

**FIGURE 2 Ethiopia / Number of poor**



Source: World Bank.



contributed to a spike in parallel market premiums, which have remained above 80 percent since October 2022.

Despite a sharp fall in public capital spending, the continuing decline in revenue collection (8.1 percent of GDP in FY22 compared with 10.2 percent in FY21) increased the fiscal deficit to 4.2 percent of GDP (from 2.8 percent in FY21). With less external financing available, the fiscal deficit was mainly domestically financed – including 1.3 percent of GDP in direct monetary financing. Public debt levels dropped in FY22 as the disbursement of external loans remained constrained and as the increase in domestic borrowing fell short of inflation.

Direct monetary financing is the main driver of inflation, which remained high at 33.9 percent in January 2023. Overlapping crises – the war in Ukraine, persistent droughts, and a surge in global food and fuel prices – exacerbated the already high inflation. Staple food prices remain well above average and are especially high in conflict and drought-affected areas. Higher nonfood inflation from the phased removal of fuel subsidies, wider parallel market premiums, and looser fiscal policies also contributed to inflation.

The poor, who are net consumers of food, remain at high risk of falling into extreme poverty and food insecurity. Poverty reduction is stalling and about 0.43 million people are expected to have fallen into poverty in 2022.

## Outlook

Growth is expected to remain relatively strong at 6 percent in FY23 as the effects of recent multiple domestic and external shocks dissipate. Higher crop production in the north (contingent on enduring peace), and the abatement of external price and supply shocks, are likely to moderate inflation and poverty risks. Swift implementation of critical macroeconomic and structural reforms in the forthcoming Homegrown Economic Reform 2.0 could lead to even higher growth in FY23 and the medium term. The most significant downside risk is the resumption of significant conflict which could complicate implementation of reforms and foreign exchange inflows from development assistance and investment.

Fiscal pressures are expected to persist in FY23 but abate over the medium term due to revenue reforms to strengthen value-added tax and excise collections, including introducing new tax sources (such as property taxes). These are expected to support fiscal consolidation and ease budget financing pressures. Foreign exchange reforms will be critical to restoring productivity-led growth by removing price distortions, improving resource allocation, and alleviating external payments risks. Debt treatment under the G-20 Common Framework and the resumption of official external flows will also be critical to ease Ethiopia's external financing pressures. Contingent on the implementation of reforms, inflation, which will remain high through FY24, is expected to fall over the medium term as supply bottlenecks ease and fiscal and monetary policies are tightened.

The stagnation in poverty reduction is driven by armed conflict, persistent droughts in lowland regions, the war in Ukraine, and high inflation. Further shocks could push millions more into poverty and increase spatial inequalities. Accelerating 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	2021/22e	2022/23f	2023/24f	2024/25f
<b>Real GDP growth, at constant market prices</b>	6.1	6.3	6.4	6.0	6.6	7.0
Private Consumption	5.0	3.0	4.5	5.6	5.9	6.4
Government Consumption	0.6	12.2	1.5	1.1	3.0	10.1
Gross Fixed Capital Investment	5.6	7.6	11.0	5.9	6.7	7.1
Exports, Goods and Services	3.4	5.5	11.7	8.8	9.1	9.7
Imports, Goods and Services	-1.9	2.0	10.8	2.7	3.6	8.1
<b>Real GDP growth, at constant factor prices</b>	6.1	6.3	6.4	6.0	6.6	7.0
Agriculture	4.3	5.5	6.0	6.3	6.5	6.7
Industry	9.6	7.3	4.8	2.3	3.2	3.6
Services	5.2	6.3	7.9	8.2	8.8	9.3
<b>Inflation (Consumer Price Index)</b>	19.9	20.2	33.7	34.6	32.6	10.4
<b>Current Account Balance (% of GDP)</b>	-4.1	-2.7	-4.0	-3.1	-3.3	-2.9
<b>Fiscal Balance (% of GDP)</b>	-2.8	-2.8	-4.2	-3.4	-2.7	-2.1
<b>Revenues (% of GDP)</b>	11.7	11.2	8.3	7.8	8.3	9.1
<b>Debt (% of GDP)</b>	56.5	56.6	54.4	49.6	41.3	35.0
<b>Primary Balance (% of GDP)</b>	-2.4	-2.2	-3.6	-2.8	-2.2	-1.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	24.8	24.5	24.3	24.0	23.7	23.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	61.3	60.8	60.3	59.9	59.4	58.8
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	89.0	88.7	88.5	88.2	88.0	87.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.2	2.8	2.8	2.5	2.5	2.4
<b>Energy related GHG emissions (% of total)</b>	15.3	15.2	15.1	14.8	14.6	14.3

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 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	22.0
GDP per capita, current US\$	9214.6
International poverty rate (\$2.15) <sup>a</sup>	2.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	8.1
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	31.2
Gini index <sup>a</sup>	38.0
School enrollment, primary (% gross) <sup>b</sup>	107.9
Life expectancy at birth, years <sup>b</sup>	66.5
Total GHG emissions (mtCO2e)	22.0

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

*Gabon's economy rebounded in 2022, supported by good performances in sectors such as oil, manganese, and wood. High commodity prices contributed to fiscal and current account surpluses, and to a declining public debt-to-GDP ratio. Nevertheless, persistent poverty rates and increased vulnerability caused by rising food prices pose strong risks, especially if structural reforms promoting green, diversified, and inclusive growth fail to materialize.*

## Key conditions and challenges

Gabon has traditionally registered weak oil-based long-term growth, that left per capita income stagnant over the past two decades. Modest productivity growth, especially in agriculture, has hindered poverty reduction. Incentivized by the government's strategy to diversify the economy, launched in 2010, significant new investments are underway, such as in iron extraction (Belinga agreement signed in August 2022, with about CFAF 20 billion of initial investments expected) and liquified gas (an important initiative to reduce oil-related emissions, it is expected to add to the country's strong record of carbon-absorption efforts). Green and blue growth policies promoting sustainable fisheries and timber industries are also being implemented. As Gabon moves to sell credits for 90 million tons of carbon emissions, ensuring transparency and accountability will be key for society at large to benefit from forest conservation. While efforts are being made to improve resource revenue management, with Gabon rejoining EITI in 2021 (first report due by April 2023), these need to be stepped up to reduce fiscal vulnerabilities.

Yet, Gabon faces severe development challenges that stand in the way of accelerating poverty reduction. Governance inefficiencies hamper the state's ability to channel resource-derived revenues into much-needed investments in its young and fast-growing population, which suffers from

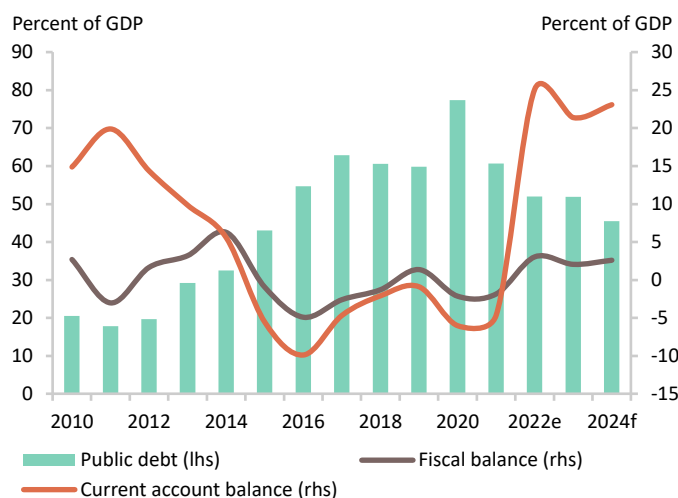
poor employability. To transform its natural endowments into faster and more inclusive growth, stronger efforts are needed to build human capital and reduce obstacles to trade, access to finance, and entrepreneurship. Structural reforms to improve tax collection, governance, and public investment management would help secure the funds needed to tackle deficiencies in human development, particularly in education, social protection, and healthcare. Equally important are investments to improve infrastructure. Landslides in December 2022 blocked the country's only railway for weeks, disrupting manganese and wood shipments and showcasing the urgent need of investments in transportation.

## Recent developments

Gabon's economy grew by an estimated 3.1 percent in 2022, up from 1.5 percent in 2021, driven by oil, manganese, wood, and services sectors, with pandemic-related restrictions lifted in early 2022. On the demand side, growth was mainly driven by commodity exports and private investment.

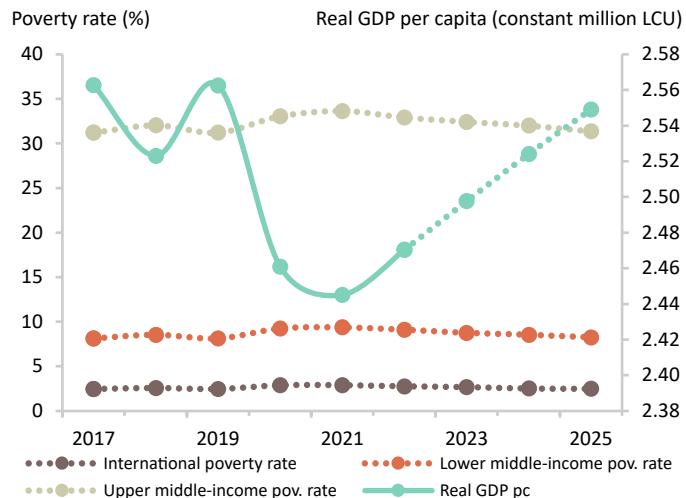
Higher oil prices resulting from Russia's invasion of Ukraine, combined with increased production amid less strictive OPEC+ quotas, benefited Gabon's fiscal and external balances. Oil revenues and improved tax collection, notably thanks to tax expenditure rationalization measures, resulted in a fiscal surplus (3.0 percent of GDP in 2022). However, the cost of fuel

**FIGURE 1 Gabon / Public debt, fiscal and current account balances**



Sources: Official government data and World Bank calculations.

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



Sources: World Bank. Notes: see Table 2.

subsidies increased, despite the removal of subsidies for industrial consumers in June 2022. Meanwhile, booming exports and lower imports resulted in a current account surplus (25.1 percent of GDP in 2022).

Public debt continued to decline in 2022. While debt remains sustainable, the continuous accumulation of arrears highlights the need to improve public financial management. In February 2023 Fitch Ratings classified Gabon as B- with a positive outlook, thanks to expected IMF-supported reforms.

Thanks to the recovery, poverty decreased slightly in 2022, but inflationary pressures continued to impact the poor and the middle class; food inflation reached 8.8 percent in December 2022 (y-o-y). Vulnerability increased; almost 37 percent of households reported experiencing high food prices in July 2022. Despite having tax exemptions and price controls, Gabon closed 2022 with a 4.3 percent inflation rate, above the CEMAC target rate. To contain inflation and support the exchange rate peg, the Bank of Central African States (BEAC) increased the policy rate to 4.5 percent in September 2022 and decreased weekly liquidity

injections to CFAF 50 billion in December 2022. Credit to the private sector grew by 25.9 percent by end-September 2022, pushed by private investments and more prudent debt policy.

## Outlook

Improved growth prospects in China are expected to benefit Gabonese exports, especially oil, manganese, and wood. Growth is projected to average 3.0 percent in 2023-2025, driven by extractives but also agriculture (especially rubber and oil palm), services, and public works, pushed by higher public spending in view of the upcoming elections.

The fiscal balance is expected to remain positive, supported by revenue mobilization and elevated commodity prices, along with stable public debt. Nevertheless, reliance on a few commodities highlights risks brought by the exposure of Gabon's trade and fiscal balances to volatile global prices. In the case of oil, lower prices, changes in OPEC+ quotas, and the natural decline in the oil wells' capacity could

compromise fiscal revenues, as well as future exports. Weakening fiscal consolidation efforts could exacerbate fiscal fragility, due to the removal of the public sector hiring freeze in 2022 and the increase in capital expenditures needed to carry out investments announced in the government's strategic plan, due for 2025. Gradually declining oil prices are indeed expected to translate into a reduced current account surplus over the years.

Growth prospects and economic diversification will depend on the implementation of a strong reform agenda, which could be stalled in the near term by high oil prices and the upcoming elections. A weakening reform momentum, especially if it hinders actions to tackle the accumulation of arrears, could compromise access to external financing. Furthermore, risks to debt sustainability could be exacerbated under global tightening conditions. In addition, poverty and unemployment remain sources of tension. While the share of Gabonese living on less than US\$6.85 per day is expected to remain stable at around 32.4 percent in 2023, it would remain higher than the pre-pandemic poverty rate (31.2 percent).

**TABLE 2 Gabon / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-1.8	1.5	3.1	3.1	3.0	3.0
Private Consumption	-2.0	-1.4	-0.2	1.0	2.5	0.1
Government Consumption	5.5	3.2	1.8	0.4	-0.8	2.2
Gross Fixed Capital Investment	-16.7	9.2	11.1	1.9	0.2	3.2
Exports, Goods and Services	10.1	-1.0	7.3	8.3	5.9	2.9
Imports, Goods and Services	-16.7	31.9	10.4	4.0	1.7	1.5
<b>Real GDP growth, at constant factor prices</b>	-1.9	2.9	3.1	3.1	3.0	3.0
Agriculture	5.9	10.2	6.4	6.7	6.8	7.1
Industry	-2.2	3.1	4.8	4.0	3.3	2.6
Services	-2.8	1.6	1.5	1.9	2.1	2.4
<b>Inflation (Consumer Price Index)</b>	1.6	1.1	4.3	3.2	2.5	2.2
<b>Current Account Balance (% of GDP)</b>	-6.0	-4.7	25.1	21.4	23.1	21.7
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	9.6	7.5	5.5	5.6	5.2	5.2
<b>Fiscal Balance (% of GDP)</b>	-2.1	-1.9	3.0	2.1	2.6	2.4
<b>Revenues (% of GDP)</b>	17.6	15.8	18.6	19.2	18.6	18.6
<b>Debt (% of GDP)</b>	77.4	60.7	52.0	51.9	45.5	39.5
<b>Primary Balance (% of GDP)</b>	1.2	0.9	5.4	4.9	5.1	4.5
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	2.9	2.9	2.8	2.7	2.5	2.5
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	9.3	9.4	9.1	8.8	8.6	8.3
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	33.1	33.6	32.9	32.4	32.0	31.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.8	4.0	3.7	-0.7	0.4	0.7
<b>Energy related GHG emissions (% of total)</b>	15.5	16.1	16.8	15.9	15.3	14.6

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

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

# THE GAMBIA

## Key conditions and challenges

**Table 1** **2022**

Population, million	2.7
GDP, current US\$ billion	2.2
GDP per capita, current US\$	801.1
International poverty rate (\$2.15) <sup>a</sup>	17.2
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	47.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	80.6
Gini index <sup>a</sup>	38.8
School enrollment, primary (% gross) <sup>b</sup>	102.7
Life expectancy at birth, years <sup>b</sup>	62.6
Total GHG emissions (mtCO <sub>2</sub> e)	3.3

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

*Economic growth was steady at 4.3 percent in 2022, driven by improved agriculture production, public consumption, and infrastructure investments. Downside risks to the positive medium-term outlook stem from persistent pressures on import prices and exports, largely due to the war in Ukraine and a slowing global demand, and climatic shocks. Consequently, poverty is estimated to have increased reflecting weak per capita growth and high food prices.*

The Gambia has made progress in macro-economic stabilization but needs to strengthen the foundations for higher and more equitable growth. Structural constraints continue to impair the expansion of the productive base and the diversification of the economy from low-value-added tourism and groundnut production. Low domestic revenue collection limits the provision of public goods and services and hampers fiscal and debt sustainability. The weak business environment and institutional challenges limit private sector development, hindering job creation and economic transformation. Over-reliance on declining-productivity agriculture, along with increasing environmental degradation and climate vulnerabilities, contribute to food insecurity. These factors lead to low capital accumulation, weak productivity, and limited structural transformation of the economy resulting in high poverty rates and curtailing human capital development.

These weaknesses are exacerbated by several downside risks that could negatively affect the medium-term growth outlook. Risks of political instability, as suggested by an attempted coup d'état in December 2022, could reverse hard-won progress in macroeconomic management and negatively affect efforts to boost domestic revenue mobilization and streamline current expenditures, undermining investment,

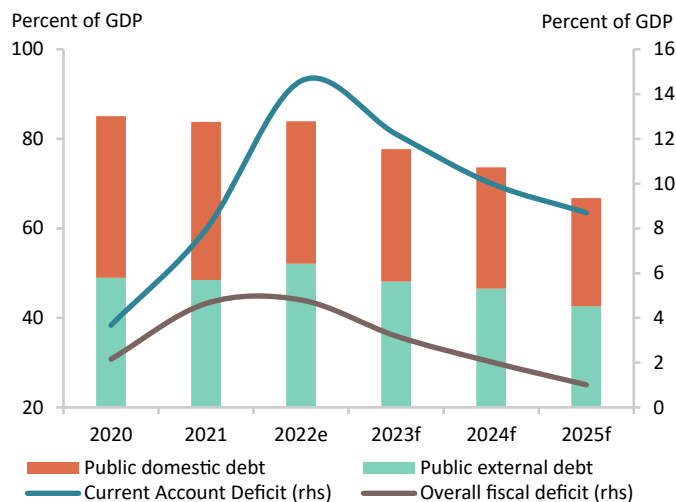
economic growth, and poverty reduction. Persistent pressures on the balance of payments due to the prolonged war in Ukraine, could trigger severe shortages of essential imports and a further decline in foreign exchange reserves, putting pressure on the domestic currency and inflation- especially in food prices. Fiscal risks remain substantial given state-owned enterprises (SOEs) contingent liabilities and the high dependence on external grant financing, which accounted for 31 percent of total revenue over the period 2017-2022, while tax revenue averaged just 10.7 percent of GDP over the same period. The fiscal response to the impacts of the war in Ukraine came at a high cost, with about 2.2 percent of GDP in subsidies, underscoring the fiscal vulnerabilities to external shocks.

## Recent developments

Despite the spillovers from the war in Ukraine, real GDP increased by 4.3 percent in 2022 (1.8 percent per capita) driven by improved agriculture production, higher public consumption, and infrastructure investments. High inflation dampened private demand, averaging 11.5 percent (year-on-year), with food and non-food inflation at 14.5 percent and 8.6 percent, respectively.

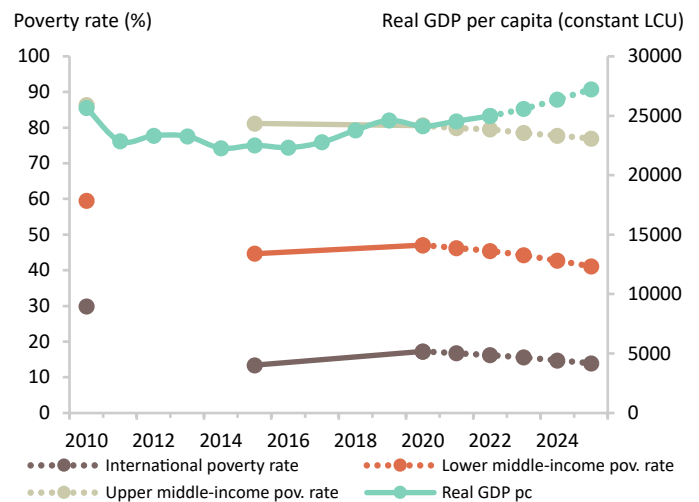
Rising food prices undermine the pace of poverty reduction. Poverty is expected to have increased to 20.3 percent in 2022 from 18.4 percent in 2021, using the international poverty line of \$2.15 (in 2017 PPPs). The

**FIGURE 1 The Gambia / Fiscal deficit, current account deficit, and public debt**



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.



sharp increase in poverty is largely due to weaker growth in per capita GDP, and high prices eroding the purchasing power of households.

The fiscal deficit deteriorated to 4.8 percent of GDP in 2022, due to lower domestic revenues and higher expenditure, driven by increased spending on infrastructure projects and on wages as part of a civil service reform agenda. Increased subsidies to mitigate the pass-through of higher import prices dampened tax revenues. The total debt stock remains relatively unchanged at 83.9 percent of GDP in 2022, and the Gambia remains at high risk of debt distress.

The current account deficit (CAD) widened to 14.6 percent of GDP in 2022, reflecting a wider trade deficit and lower remittances, which declined by 4.5 ppts to 34.2 percent of GDP. The CAD was financed through FDI, donor support, external borrowing, and partially by international reserves which declined from 7 months of imports in 2021, to 5.1 months in 2022, along with a nominal exchange rate depreciation of 15.6 percent (year-on-year). Monetary policy was tightened by raising the policy rate by 1 ppt in May,

September, and December 2022 to 13 percent, to curb inflation.

## Outlook

GDP growth is projected to reach 5.5 percent in 2023-25, driven by increased activity in all sectors, recovery in private demand and resilient public demand. Growth projections are below pre-pandemic levels of 6.2 percent in 2019, reflecting the lingering effects of the overlapping crises. Inflation is expected to remain high in 2023 before declining to 7.3 percent in 2024-2025, reflecting global uncertainty and high commodity prices with a protracted war in Ukraine.

Although stronger projected growth in agriculture and the expansion of cash transfers are expected to have a positive effect on poverty reduction, these gains will be tempered by continued high food prices. The international poverty rate is expected to increase by 1.5pp in 2023 and remain high at nearly 22 percent through 2025.

Pressures on the balance of payments are expected to ease only moderately due to the spillovers from the war in Ukraine and continued high global commodity prices. The CAD is expected to remain high, at 12.2 percent of GDP in 2023 before narrowing to 9.4 percent in 2024-25, reflecting a decrease in investment-related imports and robust export growth, especially in tourism. Monetary policy is expected to remain tight, so as to contain persistently high inflation.

The fiscal deficit is projected to narrow to 2.1 percent of GDP over 2023-25 supported by the phasing-out of war and pandemic-related spending, the completion of major infrastructure projects, and domestic revenue mobilization efforts, including improved tax and customs administrations. Public debt is projected to decrease to 73 percent of GDP in 2023-25, but The Gambia will remain at high risk of debt distress. Overall, fiscal risks will remain high – from SOEs contingent liabilities, the end of the debt-service deferrals negotiated with some creditors in 2024, and climatic and other external price shocks – unless further structural reforms are adopted.

**TABLE 2 The Gambia / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	0.6	4.3	4.3	5.0	5.5	5.8
Private Consumption	-1.0	3.5	3.3	4.0	4.1	4.1
Government Consumption	20.1	-7.9	2.6	3.5	3.6	3.6
Gross Fixed Capital Investment	26.7	22.2	18.0	15.5	10.8	12.2
Exports, Goods and Services	-20.0	5.7	-0.4	14.7	16.0	16.0
Imports, Goods and Services	6.0	13.3	10.9	15.0	11.0	11.8
<b>Real GDP growth, at constant factor prices</b>	0.6	4.3	4.3	5.0	5.5	5.8
Agriculture	11.0	4.7	6.9	7.0	5.3	5.1
Industry	8.2	10.4	6.1	6.6	6.4	6.1
Services	-5.1	2.1	2.7	3.6	5.2	6.1
<b>Inflation (Consumer Price Index)</b>	5.9	7.4	11.5	11.1	8.4	6.1
<b>Current Account Balance (% of GDP)</b>	-3.7	-8.0	-14.6	-12.2	-10.0	-8.7
<b>Fiscal Balance (% of GDP)</b>	-2.2	-4.6	-4.8	-3.2	-2.0	-1.0
<b>Revenues (% of GDP)</b>	22.7	16.8	17.8	19.2	19.5	20.6
<b>Debt (% of GDP)</b>	85.1	83.8	83.9	77.7	73.6	66.8
<b>Primary Balance (% of GDP)</b>	1.0	-1.6	-2.8	-1.0	0.9	1.5
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	17.3	18.4	20.3	21.9	22.0	21.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	47.0	48.6	51.2	52.7	52.7	52.6
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	80.6	81.9	84.1	84.9	85.0	84.6
<b>GHG emissions growth (mtCO2e)</b>	5.9	4.3	3.2	2.9	2.9	2.8
<b>Energy related GHG emissions (% of total)</b>	20.1	20.4	20.9	21.5	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/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.



# GHANA

**Table 1**

	2022
Population, million	33.5
GDP, current US\$ billion	72.8
GDP per capita, current US\$	2175.5
International poverty rate (\$2.15) <sup>a</sup>	25.2
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	48.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	78.5
Gini index <sup>a</sup>	43.5
School enrollment, primary (% gross) <sup>b</sup>	103.4
Life expectancy at birth, years <sup>b</sup>	64.1
Total GHG emissions (mtCO2e)	19.9

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

a/ Most recent value (2016), 2017 PPPs.

b/ Most recent WDI value (2020).

*Ghana is in a deep macroeconomic crisis. Public debt is being restructured to restore fiscal and debt sustainability, growth has slowed down considerably, inflation is exceptionally high, the cedi has weakened significantly and banking sector vulnerabilities have magnified. Poverty reduction is believed to have slowed.*

## Key conditions and challenges

Ghana is in a deep macroeconomic crisis. Since the onset of COVID-19, Ghana has experienced a growth slowdown and worsening macroeconomic imbalances that have now reached crisis proportions. Pre-existing vulnerabilities (large fiscal deficits and external financing needs, significant energy and financial sector costs) were compounded by the COVID-19 shock, resulting in loss of access to the international capital market and, by late 2022, unsustainable public debt burdens. Meanwhile monetary financing of the deficits compounded inflationary pressures from currency depreciation, as the cedi lost over 40 percent of its value against the USD.

The authorities have sought IMF support and reached a staff-level agreement (SLA) in December 2022. Ghana is seeking a three-year arrangement under the Extended Credit Facility (ECF) of about US\$3 billion. With a view to restoring public debt sustainability, the authorities have announced a comprehensive debt restructuring, implemented a moratorium on external official bilateral and commercial debt repayments, requested debt treatment under the G20 Common Framework, and committed to an ambitious fiscal consolidation plan. They completed a domestic debt exchange (DDE) program in February 2023.

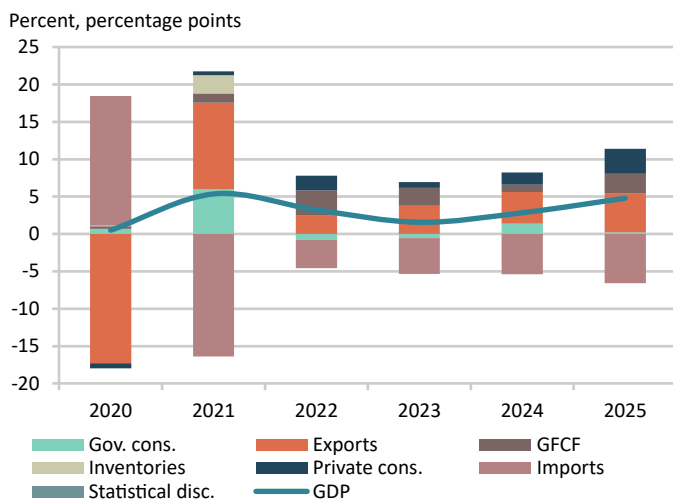
## Recent developments

GDP growth is estimated to have slowed to 3.2 percent in 2022, down from 5.4 percent in 2021. Growth declined to 3.5 percent year-on-year over 2022Q1-Q3. The slowdown affected mostly the non-extractive sectors, as the recovery in gold exports supported extractives growth. Agriculture slowed to 4.4 percent and services to 4.7 percent, from 8.7 percent and 10 percent, respectively, in 2021Q1-Q3. High inflation and interest rates depressed private consumption and investment. Government demand was weakened by lack of access to capital markets and high debt service obligations.

The 2022 fiscal deficit was well above target. The overall fiscal deficit (on a cash basis) reached 9.9 percent of GDP against a target of 6.7 percent. The primary deficit reached 2.8 percent of GDP, well above the 0.5 percent target. The slippage was mostly on the expenditure side: total expenditure reached 25.6 percent of GDP, against a 20.4 percent target driven by higher compensations of employees, interest payments and higher project loan disbursements (impacted by the cedi depreciations).

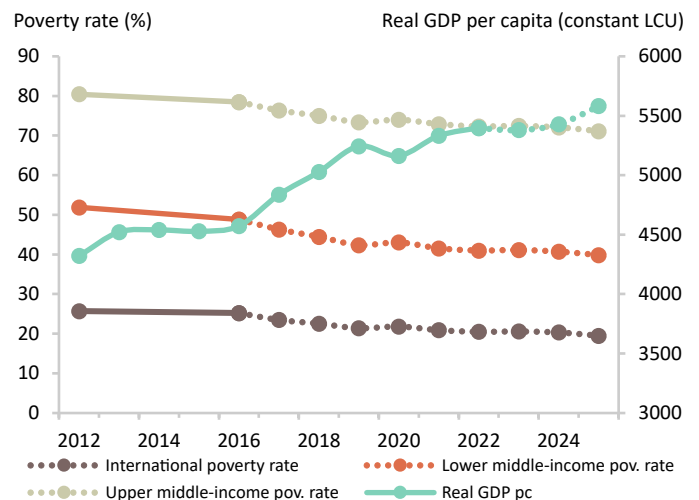
Inflation accelerated throughout the year. In 2022, average CPI inflation was 31.9 percent, (up from 10 percent in 2021), and reached 54.1 percent in December (y-o-y). The Bank of Ghana (BOG) responded by increasing the monetary policy rate from 14.5 to 28 percent over the year. However, these efforts were undermined by the government's extensive use of its overdraft facility with BOG (estimated at 6.7 percent of GDP in 2022).

**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 GDP per capita**



Source: World Bank. Notes: see Table 2.

The balance of payments recorded a large deficit in 2022, despite improvements in the current account. The current account deficit narrowed due to a higher trade surplus driven by oil exports receipts. However, significant portfolio reversals and reduced FDI led to a capital outflow of 3 percent of GDP. Overall, the balance of payments recorded a deficit of 5 percent of GDP, from a surplus of 1.9 percent in 2021. As a result, international reserves fell to US\$5.6 billion (2.5 months of import) in December 2022 from US\$9.1 billion (4.2 months of import) a year earlier; while useable reserves fell to less than 1 month of import cover. After remaining stable in 2021, the Cedi lost over 40 percent of its value against the US dollar in 2022.

Banking sector vulnerabilities have increased as a result of the cedi depreciation and the impact of the DDE. The bank-wide capital adequacy ratio (CAR) stood at 16.6 percent in December 2022, above the regulatory minimum of 13 percent, but down from 19.6 percent in December 2021 reflecting rapid growth in risk-weighted assets. Implementation of the DDE will impact Ghana's financial sector due to the heavy exposure of banks, insurance companies and pension funds to government debt. It is

estimated that 42.1 percent of government domestic debt is held by these entities.

Poverty reduction slowed. The "international poverty" rate is estimated at 20.5 percent in 2022. Currency depreciation, increased price of electricity and water, and an increase in the VAT have driven up the cost of living, particularly for food. This places considerable strain on household budgets, especially for the poor who devote more than half of their budget to food. Rural farmers were also affected by increases in the prices of fertilizer and other inputs.

## Outlook

Growth is expected to decelerate further in 2023 as macroeconomic weaknesses and contractionary fiscal and monetary policies dampen aggregate demand. Growth is expected to slow further to 1.6 percent in 2023 and remain muted in 2024, before returning toward its potential. Non extractives growth is expected to be low compared to the COVID-19 pandemic and 2014 crisis periods, with agriculture affected by high input prices and a disease affecting cocoa trees. Extractives growth is expected

to be robust thanks to new gold mines and a recovery in small-scale mining. Going forward, the authorities will need to complement their incipient macroeconomic stability program with growth-enhancing structural reforms such as improving the business environment and promoting export competitiveness, transitioning to the digital economy to boost productivity, and investing in resilient public infrastructure to adapt to the impact of climate change. The outlook is challenging. Risks to the outlook include delays in external debt restructuring and the IMF program, increased financial sector vulnerabilities, and the realization of contingent energy sector liabilities.

International poverty is projected to decline slowly from 20.5 to 19.5 percent by 2025, consistent with a muted outlook on growth for the country and high inflation. In the shorter term, poverty is expected to increase slightly, due to the cumulative effects of increases in electricity and water tariffs, rising food prices and an increase in VAT. The revised electricity tariffs could be less regressive and reduce poverty if a portion of the increased revenues were targeted to the poor in the form of cash transfers.

**TABLE 2 Ghana / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	0.5	5.4	3.2	1.6	2.9	4.8
Private Consumption	-1.0	0.8	3.2	1.2	2.6	5.3
Government Consumption	10.1	82.1	-6.2	-4.8	13.0	2.0
Gross Fixed Capital Investment	1.8	5.8	15.0	10.0	3.8	10.1
Exports, Goods and Services	-50.7	69.1	9.4	13.1	13.3	14.7
Imports, Goods and Services	-54.5	113.8	13.0	15.1	14.8	16.3
<b>Real GDP growth, at constant factor prices</b>	0.8	5.3	3.1	1.5	2.9	4.9
Agriculture	7.3	8.4	0.4	1.0	2.3	4.4
Industry	-2.5	-0.8	5.7	2.9	4.2	5.3
Services	0.7	9.4	2.3	0.6	2.1	4.9
<b>Inflation (Consumer Price Index)</b>	10.4	10.0	31.5	45.4	22.2	11.5
<b>Current Account Balance (% of GDP)</b>	-3.2	-3.7	-2.3	-2.9	-1.9	2.4
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.6	2.0	2.0	2.1	2.8	3.3
<b>Fiscal Balance (% of GDP)<sup>a</sup></b>	-14.7	-11.4	-9.9	-6.4	-8.8	-7.5
<b>Revenues (% of GDP)</b>	14.1	15.3	15.6	17.3	17.8	18.3
<b>Debt (% of GDP)<sup>a,b</sup></b>	74.4	76.6	89.1	94.7	90.8	89.7
<b>Primary Balance (% of GDP)<sup>a</sup></b>	-8.4	-4.1	-2.8	0.0	0.5	1.0
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>c,d</sup></b>	21.8	20.9	20.5	20.6	20.3	19.5
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>c,d</sup></b>	43.0	41.5	41.0	41.1	40.7	39.8
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>c,d</sup></b>	74.0	72.9	72.3	72.4	72.1	71.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	24.6	13.3	10.5	10.7	12.7	13.0
<b>Energy related GHG emissions (% of total)</b>	136.5	126.7	118.3	111.8	105.5	100.2

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

Notes: e = estimate, f = forecast.

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

# GUINEA

**Table 1** **2022**

Population, million	13.9
GDP, current US\$ billion	21.1
GDP per capita, current US\$	1519.6
International poverty rate (\$2.15) <sup>a</sup>	13.8
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	46.6
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	86.8
Gini index <sup>a</sup>	29.6
School enrollment, primary (% gross) <sup>b</sup>	100.8
Life expectancy at birth, years <sup>b</sup>	59.3
Total GHG emissions (mtCO2e)	45.7

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2018), 2017 PPPs.  
b/ Most recent WDI value (2020).

*Mining and the recovery of non-mining activity will boost growth to 5.6 percent in 2023, but poverty rates will increase, and the fiscal deficit widen to 2.6 percent of GDP as capital spending rises. Mining-related FDI sustains current account deficits and medium-term growth. Downside risks include delays to the political transition and structural reforms. Extreme poverty will decline in 2024, as food prices moderate and agricultural and service growth strengthens.*

## Key conditions and challenges

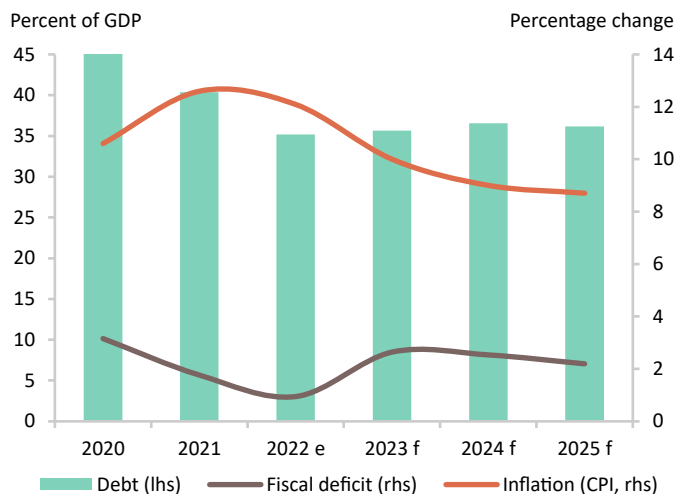
Growth was robust over 2018-22, averaging 5.2 percent (2.6 percent per capita) driven by the mining sector (bauxite, gold), and supported low fiscal deficits (1.5 percent on average). However, weak mining sector linkages to the rest of the economy, including through employment, mean economic growth does not translate into proportional poverty reduction and shared prosperity. 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. Annualized consumption growth of the bottom 40 percent of the population was negative, suggesting that growth was not pro-poor; about 32 percent of the population suffered deprivation in access to education, health, and basic infrastructure in 2018. A rapid phone survey in September-October 2022 reported 9 percent of households being unable to access medicines when needed, due to scarcity following the onset of Russia's invasion of Ukraine. Guinea's exports are concentrated in a few products (bauxite and gold), exposing current and fiscal accounts to commodity price volatility. The recent mining boom and high inflation affect the competitiveness of other sectors, through a real appreciation of the local currency, hampering economic diversification. Guinea has low human capital levels, weak institutional capacity, and widespread gender gaps in

education, earnings, agricultural productivity, and political representation. Challenges and risks are substantial. Major structural constraints include weak tax revenue mobilization, an underdeveloped financial sector, and large infrastructure gaps. Recent progress through digitalizing economic and government transactions has expanded mobile financial accounts, helped bolster economic activity during the pandemic, and streamlined tax collection; yet further digital expansion and structural reforms are needed to spur diversification and inclusive growth. Guinea is at moderate risk of external debt distress with some space to absorb shocks and must maintain prudent borrowing that maximizes concessional financing.

## Recent developments

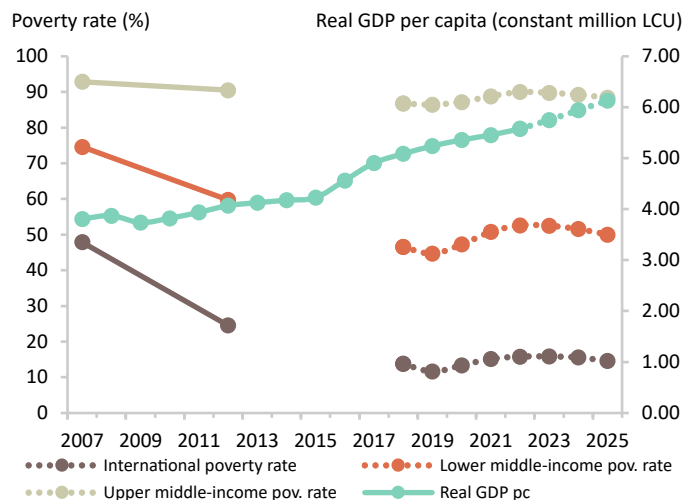
Growth accelerated to 4.7 percent in 2022 (2.2 percent per capita) due to a strong mining sector, largely unaffected by the war in Ukraine, while non-mining recovery was slowed by global fuel and fertilizer price shocks and domestic political instability. External price pressures were partially offset by the Guinean franc appreciation vis-à-vis the US dollar, the government's repayment of central bank advances earlier in the year, and general non-reliance on central bank financing. Inflation persisted but decelerated from 12.6 percent in 2021 to 12.1 percent in 2022. Extreme poverty incidence is estimated at 15.8 percent in 2022, up 0.7 percentage

**FIGURE 1** Guinea / Debt, fiscal deficit, inflation



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

points from 2021, as the rapid phone survey indicated that 94 percent of the poorest 40 percent reported being worried about not having enough food (up from 91 percent during the early months of the pandemic).

The fiscal deficit (including grants) narrowed to 0.9 percent of GDP in 2022, from 1.8 percent in 2021, reflecting a decline in current expenditures and energy subsidies that outweighed an increase in capital expenditures. Tax revenues fell a percentage point to 11 percent of GDP, due to weak tax administration and low mining revenue relative to the sector's value-added. Subsidies (electricity and petrol) remained high, at 4 percent of GDP, due to low electricity tariffs and higher hydropower generation, though petrol pump prices were increased mid-year. Debt-to-GDP decreased from 40.4 percent in 2021, to 35.2 percent in 2022, due to repayment of domestic bonds and securitized debts. The current account deficit deteriorated from 2.1 percent of GDP in 2021, to 7.1 percent in 2022, due to a smaller trade surplus. Mining-related FDI, the main source of external financing, remained stable at 10.5 percent of GDP in 2022. Estimated international reserves declined slightly in 2022, to

2.5 months of import coverage, while the currency appreciated in real terms.

## Outlook

Mining-related (foreign direct) investment will continue to drive growth and as non-mining sectors recover, growth is projected to accelerate to 5.7 percent on average in 2024–2025, still below potential of around 5.7 percent. Commensurately, extreme poverty, estimated at 15.8 percent in 2023, is projected to decline to 14.6 percent in 2025 as agriculture recovers and inflation eases. Given the limited poverty impact of mining-driven growth, redistribution mechanisms from the mining sector to vulnerable populations and more generalized productivity gains in other sectors will be required for inclusive growth. Public investments to improve roads, agricultural productivity, human capital, and urban and local development could support non-mining growth. Better provisioning of fertilizer could further improve agricultural productivity, though higher 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 current account deficit is projected to improve to 6.6 percent of GDP in 2023 and to an average 3.1 percent in 2024–2025, reflecting an increasing mining-related trade surplus that outweighs net outflows for non-factor services and transfers and higher imports of intermediate goods and food. The fiscal deficit is expected to increase in 2023 to 2.6 percent of GDP, due to increased capital spending. But fiscal space would be rebuilt as recent tax administration reforms, including digitalized tax declarations and payments, start bearing fruit. Inflation is expected to remain high yet to decline gradually to 10 percent in 2023, and average 9 percent in 2024–2025.

Risks are tilted to the downside. Political transition uncertainties, following the coup d'état in 2021, could slow implementation of reforms to strengthen governance and financial performance of the public electricity utility, potentially reducing private investment and slowing social spending. 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	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	4.9	4.3	4.7	5.6	5.8	5.6
Private Consumption	-2.4	0.6	7.6	1.0	4.7	4.7
Government Consumption	4.4	16.8	-22.4	19.2	22.1	6.7
Gross Fixed Capital Investment	4.8	3.1	16.1	20.6	18.1	27.9
Exports, Goods and Services	77.0	10.8	14.8	18.3	15.6	15.6
Imports, Goods and Services	57.0	3.8	16.7	20.2	20.3	20.3
<b>Real GDP growth, at constant factor prices</b>	4.0	4.3	4.7	5.6	5.8	5.6
Agriculture	-1.1	3.9	3.1	4.0	5.0	5.0
Industry	11.3	4.9	8.6	7.7	6.9	5.9
Services	1.4	4.0	2.4	4.6	5.2	5.6
<b>Inflation (Consumer Price Index)</b>	10.6	12.6	12.1	10.0	9.0	8.7
<b>Current Account Balance (% of GDP)</b>	-10.7	-2.1	-7.1	-6.7	-3.9	-2.3
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	10.7	10.5	10.5	9.3	8.9	9.8
<b>Fiscal Balance (% of GDP)</b>	-3.2	-1.8	-0.9	-2.6	-2.5	-2.2
<b>Revenues (% of GDP)</b>	14.0	13.5	12.5	13.0	14.0	14.8
<b>Debt (% of GDP)</b>	47.1	40.4	35.2	35.7	36.6	36.2
<b>Primary Balance (% of GDP)</b>	-2.3	-0.7	-0.1	-1.5	-1.5	-1.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	13.4	15.1	15.8	15.8	15.5	14.6
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	47.3	50.8	52.6	52.5	51.6	50.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	87.2	88.8	90.0	89.8	89.3	88.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.0	4.3	3.8	3.7	3.7	3.7
<b>Energy related GHG emissions (% of total)</b>	9.9	10.0	10.2	10.4	10.7	11.0

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 based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.



# GUINEA-BISSAU

## Key conditions and challenges

**Table 1** 2022

Population, million	2.1
GDP, current US\$ billion	2.0
GDP per capita, current US\$	936.6
International poverty rate (\$2.15) <sup>a</sup>	21.7
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	56.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	87.2
Gini index <sup>a</sup>	34.8
School enrollment, primary (% gross) <sup>b</sup>	118.7
Life expectancy at birth, years <sup>b</sup>	60.0
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 (2020).

Poor cashew exports and high inflation slowed growth to 3.5 percent in 2022, causing the pace of poverty to increase. Salary overspending, energy costs and lower tax revenues limited fiscal consolidation as debt levels increased. Medium-term growth may improve as infrastructure investments come online, but the outlook is subject to downside risks from continued inflationary pressures, shocks to the cashew sector, political instability, fiscal risks, 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 food and fuel prices stemming from Russia's invasion of Ukraine are a concern, especially for the poor who spend nearly 60 percent of their income on food.

Guinea-Bissau lacks the enabling environment for private sector-led growth due to poor infrastructure, low levels of human capital, and poor public services. This situation is compounded by strong elite competition for rents and weak public administration. Access to credit is limited, and the functioning of markets is undermined by the absence of public investments in basic economic services and public goods. Infrastructure is in a poor state, but there have been recent investments to improve this, mostly donor financed.

Political economic factors limit the transparency of the SOE sector in Guinea-Bissau. This is especially the case with the national utility company EAGB, which

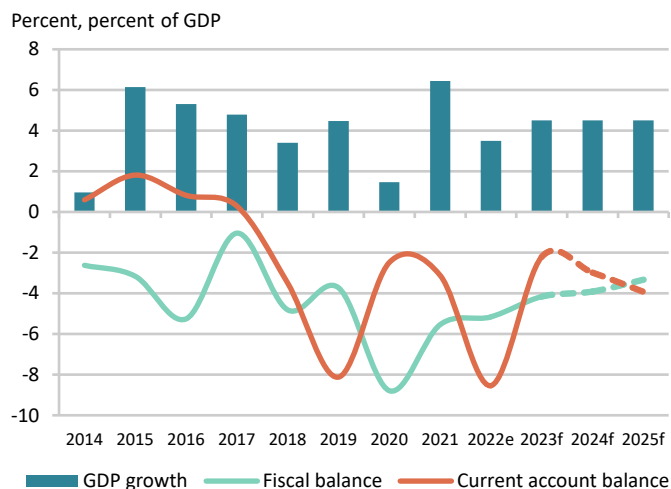
accrued substantial public debt through government guaranteed letters of credit, worth 0.7 percent of GDP, to cover arrears in the energy sector. A lack of transparency in the SOEs makes identifying contingent liabilities difficult, which increases the fiscal risk in a country with very little debt absorption capacity for additional shocks. High non-performing loans continue to make the banking sector another possible contingent liability.

## Recent developments

Economic activity slowed to 3.5 percent in 2022 (1.3 percent in per capita terms) from 6.4 percent in 2021. On the supply side, growth was driven by agriculture and government infrastructure investment stimulated the construction sector. On the demand side, inflationary pressures caused private consumption growth to decelerate. Inflation reached 7.8 percent (y/y) in 2022, driven by food and energy inflation as a spillover from the war in Ukraine, after reaching 3.3 percent (y/y) in 2021. This followed an average of 1 percent between 2015 and 2020.

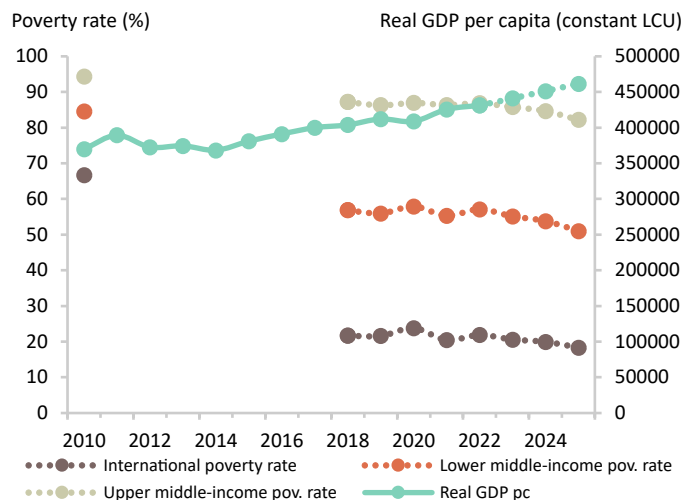
A cashew campaign marred by problems, including shipping and fuel shortages affecting domestic haulage, and low international demand, meant exports reached just 177 thousand tons in December, from an overall production of 235 thousand tons. Combined with an increase in oil and food import prices, the current account deficit (CAD) widened to 8.5 percent in 2022, from 3.1 percent in 2021.

**FIGURE 1** Guinea-Bissau / Evolution of main macroeconomic indicators



Source: Ministry of Finance and World Bank.

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



World Bank. Notes: see Table 2.



The fiscal deficit (including grants) fell only marginally, from 5.5 percent to 5.2 percent of GDP, slowed by low cashew exports translating into less revenue, and an overspend on salaries in the first half of the year, the realization of liabilities to EAGB, and road infrastructure investments, which increased debt to 80.2 percent of GDP.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely need to continue tightening in 2023 in line with other major central banks, and as foreign exchange reserves decline, and inflation remains well above the target range of 1-3 percent. Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks in some countries, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks.

Using the international poverty line of \$2.15 (in 2017 PPPs), poverty increased to 21.9 percent in 2022, up from 20.4 percent in 2021. The sharp increase in poverty (1.4pp increase in 2022; compared to a 3.4pp decline in 2021) is partly due to weaker growth in per capita GDP, high food prices and low cashew prices.

## Outlook

Real GDP growth is projected to be 4.5 percent over the medium term (2.3 percent per capita), due to higher forecasted cashew production and prices, and as road and energy infrastructure investments come online. Inflation is expected to decelerate to reach 2 percent by 2025, as the spillover from the war in Ukraine dissipates. The outlook is subject to substantial downside risks stemming from political instability, climate shocks, uncertainty surrounding the fiscal consolidation, notably from EAGB, and non-performing loans in the financial sector.

The CAD will improve to 2.2 percent of GDP in 2023 as inflationary pressure eases and cashew exports increase. External financing needs will continue to be met by concessional loans and an IMF program crowding in grants.

The authorities are committed to an ambitious medium-term fiscal consolidation, which includes enhanced management of fiscal risks, notably from SOEs, revenue mobilization, and control of the wage bill. The fiscal deficit is projected to decline to 3.3 percent by 2025 with the public debt-to-GDP ratio expected to fall to 69.8 percent, as the government's fiscal consolidation efforts bear fruit.

The poverty rate is expected to decline in line with higher agricultural growth and lower inflation, falling by 1.3pp in 2023 to 20.6 percent and reaching 18.3 percent by 2025. Rising food prices will remain a concern, especially for the poor. Ongoing reforms, and price controls on basic food items (rice, sugar, and wheat flour), are expected to partly cushion the negative distributional effects of inflation, but raise fiscal risks.

**TABLE 2 Guinea-Bissau / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.5	6.4	3.5	4.5	4.5	4.5
Private Consumption	-9.6	9.2	5.0	2.5	2.5	2.5
Government Consumption	10.1	10.8	16.6	9.3	-2.6	12.2
Gross Fixed Capital Investment	1.5	2.3	11.3	-2.1	18.4	4.5
Exports, Goods and Services	-12.4	13.0	-20.0	32.8	7.0	7.0
Imports, Goods and Services	-15.5	7.4	9.5	8.5	6.2	6.2
<b>Real GDP growth, at constant factor prices</b>	1.5	6.4	3.5	4.5	4.5	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	4.0	4.0	4.0
<b>Inflation (Consumer Price Index)</b>	1.5	3.3	7.8	5.0	3.0	2.0
<b>Current Account Balance (% of GDP)</b>	-2.5	-3.1	-8.5	-2.2	-3.0	-3.9
<b>Fiscal Balance (% of GDP)</b>	-8.8	-5.5	-5.2	-4.2	-3.9	-3.3
<b>Revenues (% of GDP)</b>	14.0	19.0	18.2	19.4	18.0	18.0
<b>Debt (% of GDP)</b>	69.8	76.9	80.2	78.1	73.1	69.8
<b>Primary Balance (% of GDP)</b>	-7.3	-4.0	-3.7	-2.0	-1.9	-1.5
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	23.8	20.4	21.9	20.6	19.9	18.3
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	57.9	55.3	57.1	55.1	53.8	51.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	87.0	86.4	86.9	85.8	84.7	82.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.1	1.2	1.1	1.2	1.1	1.2
<b>Energy related GHG emissions (% of total)</b>	8.0	8.2	8.5	8.7	9.0	9.3

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

# KENYA

**Table 1** **2022**

Population, million	54.0
GDP, current US\$ billion	115.7
GDP per capita, current US\$	2141.0
International poverty rate (\$2.15) <sup>a</sup>	29.4
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	59.6
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	85.7
Gini index <sup>a</sup>	40.8
School enrollment, primary (% gross) <sup>b</sup>	77.3
Life expectancy at birth, years <sup>b</sup>	62.7
Total GHG emissions (mtCO2e)	89.2

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2015), 2017 PPPs.  
 b/ Most recent WDI value (2020).

*Kenya's recovery remains strong despite multiple shocks, but high inflation and prolonged drought slowed down poverty reduction. Growth is projected to remain above pre-covid average. Fiscal consolidation to address emerging fiscal and debt risks while safeguarding social spending remains a top priority to address fiscal, external, and social challenges facing Kenya. The private sector is prioritized to play a bigger role in the economy coupled with investment in climate-smart agriculture.*

## Key conditions and challenges

Kenya has demonstrated an impressive record of economic growth and resilience in the past but increasingly faces looming challenges. Decades of public-investment-led growth led to rapid debt accumulation that cannot be sustained. The economy's strong post-pandemic recovery is not generating enough jobs to sustain and accelerate poverty reduction. The private sector faces major challenges from a weak business environment. FDI is low. Climate shocks disrupt output and threaten livelihoods. Building resilience will require large investments, e.g., in climate-smart agriculture. The successive shocks from the global pandemic, regional drought, commodity price volatility, and tightening of credit markets have both exposed and exacerbated underlying vulnerabilities in the Kenyan economy.

Making GDP growth more inclusive is Kenya's top priority. Economic growth of the past two decades improved living standards and reduced poverty from 36.7 percent in 2005 to 27.2 percent in 2019 (based on \$2.15 a day poverty). The COVID-19 pandemic, however, sharply increased poverty in urban areas, and the post-pandemic recovery was interrupted by a severe drought across many parts of Kenya and a spike in food prices. Kenya faces persistent regional differences in the incidence of poverty. The share of workforce in non-farm wage jobs remains at 30 percent.

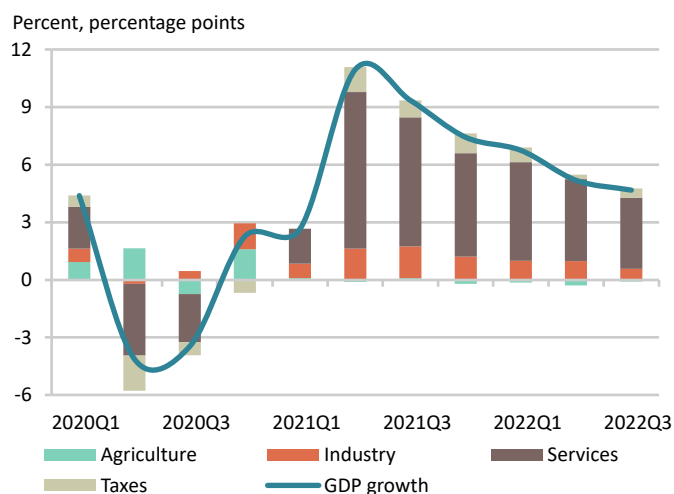
Kenya will see its largest ever youth cohorts joining the workforce over the next decade. Translating this into a demographic dividend through earning opportunities and sustained structural transformation is a key priority for Kenya.

Shifting towards more sustainable and inclusive growth requires transforming the government's role in the economy to enable the private sector to expand and create jobs. Weak regulatory and business conditions hamper the private sector's potential. The economy faces market distortions, a lack of level-playing field in many sectors, and inefficient SOEs. Small enterprises lack access to finance and further limit the private sector's contribution to growth.

## Recent developments

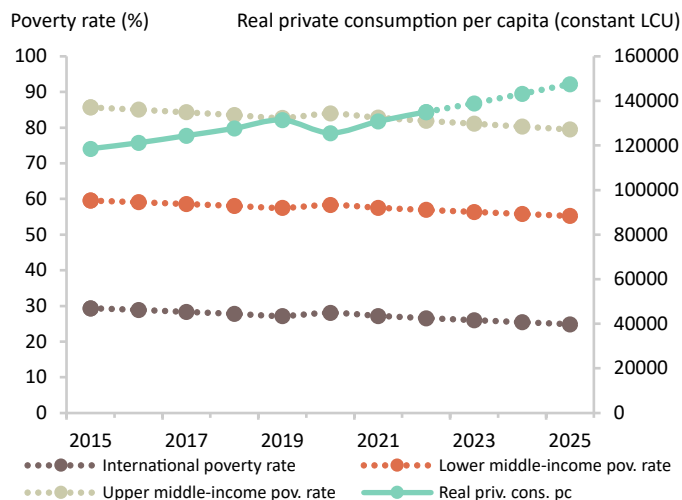
Kenya's recovery remained strong despite domestic political uncertainty in the run up to the August 2022 elections, downturn in the international financial cycle, and global commodity shocks. Real GDP grew by an estimated 5.0 percent in 2022, driven by increases in services and industry (Table 2) and underpinned by a pickup in private sector credit, improved investor confidence, high international prices for Kenya's commodity exports, and a recovery in tourism. Agricultural output, however, continued to contract amid one of the most severe droughts on record. High frequency monitoring of households shows a rise in food insecurity, most severely in rural and Arid and Semi-arid Lands

**FIGURE 1 Kenya / GDP growth and contributions to real 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.

(ASAL) as farmers plant fewer crops and the prices of agricultural inputs rise. Increased exports of tea, manufactures, tourism, and transport services contributed to reducing the current account deficit to 4.9 percent of GDP in 2022. Kenya's foreign exchange reserves, however, declined to around four months of imports cover as global financing conditions reduced net inflows in the capital and financial accounts.

International commodity price shocks and the prolonged regional drought pushed the inflation rate above the Central Bank of Kenya's (CBK) upper bound of 7.5 percent in 2022 leading CBK to increase the policy rate by a cumulative 175 basis points between May and November 2022. It retained the rate at 8.75 percent in January 2023. Inflation peaked at the end of 2022, declining marginally to 9.2 percent in February 2023 as food price inflation subsided.

The newly elected government has maintained the pace of fiscal consolidation in FY2022/23. Strong growth in revenue, rationalization of non-priority spending, and unwinding of subsidies have created fiscal space and enabled the government to safeguard social spending. The revised

fiscal deficit for FY2022/23 is estimated at 5.7 percent of GDP, lower than 6.2 percent budgeted earlier.

## Outlook

Real GDP is projected to grow at 5.2 percent on average in 2023–25, increasingly driven by the private sector. Improved investor confidence and credit to the private sector—helped by reduced domestic borrowing by the government—will be key drivers of private investment and GDP growth in the medium term. The continued rebound in tourism exports and remittances, along with a stabilization of commodity prices, will maintain the current account deficit in a range of 5.0 to 5.5 percent of GDP. The outlook also assumes an end to the drought.

This outlook assumes continued government commitment to the multi-year fiscal consolidation leading to a primary fiscal surplus and positive public savings in FY2024/25 (Table 2). The government projects revenue growth from rationalizing tax exemptions and broadening of the tax base while strengthening tax administration and

compliance. Controls on government recruitment, remuneration and benefits and a push for strengthening of public investment management and procurement will constrain expenditure growth.

Real per capita incomes are expected to grow, and poverty is expected to resume its pre-pandemic downward trend, declining by around half a percentage point each year. The \$2.15 poverty rate is expected to fall from 26.6 percent in 2022 to 26.0 percent in 2023, below its pre-crisis level of 27.2 percent (2019).

The outlook is subject to elevated uncertainty. Lower than anticipated growth in Europe could undercut ongoing recovery in exports, tourism, and remittances. There are also risks from further tightening of financial conditions if inflation in advanced economies remains elevated. Spending pressures (e.g., if consumption subsidies are reintroduced) and failure to achieve fiscal consolidation would exacerbate Kenya's debt vulnerabilities. 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.

**TABLE 2 Kenya / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-0.3	7.5	5.2	5.0	5.2	5.3
Private Consumption	-2.5	6.2	5.2	5.0	5.1	5.1
Government Consumption	3.0	5.7	4.9	4.8	4.1	3.9
Gross Fixed Capital Investment	2.5	10.9	7.0	7.7	8.4	8.8
Exports, Goods and Services	-8.8	12.9	10.3	7.4	7.8	7.6
Imports, Goods and Services	-9.2	18.9	9.0	8.3	8.3	8.1
<b>Real GDP growth, at constant factor prices</b>	0.4	7.1	5.2	5.0	5.2	5.3
Agriculture	4.6	-0.2	-1.6	3.8	4.2	4.2
Industry	3.3	7.2	4.7	4.9	5.1	5.3
Services	-1.8	9.5	7.5	5.4	5.6	5.7
<b>Inflation (Consumer Price Index)</b>	5.3	6.1	7.6	7.8	5.8	5.5
<b>Current Account Balance (% of GDP)</b>	-4.8	-5.5	-4.9	-5.0	-5.5	-5.5
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	0.5	0.0	0.5	0.8	0.9	0.9
<b>Fiscal Balance (% of GDP)</b>	-7.8	-7.2	-6.0	-5.1	-4.2	-3.8
<b>Revenues (% of GDP)</b>	16.3	16.8	17.6	17.8	18.1	18.1
<b>Debt (% of GDP)</b>	66.0	67.9	66.1	63.5	60.9	58.2
<b>Primary Balance (% of GDP)</b>	-3.9	-2.6	-1.4	-0.5	0.1	0.4
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	28.1	27.2	26.6	26.0	25.4	24.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	58.4	57.6	56.9	56.4	55.8	55.3
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	84.0	82.8	81.9	81.2	80.3	79.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	9.3	7.7	3.2	2.8	3.7	4.3
<b>Energy related GHG emissions (% of total)</b>	32.0	32.7	33.3	34.0	34.6	35.0

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 2013-, 2018-, and 2015-IHBS. Actual data: 2015. Nowcast: 2016-2022. 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	2.2
GDP, current US\$ billion	2.3
GDP per capita, current US\$	1045.9
International poverty rate (\$2.15) <sup>a</sup>	32.4
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	54.7
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	81.0
Gini index <sup>a</sup>	44.9
School enrollment, primary (% gross) <sup>b</sup>	108.4
Life expectancy at birth, years <sup>b</sup>	54.7
Total GHG emissions (mtCO2e)	2.5

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

*Lesotho's economy expanded by a modest 1.8 percent in 2022 due to domestic political uncertainties and external shocks. GDP growth is projected to accelerate to about 2.3 percent in 2023, driven by the construction sector and public investment. The outlook is subject to downside risks emanating from global geopolitical tensions, climate change, and the war in Ukraine. Poverty is expected to remain at about 33 percent in the near term, using the international poverty line.*

## Key conditions and challenges

Lesotho's economy expanded by a modest average of 1.9 percent between 2017 and 2021 due to increasing pressure on the budget, the COVID-19 pandemic, growing climate risks, and political uncertainty. The war in Ukraine has exerted pressure on food and energy prices, leading to monetary policy tightening and negatively affecting households' budgets. Due to Lesotho's trade links with South Africa, several exporting sectors have been affected by the weak economic performance of its neighbor.

A new government came into power in November 2022. Its key priority is to secure inclusive and sustainable growth by increasing private sector participation and strengthening governance and institutions.

Lesotho continues to face multifaceted socioeconomic challenges. Unemployment was high even before the pandemic, estimated at 22.5 percent (strict definition) and 38.3 percent in 2019 (expanded definition to include discouraged job seekers). As a result, over a third of the population was estimated to live on less than US\$2.15 per day (2017 PPP) in 2022. Additionally, inequality is high by global standards with the Gini index at 44.9 (2017 data).

## Recent developments

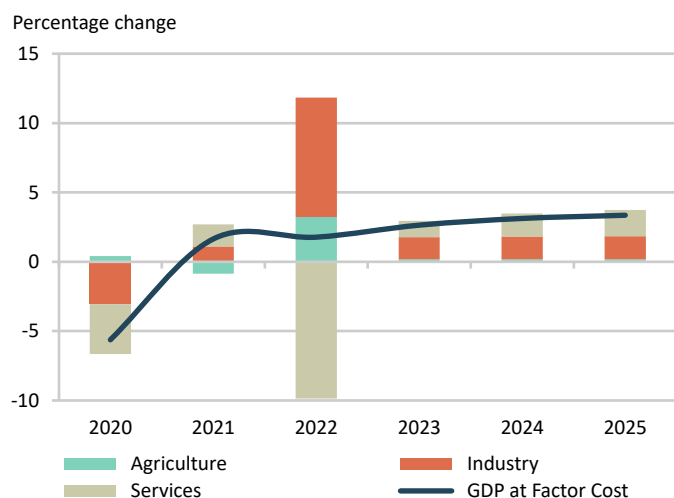
Lesotho's economy grew by 1.8 percent in 2022, following a 1.6 percent rebound in

2021. The main growth drivers were construction, mining, manufacturing, business services, and public administration. The agricultural sector has also contributed positively due to good seasonal rainfalls and the subsidization of inputs, leading to increased harvests.

Annual inflation averaged 8.3 percent in 2022 compared with 6 percent in 2021. The main reasons were the transmission from higher international food and energy prices to domestic prices and the hikes in administered prices domestically. The current account deficit widened from 1.4 percent of GDP in 2021 to 2.4 percent in 2022, primarily due to higher imports of goods and services, with limited exports growth. The fiscal deficit deteriorated to 7.5 percent of GDP in 2022 compared to 4.2 percent in 2021. The increase in expenditures was driven by a rise in both recurrent expenses and capital spending, while revenue declined due to lower Southern African Customs Union (SACU) receipts. The public debt stock is estimated to have declined slightly to 58.6 percent of GDP in 2022, from 59.1 percent in 2021, mainly due to the redemption of a 7-year and a 10-year Treasury bond.

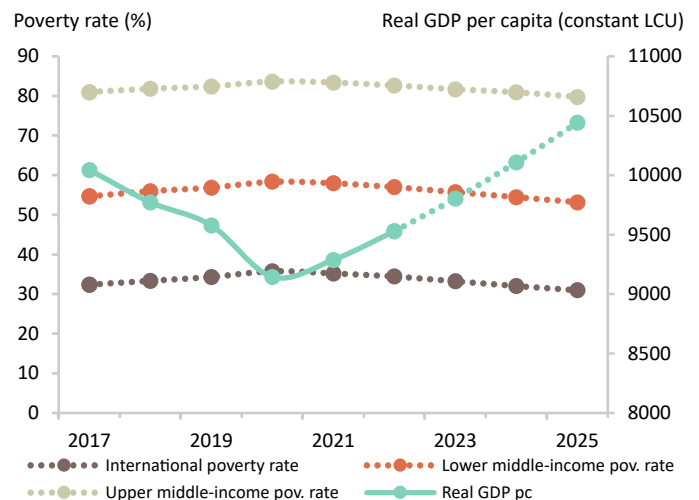
Given the limited recovery in 2022, poverty remained high, with 34.7 percent of the population estimated to be living on less than US\$2.15 per day (2017 PPP). Other factors – such as rising food prices and climate shocks – put additional pressure on vulnerable households. Despite recent growth in the agricultural sector, food security remains a challenge, particularly among the rural population, owing to high rainfall variability. Estimates suggest that between

**FIGURE 1 Lesotho / Real GDP at factor costs**



Sources: WDI and World Bank staff estimates.

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



Source: World Bank. Note: See Table 2.

October 2022 and March 2023, about 320,000 people (22 percent of the population) in rural areas were experiencing a food security crisis – an increase from 15 percent between July and September 2022.

## Outlook

Real GDP is projected to grow by 2.6 percent in 2023, with a faster expansion of 3.1 percent in 2024 and 3.3 percent in 2025. Construction and public investment are projected to drive the country's economic expansion, especially the implementation of Phase II of the Lesotho Highlands Water Project. The services sector is also expected to contribute to growth, benefiting from the positive spillovers from the construction subsector and higher domestic

demand. Furthermore, the diamond industry is expected to recover on the back of higher prices and stronger demand amid declining global supply. The agricultural sector is also expected to contribute modestly to growth depending on the weather conditions.

The annual inflation rate is expected to decline gradually, to average 5.6 percent in the medium term, as food and fuel prices moderate. The fiscal position is projected to improve to a surplus of 1.7 percent of GDP in 2023 from a deficit of 7.5 percent of GDP in 2022. This turnaround is mainly explained by the surge in SACU revenue, which will increase by about 40.7 percent between 2022 and 2023. Other tax revenues are also expected to improve in the medium term due to more effective tax collection. The government expects to control the public

sector wage bill (accounting for about 40 percent of total expenditure), while slightly increasing capital spending. The public debt-to-GDP ratio is expected to decline from 59 percent of GDP in 2022 and stabilize at 55.3 percent of GDP in the medium term. The current account deficit is expected to widen moderately in the medium term and average 0.9 percent of GDP due to the anticipated increase in imports of raw materials for the construction activities associated with the Lesotho Highlands Water Project.

Poverty rates are expected to decline but increases in food and energy prices as well as an uncertain economic environment may constrain the budgets and livelihoods of lower-income households. The US\$2.15 per day (in 2017 PPP terms) poverty rate is projected to fall from 34.7 percent in 2022 to 32.6 percent in 2024.

**TABLE 2 Lesotho /** Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-5.6	1.6	1.8	2.6	3.1	3.3
Private Consumption	6.9	-6.7	9.1	3.6	3.6	3.6
Government Consumption	19.7	-5.3	2.4	5.0	1.1	-1.6
Gross Fixed Capital Investment	-46.3	1.6	14.8	40.8	42.9	38.0
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	10.3	10.3
<b>Real GDP growth, at constant factor prices</b>	-5.6	1.6	1.8	2.6	3.1	3.3
Agriculture	8.7	-16.0	72.3	2.4	2.4	2.4
Industry	-12.2	4.7	36.0	5.0	5.0	5.0
Services	-4.4	1.9	-11.9	1.6	2.3	2.7
<b>Inflation (Consumer Price Index)</b>	5.0	6.0	8.3	6.5	5.2	5.0
<b>Current Account Balance (% of GDP)</b>	-2.8	-1.4	-2.4	0.7	-1.5	-2.0
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.3	1.2	1.2	1.3	1.3	1.3
<b>Fiscal Balance (% of GDP)</b>	4.2	-4.2	-7.5	1.7	-0.9	0.4
<b>Revenues (% of GDP)</b>	48.3	49.4	39.1	48.7	44.3	42.2
<b>Debt (% of GDP)</b>	51.2	59.1	59.0	56.5	56.5	53.0
<b>Primary Balance (% of GDP)</b>	5.1	-3.2	-6.6	2.4	-0.2	1.1
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	35.8	35.2	34.5	33.3	32.1	31.0
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	58.4	58.0	57.0	55.7	54.4	53.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	83.6	83.4	82.6	81.7	80.9	79.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.6	0.8	1.6	1.6	1.6	1.4
<b>Energy related GHG emissions (% of total)</b>	28.4	27.7	27.6	27.7	27.9	28.1

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 2017-CMSHBS. 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) <sup>a</sup>	27.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	60.6
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	88.9
Gini index <sup>a</sup>	35.3
School enrollment, primary (% gross) <sup>b</sup>	77.5
Life expectancy at birth, years <sup>b</sup>	60.9
Total GHG emissions (mtCO2e)	17.0

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2016), 2017 PPPs.  
 b/ Most recent WDI value (2020).

Liberia's economy grew by 4.8 percent in 2022, following a strong rebound in 2021. Growth is expected to slow to 4.3 percent in 2023, reflecting global slowdown and uncertainties surrounding Russia's invasion of Ukraine and the 2023 elections. The medium-term macroeconomic outlook nonetheless remains positive. The poverty rate is expected to decline moderately reaching 33.8 percent by 2025.

## Key conditions and challenges

Liberia is highly vulnerable to both domestic and external shocks. Given its reliance on commodity exports (mainly iron ore, gold, and rubber), the economy is exposed to fluctuations in global commodities prices. Most Liberians rely on subsistence agriculture, forestry, and artisanal fisheries for livelihood in rural areas, and on low-productivity services (mainly commerce and transport) in urban areas. In recent years, the country has made notable progress on economic management, maintaining macroeconomic stability through prudent monetary and fiscal policies. Growth has rebounded since 2021 after two consecutive years of contraction and inflation has been brought down to single digits from 27 percent in 2019 despite elevated external price pressures.

Low levels of human and physical capital and overall productivity continue to impede development. For instance, Liberia has a human capital index of only 0.32, only 7 percent of the country's overall road network is paved, and just about 30 percent of the population has access to electricity. Investments in human and physical capital have been prioritized under the government's medium-term development strategy for 2018-2023, the Pro-Poor Agenda for Prosperity and Development, but fiscal space to address these fundamental development constraints is limited by low domestic revenue mobilization

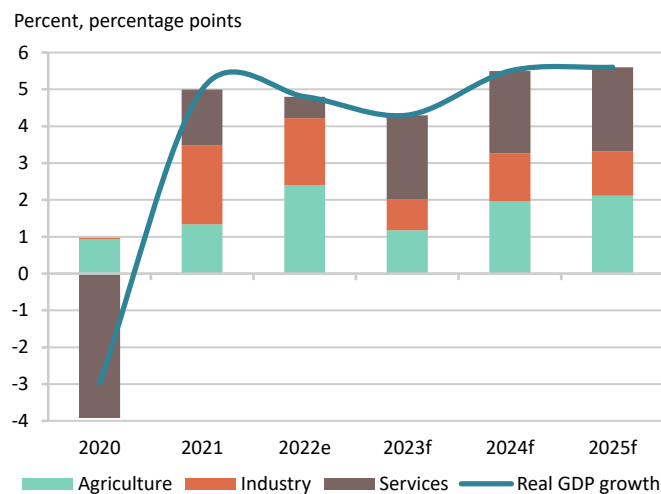
and declining external grants. Boosting domestic resource mobilization to make space for investment and fostering an enabling business environment for private investment are among the main policy challenges that must be addressed.

## Recent developments

Liberia's economy expanded by 4.8 percent in 2022 despite global headwinds (from the war in Ukraine, high global inflation, and depressed demand in advanced economies). The expansion was driven by mining (specifically gold) and a relatively good agricultural harvest. Growth in the agricultural sector accelerated to 5.9 percent, from 3.3 percent in 2021, on the back of increased rice and cassava production. Thanks to increased gold production, industrial output grew by 10.4 percent in 2022: while iron ore production remained stable, gold output surged by 49.1 percent, year-on-year. From 3.0 percent in 2021, services growth slowed to 2.8 percent, reflecting a slowdown in construction services and hospitality.

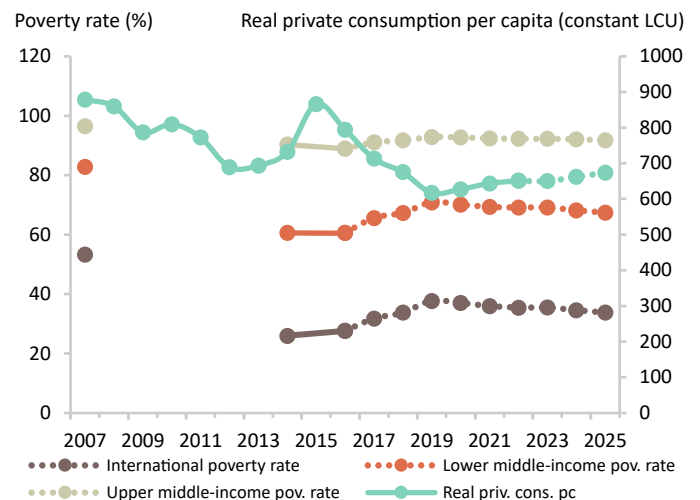
Average inflation slowed to 7.6 percent in 2022, down from 7.8 percent in 2021, even as headline inflation increased from 5.5 percent in December 2021 to 9.2 percent in December 2022. Food prices declined by 1.6 percent thanks to relatively good agriculture harvests, whereas non-food inflation reached 10.6 percent, primarily due to energy prices. The Central Bank of Liberia kept reserve requirements unchanged in 2022 while maintaining a relatively restrictive

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



Sources: Liberian authorities, IMF, and World Bank staff.

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



Source: World Bank. Notes: see Table 2.

monetary policy stance. The policy rate was held at 20 percent from January to July before being cut to 15 percent in August as inflation remained in single digits. Robust GDP growth and moderate inflation have boosted private consumption per capita. Liberia's international poverty rate (US\$2.15 person/day PPP) decreased by 0.5 percentage points to 35.5 percent in 2022.

The fiscal position worsened in 2022. The deficit rose to 5.2 percent of GDP in 2022, up from 2.4 percent in 2021. This was partly due to the decline in grants (by 2.9 percentage points of GDP) and lower-than-expected royalties from iron ore due to delayed expansion of the Arcelor Mittal mining project. On the expenditure side, grants and subsidies increased by 0.9 percentage points of GDP to 3.0 percent. With a debt-to-GDP ratio of 53.4 Liberia is assessed to be at moderate risk of external debt distress and high risk of overall debt distress.

Liberia's current account balance improved in 2022, thanks to booming gold exports. The current account deficit narrowed to 15.5 percent of GDP, down from 17.8 percent in 2021. Despite robust foreign direct investment (7.4 percent of GDP in 2022), the financing of the current account deficit was challenging as project grant disbursements declined (from 5.9 percent of

GDP in 2021 to 4.6 percent of GDP) while the net disbursement of loans decreased from 13.9 percent of GDP in 2021 to 2.4 percent of GDP in 2022. Thus, the overall balance of payment showed a deficit of 1.1 percent of GDP, covered by drawing from the international reserves which declined to US\$644 million (3.5 months of import cover) in 2022, from \$700 million (4.0 months of import cover) in 2021. The drawdown of reserves also enabled the Liberian dollar to appreciate by 8.0 percent against the dollar between 2021 and 2022. Commercial banks were typically in compliance with prudential capital and liquidity requirements in 2022. By December 2022, the share of non-performing loans (NPL) fell from 22.9 percent to 16.4 percent of all loans.

## Outlook

Growth is expected to taper off to 4.3 percent in 2023 before reaching an average of 5.6 percent over 2024-25 as the country benefits from tailwinds for mining and structural reforms in key enabling sectors such as energy, trade, transportation, and financial services. Inflation is projected to

increase to 7.8 percent in 2023 and moderate gradually to 5.5 percent by 2025 in line with global projection of energy and food prices.

The fiscal deficit is projected to narrow to 4.6 percent of GDP in 2022 and further to under 4.0 percent in the medium term as the authorities strengthen expenditure controls. The 2023 draft budget targets a decline in the fiscal deficit to 2.6 percent of GDP. The current account deficit is expected to hover around 18 percent in the medium term, as import growth remains high, driven by robust aggregate demand and persistent high global food and fuel prices. The poverty rate is expected to stagnate in 2023 and decline moderately in the medium term as economic growth takes off and inflation moderates.

Besides the fluctuations in commodity prices, the main risks to the outlook are uncertainties associated with the 2023 elections. The outlook may be hampered by fluctuations in prices of major imports and exports, but election-related spending pressures could undermine the viability of the current fiscal framework. In anticipation of the 2023 elections, businesses might delay investment decisions, and this could further slow the pace of economic recovery.

**TABLE 2 Liberia / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-3.0	5.0	4.8	4.3	5.5	5.6
Private Consumption	3.8	4.7	3.3	2.1	4.0	4.0
Government Consumption	0.8	0.2	-5.7	-10.7	7.4	9.5
Gross Fixed Capital Investment	-5.5	-7.9	9.4	9.8	2.0	-1.0
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
<b>Real GDP growth, at constant factor prices</b>	-2.9	4.8	5.4	4.3	5.5	5.5
Agriculture	2.4	3.3	5.9	2.9	4.9	5.3
Industry	0.2	13.3	10.4	4.6	7.1	6.5
Services	-8.6	3.0	2.8	5.7	5.2	5.3
<b>Inflation (Consumer Price Index)</b>	17.0	7.8	7.6	7.8	5.8	5.5
<b>Current Account Balance (% of GDP)</b>	-15.6	-17.8	-15.5	-17.2	-18.1	-18.6
<b>Fiscal Balance (% of GDP)</b>	-3.7	-2.4	-5.2	-4.6	-3.3	-3.5
<b>Revenues (% of GDP)</b>	29.9	27.2	23.5	23.0	22.9	22.6
<b>Debt (% of GDP)</b>	55.8	53.2	53.4	55.4	54.5	53.0
<b>Primary Balance (% of GDP)</b>	-2.4	-1.6	-4.3	-3.6	-2.5	-2.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	37.0	36.0	35.4	35.5	34.6	33.8
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	70.1	69.3	69.1	69.1	68.2	67.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	92.8	92.5	92.3	92.3	92.1	91.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.6	3.2	3.1	3.1	3.1	3.1
<b>Energy related GHG emissions (% of total)</b>	6.8	6.6	6.4	6.1	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	14.9
GDP per capita, current US\$	504.9
International poverty rate (\$2.15) <sup>a</sup>	80.7
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	92.4
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	98.2
Gini index <sup>a</sup>	42.6
School enrollment, primary (% gross) <sup>b</sup>	134.1
Life expectancy at birth, years <sup>b</sup>	65.2
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 (2020).

Growth is estimated to have weakened in 2022, mainly due to natural disasters and the indirect effects of Russia's invasion of Ukraine. Although growth is projected to recover to an average of 4.7 percent over 2023-25, risks remain tilted to the downside. These include the severity of recurrent natural disasters, a deterioration in the global environment, and social and political volatility in the event of a reversal of the reform agenda. Poverty remains elevated and on the rise in urban areas.

Madagascar is one of the poorest countries in the world, with high levels of inequality and unemployment. Progress in achieving the development objectives articulated in the Plan Emergence Madagascar remains slow and Madagascar continues to face major economic and social challenges, exacerbated by external shocks. In addition, low productivity, driven by poor structural transformation, is hampering growth. Although the COVID-19 pandemic and multiple climate shocks have exacerbated Madagascar's fragility, a recovery in the mining, services, and construction sectors raised economic growth to 5.7 percent in 2021, following a contraction of 7.1 percent in 2020. Poverty remains elevated and on the rise in urban areas, reflecting the impact of rural-urban migration, the lack of job opportunities in the cities, and a decline in the productivity of private enterprises.

Beyond the need to strengthen resilience (including through improving budget execution of social spending), accelerating growth and reducing poverty will require urgent reforms supporting private investment, trade, connectivity, and access to basic services – all of which face deep governance and institutional challenges. Moreover, efforts to gradually transition the monetary policy framework to interest rate targeting are supported, among

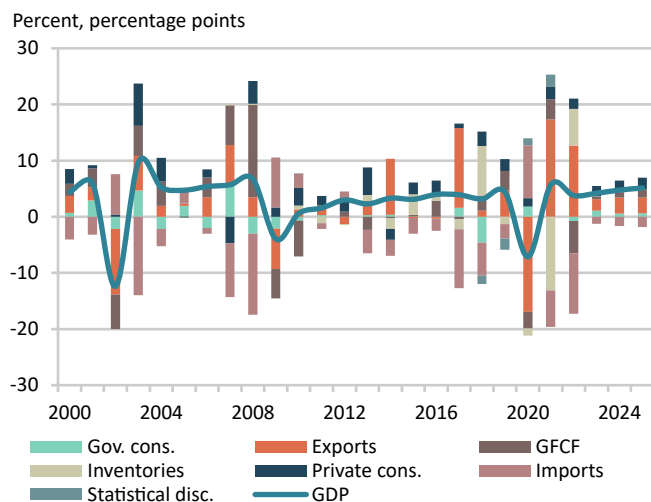
others, by the implementation of the securities repurchase operations law of December 2021 to encourage longer-term interbank loans, and the narrowing of the interest rate corridor to stabilize the short-term interest rate on the money market.

## Recent developments

Following a strong rebound in 2021, growth decelerated to an estimated 3.8 percent in 2022, reflecting the impact of repeated natural disasters compounded by a deteriorating global context. In early 2023, two severe tropical storms hit Madagascar, submerging many roads and flooding and destroying schools and health centers. Moreover, recent evidence indicates that repeated cyclones increased the poverty rate among affected households.

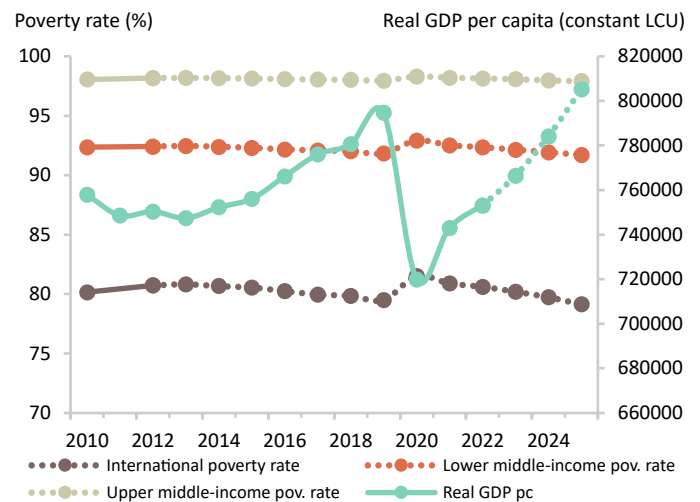
Rising basic necessity prices – exacerbated by the impact of the war in Ukraine on the prices of imported products – fueled inflation, which reached 11.4 percent year-on-year in January 2023. Inflation began to rise in mid-2022 following the government's decision to raise fuel prices at the pump by an average of 34 percent (gasoline: 44 percent, diesel: 44 percent, and oil: 14 percent). Rising food and fuel prices eroded households' purchasing power, exacerbating already high poverty levels, especially in urban areas. Although the inflation hike in recent months was mainly due to supply shocks, the Central Bank of

**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.

Madagascar has consistently raised interest rates to contain inflation expectations and second-round effects. Between January and October 2022, the central bank increased the interest rate by a cumulative 290 basis points, from 7.2 percent to 10.1 percent.

The fiscal deficit rose from 2.8 percent of GDP in 2021 to an estimated 3.1 percent of GDP in 2022 reflecting the government's settlement of its liabilities to oil distributors related to the implicit fuel price subsidy. In addition, customs duties assessed (but not paid) on oil continued to be recorded in the central government's budgetary transactions with an offset on the expenditure side and thus did not contribute to deficit reduction.

The current account deficit increased to an estimated 5.6 percent of GDP in 2022 (from 5 percent of GDP in 2021), as a recovery in mineral exports was offset by higher imports of refined petroleum products, food, and intermediate goods. Gross international reserves declined, but remained broadly adequate, from 5.9 months of imports in 2021 to 5 months of imports in 2022.

## Outlook

Real GDP growth is projected to improve to 4.2 percent in 2023 and to accelerate to about 5 percent in 2024-25, mostly boosted by a recovery of the mining industry coupled with the gradual reopening of air traffic, especially with South Africa. Primary sector output is expected to increase by an average of about 3 percent per year over 2023-25, from a decade high of 5.9 percent in 2019, reflecting the adverse effects of climate change. The industrial sector is expected to remain the main driver of growth due to an increase in mining activities despite decelerating key commodity price projections.

Moreover, the sluggish outlook projected in 2023 for Madagascar's main trade partners, notably the euro area and the United States, would slow down export demand for Madagascar's key agricultural products and textiles, as will a slower-than-expected recovery in tourist arrivals, even with the easing of entry procedures. In addition, restrictive policies implemented in

the vanilla sector (including price control) is expected to decelerate the prospect of export earnings. Madagascar's poverty is projected to remain elevated at 79.4 percent in 2024-25 (based on an international poverty line of US\$2.15 per person per day, in 2015 PPP).

The fiscal deficit will improve in 2023 and beyond as a result of an agreement with oil distributors to clear their overdue taxes and the government implementing planned reforms for more efficient spending and domestic revenue mobilization. Moreover, the gradual increase in capital expenditure from 5.1 percent of GDP in 2021 to 5.9 percent in 2025 reflects the implementation of the government's priority projects, most of which are financed by external concessionary sources.

Risks remain tilted to the downside, including the recurrence of natural disasters and the indirect effects of the war in Ukraine. Moreover, prolonged weak budget execution in health and education spending, along with reversals in reform agenda, could also lead to social and political volatility, especially ahead of the 2023 presidential elections.

**TABLE 2 Madagascar / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-7.1	5.7	3.8	4.2	4.8	5.1
Private Consumption	2.2	3.0	2.5	2.5	2.8	3.0
Government Consumption	24.3	0.2	-8.0	12.8	6.7	6.8
Gross Fixed Capital Investment	-10.3	12.7	-19.1	2.0	4.0	5.8
Exports, Goods and Services	-36.6	55.0	27.5	3.6	5.0	5.0
Imports, Goods and Services	-16.6	12.7	19.8	2.0	2.7	3.0
<b>Real GDP growth, at constant factor prices</b>	-9.4	6.5	3.7	4.3	4.8	5.2
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	3.9	4.3	4.7
<b>Inflation (Consumer Price Index)</b>	4.2	6.2	8.2	8.5	8.0	7.7
<b>Current Account Balance (% of GDP)</b>	-4.8	-5.0	-5.6	-6.2	-5.7	-5.5
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.8	1.7	2.0	1.5	1.9	2.1
<b>Fiscal Balance (% of GDP)</b>	-4.0	-2.8	-3.1	-1.6	-2.8	-2.9
<b>Revenues (% of GDP)</b>	12.8	11.4	12.1	13.5	12.1	12.3
<b>Debt (% of GDP)</b>	49.6	53.5	57.1	53.4	52.3	52.5
<b>Primary Balance (% of GDP)</b>	-3.2	-2.2	-2.4	-0.7	-2.1	-2.4
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	81.5	80.9	80.6	80.2	79.7	79.1
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	92.9	92.5	92.4	92.1	91.9	91.7
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	98.3	98.2	98.1	98.1	98.0	97.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.1	-0.1	0.5	8.2	0.9	1.3
<b>Energy related GHG emissions (% of total)</b>	14.8	15.2	15.5	17.1	17.5	18.0

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

Notes: e = estimate, f = forecast.

a/ Calculations based on 2012-ENSOMD. 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.



# MALAWI

**Table 1** **2022**

Population, million	20.4
GDP, current US\$ billion	11.9
GDP per capita, current US\$	581.1
International poverty rate (\$2.15) <sup>a</sup>	70.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	89.1
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	97.3
Gini index <sup>a</sup>	38.5
School enrollment, primary (% gross) <sup>b</sup>	144.8
Life expectancy at birth, years <sup>b</sup>	63.7
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 (2020).

*With lower agricultural output, erratic electricity supply, forex shortages affecting importation of raw materials and high global commodity prices, GDP growth declined to 0.9 percent in 2022. Economic growth is projected to increase only slightly to 1.4 percent in 2023 with the impacts of Tropical Cyclone Freddy on the South negating anticipated improvements in agricultural performance. In light of persistently elevated inflation, poverty rates are expected to remain high.*

## Key conditions and challenges

Malawi's overreliance on rainfed and primary agriculture limits the economy's potential for inclusive growth. Output is disrupted by changing weather, flooding, and the unreliable supply of fertilizer. Policies that distort agricultural markets discourage investments that could boost productivity, exports, and foreign exchange needed to finance essential imports.

Growth remains vulnerable to internal and external risks. Volatile agriculture growth driven by the occurrence of disruptive weather patterns and erratic electricity supply emanating from delays in the repair of the Kapichira hydropower plant continues to undermine economic growth. This has been compounded by persistent forex shortages constraining the importation of raw materials for production. Weak governance and policy implementation are creating additional challenges for the business environment.

Export recovery remains weak. With imports expected to significantly recover from the slump in 2022, this will continue to strain the current account balance, exacerbating the foreign exchange reserves accumulation efforts. The limited efforts to address the widening exchange rate premium will also exert additional pressures on reserves.

The government is still implementing an expansionary fiscal policy and growing statutory spending consumes almost all revenue. This creates significant challenges for fiscal

consolidation. The government's recourse to high-cost domestic borrowing, due to limited external financing, exerts additional pressure on public debt, which the November 2022 Debt Sustainability Analysis rates as in distress. With debt restructuring negotiations progressing slowly, there is a risk that public debt may rise further.

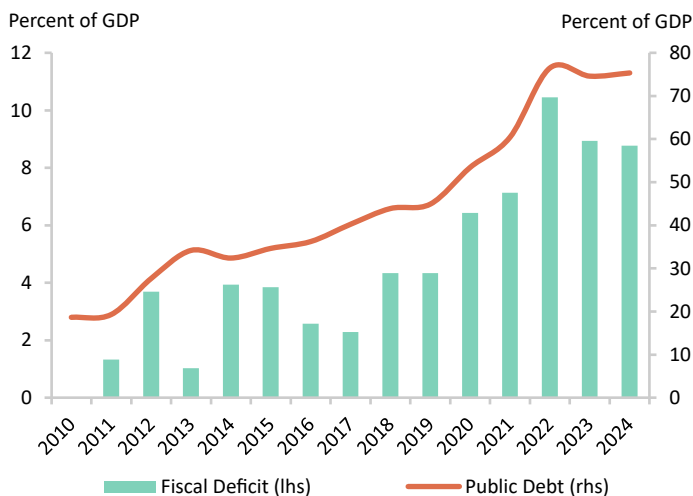
Recurrent weather shocks, including a drought in 2016 and cyclones in 2019, 2022 and again recently in March 2023, have contributed to high vulnerability and food insecurity. This has been compounded by high population growth and weak economic dynamism. As a result, incomes remain low and stagnant, with the share of people living below \$2.15 a day increasing from 66 percent to 70 percent in one decade.

## Recent developments

A series of exogenous shocks in 2022 delayed the country's recovery from the COVID-19 pandemic. Tropical cyclones disrupted agriculture and electricity generation. High global commodity prices reduced raw materials imports. Economic growth declined to 0.9 percent in 2022 from 2.8 percent in 2021.

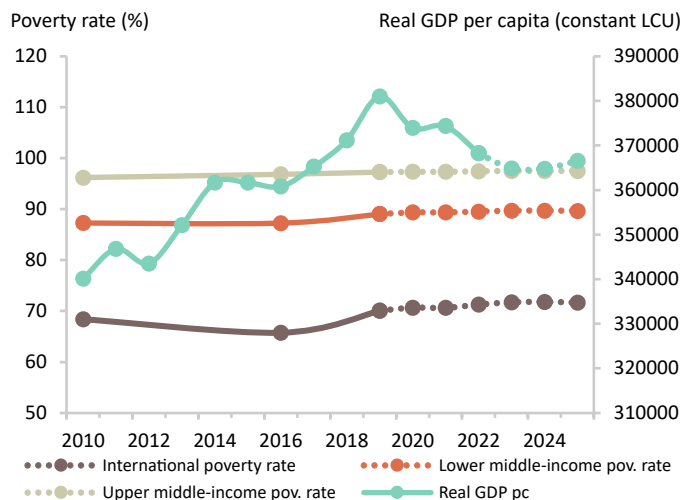
The pass-through of high global commodity prices, compounded by the devaluation of the Malawi kwacha in May 2022, pushed domestic inflation upwards, peaking at 26.7 percent in October 2022 and again in February 2023 (year-on-year), the highest rate since 2013. To contain the effect of inflation, the Reserve Bank of Malawi increased the policy rate

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



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

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



Source: World Bank. Notes: see Table 2.



to 18 percent in October 2022. Pressures on the official exchange rate remain significant, with the premium increasing to over 50 percent as of end of March 2023.

Despite good revenue performance, there has been limited progress toward fiscal consolidation in FY2022/23. By the end of the third quarter (December 2022), revenue amounted to 11.6 percent of GDP. Expenditure totaled 18.3 percent of GDP driven by higher spending on interest, wages and salaries, and goods and services. Consequently, the fiscal deficit widened, reaching 6.7 percent of GDP for the first nine months of the year. High deficits have constrained fiscal space, in turn reducing expenditure to support poverty reduction aims.

Forex shortages and rising global commodity prices resulted in a significant import compression, narrowing the current account deficit to 3.2 percent of GDP. Gross official reserves remained low, with import cover at less than one month at the end of 2022.

High domestic food prices for maize and other staples continue to exert pressure on household incomes, pushing many into poverty. In turn for 2022, the proportion of

people living on less than \$2.15 a day has increased slightly to at 71 percent.

## Outlook

Malawi's economy is projected to grow by 1.4 percent in 2023. This modest acceleration assumes gradual macroeconomic stabilization and resumed electricity generation at the Kapichira hydropower plant. While some recovery in agriculture is expected, the impacts of Cyclone Freddy, which hit Malawi in March 2023, as well as disruptions in fertilizer distribution could lower yields, especially in the Southern Region. Domestic food prices will likely remain relatively high, but global commodity prices are projected to continue easing, contributing to a projected decline in inflation to 19.7 percent in 2023.

Fiscal consolidation efforts are challenged by continued spending pressures and in particular the high share of statutory expenditures. While revenue collection is projected at 14.5 percent of GDP, expenditure is projected to decrease to 23.3 percent of GDP, driven by the wage bill and

high debt servicing costs. The fiscal deficit is projected to stagnate at 8.8 percent of GDP in FY2023/24 from a likely outturn of 8.9 percent of GDP in FY2022/23.

Reliance on high-cost domestic borrowing will keep the government from reducing interest spending and keep public debt high. Successful efforts to finalize debt restructuring will be key to bolster fiscal consolidation efforts and stabilize the economy.

As imports are projected to significantly pick up in 2023, a worsening current account deficit will continue straining foreign reserves and likely result in continued forex shortages. Agricultural exports are also expected to improve, albeit moderately. Consequently, the current account deficit is projected to widen further to 11.3 percent of GDP in 2023.

Malawi will remain vulnerable to external shocks. Flooding induced by Tropical Cyclone Freddy will negatively affect agricultural production and food security. High food prices will continue constraining food availability, especially for net consumers. As growth remains low, the poverty rate is likely to increase to 72 percent in 2023.

**TABLE 2 Malawi / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	0.8	2.8	0.9	1.4	2.4	3.0
Private Consumption	0.8	2.6	0.6	3.5	3.6	3.5
Government Consumption	0.8	-1.1	4.3	3.5	-0.5	5.7
Gross Fixed Capital Investment	0.8	-0.2	-6.5	-7.3	1.4	1.7
Exports, Goods and Services	0.8	2.9	3.6	4.6	5.8	5.9
Imports, Goods and Services	0.8	0.4	0.1	5.8	5.9	6.0
<b>Real GDP growth, at constant factor prices</b>	0.8	2.8	0.9	1.4	2.4	3.0
Agriculture	3.4	5.2	-1.0	0.5	2.4	2.6
Industry	1.2	1.9	0.9	1.3	2.4	3.0
Services	-0.5	2.0	1.8	1.8	2.5	3.1
<b>Inflation (Consumer Price Index)</b>	8.6	9.2	21.8	19.7	16.8	14.3
<b>Current Account Balance (% of GDP)</b>	-13.8	-14.3	-3.2	-11.3	-11.3	-11.7
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	3.5	0.8	1.3	1.3	1.4	1.4
<b>Fiscal Balance (% of GDP)</b>	-6.4	-7.1	-10.4	-8.9	-8.8	-8.9
<b>Revenues (% of GDP)</b>	14.7	14.1	13.0	14.7	14.5	14.6
<b>Debt (% of GDP)</b>	53.4	60.5	76.5	74.6	75.3	76.1
<b>Primary Balance (% of GDP)</b>	-3.4	-3.3	-5.2	-2.3	-2.3	-2.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	70.7	70.6	71.3	71.7	71.8	71.7
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	89.4	89.4	89.5	89.7	89.7	89.7
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	97.4	97.4	97.5	97.5	97.5	97.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.7	1.6	1.4	1.5	1.5	1.5
<b>Energy related GHG emissions (% of total)</b>	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

## Key conditions and challenges

**Table 1** **2022**

Population, million	22.6
GDP, current US\$ billion	20.5
GDP per capita, current US\$	907.6
International poverty rate (\$2.15) <sup>a</sup>	14.8
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	47.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	80.5
Gini index <sup>a</sup>	36.1
School enrollment, primary (% gross) <sup>b</sup>	78.7
Life expectancy at birth, years <sup>b</sup>	58.6
Total GHG emissions (mtCO2e)	48.1

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

a/ Most recent value (2018), 2017 PPPs.

b/ Most recent WDI value (2020).

GDP growth fell to 1.8 percent in 2022 due to ECOWAS sanctions, high food inflation, and parasite infestations affecting cotton production. This led to negative per capita income growth, a 3.2 percentage points increase in poverty incidence, while delaying fiscal consolidation. Economic growth is projected to rebound to 4 percent in 2023, while the medium-term outlook is subject to significant downside risks from the political transition, insecurity, and climate-related shocks.

Mali's economy has experienced little structural change over the last three decades. Agriculture and low-productivity services dominate the economy and employment, while manufacturing remains limited and concentrated in agro-industries and cotton ginning. Exports are dominated by gold and cotton, exposing the economy to commodity-price and climatic shocks. GDP growth per capita stagnated during the last decade limiting progress in poverty reduction while human development indicators show mixed results.

Persistent insecurity and a weakened social contract have emerged as key bottlenecks for inclusive growth and, with the absence of the State in remote areas, are increasingly disrupting service delivery. Political instability has also become a significant constraint to growth with the coups in 2020 and 2021 and the six-month ECOWAS sanctions in 2022 in response to the authorities' decision to delay elections initially scheduled for February 2022. The sanctions were lifted in July 2022, after the transitional government agreed with ECOWAS on an elections timetable over the period 2023-2024.

## Recent developments

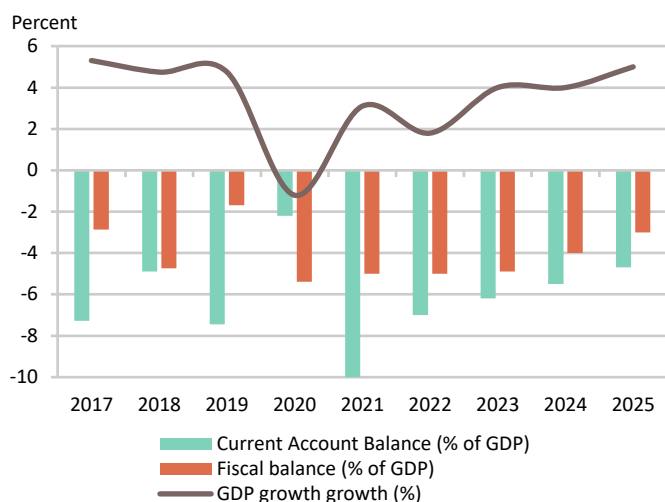
Despite the 6-month ECOWAS sanctions, real GDP growth reached 1.8 percent

(-0.9 percent per capita) in 2022, highlighting the recovery of food agriculture (7.6 percent growth) from exceptionally low 2021 levels as well as the resilience of gold mining (0.5 percent growth) and trade and telecommunications. In contrast, export agriculture – cotton production – declined 29 percent, reflecting parasite infestations and the combined effects of the ECOWAS embargo and Russia's invasion of Ukraine on fertilizer costs and availability.

Inflation increased to 9.7 percent in 2022, driven by food inflation which accelerated to 13.9 percent as a result of persistent insecurity forcing farmers' displacements, the ECOWAS sanctions disrupting trade networks, and elevated global food prices.

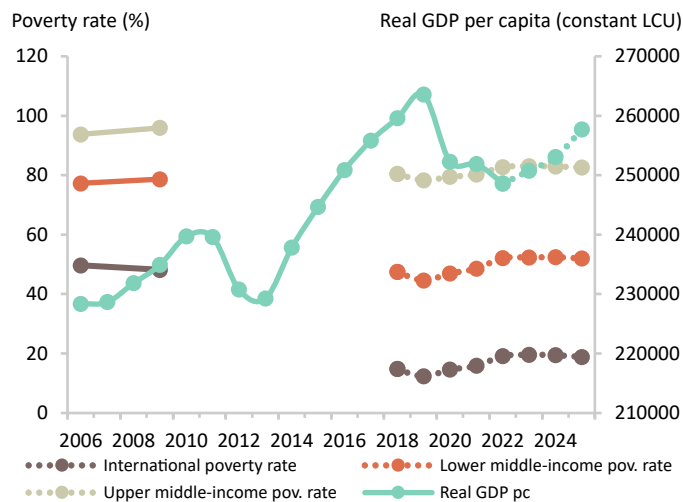
As a result, the extreme poverty rate is expected to have increased to 19.1 percent in 2022, a 3.2 percentage points increase compared to 2021. The relative incomes of poor households deteriorated, exposing them to food insecurity, especially in the center and north. From January to June 2022, about 1.5 million Malians (77 percent of those targeted) benefited from food assistance. Population displacement continues, particularly in the border areas with Burkina Faso and Niger, with over 370,000 registered displaced persons as of April 2022. Despite the deteriorating terms of trade, the CAD narrowed to 7 percent of GDP in 2022 as net imports were kept artificially low due to the ECOWAS sanctions disrupting regional trade and suspending regional financial transactions during the first half of 2022. Merchandise exports (-3.5 percent y/y) and imports (-15.1 percent y/y) declined significantly during the first three quarters of 2022.

**FIGURE 1 Mali / 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 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely need to continue tightening in 2023 in line with other major central banks, as foreign exchange reserves have declined, and inflation remains well above the target range of 1-3 percent. Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks in some countries, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks. The fiscal deficit stabilized at an elevated level of 5 percent of GDP in 2022. After declining due to the sanctions, tax revenues recovered during the second half of 2022, and increased by 1 percent on the year despite fuel tax expenditures (foregone fuel excise and oil customs revenue at 1.9 percent of GDP). Meanwhile, wages (8 percent of GDP) and security (6.2 percent of GDP)

spending increased in 2022, crowding out public investment (4.3 percent of GDP). With limited access to external financing, the fiscal deficit was mainly financed through expensive domestic borrowing on the regional market. Public debt rose to 55.2 percent of GDP in 2022, while the risk of debt distress remains moderate.

## Outlook

Growth is expected to rebound to 4 percent in 2023, and an average of 4.5 percent over 2024-25, supported by a continued recovery of agriculture and services. Annual inflation is projected to fall to 5 percent in 2023 due to the recovery of food agriculture and to normalize towards the midpoint of the regional target range (2 percent) by 2025. Consequently, extreme poverty incidence measured against the international poverty line (2.15\$PPP a day per capita) is expected to increase to 19.6 percent in 2023 before slightly decreasing to 18.8 percent in 2025.

The CAD will decline to 6.2 percent of GDP in 2023, gradually narrowing to 4.7 percent of GDP by 2025 as fuel prices and supply constraints ease. The fiscal deficit is projected to stabilize at 4.9 percent in 2023 with tax administration measures improving revenue but could further increase if projected external grants (0.4 percent of GDP) do not materialize. The fiscal deficit is expected to gradually converge to the WAEMU ceiling of 3 percent by 2025, while public debt will increase to 55.9 percent by 2025.

The outlook is subject to multiple downside risks. Further delays in the electoral timetable could trigger another round of economic sanctions and further reduce external grants and loans that support development spending in the budget. Other risks relate to intensified insecurity, lower appetite for Mali's bonds on the regional market, and climatic shocks. Furthermore, a slowdown in global growth, higher inflation, and monetary tightening internationally could lead to higher financing costs for Mali.

**TABLE 2 Mali / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-1.2	3.1	1.8	4.0	4.0	5.0
Private Consumption	1.9	3.0	2.0	3.0	3.0	4.4
Government Consumption	4.5	5.8	7.1	4.1	2.1	2.1
Gross Fixed Capital Investment	-1.2	4.8	-10.4	7.4	9.1	7.8
Exports, Goods and Services	0.5	-1.0	2.6	5.0	5.0	5.0
Imports, Goods and Services	-2.9	14.1	-2.5	4.0	4.0	4.0
<b>Real GDP growth, at constant factor prices</b>	-1.1	3.0	1.8	4.0	4.0	5.0
Agriculture	-4.8	1.4	1.7	5.0	5.0	5.0
Industry	-0.1	1.0	3.0	6.0	4.0	4.0
Services	1.4	5.1	1.5	2.4	3.3	5.4
<b>Inflation (Consumer Price Index)</b>	0.5	4.0	9.7	5.0	2.5	2.0
<b>Current Account Balance (% of GDP)</b>	-2.2	-10.0	-7.0	-6.2	-5.5	-4.7
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	3.1	5.5	4.4	3.2	3.1	2.9
<b>Fiscal Balance (% of GDP)</b>	-5.4	-5.0	-5.0	-4.9	-4.0	-3.0
<b>Revenues (% of GDP)</b>	20.7	22.2	19.5	20.7	22.2	21.4
<b>Debt (% of GDP)</b>	47.3	51.9	55.2	55.1	55.6	55.9
<b>Primary Balance (% of GDP)</b>	-4.2	-3.6	-3.5	-3.1	-2.0	-1.1
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	14.6	15.9	19.1	19.6	19.5	18.8
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	46.9	48.5	52.1	52.3	52.4	52.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	79.5	80.2	82.7	83.0	83.0	82.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.4	3.1	3.2	3.7	4.4	4.8
<b>Energy related GHG emissions (% of total)</b>	14.7	15.6	16.2	16.8	17.6	18.6

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

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018/19 EHCVM. This survey replaced the previous 2009-ELIM survey used to calculate poverty rates in previous years.

b/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# MAURITANIA

## Key conditions and challenges

**Table 1** 2022

Population, million	4.9
GDP, current US\$ billion	10.4
GDP per capita, current US\$	2117.6
International poverty rate (\$2.15) <sup>a</sup>	6.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	26.2
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	66.8
Gini index <sup>a</sup>	32.6
School enrollment, primary (% gross) <sup>b</sup>	94.3
Life expectancy at birth, years <sup>b</sup>	64.5
Total GHG emissions (mtCO2e)	14.4

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2014), 2017 PPPs.  
b/ Most recent WDI value (2020).

In 2022, growth is estimated at 5.2 percent, up from 2.4 percent in 2021, driven by gold production and an exceptional agricultural output. The sharp increase in food and energy prices led to a deterioration of the current account and fiscal balances and record-high inflation. Poverty is expected to have increased, amid food insecurity. Medium-term growth is expected to pick up with the onset of gas production.

Mauritania recovered strongly from the COVID-19 pandemic but has been facing the fallout of Russia's invasion of Ukraine. High oil and food prices for most of 2022 caused inflation to spike, increased food insecurity and poverty, and contributed to the deterioration of the external balance. The country remains very dependent on extractives, making it vulnerable to international price movements. The fiscal balance turned into a deficit for the first time since 2017 as the government took measures to mitigate the high cost of living and fuel subsidies increased substantially.

Despite the uncertainty related to the war in Ukraine and the elections in 2023 and 2024, the medium-term outlook is positive mainly due to the onset of gas production, but subject to downside risks. Risks include delayed onset of gas production, weaker global commodity markets, global disruptions that keep food and fuel inflation high, or failure of structural fiscal reforms to reach the poor through investments and social protection. Mauritania is exposed to recurring cycles of droughts and recent floods that impact agricultural output and household incomes. Regional insecurity in the Sahel also remains a risk. Poverty is associated with climatic conditions — i.e., if rains are scarce pastoral households are more likely to fall into poverty, and

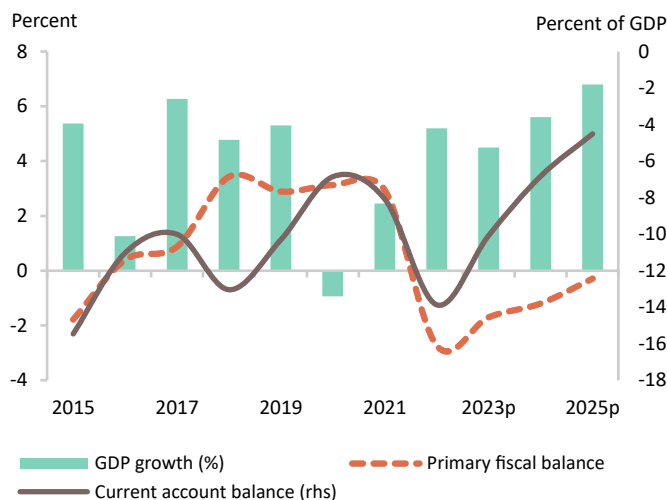
poverty rates in this group can increase by 27 percent. Households with smaller herds are especially vulnerable. Counterfactual simulations using the 2019 household survey suggest a one percentage point (pp) increase in poverty during irregular rainy seasons.

## Recent developments

Growth is estimated at 5.2 percent in 2022 (2.5 percent in per capita terms), close to the pre-COVID-19 level, but below potential. Growth was mainly driven by the primary sector thanks to good rainfall. Headline inflation averaged 9.5 percent (y/y) resulting from high global food prices. Prices decelerated in November and December supported by a good harvest and tightening monetary policy.

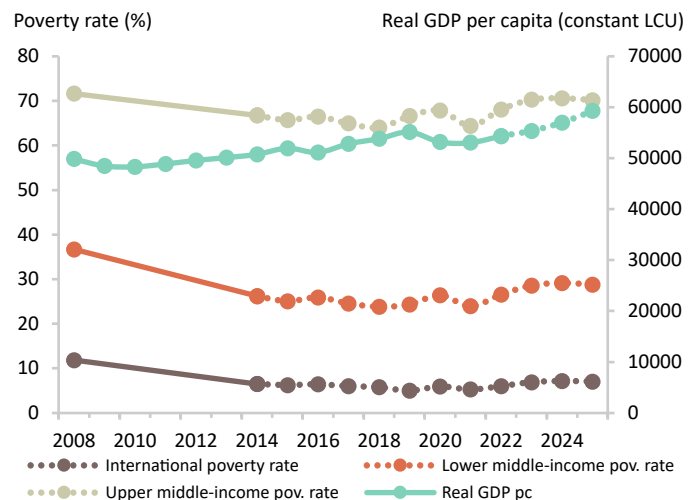
Good performance in the primary sector has not resulted in poverty reduction, due to the counter-effect of high inflation. Poor households mostly work in the primary sector and have been significantly affected by increases in food prices (+15 percent). Food insecurity remained high throughout 2022 and the US\$3.65 in 2017 PPP poverty rate is expected to have increased from 23.9 percent in 2021 to 26.5 percent in 2022. Poverty likely affects rural areas more than urban areas. Indeed, poverty is expected to increase from 37 percent in 2021 to 40.4 in rural areas and respectively from 10 percent to 11.7 percent in urban areas. At least 176,000 additional people are expected to have fallen into poverty, amounting to 1,335,000 poor in 2022.

**FIGURE 1 Mauritania / Evolution of main macroeconomic indicators**



Sources: World Bank.

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



Source: World Bank. Notes: see Table 2.

In response to rising prices, the Central Bank fulfilled all foreign exchange demands by banks, raised the policy rate from 5 percent to 7 percent in August 2022, and eased its gold purchases. Credit growth decreased from 20.3 percent (y/y) in July 2022 to 12.5 percent (y/y) in December 2022.

The overall fiscal balance registered a deficit of 3.5 percent of GDP in 2022, compared to a surplus of 2.2 percent of GDP in 2021. This reflects a sharp increase in fuel subsidies (2.9 percent of GDP) and transfers and stronger capital spending which was partly offset by higher revenues (excluding grants). Grants decreased from 2.1 percent of GDP in 2021 to 1.7 percent of GDP in 2022. The debt-to-GDP ratio remained stable in 2022 around 49.2 percent. The January 2023 joint WB/IMF Debt Sustainability Assessment suggests that the risk of overall and external public debt distress is moderate, down from high in the previous DSA, thanks to a recent bilateral debt restructuring.

The current account deficit is estimated at 13.9 percent of GDP in 2022, up from 8.1 percent of GDP in 2021, due to high energy and food import prices, and lower export prices. International reserves decreased to approximately US\$1.6 billion at end-October 2022, from US\$2.3 billion at end-2021.

## Outlook

In 2023, growth is projected to decelerate to 4.5 percent, driven on the supply side by lower growth in the extractive industry, notably the production of iron ore and gold, and lower agricultural output. Growth will be supported by investments and an improved net external position, while private demand growth is projected to decelerate, negatively affected by monetary policy tightening and the global economic slowdown. In 2024-2025, growth is projected to average 6.2 percent (3.5 percent per capita) with the onset of gas production. Inflation is projected to gradually

moderate to 5 percent in 2025 as external pressures subside.

Poverty is projected to further increase in 2023, to 28.6 percent, and reach 28.8 percent in 2025 as food price inflation slowly decelerates and in line with modest agricultural growth. The number of poor is expected to increase by 50,000 people through 2025, partly due to demographic growth.

The fiscal deficit is expected to decrease to 2.3 percent of GDP in 2023, supported by lower current expenditures with the announced rationalization of fuel subsidies (-2.2 pp of GDP) while gradually increasing targeted cash transfers using the social registry (+0.1 pp of GDP). The additional fiscal space will enable an increase in public investment. Over the medium term, the fiscal deficit should narrow to 0.9 percent of GDP in 2025 with the onset of gas production. The CAD is projected to improve with normalization of oil and food prices from 2023, a higher projected gold and iron-ore production, and the start of gas exports in 2024.

**TABLE 2 Mauritania / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-0.9	2.4	5.2	4.5	5.6	6.8
Private Consumption	2.7	2.7	2.6	2.2	2.4	2.7
Government Consumption	9.2	26.1	14.8	6.9	6.2	5.7
Gross Fixed Capital Investment	4.4	39.2	11.4	11.3	11.1	10.0
Exports, Goods and Services	-8.6	-11.7	6.2	5.5	6.7	9.7
Imports, Goods and Services	2.1	25.1	10.1	8.7	8.2	7.5
<b>Real GDP growth, at constant factor prices</b>	-0.1	0.8	5.1	4.5	5.6	6.8
Agriculture	-2.6	-3.6	4.0	3.5	3.8	3.8
Industry	2.5	-6.6	7.7	5.2	6.5	9.1
Services	-0.3	6.4	4.5	4.6	5.9	6.9
<b>Inflation (Consumer Price Index)</b>	2.4	3.6	9.5	8.0	6.0	5.0
<b>Current Account Balance (% of GDP)</b>	-6.9	-8.1	-13.9	-10.1	-6.8	-4.5
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	11.0	10.6	9.9	8.0	3.9	3.6
<b>Fiscal Balance (% of GDP)</b>	2.2	2.2	-3.5	-2.3	-1.7	-0.9
<b>Revenues (% of GDP)</b>	20.4	21.3	22.7	23.1	23.1	23.3
<b>Debt (% of GDP)</b>	55.8	49.1	49.2	50.3	49.7	49.1
<b>Primary Balance (% of GDP)</b>	3.1	2.9	-2.7	-1.7	-1.2	-0.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	5.9	5.3	6.0	6.9	7.1	7.0
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	26.4	23.9	26.5	28.6	29.1	28.8
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	67.9	64.4	68.1	70.3	70.6	70.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.4	2.8	2.9	3.0	3.4	0.0
<b>Energy related GHG emissions (% of total)</b>	31.1	31.3	31.6	32.1	32.7	32.7

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/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.



# 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) <sup>a</sup>	1.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	13.5
Gini index <sup>a</sup>	36.8
School enrollment, primary (% gross) <sup>b</sup>	98.4
Life expectancy at birth, years <sup>b</sup>	74.2
Total GHG emissions (mtCO2e)	6.5

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

Growth is expected to decelerate to 4.7 percent in 2023 from 8.3 percent in 2022, negatively impacted by lower global demand. Inflation will begin to ease after reaching 10.8 percent in 2022, the highest in over a decade. Strengthening macro-fiscal institutions and pursuing fiscal consolidation will be essential to maintain debt sustainability. Addressing skill shortages and developing knowledge-based sectors would support the transition to high-income country status over the medium term. Poverty is falling again after COVID-19 reversed recent gains.

## Key conditions and challenges

Mauritius sustained spectacular growth since its independence in 1968. It briefly reached high-income country status in July 2020 (based on 2019 data), before falling back into the upper-middle-income category in July 2021 as real GDP plunged by 14.6 percentage points in 2020 amid the COVID-19 pandemic. Nevertheless, over the decade that preceded the pandemic, several interrelated structural challenges rendered the country's growth trajectory more fragile. These include stagnating private investment, sustained loss of export competitiveness, skills shortages coexisting with high structural unemployment, rising inequality, and mounting pressure on public finances from high and increasing social security spending driven by the aging population, leading to persistent fiscal deficits and a growing public debt-to-GDP ratio.

The government's swift response to the COVID-19 shock was successful in controlling the public health emergency and protecting livelihoods, but came at a high fiscal cost. Public debt spiked despite a MUR 55 billion (12.3 percent of GDP) non-refundable transfer to the government from the Bank of Mauritius in FY2020/21, which followed a previous MUR 18 billion transfer (3.5 percent of GDP) under the FY2019/20 budget. The central bank's involvement in fiscal policy, both directly and through the Mauritius Investment Corporation

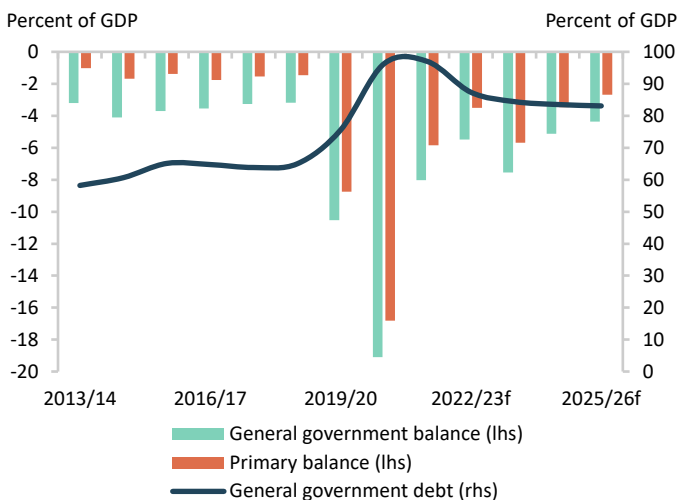
(MIC), has weakened the separation of institutional mandates while increasing contingent liabilities.

Disproportionately low labor market participation among young people and women remains a constraint on more inclusive growth. Over 50,000 young people aged 16 to 24 are neither working nor studying. Additionally, only 43 percent of women actively participate in the labor force, whereas the average for men is 68 percent. While 57 percent of women with higher education participate in the labor force, only 38 percent of those who completed primary school or less are active. Women were disproportionately displaced from the labor force by the COVID-19 pandemic and their return has been challenging for those with lower education levels.

## Recent developments

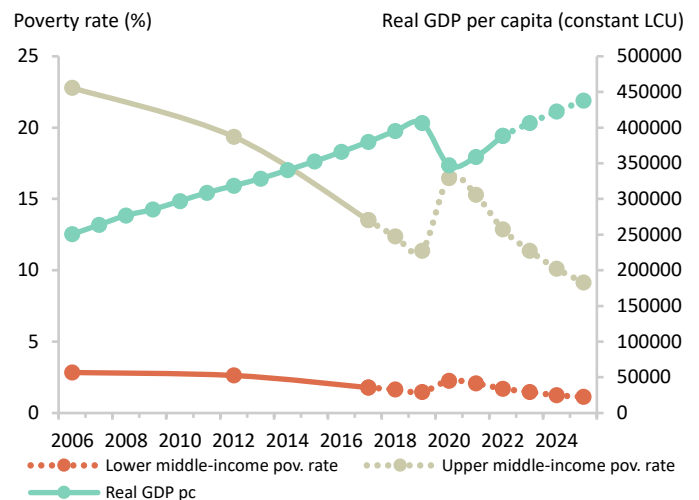
GDP grew by an estimated 8.3 percent in 2022, supported by the strong tourism recovery despite headwinds from the Omicron variant wave and Russia's invasion of Ukraine. Arrivals totaled 997,290 in 2022, up from 179,780 in 2021. The average stay duration and spending by visitors also increased. Nevertheless, arrivals are still almost 30 percent below pre-pandemic levels. Total exports increased by 24 percent in 2022 compared to 2021, whereas imports increased by 36.1 percent, driving an increase in the current account deficit from 13.2 percent in 2021 to 14.2 percent in 2022. Headline inflation rose from 4 percent in 2021 to 10.8 percent in 2022 – the highest in

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



Sources: Statistics Mauritius, World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

over a decade – driven by external supply shocks stemming from the war in Ukraine, which increased the prices of energy and food products, of which Mauritius is a net importer. Seeking to control inflation, the central bank hiked the key repo rate five times between March and December 2022 by a cumulative 265 basis points, reaching 4.5 percent. Effective January 16, 2023, the central bank introduced a new monetary policy framework with a flexible inflation-targeting regime, which is expected to strengthen the effectiveness of monetary policy by enhancing its transmission mechanism. Gross official international reserves remain broadly adequate, standing at 16.1 months of imports in December 2022.

The fiscal deficit decreased from 19.1 percent of GDP in FY20/21 to 8 percent in FY21/22 aided by the sale of public shares of Airport Holdings Ltd to MIC in December 2021 for MUR 13 billion (2.7 percent of GDP), which helped lower the borrowing requirement. The recovery of GDP also prompted a strong rebound of tax receipts, while the unwinding of COVID-19 support measures lowered public expenditures.

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 is projected to have increased by over 5 percentage points and fallen down to around 13 percent by 2022.

## Outlook

GDP growth is expected to decelerate to 4.7 percent in 2023, negatively impacted by the slowdown in global economic growth, before converging to its long-term trend over the medium term. Inflation is expected to moderate progressively, tamed by tightening monetary conditions in major trading partners, while the rollout of the new monetary policy framework should aid in anchoring domestic inflation expectations.

The current account deficit is projected to decrease to 8.7 percent of GDP in 2023 as commodity prices normalize and exports continue to recover, gradually narrowing over the medium term, assuming a continued recovery in tourism and efforts to strengthen export competitiveness.

The fiscal deficit is expected to decrease to 5.5 percent in FY22/23, aided by the unwinding of COVID-19 support measures, although the phasing in of the Contribution Sociale Généralisée in FY23/24 will cause a temporary rise. Public debt should continue to gradually decrease to around 83.5 percent of GDP over the medium term, assuming a progressive fiscal consolidation supported by improved efficiency of public spending and revenue collection, the sale of non-strategic assets, and the introduction of new revenue raising measures.

The outlook is subject to significant downside risks. As the rebound of tourism tapers off, growth could become sluggish in the absence of dynamic new growth sectors. Escalation of global geopolitical tensions and new COVID-19 waves could further disrupt global supply chains, weighing down growth and fueling inflation. Strengthening macro-fiscal institutions and supporting fiscal discipline, including through pension reform, will be essential to maintain debt sustainability and control contingent liabilities, providing the foundation to regain and sustain high-income status.

**TABLE 2 Mauritius / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices<sup>a</sup></b>	-14.6	3.5	8.3	4.7	4.1	3.6
Private Consumption	-15.3	3.0	3.5	3.1	3.4	2.6
Government Consumption	-1.0	-1.8	2.6	-0.5	1.6	1.5
Gross Fixed Capital Investment	-25.8	13.9	6.0	7.0	2.9	2.8
Exports, Goods and Services	-28.7	11.6	37.0	9.7	9.3	9.0
Imports, Goods and Services	-28.6	7.7	22.9	6.8	7.2	7.0
<b>Real GDP growth, at constant factor prices</b>	-14.1	3.8	8.3	4.7	4.1	3.6
Agriculture	-1.9	7.2	2.9	3.2	3.0	1.9
Industry	-19.7	10.9	5.5	3.6	3.4	2.3
Services	-13.2	1.9	9.3	5.0	4.4	4.0
<b>Inflation (Consumer Price Index)</b>	2.5	4.0	10.8	9.8	7.0	5.3
<b>Current Account Balance (% of GDP)</b>	-8.8	-13.2	-14.2	-8.7	-6.9	-6.3
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-111.7	31.3	18.0	29.6	29.7	29.6
<b>Fiscal Balance (% of GDP)<sup>b</sup></b>	-19.1	-8.0	-5.5	-7.5	-5.1	-4.3
<b>Revenues (% of GDP)</b>	22.0	25.9	25.4	24.6	24.3	24.1
<b>Debt (% of GDP)<sup>b</sup></b>	96.3	97.1	87.4	84.5	83.6	83.2
<b>Primary Balance (% of GDP)<sup>b</sup></b>	-16.3	-5.2	-3.1	-5.3	-3.1	-2.3
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>c,d</sup></b>	2.3	2.1	1.7	1.5	1.2	1.1
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>c,d</sup></b>	16.5	15.3	12.9	11.4	10.1	9.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-13.6	6.3	3.7	3.2	2.2	2.2
<b>Energy related GHG emissions (% of total)</b>	62.4	60.7	60.8	60.6	60.2	59.7

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

Notes: e = estimate, f = forecast.

a/ 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 = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# MOZAMBIQUE

## Key conditions and challenges

Table 1	2022
Population, million	33.0
GDP, current US\$ billion	17.9
GDP per capita, current US\$	543.5
International poverty rate (\$2.15) <sup>a</sup>	64.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	83.1
Gini index <sup>a</sup>	54.0
School enrollment, primary (% gross) <sup>b</sup>	118.4
Life expectancy at birth, years <sup>b</sup>	61.2
Total GHG emissions (mtCO <sub>2</sub> e)	109.4

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2014), 2017 PPPs.  
b/ Most recent WDI value (2020).

Economic recovery has strengthened, growth reached 4.1 percent in 2022, driven by strong export performance and services, as mobility fully resumed. Growth is expected to accelerate further in the medium term, supported by liquefied natural gas (LNG) production and good agricultural performance. As a result, poverty is projected to fall from 64.3 percent in 2022 to 60.6 percent by 2025. However, medium-term prospects are subject to substantial downside risks, including Russia's invasion of Ukraine, natural hazards, and conflict in the north.

Economic growth slowed down in recent years owing to multiple shocks, including the hidden debt crisis, the escalation of insurgency in northern Mozambique, tropical cyclones, and the COVID-19 pandemic. The country is endowed with rich natural resources, but widespread poverty and inequality, vulnerability to climate shocks, and fragility and conflict pose substantial development challenges. The economy's dual focus on labor-intensive, low-productivity agriculture and capital-intensive extractives, with weak sectoral links, constraints inclusive development. About two thirds of the population remain poor, and inequality is among the highest in Sub-Saharan Africa.

With over half a million people entering the labor force but only 25,000 new formal jobs each year, creating more and better jobs is a pressing need for Mozambique. However, the private sector's potential to create jobs and transform the economy is hampered by regulatory bottlenecks, large infrastructure deficits, and the high cost of credit. Lending interest rates in Mozambique are among the highest in Sub-Saharan Africa, reflecting a thin financial sector, rising government domestic borrowing, and high credit risks. The global economic slowdown and elevated inflation led to a further rise in the cost of credit, limiting growth opportunities outside extractives. Mozambique is at high risk of debt distress, with the country lacking access to

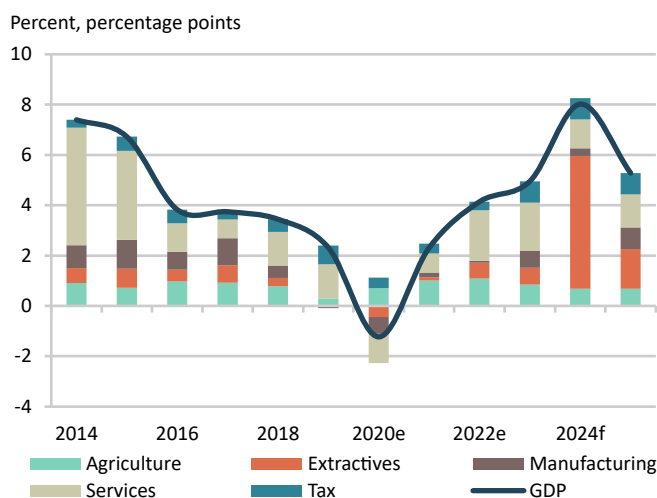
international capital markets, and concessional financing remains limited. The government's capacity to finance development is heavily constrained, worsened by wage, pension, and debt-service costs that absorb 90 percent of total revenues.

Mozambique needs to diversify its sources of growth and jobs. Sustained, broad-based, and inclusive growth will require raising agricultural productivity and accelerating economic transformation by bolstering the services sector and strengthening intersectoral links. Policy priorities include enhancing macroeconomic stability, improving governance, strengthening resilience to shocks, and leveraging private sector potential. In the short to medium term, Mozambique needs to improve the business environment, expand private financing, and enhance labor market performance. Supporting access to skilled labor requires alleviating restrictions on the recruitment of foreign labor and encouraging knowledge transfer programs.

## Recent developments

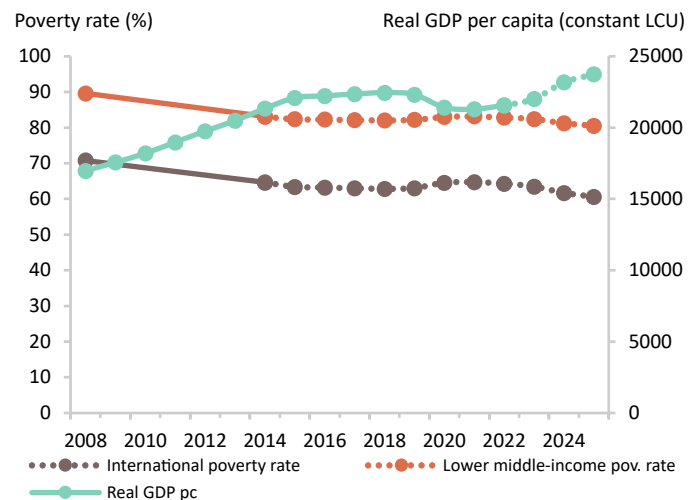
The economy is recovering from the pandemic, with growth increasing from 2.3 percent in 2021 to 4.1 percent in 2022. Services and agriculture performed well, thanks to higher farm productivity and the full resumption of mobility. Increased external demand and prices for Mozambique's key export commodities (notably, coal and aluminum) have supported the recovery further. However, inflation hit a five-year high as global fuel and food

**FIGURE 1 Mozambique / Real GDP growth and 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.

prices surged, and adverse weather reduced domestic food production, disproportionately affecting the poor. In response to the inflation hike, the Bank of Mozambique raised policy interest rates by 400 basis points to 17.3 percent in 2022. The nominal and real effective exchange rates remained stable, reflecting a comfortable supply of foreign currency. Low per capita income growth and high inflation have undermined poverty reduction, with the number of poor rising by half a million between 2021 and 2022.

Expenditure pressures persist owing to higher spending associated with ongoing wage bill reforms, debt service, and social transfers. The overall fiscal deficit increased from 4.8 percent of GDP in 2021 to 5.9 percent in 2022. Revenue performance remains strong thanks to improved income tax collection, and coupled with the under-execution of capital spending and budget support, moderated fiscal pressures. Public debt has been declining, but domestic debt has continued to rise, with the government resorting to the expensive domestic debt market to cover financing needs.

The current account deficit (CAD) increased from an average of 23.6 percent of GDP over 2017-21 to 36 percent in 2022, reflecting LNG equipment imports, and

higher fuel and food import bills. The external financing gap was covered by World Bank Development Policy Financing, International Monetary Fund credits, debt, and a drawdown in reserves. Gross international reserves fell from US\$3.3 billion in 2021 to US\$2.5 billion (equivalent to 3.4 months of non-megaproject imports), as the central bank covered foreign currency needs for fuel imports.

## Outlook

Medium-term prospects remain positive, but downside risks are substantial. Real GDP growth is expected to accelerate, averaging 6.2 percent between 2023-2025 as the offshore Coral South LNG terminal reaches full capacity and the Area 1 LNG project resumes. High commodity prices will continue to favor export growth. As international oil prices decline, inflation is also projected to decline, averaging 7.4 percent between 2023 and 2025. Poverty is projected to fall from 64.3 to 63.5 percent between 2022 and 2023. Downside risks, including a protracted war in Ukraine, a continued rise in fuel prices, and natural hazards, could lower medium-term GDP growth to 4.5 percent.

As revenue grows, the fiscal deficit is projected to decline to an average of 3.8 percent between 2023 and 2025. In the short term, revenue increases will be underpinned by collections from LNG resource revenue and increased grants. The fiscal outlook also hinges on successfully implementing the fiscal consolidation program. However, considerable challenges remain, notably the upfront costs of the ongoing wage bill reform and elections in 2024. If the wage bill continues to grow at the current pace, the overall fiscal deficit could reach 5 percent of GDP in the medium term. Unplanned fiscal financing needs will likely be met by domestic financing, adding to the high debt burden. The country will remain at high risk of debt distress, but debt is deemed sustainable in a forward-looking sense.

The CAD is poised to increase, projected at 29.3 percent of GDP in the medium term, as LNG projects advance. Total imports of goods are expected to average 45 percent of GDP over 2023-25, from 30 percent in 2019-21, largely due to LNG-related imports. Gas exports will partly offset this increase. Trade credits and foreign direct investment will continue to be the main financing sources for the CAD. Gross reserves are expected to stay at the equivalent of 4 months of imports, excluding megaprojects.

**TABLE 2 Mozambique / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-1.2	2.3	4.1	5.0	8.3	5.3
Private Consumption	-2.2	17.3	2.9	0.9	13.1	4.4
Government Consumption	-19.1	-7.8	17.2	-18.9	-3.9	-4.0
Gross Fixed Capital Investment	60.9	32.5	-6.4	10.3	2.5	10.5
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
<b>Real GDP growth, at constant factor prices</b>	-1.8	2.3	4.1	5.0	8.3	5.3
Agriculture	3.6	3.7	4.4	4.5	3.4	3.9
Industry	-5.7	1.6	3.8	9.4	33.3	13.0
Services	-2.9	1.9	4.2	3.4	0.5	1.8
<b>Inflation (Consumer Price Index)</b>	3.1	5.7	9.8	7.3	7.5	7.4
<b>Current Account Balance (% of GDP)</b>	-27.4	-22.8	-36.0	-14.5	-34.5	-38.8
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	21.5	32.2	10.5	18.9	16.9	11.6
<b>Fiscal Balance (% of GDP)<sup>a</sup></b>	-5.3	-4.8	-5.9	-4.4	-3.7	-3.3
<b>Revenues (% of GDP)</b>	27.7	27.0	28.9	26.8	25.7	26.9
<b>Debt (% of GDP)</b>	118.9	106.4	102.7	101.6	101.2	100.2
<b>Primary Balance (% of GDP)<sup>a</sup></b>	-2.2	-2.1	-2.4	-1.4	-0.6	-0.6
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>b,c</sup></b>	64.5	64.7	64.3	63.5	61.7	60.6
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>b,c</sup></b>	83.0	83.2	82.9	82.4	81.2	80.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.0	1.4	0.0	1.0	2.9	2.7
<b>Energy related GHG emissions (% of total)</b>	8.5	9.2	8.7	8.8	10.1	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/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.

b/ Calculations based on 2014-IOF. Actual data: 2014. Nowcast: 2015-2022. 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.



# NAMIBIA

**Table 1** **2022**

Population, million	2.6
GDP, current US\$ billion	12.1
GDP per capita, current US\$	4732.6
International poverty rate (\$2.15) <sup>a</sup>	15.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	33.3
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	57.3
Gini index <sup>a</sup>	59.1
School enrollment, primary (% gross) <sup>b</sup>	125.7
Life expectancy at birth, years <sup>b</sup>	62.8
Total GHG emissions (mtCO2e)	20.8

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2015), 2017 PPPs.  
 b/ WDI for School enrollment (2021); Life expectancy (2020).

*Boosted by the mining sector, Namibia's economy expanded by 3.5 percent in 2022. In 2023, the economic recovery is expected to continue at a slower pace amid negative spillovers from Russia's invasion of Ukraine and uncertainty about commodity prices. Planned investments in green hydrogen and mining could boost growth in the coming years. The population living on less than US\$2.15 per day is estimated at 19 percent for 2023.*

## Key conditions and challenges

Namibia's economy was already constricted by structural problems before the COVID-19 pandemic, including weaknesses in the business environment and skills mismatches in the labor market. Its dependence on mineral extraction and exports as well as on agriculture has made it vulnerable to global commodity price shifts and climate shocks and droughts. As a result of these vulnerabilities, the country's economy contracted by an average of 0.2 percent between 2016 and 2019. Poverty remains high for the country's level of development, and it is one of the most unequal countries in the world. Unemployment is persistently high amid relatively weak job creation in the more-productive formal sector that has not been sufficient to compensate for the loss of jobs in the stagnating agricultural sector.

The lingering impacts of the pandemic, which led to a sharp economic downturn in 2020, and the ongoing war in Ukraine continue to weigh on the country's growth performance. The continuing recovery presents an opportunity for Namibia to transition toward more sustainable growth by implementing structural reforms to boost productivity and competitiveness and create new and higher-skilled jobs. With adequate management, the projected large investments in the mining and energy sectors can significantly advance these efforts. Structural

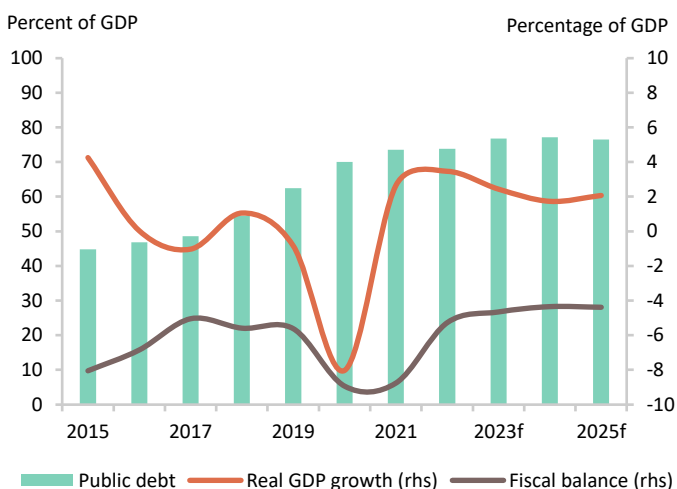
reforms are needed in an environment where fiscal balances are vulnerable to external shocks and volatile Southern African Customs Union (SACU) revenues, while monetary policy is constrained by the Namibian dollar's peg to the South African rand.

## Recent developments

Growth in 2022 reached 3.5 percent, driven by mining (especially the growth of diamond production), manufacturing, and the continued recovery of services. Diamond production increased by 46 percent, boosted by the use of Debmarine's new recovery vessel. Many services sectors, such as trade and finance, which rely on face-to-face interaction, continued to recover following the removal of all remaining pandemic-related restrictions mid-year. On top of both droughts and flooding, agricultural production has been hampered by higher fertilizer prices due to the war in Ukraine.

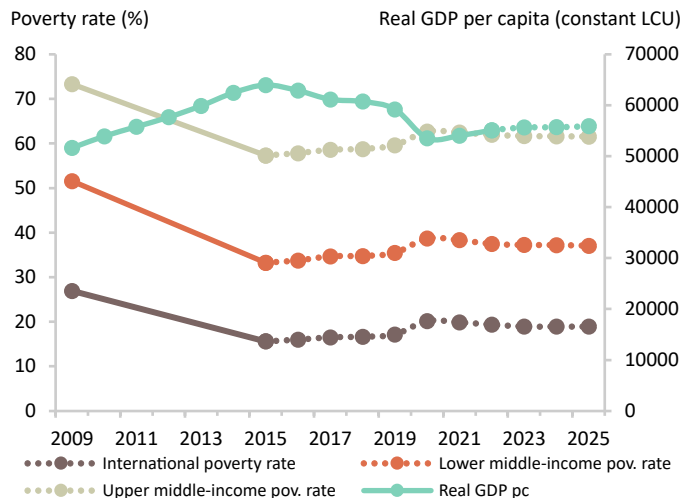
Stronger-than-expected growth and domestic revenue overperformance helped improve the fiscal position in 2022, despite a decrease in SACU receipts. The overall fiscal deficit was estimated at 5.3 percent of GDP, down from 8.8 percent in 2021. Public debt remained relatively high, at an estimated 73.8 percent of GDP in 2022. On the external side, exports were boosted by increasing diamond and other mineral production, but the current account deteriorated substantially due to the high prices of imported fuels. The deficit was partly

**FIGURE 1 Namibia / Real GDP growth, fiscal balance, and public debt**



Source: World Bank staff estimates.

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



Source: World Bank. Note: see Table 2.



financed by higher foreign direct investment inflows, mainly in the mining and oil exploration sectors.

Despite the economic recovery in 2022, the socioeconomic situation did not improve significantly. Employment is estimated to remain below pre-pandemic levels as labor-intensive manufacturing subsectors have added jobs relatively slowly. Spurred by higher fuel prices, inflation increased to a five-year high of 6.1 percent in 2022, disproportionately affecting the most vulnerable and decreasing consumers' real income. Poverty rates are estimated to remain above pre-pandemic levels, with an estimated 19.4 percent of the population living on less than US\$2.15 per day.

## Outlook

GDP growth is projected at 2.4 percent in 2023 and is expected to average just under 2 percent in the outer years, supported by the recovery of construction, services, and private investment. The rebound from the pandemic is expected to wane gradually over time, driven by the projected slowdown in the global economy and volatile

commodity prices. Inflationary pressures should ease following the monetary tightening both globally and in the Common Monetary Area and diminishing increases in imported energy and food prices.

The current account deficit is projected to improve, driven by favorable forecasts for exported minerals and lower imported fuel prices, as well as increasing SACU revenues. The deficit is expected to persist over the medium term and is vulnerable to changes in the prices of minerals and energy. Planned new investments in green hydrogen could boost foreign direct investment and growth over the medium term, though there is uncertainty about feasibility and timelines.

Fiscal consolidation is expected to continue, and small primary surpluses are projected for the next three years. On the revenue side, such efforts would be boosted by increasing SACU receipts, which are expected to increase by 71 percent from 2022 to 2023 and an improved outlook for revenues, supported by the ongoing economic recovery and tax administration reforms. On the expenditure side, the government is expected to manage operational outlays more effectively, including containing the public sector wage bill relative to GDP. Expenditure

containment policies are expected mostly in the outer years and would largely preserve development expenditure and social protection programs. Debt is forecast to peak at about 77 percent of GDP in 2024 and decrease thereafter. Additional interest rate increases would raise the cost of financing the deficit and servicing Namibia's public debt, making fiscal consolidation more difficult. Containing the public sector wage bill and other spending items through more effective expenditure management in the outer years may be challenging amid very high unemployment and other socioeconomic problems. Furthermore, if downside risks to economic conditions are realized, revenue outturns may be below ambitious targets amid rising pressures on spending.

Protecting the most vulnerable through well-targeted social spending programs and implementing structural reforms to stimulate private sector investment and create productive jobs will be critical to put Namibia on a sustainable growth path. However, as the impacts of policies like investment in skills development are expected to take time to affect people's livelihoods, the poverty rate is expected to only decline slightly over the medium term.

**TABLE 2 Namibia / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-8.0	2.7	3.5	2.4	1.7	2.1
Private Consumption	-11.3	12.6	8.5	3.0	2.8	2.7
Government Consumption	0.4	1.7	-0.3	3.8	-1.3	-1.8
Gross Fixed Capital Investment	-19.2	4.0	4.9	5.0	5.4	5.6
Exports, Goods and Services	-17.3	-2.3	18.4	2.8	3.5	3.9
Imports, Goods and Services	-18.0	15.6	16.0	4.7	3.5	3.2
<b>Real GDP growth, at constant factor prices</b>	-6.6	1.8	3.5	2.4	1.7	2.1
Agriculture	6.3	2.0	3.0	2.0	2.0	2.0
Industry	-12.9	1.4	7.6	3.5	2.1	2.1
Services	-5.3	1.9	1.8	1.9	1.5	2.1
<b>Inflation (Consumer Price Index)</b>	2.2	3.6	6.1	5.3	4.5	4.5
<b>Current Account Balance (% of GDP)</b>	2.8	-9.8	-11.5	-9.3	-8.0	-7.8
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-1.9	5.2	7.5	4.2	4.3	4.2
<b>Fiscal Balance (% of GDP)</b>	-8.9	-8.8	-5.3	-4.7	-4.4	-4.4
<b>Revenues (% of GDP)</b>	33.4	29.9	32.6	34.7	33.6	32.0
<b>Debt (% of GDP)<sup>a</sup></b>	70.0	73.5	73.8	76.8	77.1	76.5
<b>Primary Balance (% of GDP)</b>	-4.7	-4.5	-0.6	0.3	0.4	0.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>b,c</sup></b>	20.2	19.9	19.4	19.0	18.9	18.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>b,c</sup></b>	38.7	38.3	37.5	37.2	37.2	37.1
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>b,c</sup></b>	62.7	62.5	62.0	61.7	61.6	61.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.5	-0.6	0.1	3.1	2.9	0.4
<b>Energy related GHG emissions (% of total)</b>	18.0	18.2	18.0	18.7	18.7	19.0

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

Notes: e = estimate, f = forecast.

a/ 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.

# NIGER

**Table 1** **2022**

Population, million	26.2
GDP, current US\$ billion	17.1
GDP per capita, current US\$	654.3
International poverty rate (\$2.15) <sup>a</sup>	50.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	81.1
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	95.0
Gini index <sup>a</sup>	37.3
School enrollment, primary (% gross) <sup>b</sup>	64.8
Life expectancy at birth, years <sup>b</sup>	61.5
Total GHG emissions (mtCO <sub>2</sub> e)	49.4

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

After a slowdown in 2021 GDP growth accelerated to 11.5 percent in 2022 (7.6 percent in per capita terms) as agricultural production increased, while the extreme poverty rate declined to 46.9 percent. Growth is expected to remain robust at 6.9 percent in 2023 and then accelerate as oil revenues come onstream. Growth and poverty reduction are subject to significant downside risks including delays in oil production, climate-related shocks, and insecurity.

## Key conditions and challenges

Niger's economy is agriculture-dependent and remains vulnerable to climate-related shocks. This is reflected in a robust but volatile growth trajectory that ranged between 2.4 and 10.5 percent from 2011 to 2019. As growth has been associated with limited improvements in productivity and high population growth (averaging 3.9 percent over 2010-19) per capita GDP remains at US\$640 in 2022, towards the bottom of the world's income distribution. Around 50 percent of the population lives in extreme poverty, aggravated by gender disparities.

After the COVID-19 pandemic and the global economic downturn, the country has continued to be shaken by natural disasters, worsening regional and domestic insecurity, and to a more limited extent by Russia's invasion of Ukraine. Deteriorating regional security affects important agricultural areas, and addressing insecurity is key to improving economic performance, public finances, service delivery, and access to markets.

## Recent developments

After the lackluster GDP growth in 2021 (1.4 percent) with a decline of 2.3 percent in per capita terms, economic growth is estimated to have jumped to 11.5 percent

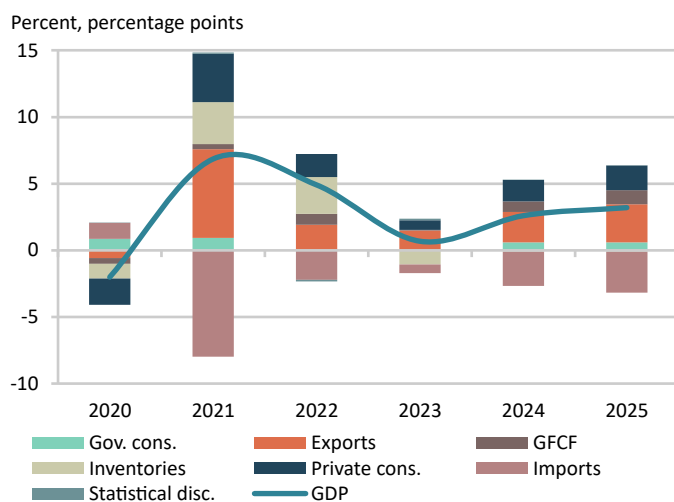
in 2022 (7.6 percent in per capita terms) as agriculture production increased by 73 percent following a better-than-average rainy season and the expansion of irrigated land, more than offsetting the decline in the extractive and manufacturing activity. The service sector benefited from the expansionary fiscal policy and the construction of the pipeline boosting market services and transportation.

Average annual inflation reached a 10-year high of 4.2 percent in 2022, up from 3.8 percent in 2021, resulting from continued pressures on the domestic food market and global commodity prices. Nevertheless, Niger had the lowest inflation rate in the WAEMU region.

The extreme poverty rate (less than \$2.15 a day per capita in PPP) is expected to have declined to 46.9 percent in 2022 from 53.3 percent in 2021, as growth, particularly in agriculture, recovers. The number of extreme poor is projected at 12.3 million in 2022, with important regional differences. High food inflation coupled with insecurity disrupted livelihoods and markets in some regions (Tillabéry, Diffa, Tahoua, and Maradi) and negatively affected household food security. This situation was exacerbated by flooding, dry spells, and limited access to inputs, which are expected to have affected 15 percent of farming villages and led to declines in their agricultural production.

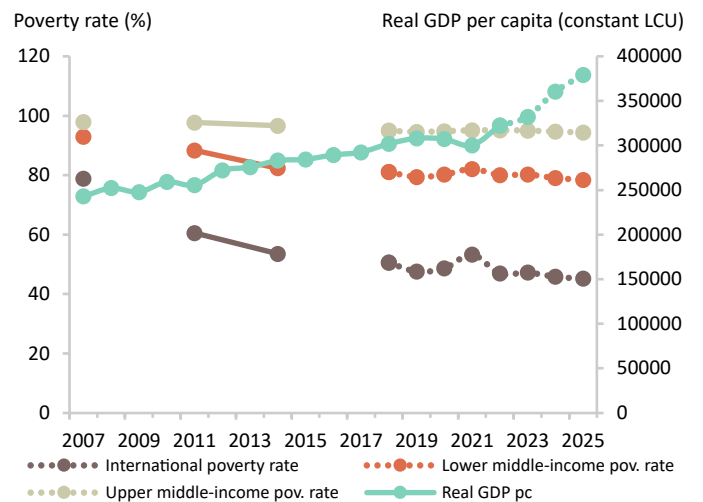
To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely

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



Sources: INSN and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

need to continue tightening in 2023 in line with other major central banks, as foreign exchange reserves have declined, and inflation remains well above the target range of 1-3 percent. Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks in some countries, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks.

The fiscal deficit increased to 6.9 percent of GDP in 2022 to accommodate additional social spending to address food insecurity, an emergency plan to support agriculture and livestock, and additional security spending. The fiscal deficit has been largely financed by external loans (3.8 percent of GDP) and debt issuance on the regional market (3 percent of GDP). The current account deficit widened to 14.6 percent of GDP amid food and extractive projects-related imports.

As a result of the widening fiscal deficit and the CFAF depreciation vis-à-vis the US dollar, public debt increased to 56 percent of GDP – an increase of 16 percentage points since 2019.

## Outlook

Real GDP growth is expected to be in line with the potential, at 6.9 percent (3 percent per capita) in 2023, and to further rise in 2024 (12.5 percent) due to the start of large-scale oil production and exports, continued donors' support and an economic reform program designed to increase overall productivity and strengthen economic governance (including investment of rents from the petroleum sector and the sustained flow of international aid to improve access to basic services, infrastructure, and financial inclusion) bringing GDP per capita to a level 15 percent higher than in 2021. Inflation is expected to fall to 3.2 percent in 2023, and to 2.8 percent in 2024 as food inflation moderates, before picking up slightly in 2025 driven by additional demand fueled by oil revenues.

The poverty headcount rate is projected to decline by almost 1.7 percentage points by 2025, in line with higher non-oil growth, moderate agricultural growth and lower inflation in 2023 and 2024. Despite projected

GDP growth being above Niger's population growth rate of 3.8 percent, the absolute number of poor will remain roughly constant at 13 million between 2021 and 2024.

An ambitious fiscal adjustment aims to bring the fiscal deficit down to 5.3 percent in 2023, supported by an IMF program, and to 3 percent by 2025 through measures to improve the structurally low level of domestic non-oil revenues. This would facilitate putting the debt-to-GDP ratio back onto a declining trajectory from 2024. With higher food imports, the current account deficit will grow to 16.2 percent before narrowing to 10.7 percent with the onset of oil exports.

This outlook is subject to a high degree of uncertainty and multiple downside risks, including intensified climate change-related shocks (which require improvements in disaster risk management and resilience through adaptation investments), deterioration of the security situation which can drain additional resources, dampening global oil prices and/or delays in oil production expansion, and delays to key structural economic reforms and complementary investments.

**TABLE 2 Niger / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	3.6	1.4	11.5	6.9	12.5	9.1
Private Consumption	7.7	-0.2	3.2	4.2	5.0	5.6
Government Consumption	5.0	9.8	0.6	1.9	19.0	15.0
Gross Fixed Capital Investment	-3.4	7.7	33.0	18.5	1.3	7.7
Exports, Goods and Services	-6.3	6.7	0.0	19.4	90.6	17.5
Imports, Goods and Services	2.7	6.9	5.1	17.1	13.7	9.1
<b>Real GDP growth, at constant factor prices</b>	4.2	1.0	11.5	6.9	12.5	9.1
Agriculture	7.7	-5.1	27.0	5.1	5.2	5.2
Industry	1.9	4.1	-0.7	7.5	27.7	9.6
Services	2.1	5.4	4.5	8.5	12.1	12.6
<b>Inflation (Consumer Price Index)</b>	2.8	3.8	4.2	3.2	2.8	3.4
<b>Current Account Balance (% of GDP)</b>	-13.2	-14.4	-14.6	-16.2	-10.7	-7.5
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	2.5	3.3	4.1	4.1	4.1	3.8
<b>Fiscal Balance (% of GDP)</b>	-5.4	-6.1	-6.9	-5.3	-4.0	-3.0
<b>Revenues (% of GDP)</b>	17.4	18.2	15.0	17.4	19.6	19.2
<b>Debt (% of GDP)</b>	45.0	51.3	56.0	57.5	54.0	48.8
<b>Primary Balance (% of GDP)</b>	-4.4	-5.0	-5.5	-3.9	-2.7	-1.8
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	48.6	53.3	46.9	47.2	45.9	45.2
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	80.2	82.1	80.1	80.3	79.0	78.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	94.8	95.1	95.1	95.0	94.6	94.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.2	3.8	4.0	4.2	4.6	4.4
<b>Energy related GHG emissions (% of total)</b>	6.9	6.8	6.8	7.0	7.4	7.6

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

b/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# NIGERIA

Table 1	2022
Population, million	218.5
GDP, current US\$ billion	477.4
GDP per capita, current US\$	2184.4
National poverty rate <sup>a</sup>	41.1
Gini index <sup>b</sup>	35.1
School enrollment, primary (% gross) <sup>c</sup>	85.7
Life expectancy at birth, years <sup>c</sup>	52.9
Total GHG emissions (mtCO2e)	383.2

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 (2020).

*Oil price booms have previously supported the Nigerian economy, but this has not been the case since 2021. Instead, macroeconomic stability has weakened amidst declining oil production, costly fuel subsidies, exchange rate distortions, and monetization of the fiscal deficit. The deteriorating economic environment is leaving millions of Nigerians in poverty. Risks are tilted to the downside given the lack of macro-fiscal reforms, the naira demonetization, and an uncertain external outlook.*

## Key conditions and challenges

Macroeconomic stability has weakened considerably due to multiple FX rates, high and increasing inflation, rising fiscal pressures, and declining forex reserves. Nigeria's fiscal position has deteriorated since 2015 due to declining oil revenues and rising expenditures, resulting in persistently high fiscal deficits. To finance the growing deficit, the government has resorted increasingly to costly financing from the central bank, which in turn has increased interest costs, crowding out private sector credit, and contributing to inflation.

Nigeria's chronically high inflation has increased since 2019, especially for food items, eroding the purchasing power of poor and vulnerable Nigerians and increasing poverty. The effectiveness of monetary policy is compromised by multiple FX windows, the central bank's provision of development finance at subsidized rates, and monetization of the fiscal deficit. Persistent structural economic issues (volatile growth, low private investment, low and inefficient public spending, due to low revenue collection, and low social development outcomes leading to low productivity) have prevented any meaningful acceleration of growth. Insecurity remains widespread, with more violent conflict events occurring across the country, adversely impacting private investment and growth.

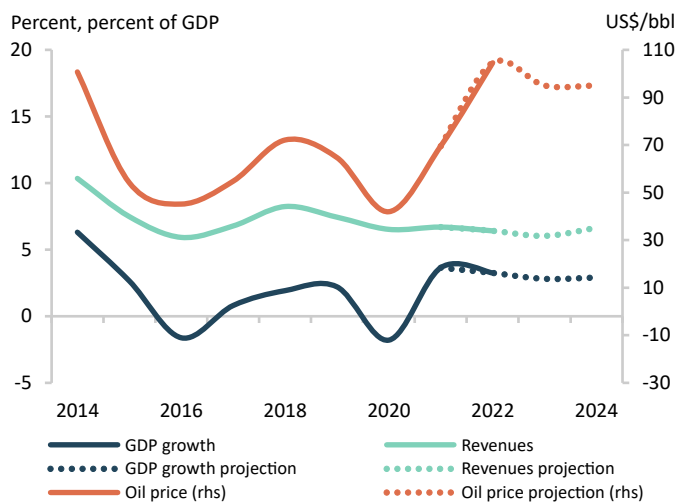
The oil sector, historically the main contributor to fiscal revenues and accounting for about 90 percent of total exports, has underperformed since 2020. Declining oil production and the mounting cost of the petrol subsidy have prevented Nigeria from reaping the benefits of higher global oil prices. The weakness in oil production stems from technical and security challenges in the oil-producing Niger Delta region, aging infrastructure and inadequate investments in the sector, and the Nigerian National Petroleum Company's (NNPC) delays in paying for the government's share of costs in joint-venture operations.

## Recent developments

In 2022, oil revenues, the fiscal deficit outturn, FX reserves, and economic growth decoupled from the cycle of higher global oil prices. GDP growth decelerated from 3.6 percent in 2021 to 3.3 percent in 2022. Growth was driven by manufacturing, construction, and most services. In contrast, the oil sector shrank by 19.2 percent. From the demand side, growth was driven by private consumption and investment.

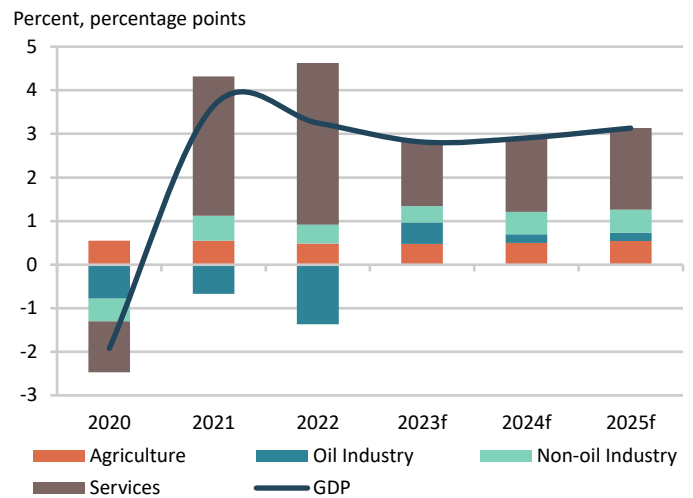
Inflation reached an annual average 18.8 percent in 2022, a 21-year high. Food inflation in 2022 is estimated to have pushed five million Nigerians into poverty. The increase in inflation resulted from higher global commodity prices, the sharp depreciation of the parallel market exchange rate, floods that impacted several states,

**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.



and the monetization of the fiscal deficit. The central bank has increased the reference rate by 600 basis points since May 2022, but inflation continued rising throughout the year. While banking sector indicators remain sound at the system level, the deteriorating fiscal and external environment could expose the financial system to shocks that it lacks adequate buffers to withstand.

The fiscal position deteriorated. In 2022, the cost of the petrol subsidy increased from 0.7 percent to 2.3 percent GDP. Low non-oil revenues and high interest payments compounded fiscal pressures. The fiscal deficit was estimated at 5.0 percent of GDP in 2022, breaching the stipulated limit for federal fiscal deficit of 3 percent. This has kept the public debt stock at over 38 percent of GDP and pushed the debt service to revenue ratio from 83.2 percent in 2021 to 96.3 percent in 2022.

The current account balance recorded a deficit of 0.3 percent of GDP in Q1-Q3 2022. The increase in crude oil exports reflecting higher oil prices was outpaced by higher imports of refined petroleum products and lower remittances and capital inflows. As of December 2022,

FX reserves were enough to cover 6.9 months of imports, compared to 7.5 months in end-2021.

## Outlook

Nigeria is in a more fragile position than before the late 2021 global oil price boom. Growth and poverty reduction have further been affected by cash scarcity in the context of the Naira redesign. The economy is projected to grow by an average of 2.9 percent per year between 2023 and 2025, only slightly above the population growth rate of 2.4 percent. Growth will be driven by services, trade, and manufacturing. Oil production is projected to remain subdued in part because of inefficiencies and insecurity.

With Nigeria's population growth continuing to outpace poverty reduction, and persistent high inflation, the number of Nigerians living below the national poverty line will rise by 13 million between 2019 and 2025 in the baseline projection.

Fiscal and external pressures are expected to persist due to rising global and domestic

interest rates and low oil revenues resulting from the moderation in oil prices and inability to significantly increase oil production. In the absence of significant FX management reforms, international reserves are projected to remain stagnant. Meanwhile, non-oil revenues will not increase as a share of GDP without significant tax revenue reforms. As a result, the fiscal deficit will remain above 5.0 percent of GDP in 2023-2025.

Downside risks to Nigeria's outlook have intensified, with most of the risks coming from domestic policies, continued low oil production, and heightened scarcity of foreign exchange and local currency. Fiscal and debt pressures will increase if the petrol subsidy is not phased out in June 2023, as envisaged in the 2023 Budget. The authorities can strengthen the economy by restoring macroeconomic stability through reforms to (i) increase oil and non-oil revenues, (ii) tighten monetary policies to reduce inflation, and (iii) unify the multiple FX windows and adopt a single, market-responsive exchange rate. Increased insecurity as well as adverse climate change effects could further dampen the economic outlook for Nigeria.

**TABLE 2 Nigeria / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-1.8	3.6	3.3	2.8	2.9	3.1
Private Consumption	-1.0	25.6	5.0	2.4	2.1	2.5
Government Consumption	61.6	-34.0	1.3	-15.7	12.1	3.5
Gross Fixed Capital Investment	-14.7	4.7	-6.8	4.4	1.8	2.6
Exports, Goods and Services	-33.4	-32.1	5.4	11.2	6.0	7.0
Imports, Goods and Services	-61.9	44.4	4.0	2.5	4.4	4.8
<b>Real GDP growth, at constant factor prices</b>	-1.9	3.4	3.1	2.9	2.9	3.1
Agriculture	2.2	2.1	1.9	1.9	2.0	2.2
Industry	-5.8	-0.5	-4.6	4.6	3.7	3.7
Services	-2.2	5.6	6.7	2.8	3.1	3.3
<b>Inflation (Consumer Price Index)</b>	13.2	17.0	18.8	16.5	13.5	11.5
<b>Current Account Balance (% of GDP)</b>	-3.7	-0.4	0.0	0.7	0.1	0.0
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-0.2	-0.3	0.1	-0.3	-0.4	-0.4
<b>Fiscal Balance (% of GDP)</b>	-5.1	-6.3	-5.0	-5.4	-5.3	-5.8
<b>Revenues (% of GDP)</b>	6.5	6.9	6.4	6.0	6.7	6.4
<b>Debt (% of GDP)</b>	36.0	38.8	38.6	39.3	40.8	42.2
<b>Primary Balance (% of GDP)</b>	-2.8	-3.6	-1.8	-1.9	-1.4	-1.6
<b>Poverty rate, national line<sup>a,b</sup></b>	42.0	41.5	41.1	40.9	40.7	40.4
<b>GHG emissions growth (mtCO2e)</b>	-0.2	4.2	4.0	2.6	3.0	3.3
<b>Energy related GHG emissions (% of total)</b>	36.3	37.3	38.0	37.9	37.9	38.0

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-LSS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2025.

b/ These calculations use the national poverty line of 137,430 naira per person per year, in 2018/19 prices. The national line is used, as it will remain the yardstick on which policymakers in Nigeria focus, even as the PPP price data and international poverty lines for cross-country comparisons are updated. For further details see <https://blogs.worldbank.org/african/what-does-moving-2017-ppps-and-new-international-poverty-lines-mean-nigeria>.



# RWANDA

**Table 1** **2022**

Population, million	13.8
GDP, current US\$ billion	12.6
GDP per capita, current US\$	914.8
International poverty rate (\$2.15) <sup>a</sup>	52.0
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	78.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	92.2
Gini index <sup>a</sup>	43.7
School enrollment, primary (% gross) <sup>b</sup>	140.7
Life expectancy at birth, years <sup>b</sup>	66.8
Total GHG emissions (mtCO2e)	7.2

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2016), 2017 PPPs.  
b/ Most recent WDI value (2020).

Rwanda's economy has shown some resilience in 2022 growing about 8 percent, mainly driven by the recovery in tourism-related sectors. However, high inflation pressures posed some risks to vulnerable households. Despite higher inflows of grants and remittances, the current account deficit remained wide, affected by global commodity market shocks. Real GDP growth is estimated at 6.2 percent in 2023 and is projected to be 7.5 percent on average in 2024–2025.

## Key conditions and challenges

Rwanda has been among the fastest growing economies in the world for almost a decade, averaging 7.2 percent over 2010–19. Capital accumulation, mostly large-scale public investment, was the main growth driver. Limitations of this development model have become clear. Labor productivity and total factor productivity are low for its income level. Public debt grew rapidly as well—more than tripling relative to GDP since 2010—raising concerns about its long-term sustainability. Since June 2020, Rwanda's external and overall public debt distress is classified as moderate. Inclusive growth also remains a main challenge to Rwanda's development ambitious targets, as the poverty reduction momentum has weakened in recent years.

High reliance on rainfed agriculture and livestock production makes Rwanda highly exposed to seasonal weather patterns. Rapid urbanization and depletion of forest and water resources in recent years led to increased vulnerability to flooding risks, land degradation, and biodiversity loss.

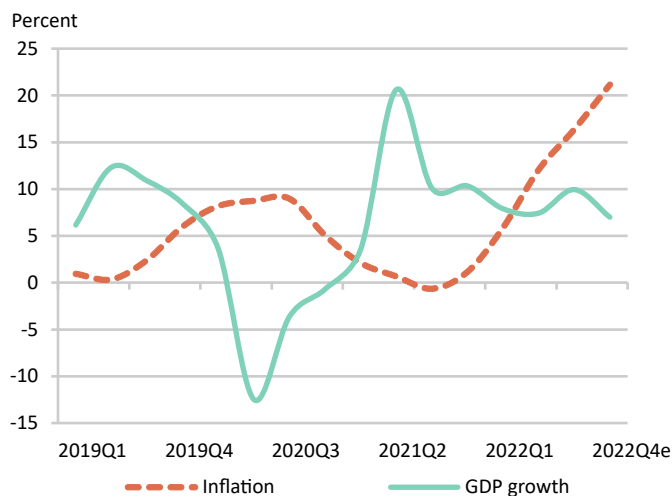
## Recent developments

After a strong recovery in 2021, Rwanda's economy encountered multi-faceted challenges. The economy experienced setbacks

stemming from the slowdown in global growth and rising global inflation. Agriculture output underperformed due to unfavorable weather coupled with lower use of fertilizers and other inputs—a consequence of higher prices linked to global supply chain disruptions. Despite these challenges, Rwanda's economy has shown some resilience, and it is estimated to have expanded by about 8 percent in 2022 (Table 2). Spurred by the revival of tourism, the services sector drove growth, while the industrial and agricultural sectors slowed down in 2022. Even though employment indicators improved in the third quarter to levels, similar to those at the beginning of the pandemic, the unemployment rate of 24.3 percent in November 2022 was 8.9 percentage points higher than in November 2019, resulting in an increase of 85 percent in the number of unemployed. Employment outcomes for women and youth were more affected by the pandemic.

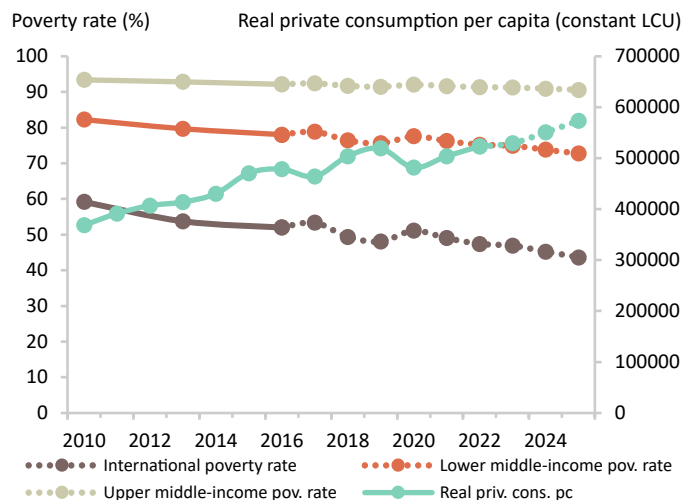
Inflation reached its highest level in over thirteen years—21.7 percent in the year to November 2022—owing to rising global commodity prices and the poor agricultural harvest. Food prices were the most affected inflation categories. Rising food prices particularly burdened poor households and those in rural areas, who devote more than 70 percent of their budgets to food purchases. As inflationary pressures started mounting, the National Bank of Rwanda (NBR) quickly tightened its monetary policy. The NBR raised policy rate by a cumulative 250 basis points between February 2022 and February 2023 to 7 percent (a level not seen since

**FIGURE 1 Rwanda / Quarterly inflation and real GDP growth**



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.

June 2014). This led to increases in short-term money market rates. The NBR took additional measures to curb inflation pressures, such as the resumption of mop-up operations since June 2022 and the re-establishment of the reserve requirement ratio to the pre-COVID level of 5 percent in January 2023.

The current account deficit is estimated to have declined from 10.9 percent of GDP in 2021 to 10.6 percent in 2022, supported by the recovery in tourism and strong re-exports. Exports increased by 37.9 percent, driven by higher commodity prices and re-exports to the DRC as pandemic restrictions were lifted. Increases in global prices for oil and other commodities expanded import payments by 25.1 percent in 2022. Foreign direct investment and government borrowing partially financed the current account deficit, leading to a drawdown on foreign reserves.

The government has begun consolidation efforts to preserve fiscal space for development priorities. The overall deficit is estimated at 6.1 percent of GDI in 2022, one percent lower than in 2022. Capital expenditure was lower by 0.6 percent of GDP,

while current expenses were consistent with the recent trends. Reduction in fiscal deficit has brought down the public debt to 71.3 percent in 2022 from 73.3 percent in 2021. Bonds and other commercial loans account for 11.5 percent of the total public debt.

## Outlook

GDP growth is expected to moderate to 6.2 percent in 2023 due to sluggishness of the global economy and external demand as well as to elevated inflation but regain momentum in 2024. GDP growth is projected to accelerate to 7.5 percent on average in 2024–2025 driven by the pickup in construction of the new airport and the subsequent boost to the services sector in line with global growth outlook and the expected decline in inflation.

Inflationary pressures are expected to remain high in the first half of 2023 before the inflation rate converges toward the target band toward the end of the year, reflecting the monetary policy measures

undertaken. Persistently high food price inflation could delay or even revert the expected small poverty gains in the next few years behind tapering growth in private consumption. Projected poverty reductions of 2 percentage points between 2022 and 2024 (from 47.4 to 45.3 percent) will only be enough to keep the number of poor constant given population growth.

The government plans to rationalize both recurrent non-wage spending and capital budgets to stabilize debt levels while safeguarding fiscal space for social and human capital spending. It is phasing out the spending measures introduced during the pandemic or that were financed by the 2021 SDR increase, as well as tightly controlling recurrent spending, dropping underperforming public investment, introducing efficiencies, and strengthening the oversight of state-owned enterprises. The implementation of the Medium-Term Revenue Strategy through tax policy reforms is also a major part of the fiscal consolidation plan. Debt levels are expected to rise in the medium term as Rwanda continues to rely on credit option, tough on concessional terms.

**TABLE 2 Rwanda / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-3.4	10.9	8.1	6.2	7.5	7.5
Private Consumption	-5.0	7.2	6.2	3.5	6.4	6.4
Government Consumption	-1.9	4.3	6.6	-1.3	3.8	2.9
Gross Fixed Capital Investment	-2.3	21.1	13.9	14.2	5.9	6.3
Exports, Goods and Services	-9.2	2.8	31.5	20.1	13.2	11.2
Imports, Goods and Services	-3.4	3.6	22.8	13.9	7.0	5.9
<b>Real GDP growth, at constant factor prices</b>	-3.5	10.9	8.1	6.2	7.5	7.5
Agriculture	0.9	5.8	1.6	5.5	5.0	5.0
Industry	-4.2	14.7	5.5	9.2	8.5	8.5
Services	-5.5	12.2	12.5	5.5	8.3	8.3
<b>Inflation (Consumer Price Index)</b>	7.7	0.8	13.9	7.9	5.0	5.0
<b>Current Account Balance (% of GDP)</b>	-12.2	-10.9	-10.6	-12.4	-11.6	-10.7
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.0	1.9	2.9	3.1	3.3	3.6
<b>Fiscal Balance (% of GDP)</b>	-10.4	-7.1	-6.1	-6.9	-6.0	-5.5
<b>Revenues (% of GDP)</b>	23.9	24.6	25.2	23.3	23.8	23.8
<b>Debt (% of GDP)</b>	72.4	73.3	71.0	76.2	79.3	79.7
<b>Primary Balance (% of GDP)</b>	-8.8	-5.2	-3.9	-5.0	-4.3	-3.9
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	51.1	49.0	47.4	46.9	45.3	43.6
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	77.6	76.3	75.3	74.9	73.8	72.8
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	92.1	91.7	91.4	91.3	90.9	90.6
<b>GHG emissions growth (mtCO2e)</b>	-0.7	1.8	2.1	2.4	2.8	2.9
<b>Energy related GHG emissions (% of total)</b>	15.4	14.3	13.1	12.0	11.0	10.0

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 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

São Tomé and Príncipe (STP) is a small island lower-middle income country (LMIC) constrained by remoteness, a small private sector, fragile institutions, and low human capital. Growth has been driven by externally financed public spending, but a declining trend in external financing and low domestic revenue mobilization have exposed the limitations of the Government-expenditure-led growth model. Underdeveloped infrastructures, especially unreliable electricity supply and low road density, constrain growth. Energy reforms are paramount to fiscal sustainability, to achieve transition to a cleaner and cheaper energy matrix and to enable private sector growth.

Economic growth in recent years has been hampered by persistent energy shortages, the COVID-19 pandemic, climate shocks, and high commodities prices triggered by the war in Ukraine. Moreover, the political uncertainty caused by the legislative elections in 2022 resulted in lower external financing disbursements. The new government adopted measures to restore macroeconomic stability by ending monetary financing of the budget and adjusting fuel prices in early February. A new IMF program requested by the government is expected to support a fiscal adjustment program, including expenditure control and the introduction of value-added tax (VAT) in June 2023, and a tighter monetary

stance to curb inflation and support the peg to the Euro.

STP's young and fast-growing population lacks employment opportunities, heavily relying on informal and subsistence activities. Low access to finance further limits income-generating opportunities. Extreme poverty remains high for STP's income levels, with about 15.4 percent of the population living on less than US\$2.15 per day (in 2017 PPP terms), 44.6 percent on less than US\$3.65 per day (the poverty line for LMIC), and almost 20.6 percent facing food insecurity.

**Table 1** 2022

Population, million	0.2
GDP, current US\$ billion	0.5
GDP per capita, current US\$	2401.3
International poverty rate (\$2.15) <sup>a</sup>	15.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	44.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	79.7
Gini index <sup>a</sup>	40.7
School enrollment, primary (% gross) <sup>b</sup>	106.8
Life expectancy at birth, years <sup>b</sup>	67.8
Total GHG emissions (mtCO2e)	0.4

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

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

b/ Most recent WDI value (2020).

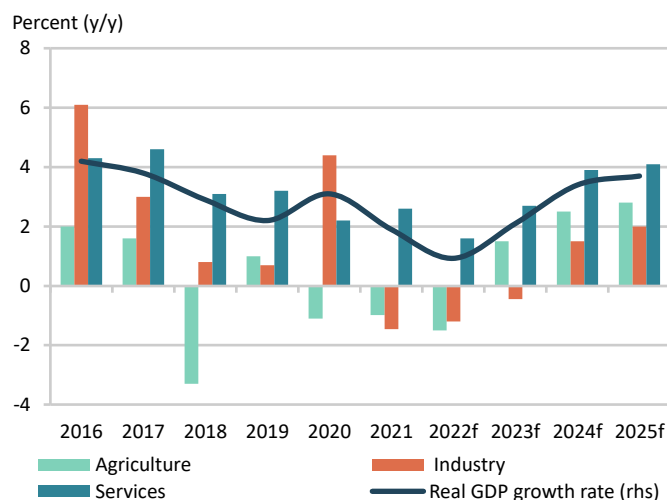
*STP has faced severe macroeconomic imbalances. Growth stagnated amid successive shocks, most recently the impact of Russia's invasion of Ukraine, and recurrent energy crisis. Inflation spiked to 25 percent as a monetary-financed fiscal deficit depleted foreign reserves. Measures to restore macroeconomic stability included ceasing monetary financing and adjusting fuel prices. Delayed implementation of structural reforms and an uncertain global environment poses risks to outlook.*

## Recent developments

Amid renewed shocks, growth declined from 1.9 percent in 2021 to 0.9 percent in 2022, reflecting persistent energy shortages and the burden of higher food and fuel prices driven by the war in Ukraine. Due to high population growth, GDP per capita declined. The high cost of imported inputs such as seeds and fertilizers reduced agricultural production, as did repeated flooding caused by heavy rains. Industrial production suffered from delays in the execution of externally financed infrastructure projects, the high cost of fuel, and persistent blackouts. Growth in 2022 was sustained mostly by rebounding tourism, although activity remains below pre-pandemic levels.

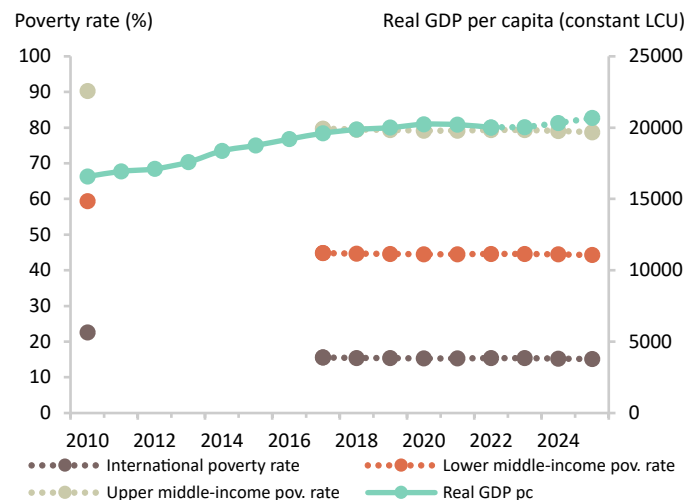
The current account deficit, excluding grants, is estimated to have widened to 22 percent of GDP due to higher costs of imports, in particular food, fuel, and

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



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

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



Source: World Bank. Notes: see Table 2.

fertilizer, which was only partially offset by services exports from the rebounding tourism sector. Net international reserves plummeted to a negative level in November 2022, threatening the currency peg to the Euro before reserves were shored up by an emergency loan in December. The authorities are negotiating with Portugal an additional disbursement of €40 million under a credit facility backing the exchange rate peg.

Fiscal expansion undermined macroeconomic stability. Domestic revenue collections suffered from the delayed implementation of revenue mobilization measures and persistent energy shortages. Public expenditures increased, in part driven by the need to respond to climate-related emergencies, but also by the public sector wage bill, which increased by 22.9 percent. Consequently, the domestic primary deficit (excluding oil) is estimated to have increased from 3.1 percent in 2021 to 5.6 percent of GDP in 2022. Public debt is estimated at 92.3 percent of GDP.

By December 2022, inflation reached a historic high of 25.2 percent, largely driven by pressures on prices of imported goods (such as food and fuel), fuel prices adjustments, and the monetary financing of the

fiscal deficit. Food inflation reached 29 percent, disproportionately affecting the poorest. The high inflation differential with the euro area appreciated the real exchange rate. The central bank tightened monetary policy by increasing the reference rate from 9 to 10 percent in June 2022 and raising mandatory reserves requirements.

## Outlook

Real GDP growth is projected to rebound to 2.1 percent in 2023, sustained by a continued recovery in tourism, along with higher disbursements of external financing from multilateral development partners. The recession in the industry sector is expected to slow due to the resumption of externally financed infrastructure projects and improved energy supply. Despite growing tourism and improved terms of trade, the current account deficit is expected to widen to 25 percent of GDP due to the recovery of investment-related imports.

The fiscal position is projected to improve with the planned freeze in the wage bill, cuts in domestically-financed

public investment, and improvement in domestic revenue mobilization including the introduction of VAT. Therefore, the domestic primary deficit is expected to narrow to 2 percent of GDP in 2023. Inflation is projected to decline to 10.7 percent, supported by a more conservative fiscal policy and the central bank's policies to drain excessive liquidity by issuing certificates of deposit.

Poverty reduction is likely to stagnate in the short term. The share of people living on less than US\$2.15 a day (in 2017 PPP terms) is expected to remain broadly the same in 2023. The growth rebound remains modest and households are likely to face price increases with the introduction of the VAT.

The outlook is subject to significant uncertainty and downside risks. Delays in the implementation of reforms and fuel price adjustments could once again pressure on the government's fiscal position and foreign exchange reserves. Furthermore, continued disruption in global supply chains, lower availability of external financing and new exogenous shocks to food and fuel prices, including from climate events, could undermine STP's growth prospects and further deteriorate households' purchasing power.

**TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	3.1	1.9	0.9	2.1	3.4	3.7
<b>Real GDP growth, at constant factor prices</b>	2.3	1.6	0.9	2.1	3.4	3.7
Agriculture	-1.1	-1.0	-1.5	1.5	2.5	2.8
Industry	4.4	-1.5	-1.2	-0.5	1.5	2.0
Services	2.2	2.6	1.6	2.7	3.9	4.1
<b>Inflation (Consumer Price Index)</b>	9.4	9.5	25.2	10.7	8.7	6.2
<b>Current Account Balance (% of GDP)</b>	-11.4	-17.1	-20.6	-18.9	-18.1	-17.1
<b>Fiscal Balance (% of GDP)</b>	-4.9	-5.9	-5.7	-4.9	-2.8	-1.0
<b>Revenues (% of GDP)</b>	26.0	19.7	18.6	19.1	20.4	20.7
<b>Debt (% of GDP)</b>	87.6	91.6	92.3	85.0	84.3	81.5
<b>Primary Balance (% of GDP)</b>	-4.6	-5.7	-5.3	-4.5	-2.4	-0.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	15.3	15.3	15.4	15.4	15.3	15.1
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	44.5	44.5	44.6	44.6	44.5	44.3
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	79.1	79.2	79.3	79.3	79.1	78.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.2	0.9	0.6	1.0	1.2	1.3
<b>Energy related GHG emissions (% of total)</b>	37.0	37.1	37.2	37.4	37.8	38.2

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

Notes: e = estimate, f = forecast.

a/ 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

## Key conditions and challenges

Table 1	2022
Population, million	17.3
GDP, current US\$ billion	31.1
GDP per capita, current US\$	1798.3
International poverty rate (\$2.15) <sup>a</sup>	9.3
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	37.4
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	74.4
Gini index <sup>a</sup>	38.1
School enrollment, primary (% gross) <sup>b</sup>	81.2
Life expectancy at birth, years <sup>b</sup>	68.0
Total GHG emissions (mtCO2e)	35.7

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

Growth slowed to 4.2 percent in 2022, from 6.5 percent in 2021, alongside soaring food and energy prices stemming from Russia's invasion of Ukraine. The fiscal deficit and debt levels remained elevated, mainly due to the sharp rise in energy subsidies. Growth is expected to accelerate in 2024 driven by hydrocarbon production. Risks, tilted to the downside, include delays to hydrocarbon production, election costs, and failure to eliminate energy subsidies.

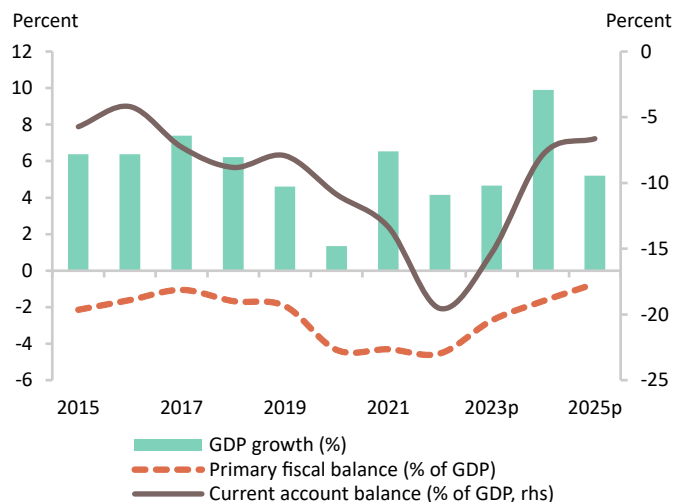
Low productivity and informality continue to hamper the structural transformation of the economy. The use of traditional production techniques, uncertainty over land tenure, limited access to credit, climate unpredictability, and supply bottlenecks impede agricultural sector productivity growth. This poses serious challenges in terms of poverty reduction as three quarters of the poor in Senegal live in rural areas and rely on agricultural activities and small non-farm enterprises. Most low-skilled labor force that was shed by the agricultural sector is engaged in informal trade, rather than in high value-added services or technology-based industries. The manufacturing sector is constrained due to the lack of skilled human capital. The private sector is hampered by restrictive business regulations. The Human Development Report 2021-2022 ranked Senegal 170th out of 191 countries, below the average for sub-Saharan Africa. Strengthening macroeconomic management would support Senegal's structural transformation. Fiscal and current account deficits (at 6.7 and 19.5 percent of GDP respectively) and debt levels (75 percent of GDP) remain elevated in 2022. Fiscal costs related to electricity sector subsidies are significant, but the government's decision to progressively phase out generalized energy subsidies, combined with expanding targeted social protection measures, signals

commitment to implement a medium-term fiscal consolidation that protects the poorest and creates space for public investment.

## Recent developments

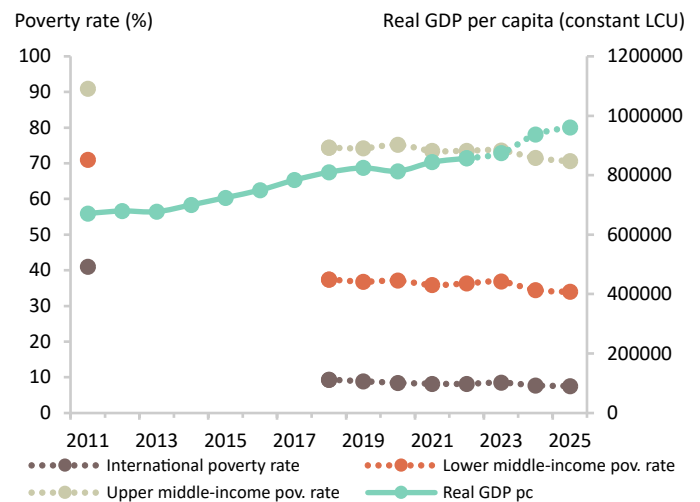
GDP growth decelerated from 6.5 percent in 2021 to 4.2 percent in 2022 following a decline in exports, agriculture, and mining. Real export growth declined from 22.6 percent in 2021 to 8.1 percent in 2022 due to lower external demand and the closure of the borders with Mali in the first half of 2022. Agriculture sector growth decelerated from 0.6 percent in 2021 to 0.3 percent in 2022, reflecting higher input costs and poor performance in peanuts production (affected by heavy rains) and cotton production (affected by parasite infestations). Tightening supply chains and soaring commodity prices affected growth in the industry sector which declined from 7.8 in 2021 to 1.1 percent in 2022. Inflation reached 9.6 percent in 2022. The poverty rate (using the lower middle-income poverty line of \$3.65 a day) is expected to slightly increase to 36.3 percent in 2022 compared to 35.9 percent in 2021, given the high level of inflation, particularly on food, which reached 15 percent. The current account position deteriorated from 13.3 percent of GDP in 2021 to 19.5 percent of GDP in 2022, following higher food and oil import prices and higher services imports associated with the FDI-financed hydrocarbon projects. The current account deficit will be financed mostly by FDI and donor financing.

**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.



To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely need to continue tightening in 2023 in line with other major central banks, and as foreign exchange reserves have declined, and inflation remains well above the target range of 1-3 percent. Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks, while increasing regional financing needs, reducing FX reserve buffers, and elevating inflationary risks.

The overall fiscal balance increased slightly from 6.3 percent of GDP in 2021 to 6.7 percent of GDP in 2022. Total revenues increased to 20.4 percent of GDP in 2022, driven by tax revenues (18.1 percent against 17 percent in 2021). The increase in total revenue was offset by an increase in spending (27.1 percent in 2022), as the government

turned to social transfers and tax exemptions to mitigate the contraction in household incomes. To help rebuild fiscal space, the government adopted in January 2023 a roadmap to phase out energy subsidies by 2025, to move towards the domestic regional market financing, and to shift away from non-concessional financing.

## Outlook

The economic outlook hangs on hydrocarbon prospects. Under the assumption of hydrocarbon production starting in 2024, overall GDP growth is forecast to reach 4.7 percent in 2023, before accelerating to 9.9 percent in 2024. Hydrocarbon production should drive an increase in exports of 22.9 percent in 2024 and boost industry growth to 17.7 percent in 2024. Service sector growth is projected to average 6.3 percent in 2024-2025, mainly supported by the dynamism of

the transport sector with the Regional Train Express and the Bus Rapid Transit. Financial services and insurance sectors should also grow strongly thanks to the spillovers from hydrocarbon production. Inflation is expected to decelerate to 2 percent by 2025. The current account deficit is projected to narrow to 15.3 percent of GDP in 2023 and further to 7.8 percent in 2024 thanks to hydrocarbon exports. The fiscal deficit is expected to decrease to 3 percent in 2025, with the elimination of energy subsidies and increase in tax revenues. Furthermore, the implementation of fiscal consolidation measures should create fiscal space for social spending. The poverty rate (\$3.65 in 2017 PPP) is expected to slightly increase in 2023, before declining in 2024 and 2025, in line with moderate growth and lower inflation. The rate at which poverty declines will partly depend on social assistance payments, which are expected to increase in generosity and coverage, partly due to savings from the elimination of energy subsidies.

**TABLE 2 Senegal / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.3	6.5	4.2	4.7	9.9	5.2
Private Consumption	2.3	3.1	4.8	4.6	4.8	5.0
Government Consumption	0.8	13.3	6.4	5.4	5.4	4.0
Gross Fixed Capital Investment	7.2	16.5	4.4	6.8	9.3	5.1
Exports, Goods and Services	-13.2	22.6	8.1	10.0	22.9	10.3
Imports, Goods and Services	7.0	15.5	29.1	8.3	8.4	7.1
<b>Real GDP growth, at constant factor prices</b>	1.9	6.3	3.9	4.7	9.9	5.2
Agriculture	12.2	0.6	0.3	0.7	1.4	1.5
Industry	-1.5	7.8	1.1	5.4	17.7	10.1
Services	0.6	7.5	6.2	5.5	8.8	3.9
<b>Inflation (Consumer Price Index)</b>	2.5	2.2	9.6	5.0	3.0	2.0
<b>Current Account Balance (% of GDP)</b>	-10.9	-13.3	-19.5	-15.3	-7.8	-6.6
<b>Fiscal Balance (% of GDP)</b>	-6.4	-6.3	-6.7	-4.9	-3.9	-3.0
<b>Revenues (% of GDP)</b>	20.1	19.5	20.4	20.8	22.0	22.6
<b>Debt (% of GDP)</b>	69.1	73.3	75.0	73.7	68.9	67.3
<b>Primary Balance (% of GDP)</b>	-4.3	-4.3	-4.5	-2.7	-1.7	-0.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	8.4	8.2	8.1	8.5	7.7	7.5
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	37.1	35.9	36.3	36.8	34.5	34.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	75.2	73.5	73.5	73.6	71.5	70.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.5	4.0	1.8	2.8	5.1	4.1
<b>Energy related GHG emissions (% of total)</b>	25.1	25.4	25.9	26.6	27.8	28.0

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 based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# SEYCHELLES

**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) <sup>a</sup>	0.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	1.2
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	6.7
Gini index <sup>a</sup>	32.1
School enrollment, primary (% gross) <sup>b</sup>	99.3
Life expectancy at birth, years <sup>b</sup>	77.2
Total GHG emissions (mtCO2e)	0.7

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

A rebased GDP and the methodological changes to tourism’s contribution, indicated growth was 8.8 percent in 2022, and will moderate to 3.8 percent in 2023, driven by tourism and fisheries, household consumption, and investment. The fiscal balance improved and is expected to return to a stronger and more sustainable path, assuming the exchange rate appreciates as the economy recovers. Strong growth and a healthy job market has reduced poverty by 0.6 percentage point to 6.2 percent of the population.

## Key conditions and challenges

The Seychelles’ economic growth has been volatile and vulnerable to external shocks, averaging 3 percent over the past two decades. Growth has been driven largely by capital accumulation, with moderate increases in productivity. Investment declined from 33.7 percent of GDP in 2015 to 25.6 percent of GDP in 2021, with a negative effect on growth. Total factor productivity growth has stagnated since 2017, reflecting, in part, the challenges of diversification in a relatively isolated, small-island economy. Skills gaps and a high incidence of non-communicable diseases have hampered productivity growth. Promoting labor participation in anticipation of an increasingly skills- and knowledge-intensive economy remains a key challenge. Labor market policies still offer limited opportunities for low-skilled youth and middle-aged workers in the job market. Nevertheless, employment has increased with the recent economic recovery, while poverty declined in 2022.

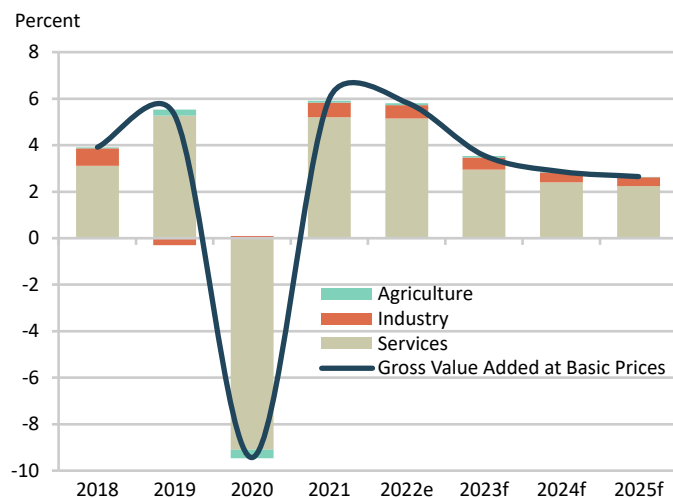
As a small island state, the Seychelles is highly vulnerable to climate, health, and other external shocks, such as the war in Ukraine. The COVID-19 pandemic hit the economy hard, creating macroeconomic imbalances and increasing poverty. To bridge its financing gap and lay the foundation for an inclusive and sustained recovery, the government received in 2020 and 2021 financial support estimated at

US\$76 million from the International Monetary Fund (IMF), the World Bank, and the African Development Bank (AfDB). World Bank technical support helped the government channel relief to affected households and firms, advance reforms to improve the transparency and accountability of the financial system and implement policies to increase resilience to climate change. Enhanced economic governance has become even more critical given rising climate and economic risks. In addition, the Seychelles could capitalize on its “blue economy” assets, which already provide global public goods in the form of carbon sequestration.

## Recent developments

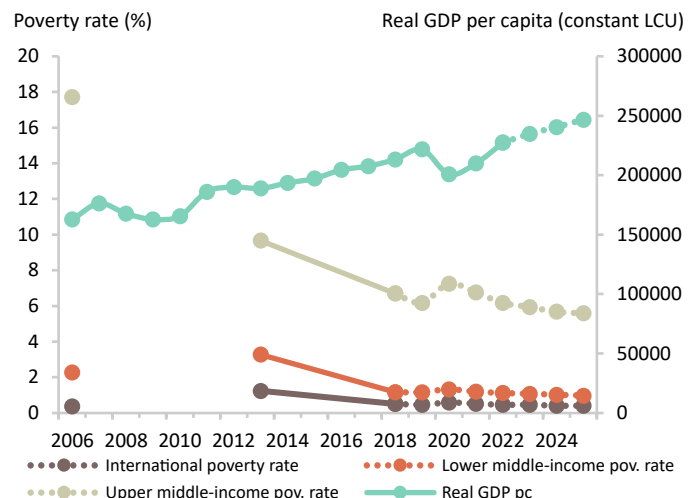
GDP was rebased (from 2006 to 2014) and methodological changes to the contribution of tourism to GDP were introduced in line with international practices (changes to the survey sample and estimation of the sector’s value added based on occupancy rates rather than arrivals). Based on provisional GDP figures, growth reached 5.4 percent in 2021 and 8.8 percent in 2022, driven by tourism, fisheries, household consumption, and investment. Western European tourist arrivals offset lost arrivals from Ukraine and Russia, due to the war. Unlike many countries, inflation in the Seychelles was relatively low in 2022, reflecting base effects and the large exchange-rate appreciation (due to increased tourist arrivals) in 2021 and 2022 that mitigated part of the imported inflationary

**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.

pressures. Average annual inflation declined to 2.6 percent in 2022.

The current account deficit narrowed by 12.4 percentage points to 10.8 percent of GDP in 2022, reflecting much higher tourism receipts. However, reserves declined to US\$639 million (3.2 months of imports) as of end-December 2022, due to higher foreign exchange demand for goods and services imports. Fiscal consolidation continued, causing the deficit to decline to 2.2 percent of GDP in 2022. Revenues collection performed broadly in line with projections while expenditure was less than projected, driven by measures implemented by the government to reduce the wage bill and social programs. This reduced the debt-to-GDP ratio by 8.3 percentage points from 2021 to 67.9 percent in 2022, helped by strong implementation of the IMF, World Bank, and AfDB programs, and a stiff fiscal adjustment as most of the COVID-19 response measures were unwound.

The rapid GDP growth has also been accompanied by a strong labor market. In the third quarter of 2022, total employment

increased by 11.4 percent while average earnings increased by 0.3 percent, relative to the same period in 2021. Consequently, the poverty rate declined from 6.8 percent in 2021 to 6.2 percent in 2022.

## Outlook

Real GDP growth is projected at 3.8 percent in 2023, driven by robust tourism, before moderating to an average of 2.8 percent over the medium term. Medium-term growth will be supported by continued recovery in tourism, global economic growth, private consumption, and trade. Stronger economic activity is expected to further improve employment in 2023. Average inflation is projected to average 3.8 percent in the medium term, reflecting a moderation in global energy and food prices. The current account deficit is expected to narrow further to 9.5 percent of GDP in 2023 and continue its downward trend, buoyed by robust tourism growth and foreign direct investment inflows. This

is expected to help raise reserves to US\$708 million (3.4 months of imports) in 2023. Improved revenue collection and continued fiscal consolidation are projected to narrow the deficit to 1.3 percent of GDP in 2023. In 2023 and over the medium term, the primary balance will shift to a surplus, as revenue measures will more than compensate for the planned increase in capital expenditure on climate change mitigation and adaptation.

The government has scaled back COVID-19-related programs and focused on a targeted program of social support and temporary cash transfers to protect the most vulnerable and empower Seychellois to get well-paying jobs. Reforms to the social protection system are ongoing to ensure its sustainability and promote increased labor force participation of working-age beneficiaries. This would contribute to reducing poverty. A planned increase in the wage bill of 0.6 percent of GDP would be partially financed by cuts in allowances. The Seychelles' public debt is expected to continue to decrease, given proactive debt management and fiscal consolidation.

**TABLE 2** Seychelles / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-8.6	5.4	8.8	3.8	3.0	3.1
Private Consumption	-5.1	4.0	6.8	4.7	3.5	2.0
Government Consumption	17.0	7.3	2.0	1.4	1.2	1.3
Gross Fixed Capital Investment	-12.7	1.8	2.7	1.9	1.7	1.7
Exports, Goods and Services	-25.7	9.9	9.1	2.7	2.5	3.0
Imports, Goods and Services	-15.5	7.7	3.1	1.8	1.6	1.2
<b>Real GDP growth, at constant factor prices</b>	-9.4	5.4	8.8	3.8	3.0	3.1
Agriculture	-13.5	3.1	3.8	2.9	2.1	2.0
Industry	0.5	2.9	3.5	3.0	2.3	2.5
Services	-11.3	6.1	10.2	4.0	3.2	3.3
<b>Inflation (Consumer Price Index)</b>	1.2	9.8	2.6	4.2	3.8	3.5
<b>Current Account Balance (% of GDP)</b>	-29.3	-23.2	-10.8	-9.5	-8.7	-7.1
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	10.0	13.3	15.1	13.2	15.2	14.7
<b>Fiscal Balance (% of GDP)</b>	-18.6	-6.8	-2.2	-1.3	1.0	1.7
<b>Revenues (% of GDP)</b>	35.0	38.4	40.0	42.2	44.4	45.9
<b>Debt (% of GDP)</b>	88.7	76.2	67.9	64.6	60.3	55.3
<b>Primary Balance (% of GDP)</b>	-15.5	-3.4	0.7	0.9	2.1	3.0
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	0.6	0.5	0.5	0.5	0.4	0.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	1.3	1.2	1.1	1.1	1.0	1.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	7.2	6.8	6.2	5.9	5.7	5.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-7.1	-15.6	15.2	16.6	5.0	4.8
<b>Energy related GHG emissions (% of total)</b>	78.6	74.1	77.0	79.8	80.4	80.9

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

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2022. 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.

# SIERRA LEONE

## Key conditions and challenges

Table 1	2022
Population, million	8.6
GDP, current US\$ billion	3.4
GDP per capita, current US\$	392.9
International poverty rate (\$2.15) <sup>a</sup>	26.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	64.3
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	89.9
Gini index <sup>a</sup>	35.7
School enrollment, primary (% gross) <sup>b</sup>	156.4
Life expectancy at birth, years <sup>b</sup>	59.8
Total GHG emissions (mtCO2e)	9.7

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

Sierra Leone's post-pandemic recovery was disrupted by concurrent domestic and external shocks, as global spillovers from Russia's invasion of Ukraine exacerbated existing macro-fiscal vulnerabilities. Inflation and exchange rate depreciation reached record levels, depressing economic activity, and triggering a severe cost-of-living crisis. Fiscal accounts have deteriorated on account of macroeconomic headwinds and policy slippages, and risks to debt sustainability have intensified.

Sierra Leone's economic development has been constrained by concurrent global and domestic shocks. Growth has been especially volatile over the past decade, reflecting underlying issues with the growth model combined with persistent macroeconomic and institutional vulnerabilities. Exports are overwhelmingly concentrated in natural resources, and low value-added agriculture, mining, and wholesale trade account for the bulk of employment but just over half of economic output.

Between 2012 and 2022, economic growth averaged 4 percent (half the rate of the previous decade), with significant variation across years (from 21 percent during the mining boom in 2013, to a 20 percent contraction in 2015 in the wake of the Ebola outbreak and global commodity price collapse). The COVID-19 pandemic and war in Ukraine have perpetuated this cycle, with economic growth slowing between 2020 and 2022 to less than a third of the pre-pandemic (2017-2019) average.

Macroeconomic management remains weak. Fiscal pressures have progressively intensified, the debt burden has worsened, and inflation has soared, driven - in addition to internal imbalances - by global supply shocks, exchange rate depreciation and a deterioration in the terms of trade.

The rise in the cost of living combined with weak growth and a decline in

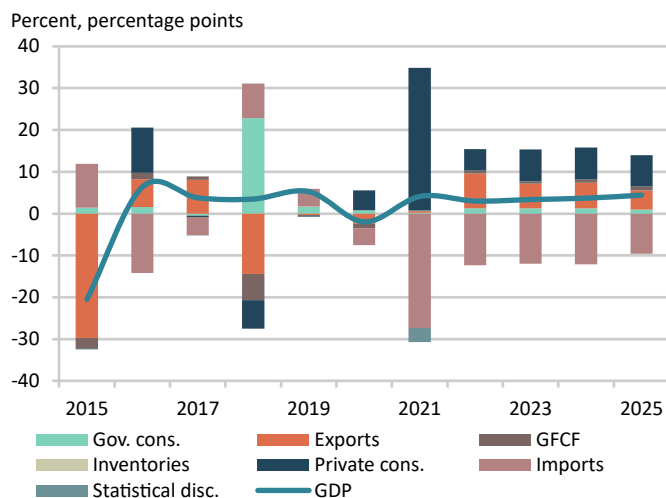
macroeconomic fundamentals threatens to increase the level of poverty within a context of inadequate social safety nets.

## Recent developments

Estimated GDP growth for 2022 has been revised downwards from 3.8 percent to 3.0 percent. This marks a reversal of the encouraging rebound observed in 2021 when GDP grew by 4.1 percent following a 2 percent contraction in 2020. Economic activity has been depressed by a net negative terms-of-trade shock, stemming from the spillovers of war in Ukraine and the increase in global food and fuel prices.

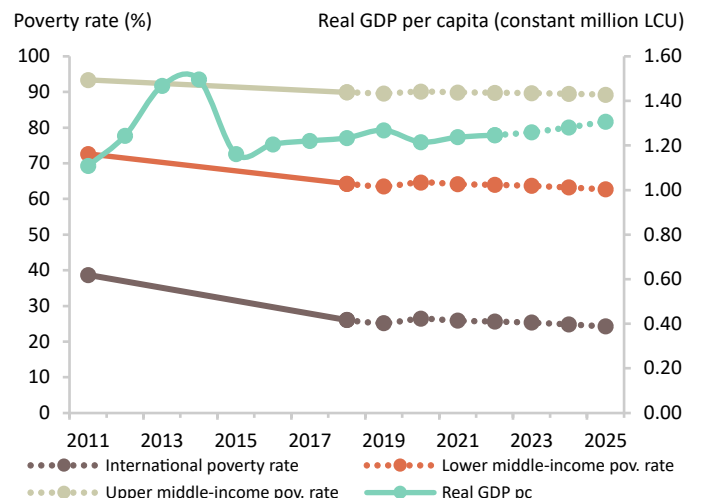
Inflationary pressures have complicated macroeconomic management and constrained private consumption and investment. Headline inflation averaged 27 percent in 2022 compared to 12 percent the previous year. Initially, inflation was driven by supply-side factors such as global supply chain disruptions and rising commodity prices. However, later in the year, despite a decrease in global food and fuel prices, inflation worsened due to the Leone's depreciation (60 percent during 2022) and the monetization of the fiscal deficit. Over the year, the Bank of Sierra Leone tightened its monetary policy stance and cumulatively revised the benchmark interest rate by over 300 basis points. However, monetary policy effectiveness was limited by underdeveloped financial markets and fiscal dominance, and further complicated by the redenomination of the Leone.

**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.



Fiscal weaknesses and risks to debt sustainability have intensified. The fiscal deficit for 2022 is estimated to have risen to 9.7 percent of GDP – 2.3 pp higher than in 2021, and 4.9 pp higher than the revised budget targets presented in November 2022. The increase was due mostly to unplanned capital expenditures and emergency domestic security costs (following protests against the worsening cost-of-living-crisis). Meanwhile, domestic revenues declined from 15.6 percent to 13.2 percent of GDP. As a result of fiscal weaknesses and exchange rate dynamics, the debt-to-GDP ratio is estimated to have risen to nearly 100 percent; two-thirds is owed to multilateral organizations, and the remaining is high-interest and short-term domestic debt. External accounts also deteriorated. The current account deficit is estimated to have increased by 1.4 pp to 15 percent of GDP in 2022, driven by lower merchandise export receipts for major export goods (timber and diamonds) and higher import values reflecting energy and food price. As a result of lower-than-expected FDI inflows, but also reflecting central bank interventions in the forex market, reserves fell to around 3 months of imports by end-2022 (from close to 4 months in Q3).

Simulations suggest that the pandemic-induced economic downturn increased poverty by 2 pp since 2018 to 58.9 percent in 2020. Urban poverty almost doubled compared to rural areas. Global spillovers from the war in Ukraine, particularly energy price hikes, have further adversely affected welfare. The 2022 global hunger index ranks Sierra Leone at 112 out of 121 countries classifying the hunger level as serious.

## Outlook

The economy is projected to grow at 3.8 percent on average during 2023–25, below its long-term average. In 2023, a modest recovery is expected to be supported by (i) the government's efforts to restore macro stability through fiscal discipline and prudent monetary policy; (ii) continued expansion of iron-ore mining operations; and (iii) some modest easing of inflationary pressures. Headline inflation will continue to be influenced by trends in global commodity prices and is expected to moderate only to 14.3 percent in the medium term by 2025.

Fiscal discipline will be crucial to restoring macroeconomic stability. Lowering the deficit will require strong and difficult measures on increasing tax rates and expenditure cuts. The fiscal deficit is projected to decline below 3 percent of GDP by 2025. However, this is vulnerable to several downside risks especially given recent fiscal slippages and expenditure overruns, which have raised concerns about the credibility of the budget process. Risks to debt sustainability will remain elevated until fiscal balances improve further, and the reliance on expensive and short-term domestic borrowings can be addressed through the lengthening of maturities and greater access to concessional borrowings.

The international poverty rate (US\$2.15 per person/day at 2017 PPP) is projected to decline slowly, from 26.1 percent in 2018 to 24.6 by 2025. Economic growth is strongly tied to exports, which are dominated by minerals. However, the mining sector has limited spillover effects on households and constrains the growth of other sectors of the economy by undermining the competitiveness of those sectors. Poverty reduction requires increased agricultural productivity and the creation of good jobs outside agriculture for the low-skilled labor force.

**TABLE 2 Sierra Leone / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-2.0	4.1	3.0	3.4	3.7	4.4
Private Consumption	5.4	36.7	4.2	6.2	6.0	5.8
Government Consumption	2.7	0.6	4.0	3.9	4.0	2.9
Gross Fixed Capital Investment	-9.6	0.1	7.2	5.4	6.7	7.7
Exports, Goods and Services	-9.8	1.9	38.0	20.0	18.0	12.0
Imports, Goods and Services	7.5	46.6	15.0	13.0	12.0	8.8
<b>Real GDP growth, at constant factor prices</b>	-2.0	4.0	3.1	3.3	3.7	4.4
Agriculture	1.6	2.5	3.0	3.3	3.6	3.6
Industry	-7.1	17.4	6.7	5.2	6.2	8.0
Services	-5.8	2.8	2.1	2.6	3.2	4.6
<b>Inflation (Consumer Price Index)</b>	13.5	11.9	22.0	20.0	17.8	14.3
<b>Current Account Balance (% of GDP)</b>	-6.8	-13.6	-15.0	-12.8	-10.2	-12.2
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	3.3	8.2	9.9	7.1	5.6	4.5
<b>Fiscal Balance (% of GDP)</b>	-6.7	-7.4	-10.6	-5.7	-3.8	-3.1
<b>Revenues (% of GDP)</b>	19.0	20.4	20.2	20.8	21.1	21.4
<b>Debt (% of GDP)</b>	78.0	81.9	100.3	97.1	90.8	84.9
<b>Primary Balance (% of GDP)</b>	-3.7	-4.1	-7.0	-1.8	-0.5	-0.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	26.4	25.9	25.7	25.3	24.9	24.3
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	64.6	64.2	64.0	63.7	63.2	62.7
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	90.1	89.9	89.8	89.7	89.5	89.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.4	0.8	3.3	2.5	3.0	3.3
<b>Energy related GHG emissions (% of total)</b>	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 <sup>a</sup>	15.6
GDP, current US\$ billion	8.1
GDP per capita, current US\$	520.4
School enrollment, primary (% gross) <sup>b</sup>	39.0
Life expectancy at birth, years <sup>c</sup>	56.0

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Estimates based on 2013 population estimates by UNFPA and assumes an average annual population growth of 2.8%.  
 b/ Somalia Integrated Household Budget Survey 2022 (SNBS, 2023).  
 c/ Most recent WDI value (2020).

The economy is projected to grow by 2.8 percent in 2023, as economic conditions are expected to improve following a prolonged drought and rising commodity prices throughout 2022. Multiple shocks have contributed to rising displacement, food insecurity and a risk of more people falling below the poverty line. The poverty projection in 2023 is 73 percent.

## Key conditions and challenges

Somalia continues to contend with increasingly frequent shocks in the context of widespread fragility, conflict, and violence. Repeated climate-related shocks such as cycles of droughts, floods, and locusts' infestation, lingering impacts of the COVID-19 pandemic, higher international commodity prices, as well as security incidences have interrupted Somalia's growth trajectory and slowed the transition from fragility. Growth has been low and volatile averaging only 2.8 percent in 2014–22 with no growth in real GDP per capita.

The economy does not generate the jobs needed to reduce poverty. Only about 30 percent of the workforce participates in the labor market, and this is markedly lower for women compared to men at 15 percent and 38 percent, respectively. Households suffer from food insecurity and loss of productive assets in a context of poor human capital and widespread insecurity. Repeated shocks contribute to internal displacement and rapid urbanization (estimated at 4 percent per annum), as well as conflict due to competition for limited resources.

The government has limited fiscal space to respond to shocks and development priorities, including taking over the provision of security services as the African Union plans to withdraw peacekeeping operations in 2024. Alongside efforts to increase domestic revenues, institutions need to be strengthened to mobilize private capital to

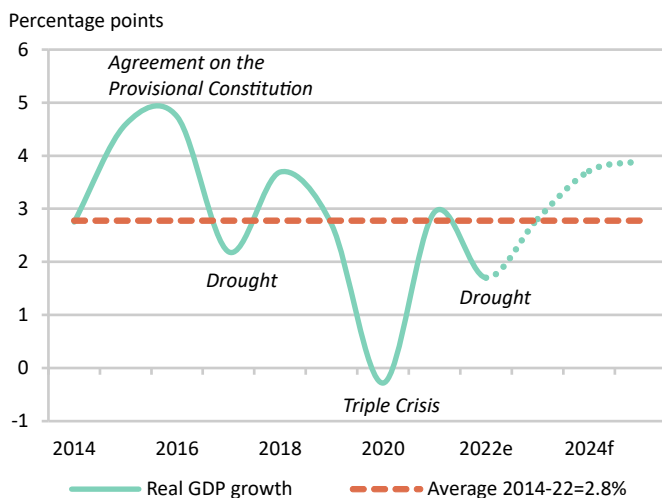
support much-needed investments in human and physical capital to boost resilience, growth, and productive jobs to support poverty reduction.

Somalia is progressing towards attaining debt relief through the Heavily Indebted Poor Countries (HIPC) initiative, which would reduce its debt to sustainable levels. Upon reaching the HIPC Completion Point, Somalia will enjoy access to new sources of financing, but terms of financing will shift from grants to loans. Therefore, it is critical for the country to raise domestic revenues and improve institutions for debt management.

## Recent developments

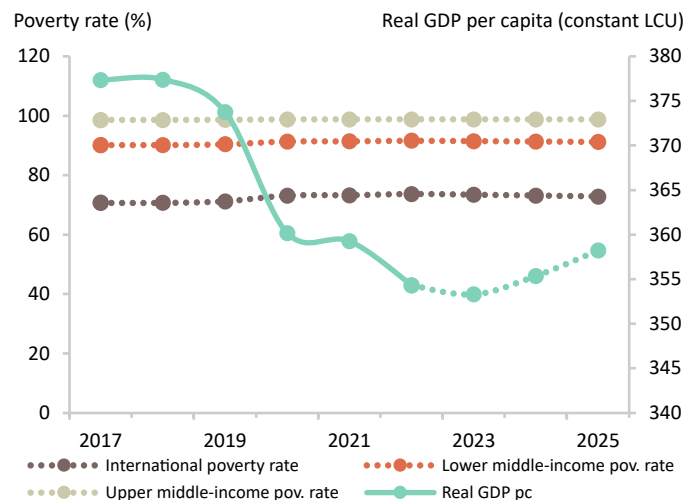
Somalia is experiencing a prolonged severe drought, with a fifth consecutive season of failed rains, against a backdrop of higher commodity prices following Russia's invasion of Ukraine. These paused 2021's modest economic recovery from the pandemic with a slowdown in real GDP growth to an estimated 1.7 percent in 2022 (Table 2). Furthermore, 7.1 million people—nearly half of the population—were food insecure at the end of 2022 due to the drought and 1.3 million people were displaced. Agricultural and livestock production has suffered, with live goats and sheep that dominate the export basket declining by 3.1 percent of the total live animals exported in 2022. Overall merchandise exports declined by 3.8 percent. Similarly, inflationary pressures intensified in 2022 with food inflation rate at its peak

**FIGURE 1** Somalia / Real GDP growth



Sources: Somalia authorities and World Bank and IMF estimates.

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



Source: World Bank. Notes: see Table 2.

of 17.5 percent in July—almost four times higher than in mid-2021. Overall inflation averaged 6.8 percent in 2022. Official development assistance (ODA) including grants for social safety net programs, which are targeted to rural poor and vulnerable households, as well as remittances finance the trade deficit and play a vital role in supporting the vulnerable.

Poverty remains high across the country. An estimated 73.7 percent of the population living below the poverty line in 2022, the majority of whom are informal settlers, displaced people, rural communities, and nomads. According to the 2022 Integrated Household Budget Survey, the food price crisis in 2022 has eroded real household incomes, further contributing to household vulnerability from the ongoing drought. Although the international community has been supporting the humanitarian crisis through food assistance, an expansion of social safety net programs, and support to informal settlers in urban areas, there are risks of more people falling below the poverty line. In a context of increasing global shocks, there are competing demands for limited development assistance, underscoring the importance of Somalia strengthening resilience through

advancing reforms to support growth and food security.

The fiscal situation remains challenging, offering limited opportunities to respond to recurrent shocks or investments in human capital or infrastructure. While domestic revenue mobilization has outperformed its pre-pandemic levels by 14 percent in 2022, largely dominated by trade-related taxes, it remains low and insufficient to meet expenditure needs. Public expenditures continue to rise, dominated by personnel costs with social spending largely financed by grants.

## Outlook

The economy is expected to make a modest recovery in the medium-term, despite the persistent severe drought. Real GDP growth is projected to recover to 2.8 percent in 2023 and increase to 3.7 percent in 2024 and 3.9 percent in 2025. The reforms supported through the HIPC Initiative and the prospect of receiving debt relief should boost business confidence. New private investments are anticipated in energy and telecommunications, while

ongoing investments in sectors such as transport, education, and health are expected to improve conditions for trade and gradually contribute to improvements in human capital. Strengthening the framework for fiscal federalism by enhancing the dialogue between the Federal Government of Somalia and the Federal Member States can help to bring political stability, which can encourage investment from the private sector. Harmonizing the currently disparate regimes for customs and inland revenues across the federation can also support revenue raising. Collecting sufficient revenues to cover the wage bill, rising security costs as well as human and physical capital remain pressing priorities.

As the country continues to cope with ongoing severe drought, the overall humanitarian situation remains dire, and the number of food insecure could grow to 8.3 million people by mid-2023 if food assistance is not sustained. The poverty rate is projected to remain at around 73 percent between 2022 and 2024. 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 which focus on women and youth.

**TABLE 2 Somalia / Macro poverty outlook indicators**

(percent of GDP unless indicated otherwise)<sup>a</sup>

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-0.3	2.9	1.7	2.8	3.7	3.9
CPI Inflation, annual percentage change	4.3	4.6	6.8	4.2	3.8	3.6
<b>Current Account Balance</b>	-14.9	-12.5	-18.4	-15.9	-16.1	-16.8
Trade balance	-67.4	-65.7	-74.1	-72.5	-70.2	-70.2
Private remittances	23.2	27.3	27.7	28.2	28.4	28.4
Official grants	30.6	27.2	28.6	29.0	26.1	25.5
<b>Fiscal Balance<sup>b</sup></b>	0.4	-1.1	-0.1	-0.5	-2.1	-1.9
Domestic revenue	3.1	3.0	3.2	3.3	3.4	3.8
External grants	4.3	1.9	5.6	4.1	0.5	0.3
Total expenditure	7.0	6.0	9.0	7.9	6.1	6.0
Compensation of employees	3.3	3.3	3.2	3.4	3.3	3.3
External debt	56.8	45.0	42.7	6.6	9.5	10.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>c,d</sup></b>	73.1	73.3	73.7	73.4	73.2	72.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>c,d</sup></b>	91.4	91.4	91.6	91.5	91.4	91.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>c,d</sup></b>	98.8	98.8	98.8	98.8	98.8	98.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.2	0.0	0.0	0.0	0.0	0.0
<b>Energy related GHG emissions (percent of total)</b>	1.6	1.6	1.6	1.6	1.7	1.7

Sources: World Bank, IMF, and FGS. Emissions data sourced from CAIT and OECD.

Notes: e = estimate; f = forecast.

a/ GDP baseline estimates 2020-21 are by Somalia National Bureau of Statistics (SNBS, June 2022).

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: 2019–22. Forecasts are from 2023–25.

d/ Projection using neutral distribution 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	405.9
GDP per capita, current US\$	6776.5
International poverty rate (\$2.15) <sup>a</sup>	20.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	40.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	61.6
Gini index <sup>a</sup>	63.0
School enrollment, primary (% gross) <sup>b</sup>	97.4
Life expectancy at birth, years <sup>b</sup>	65.3
Total GHG emissions (mtCO2e)	611.9

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2014), 2017 PPPs.  
 b/ Most recent WDI value (2020).

After a strong recovery in 2021, GDP grew by only 2 percent in 2022, supported by a favorable global environment but constrained by domestic challenges – especially the electricity crisis and transport disruptions. While the government recognizes the need to address these constraints, economic growth is expected to decline to 0.5 percent in 2023 and to average 1.5 percent over 2024-25. With weak growth and job creation, poverty and inequality are expected to remain elevated in the near future.

Electricity supply shortages have constrained South Africa’s growth for several years. Rolling scheduled power cuts (load-shedding) started in 2007 and have intensified exponentially over the past few years, reaching close to 9 hours daily in 2022. This severe electricity shortfall has disrupted economic activity and increased operating costs for businesses (many of which rely on costly diesel generators). It has also affected other infrastructure such as water and IT, and service delivery (health and education). Although new reforms and investments are being considered, load-shedding is expected to continue for two more years at least. Other structural challenges have also increased, in particular transport and logistics, which have deteriorated due to weak maintenance, theft, sabotage, and slow reforms constraining South Africa’s export capacity.

Persistent weak growth and the COVID-19 pandemic have exacerbated socioeconomic challenges. South Africa has recovered its pre-pandemic GDP but not its employment level. At end-2022, there were still close to half a million fewer jobs than at end-2019, with women and youth persistently more impacted. Inequality remains among the highest in the world, and poverty was an estimated 62.6 percent in 2022 based on the upper-middle-income country poverty line, only slightly below its pandemic peak. These trends have

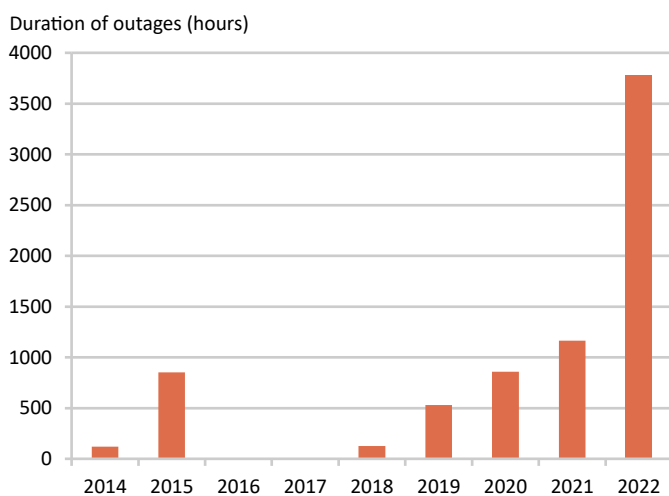
prompted growing demands for government support, which could put the sustainability of public finances at risk if they are met.

Fiscal and monetary policy space is limited due to the deteriorated public finances and the prudent monetary policy required to control inflation – in line with the South African Reserve Bank’s mandate. South Africa needs to accelerate structural reforms to boost inclusive growth and job creation while supporting fiscal sustainability. Along these lines, Eskom, the national power utility, is set to benefit from a conditional R254 billion debt-relief arrangement with the National Treasury over the next three years to support its reform plan. However, the political consensus needed to tackle reforms is elusive ahead of the 2024 general elections amid widespread corruption allegations, rising crime, weak service delivery and high unemployment and poverty.

## Recent developments

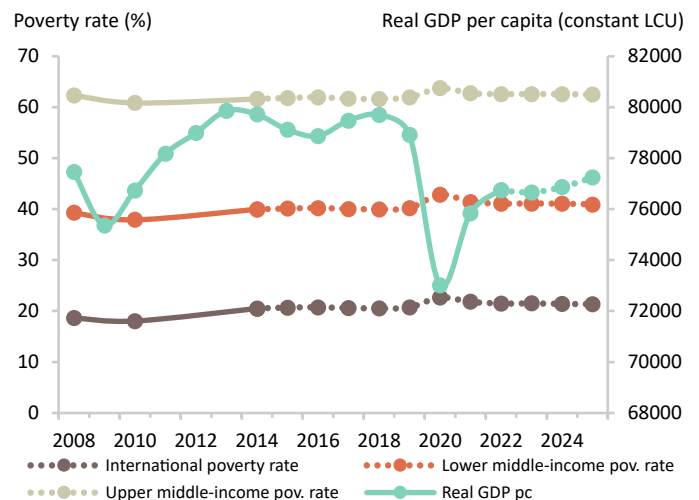
The global environment remained supportive, but increasingly severe domestic constraints led to GDP growth slowing to 2 percent in 2022 from 4.9 percent in 2021. Mining production fell while manufacturing production stagnated, as load-shedding and transport bottlenecks intensified. The services sectors (financial, transport, and personal) and domestic trade were key drivers of growth. The labor market has remained weak. The employment ratio only increased slightly to 39.4 percent at

**FIGURE 1 South Africa / Hours of electrical service lost due to load shedding**



Source: CSIR.

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



Source: World Bank. Notes: see Table 2.

end-2022 from a pandemic low of 35.9 percent in September 2021. In this context, the COVID-19 social relief of distress grant, introduced in May 2020, was extended for another year until March 2024. Socioeconomic challenges were further exacerbated by rising fuel and food (bread and cereals) prices, which disproportionately affected the poor. Inflation averaged 6.9 percent in 2022 but was 8.2 percent for those at the bottom 20 percent of the income distribution.

High global commodity prices supported South Africa's fiscal and external balances. Fiscal revenue overperformed again in 2022. As the government contained expenditure growth, the overall deficit is estimated to have reached 4.2 percent in FY22, smaller than the initial budget forecast of 6 percent of GDP. The current account balance returned to a small deficit of 0.5 percent of GDP in 2022 as imports growth outpaced exports growth. It was financed through financial inflows, and international reserves increased by US\$3 billion to US\$60.6 billion. In the context of rising global risk aversion, the exchange rate, which is fully flexible, depreciated by about 10 percent in 2022.

## Outlook

In the short term, the electricity crisis and transport bottlenecks will hamper domestic activity even if external demand for commodities, notably coal, will provide some support to the economy. GDP growth is expected to slow to 0.5 percent in 2023 and average 1.5 percent in 2024-25 as the investments in power generation materialize and load-shedding gradually eases. The duration and intensity of load-shedding will depend on Eskom's ability to increase the availability of existing generation capacity while the reform program developed by the government is gradually implemented. Investment in least-cost renewable energy would also support a faster resolution of the crisis. Investment in rooftop solar is rising quickly but remains constrained by limited incentives to sell excess generation back to the grid. Based on this growth outlook, the poverty rate is expected to remain high, hovering close to 63 percent over 2023-25.

The government is expected to limit public expenditure growth. However, lower

revenue associated with the tapering of global commodity prices in the medium term and weaker domestic growth will translate into persistent deficits. As a result of the debt-relief arrangement with Eskom, government debt is expected to increase to 72.6 percent of GDP in 2023 and 74.9 percent by 2025. External balances are expected to remain sound even as the current account returns to a deficit.

Risks are tilted to the downside. Lower external demand for South African commodities or worsening transport bottlenecks constraining export capacity would further weaken economic growth. Deteriorating global financial conditions in the context of monetary policy tightening in advanced countries could weaken the South African rand, increase inflation, and raise the borrowing costs for the government (about a quarter of domestic debt is held by foreign investors). Domestically, persistent weak growth and job prospects may fuel social discontent. Moreover, rising crime and deteriorating state capacity could further hamper business confidence and investment and affect the government's capacity to implement much-needed reforms.

**TABLE 2 South Africa / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-6.3	4.9	2.0	0.5	1.3	1.6
Private Consumption	-5.9	5.6	2.6	1.7	1.7	1.7
Government Consumption	0.8	0.6	0.9	-2.7	-0.6	-0.4
Gross Fixed Capital Investment	-14.6	0.2	4.7	4.2	4.9	4.4
Exports, Goods and Services	-11.9	10.0	7.5	2.3	3.0	3.0
Imports, Goods and Services	-17.4	9.5	14.2	4.5	4.5	3.5
<b>Real GDP growth, at constant factor prices</b>	-5.9	4.7	2.1	0.5	1.3	1.6
Agriculture	14.9	8.8	0.3	2.7	2.0	2.0
Industry	-12.5	6.1	-2.3	-1.2	0.5	1.1
Services	-4.4	4.1	3.6	1.0	1.5	1.7
<b>Inflation (Consumer Price Index)</b>	3.3	4.5	6.9	5.5	4.5	4.5
<b>Current Account Balance (% of GDP)</b>	2.0	3.7	-0.5	-1.6	-1.9	-2.2
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.5	9.8	0.5	0.7	0.7	0.7
<b>Fiscal Balance (% of GDP)<sup>a</sup></b>	-9.9	-4.6	-4.2	-4.4	-4.1	-3.4
<b>Revenues (% of GDP)</b>	25.1	27.8	28.5	27.7	27.7	27.9
<b>Debt (% of GDP)</b>	70.2	68.0	71.1	72.6	73.7	74.9
<b>Primary Balance (% of GDP)</b>	-5.8	-0.4	0.5	0.5	0.8	1.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>b,c</sup></b>	22.7	21.8	21.5	21.5	21.4	21.3
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>b,c</sup></b>	42.8	41.4	41.1	41.1	41.1	40.9
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>b,c</sup></b>	63.8	62.8	62.6	62.6	62.6	62.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.6	4.0	7.5	-5.7	-0.7	0.7
<b>Energy related GHG emissions (% of total)</b>	77.7	78.5	79.6	78.4	78.0	77.8

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

Notes: e = estimate, f = forecast.

a/ As in the 2023 Budget Review, the Eskom debt-relief arrangement is reported below the line.

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\$	457.1
International poverty rate (\$2.15) <sup>a</sup>	67.3
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	86.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	96.6
Gini index <sup>a</sup>	44.1
School enrollment, primary (% gross) <sup>b</sup>	73.0
Life expectancy at birth, years <sup>b</sup>	55.5
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 (2020).

*Falling oil production will continue to drag on growth for a third consecutive year, although the pace of decline is lessening. Climate and external shocks, and 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. Key downside risks include heightened conflict, oil price volatility, and climate shocks amid limited fiscal resources and pressing humanitarian needs.*

A decade after independence, South Sudan’s development prospects remain constrained by high levels of fragility amid localized 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 about 90 percent of government revenues. A modest economic recovery in 2019 was upended by historic floods and the COVID-19 pandemic, which led to a massive loss in oil revenues.

Since 2021, reforms initiated under an International Monetary Fund staff-monitored program have helped improve macroeconomic and price stability. Higher oil prices following Russia’s invasion of 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 compounded 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.

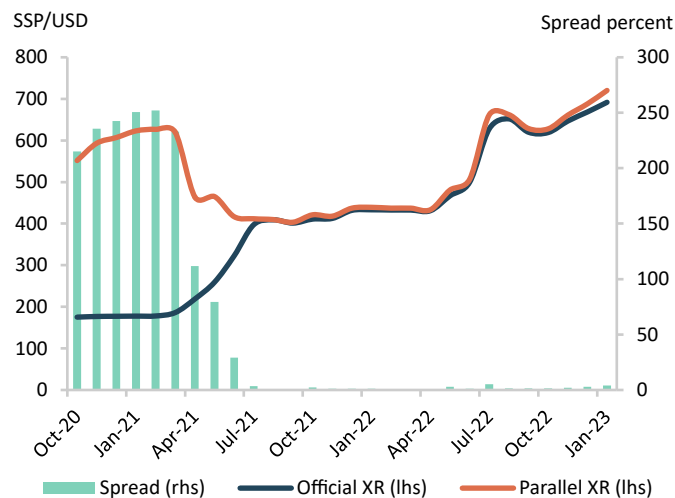
External risks relate to adverse global oil and food prices, which reduce scarce fiscal resources amid pressing humanitarian

needs. Implementing the 2018 peace deal is essential for domestic peace and stability, and the resumption of growth. Macroeconomic, governance, and transparency reforms are urgently needed 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

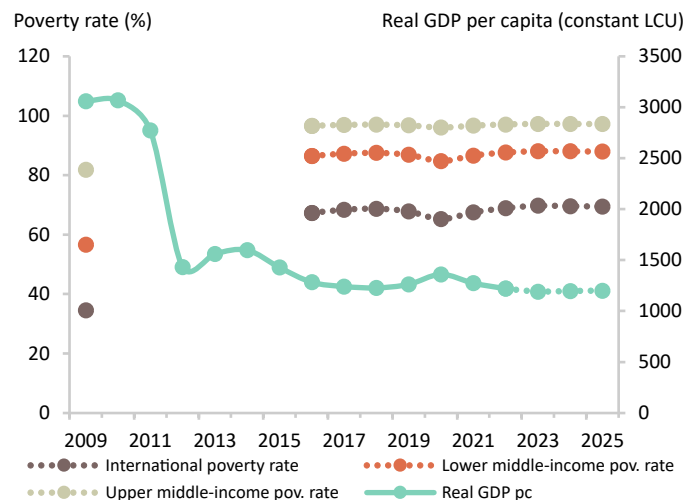
Economic activity remained weighed down by a fourth consecutive year of flooding, violence flareups, higher food inflation due to the war in Ukraine, and lingering impacts of the COVID-19 pandemic. Oil production fell by 7.6 percent in FY22 due to floods and low investments in oil fields. Agricultural prospects remain weak with reduced yields in crop production due to widespread floods and prolonged dry spells. These dynamics reduce households’ purchasing power and worsen food insecurity. GDP contracted by an estimated 2.3 percent in FY22, following a 5.1 percent decline the previous year. Tighter monetary policy and successful exchange rate reforms have helped to ease price pressures: barring mid-2022 when the South Sudanese pound depreciated briefly, inflation has remained in negative territory since November 2021.

**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. Note: see Table 2.



Urban inflation, proxied by official Juba consumer price index data, picked up in the first half of FY23, reflecting pass-through from earlier depreciation. The exchange rate premium between official and parallel markets increased from 1.4 percent in November 2022 to 4.7 percent in January 2023, following the appreciation of the US dollar and drawdowns on foreign exchange reserves at the central bank since October 2022.

Notwithstanding higher oil revenues, fiscal pressures proved greater than anticipated in FY22. Expenditure outturns exceeded planned outlays by 168 percent, offsetting higher oil revenues and causing the government to return 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 55 percent.

The FY23 draft budget envisages sustained increases in capital expenditures, a 20 percent increase in public sector salaries to protect against the impact of inflation, and rising transfers to regions, which will further widen the fiscal deficit. Public financial management reforms to strengthen expenditure controls and cash management have

been initiated, including an integrated financial management information system (IFMIS). But there is limited transparency on oil revenues, including servicing of non-concessional external debt. South Sudan remains at a 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 investors' profits, and continued transfers to Sudan.

## Outlook

GDP growth is expected to remain negative in FY23, reflecting the continued impact of floods on agricultural and oil output, with oil production projected to drop by 3.7 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 in roads, 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. Pressure on the current account balance is expected to increase from higher debt-service obligations, a decline of oil prices, and a decline in international aid in the face of the fallout from the war in Ukraine.

Poverty is 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 public financial management 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, the reduction of legacy arrears, and rising 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	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	9.5	-5.1	-2.3	-0.4	2.3	2.4
<b>Real GDP growth, at constant factor prices</b>	9.5	-5.1	-2.3	-0.4	2.3	2.4
Agriculture	6.0	-4.0	-1.8	-1.4	2.8	2.8
Industry	27.5	-2.3	-4.8	-2.2	1.2	1.2
Services	-9.6	-9.7	1.7	2.7	3.8	4.0
<b>Inflation (Consumer Price Index)</b>	33.3	43.1	22.0	18.0	16.1	8.5
<b>Current Account Balance (% of GDP)</b>	-20.3	-5.5	-1.4	4.2	3.8	3.6
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-0.4	0.9	1.0	-0.4	-0.9	-1.4
<b>Fiscal Balance (% of GDP)</b>	-9.8	-6.8	-6.1	4.0	5.6	6.0
<b>Revenues (% of GDP)</b>	29.5	30.9	30.1	31.6	30.7	30.5
<b>Debt (% of GDP)</b>	40.7	57.6	59.5	53.7	47.4	42.9
<b>Primary Balance (% of GDP)</b>	-7.8	-4.4	-4.0	5.3	6.8	7.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	65.3	67.5	68.9	69.7	69.6	69.5
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	84.7	86.6	87.7	88.1	88.1	88.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	96.1	96.7	97.1	97.3	97.3	97.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.2	0.6	0.1	0.0	0.1	0.4
<b>Energy related GHG emissions (% of total)</b>	3.0	2.9	2.9	2.9	3.1	3.2

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

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-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) <sup>a</sup>	15.3
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	49.7
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	86.2
Gini index <sup>a</sup>	34.2
School enrollment, primary (% gross) <sup>b</sup>	79.0
Life expectancy at birth, years <sup>b</sup>	65.6
Total GHG emissions (mtCO2e)	127.5

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2014), 2017 PPPs.  
 b/ WDI for School enrollment (2018); Life expectancy (2020).

The October 2021 military takeover weakened domestic activity, slowing progress toward debt relief as part of the heavily indebted poor countries initiative. Despite food insecurity, floods, higher input costs, and supply shortages, good rains helped agriculture recover. Growth is projected at 0.4 percent in 2023 following five years of recession. Inflation remains in double digits. The population living on less than US\$2.15 per day is estimated to have risen from 30.6 percent in 2021 to 32.3 percent in 2022.

## Key conditions and challenges

The October 2021 military takeover has come at a high economic cost for Sudan and has slowed progress in receiving debt relief under the HIPC initiative. Sudan's economy contracted for four consecutive years between 2018 and 2021, resulting in a cumulative 10.4 percent decline in output. The pause in foreign inflows caused depreciation pressures, leading the Central Bank of Sudan to shift to a fully flexible exchange rate for a brief period in March 2022. Consequently, the currency rapidly depreciated from SDG 600 to SDG 800 per US dollar in one week. The central bank immediately reverted to a managed float to curb the sharp depreciation and reduce the spread between the parallel and formal market rates. An appropriately valued and stable exchange rate is central to achieving sustained and inclusive economic growth.

Sudan is vulnerable to risks primarily from political and macroeconomic uncertainties and continued spillovers from Russia's invasion of Ukraine. Although an agreement framework that sets the groundwork for establishing a civilian-led transitional government was signed in early 2023, the political context remains uncertain and unstable. Macroeconomic risks remain high even with efforts to reduce subsidies and contain inflation. Access to external finance is also limited. Moreover, Sudan is vulnerable to natural

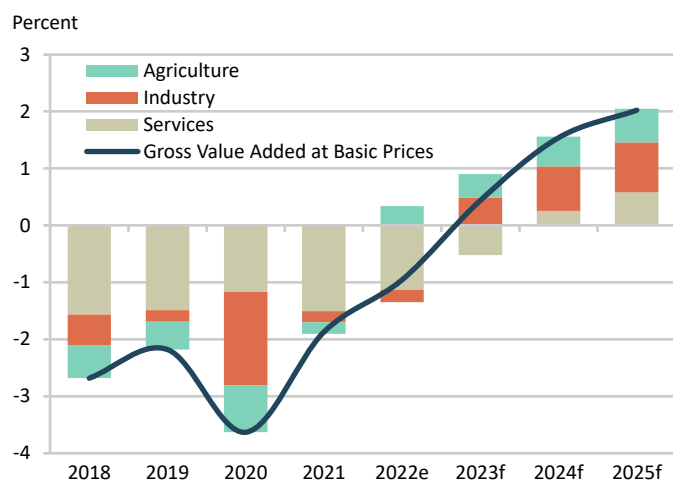
hazards, including localized flooding, drought, and locust infestations. Food insecurity will likely worsen if more climate shocks occur amid rising global commodity prices. Mitigating these risks will require resolving the political situation and maintaining economic stability.

## Recent developments

The pace of GDP contraction slowed to an estimated 1 percent in 2022, backed by stable agriculture and livestock production and modest growth in gold exports. However, both the manufacturing and service sectors shrank (0.7 percent and 3 percent, respectively) due to continued fiscal tightening from substantially higher taxes and fees, ongoing civil disturbances, and disrupted business logistics.

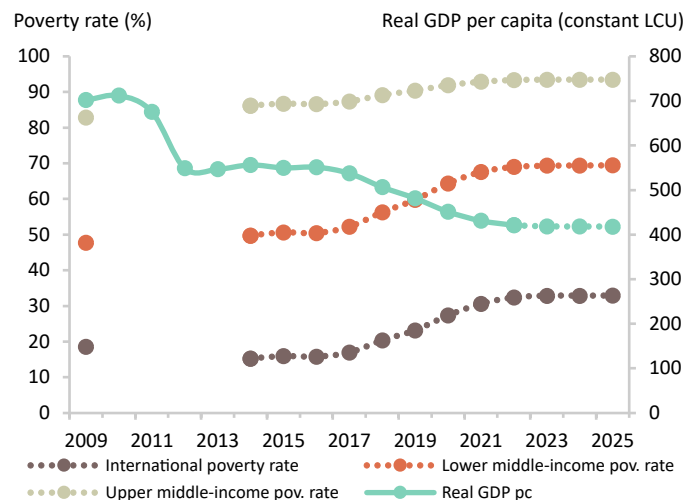
The fiscal deficit increased from 0.3 percent of GDP in 2021 to 1.7 percent of GDP in 2022, reflecting budget rigidities. Spending in 2022 rose by 131 percent to reach 11.7 percent of GDP, as wage expenditures more than tripled, while transfers (including social benefits and transfers to states) increased more than fivefold. Despite the nominal increase, spending contracted in real terms. The authorities continued efforts to reduce subsidies, which declined from 3.8 percent in 2021 to 2.9 percent of GDP in 2022. The deficit was financed by higher taxes, transit tariffs, customs duties, and domestic borrowing. Public debt declined to 183.6 percent of GDP in 2022 (from 215.6 percent in 2021).

**FIGURE 1 Sudan / Real GDP growth and sectoral contributions to real GDP growth**



Sources: Central Bureau of Statistics and World Bank's staff estimates.

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



Source: World Bank. Notes: see Table 2.

Average annual inflation declined from 359.7 percent in 2021 to 164.2 percent in 2022, driven by a slowdown in base money growth due to reduced monetization. Weak domestic demand also contributed to slow inflation. After rapidly depreciating in March, the currency remained relatively stable, with the premium between the parallel and official rate averaging 0.6 percent from April 2022. As of end-December 2022, the parallel exchange rate stood at SDG 580 per US dollar and the official rate averaged SDG 575 per US dollar. Strong export performance (especially for gold and livestock), higher oil transit fees, and lower domestic demand helped narrow the current account deficit to 6 percent of GDP in 2022. Gross international reserves fell to roughly US\$1.2 billion in 2022 (1.4 months of imports), down from US\$1.63 billion at end-2021.

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 32.9 percent in 2023. The protracted economic crisis contributed to an estimated 12-percentage-point increase in extreme poverty.

## Outlook

The economy is expected to recover at a weak pace of 0.4 percent in 2023, weighed down by the slow resolution of Sudan's political crisis and as widespread social unrest and insecurity persist. Thereafter, GDP growth is expected to average around 2 percent between 2023 and 2025, driven by rising agricultural output and exports of livestock, as well as mining and services. Inflation is expected to continue declining, reflecting the authorities' aim to contain the fiscal deficit and limit monetization. However, it will remain elevated given domestic shortages coupled with high import prices for consumer goods and production

inputs. The central bank aims to reduce base money supply growth to 27 percent in 2023 from 49.4 percent in 2022.

The current account is expected to remain in a significant deficit over 2023-25, reflecting Sudan's low domestic production and high import requirements. A persistent trade deficit will continue to impede the accumulation of foreign reserves and hinder investor sentiment. The fiscal deficit is projected to average about 2.5 percent of GDP over the medium term, reflecting higher outlays on wages and transfers. Subsidies are expected to continue to decline. In the absence of grants to finance increased wages and transfers, the government is expected to delay capital spending and rely on trade receipts from exports of gold and animal products.

Projections suggest that extreme poverty will continue to increase until 2024. Even though extreme poverty is expected to stagnate at around 33 percent up to 2025, poverty rates measured by all poverty lines are still high.

**TABLE 2 Sudan / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-3.6	-1.9	-1.0	0.4	1.5	2.0
Private Consumption	-3.4	-0.8	-0.3	1.1	1.8	2.1
Government Consumption	-8.8	-9.8	-3.0	-2.7	1.3	2.3
Gross Fixed Capital Investment	-2.0	-2.1	-1.6	0.1	1.0	1.4
Exports, Goods and Services	5.2	2.0	4.5	6.0	12.0	15.0
Imports, Goods and Services	-9.0	-0.5	6.0	5.0	5.5	5.5
<b>Real GDP growth, at constant factor prices</b>	-3.6	-1.9	-1.0	0.4	1.6	2.0
Agriculture	-2.5	-0.6	1.0	1.2	1.5	1.7
Industry	-5.7	-0.7	-0.7	1.7	2.7	3.0
Services	-3.0	-3.9	-3.0	-1.4	0.7	1.6
<b>Inflation (Consumer Price Index)</b>	163.3	359.7	164.2	75.0	35.0	20.0
<b>Current Account Balance (% of GDP)</b>	-21.6	-7.3	-6.0	-7.0	-7.6	-7.8
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-2.7	-1.6	-1.3	-1.6	-2.0	-2.0
<b>Fiscal Balance (% of GDP)</b>	-5.9	-0.3	-1.7	-2.0	-2.4	-2.5
<b>Revenues (% of GDP)</b>	4.8	10.5	10.0	10.5	11.0	11.2
<b>Debt (% of GDP)<sup>a</sup></b>	281.4	215.6	183.6	167.3	157.9	149.5
<b>Primary Balance (% of GDP)</b>	-5.9	-0.3	-1.4	-1.6	-2.0	-2.1
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>b,c</sup></b>	27.3	30.6	32.4	32.9	32.9	32.9
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>b,c</sup></b>	64.4	67.6	69.0	69.3	69.4	69.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>b,c</sup></b>	91.9	92.9	93.4	93.5	93.5	93.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.0	-0.1	0.4	0.9	1.3	1.5
<b>Energy related GHG emissions (% of total)</b>	16.6	16.6	16.9	17.4	17.9	18.5

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

Notes: e = estimate, f = forecast.

a/ 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) <sup>a</sup>	44.9
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	74.3
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	92.3
Gini index <sup>a</sup>	40.5
School enrollment, primary (% gross) <sup>b</sup>	97.2
Life expectancy at birth, years <sup>b</sup>	66.4
Total GHG emissions (mtCO2e)	159.8

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

Tanzania's economy has maintained its growth momentum, expanding by 4.6 percent in 2022, up from 4.3 percent in 2021. GDP per capita rose by 1.4 percent in 2022 and the international poverty rate dropped marginally by 0.3 percentage points. Headwinds from high commodity prices kept growth below potential, however. Sustaining the growth momentum hinges on the Government facilitating private sector investment that creates jobs. The economy continues to face headwind as result of ongoing Russia's invasion of Ukraine.

Tanzania's economy emerged from the pandemic in relatively good shape because of strong macroeconomic conditions: relatively low and stable inflation and manageable external and fiscal balances. However, the economic recovery has been relatively subdued due to strong headwinds associated with the war in Ukraine and the weak domestic business environment, which reduced private investment, including FDI. Tanzania's private sector has been challenged by a costly business regulatory environment, high taxes, weak infrastructure, and inadequate skills.

The elasticity of poverty reduction to growth has been very low, indicating the importance of policy measures to ensure growth benefits all households including the poor, for example through public spending on social sectors and rural infrastructure. Priority reforms should aim to strengthen the efficiency of public investment, strengthen debt management and data transparency, and augment fiscal space to increase investments in physical and human capital by enhancing public expenditure efficiency 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 deregulation will be essential. Moreover, helping

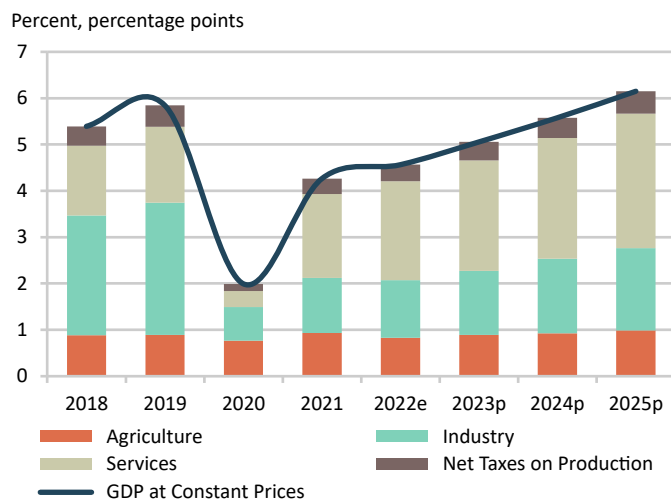
women access economic opportunities and assets such as land remains critical.

## Recent developments

In 2022, Tanzania maintained its growth momentum, with estimated real GDP growth of 4.6 percent, up from 4.3 percent in 2021 but slightly lower than the authorities' forecast of 4.9 percent. Led by the services and industry sectors, the recovery remained broad-based as all subsectors surpassed their pre-pandemic production levels by Q3-2022. This is consistent with high frequency indicators including cement production, electricity generation, and tourist arrivals, all of which grew substantially in 2022. Shocks from global commodity markets and prolonged droughts pushed headline inflation up, averaging 4.3 percent in 2022 and reaching 4.9 percent (y/y) in January 2023. A combination of tight monetary policy stance and fuel subsidies have managed to keep inflation low relative to Tanzania's neighbors.

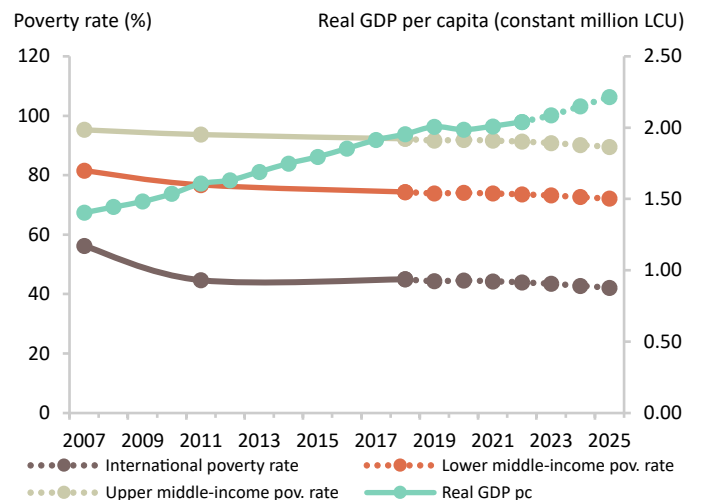
Global headwinds have challenged Tanzania's external sector. The current-account deficit widened to an estimated 5.6 percent of GDP in 2022, up from 3.2 percent of GDP in 2021, as higher food and fuel prices meant the import bill grew faster than exports earnings. The current account deficit has been funded mainly by external loans and foreign reserves. Gross official liquid reserves of the BOT declined by US\$ 1.2 billion over the past one year reaching US\$ 5.2 billion at end-2022 (equivalent to 4.7 months of imports). The Tanzanian Shilling has remained relatively

**FIGURE 1 Tanzania / Real GDP growth and sectoral contributions to real GDP growth**



Source: World Bank staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

stable against the currencies of major trading partners.

During FY2021/22, the overall fiscal deficit narrowed to 3.6 percent of GDP, down from 4.0 percent of GDP in FY2020/21. This performance was due to a combination of higher tax revenue collections and expenditure restraint notwithstanding the implementation of fuel and fertilizer subsidy programs. Both external and domestic loans remained almost equally important for financing the deficit (on net basis). According to the latest debt sustainability analysis, Tanzania's public and publicly guaranteed debt as a share of GDP remains relatively modest at 42.1 percent of GDP as of FY2022/23. The latest DSA indicates that Tanzania's risk of external debt distress remains moderate.

Only a minor reduction in the poverty rate is anticipated in 2022. The international poverty rate for mainland Tanzania is projected to drop from 44.3 in 2021 to 44.0 percent in 2022, about 0.3 percentage points below pre-pandemic levels.

## Outlook

GDP growth is projected to reach 5.1 percent in 2023 – about 2.2 percent per capita – as investment increases and external terms of trade improve. However, Tanzania is only projected to reach its potential growth rate of 6 percent in 2025. The current account is projected at 6.1 percent of GDP in 2023 as import demand to support public investment remains elevated. Driven by increased revenue collection from expanding economic activities, the fiscal deficit is projected to narrow marginally to 3.0 percent of GDP in 2023. However, this hides a large quantity of VAT refunds and domestic payment arrears that remain outstanding and are estimated at 3-4 percent of GDP end 2022. Addressing this key issue further to the strategy the authorities put forward will be critical to fiscal management.

A deterioration of the external environment and the slow pace of implementation of domestic policies are the major risks to the macroeconomic outlook, with real GDP growth ranging between 4.5–5.5 percent in 2023 under alternative scenarios (1.6 to 2.6 percent per capita). Supply shocks and commodity-price pressures associated with the war in Ukraine and a slow recovery of global demand coupled with tightening external financial conditions are major downside 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.

In 2023 poverty is expected to drop by 0.6 percentage points based on a GDP per capita growth rate of 2.2 percent and the average poverty to growth elasticity for Sub-Saharan Africa. A new nationwide integrated household budget survey will be conducted in 2023/24 which will enable an update of the official poverty rate.

**TABLE 2 Tanzania / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	2.0	4.3	4.6	5.1	5.6	6.2
Private Consumption	0.9	2.3	4.8	3.8	3.2	3.4
Government Consumption	7.4	9.0	8.4	6.2	4.6	7.3
Gross Fixed Capital Investment	2.4	7.8	9.3	6.8	4.8	7.0
Exports, Goods and Services	-8.6	5.2	10.2	12.3	11.5	8.9
Imports, Goods and Services	-7.6	9.6	23.7	11.5	1.9	3.6
<b>Real GDP growth, at constant factor prices</b>	2.0	4.3	4.5	5.0	5.6	6.2
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	5.5	6.1	6.8	7.5
<b>Inflation (Consumer Price Index)</b>	3.3	3.7	4.3	5.2	4.5	3.9
<b>Current Account Balance (% of GDP)</b>	-2.5	-3.2	-5.6	-6.1	-4.8	-4.1
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	1.4	1.6	1.8	2.1	2.4	2.7
<b>Fiscal Balance (% of GDP)</b>	-2.9	-3.8	-3.5	-3.1	-2.7	-2.2
<b>Revenues (% of GDP)</b>	14.3	14.5	15.6	16.1	16.1	16.6
<b>Debt (% of GDP)</b>	39.3	42.0	42.2	42.1	41.9	41.3
<b>Primary Balance (% of GDP)</b>	-1.3	-2.1	-1.8	-1.4	-1.1	-0.7
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	44.6	44.3	44.0	43.4	42.8	42.1
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	74.1	73.8	73.6	73.2	72.7	72.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	91.9	91.7	91.3	90.8	90.2	89.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.8	0.8	1.5	1.9	1.7	1.6
<b>Energy related GHG emissions (% of total)</b>	10.0	9.4	9.4	9.7	9.8	9.9

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 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	8.4
GDP per capita, current US\$	952.3
International poverty rate (\$2.15) <sup>a</sup>	28.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	56.8
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	84.0
Gini index <sup>a</sup>	42.4
School enrollment, primary (% gross) <sup>b</sup>	124.2
Life expectancy at birth, years <sup>b</sup>	61.0
Total GHG emissions (mtCO2e)	10.1

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

Following a post-COVID rebound in 2021, growth moderated in 2022 and 2023 due to disruptions associated with the Russia's invasion of Ukraine while government efforts to address security threats in the North and higher food and energy prices led to increased fiscal deficits and higher debt. Having risen in 2020-23, extreme poverty is projected to resume its downward trend in 2024-25 as the recovery strengthens, albeit at a modest pace due to fiscal consolidation measures.

## Key conditions and challenges

Despite recent shocks, growth in Togo has shown signs of resilience thanks in part to increased public spending but the country is facing rising social, security and fiscal challenges. The extreme poverty rate (percent of the population living below the new international poverty line of US\$2.15 per capita per day, 2017 PPP) is estimated to have increased to 30.6 percent in 2022 (from 29.6 percent in 2021) largely due to a sharp increase in consumer price inflation and slowing agricultural production. The Savanes region, Togo's poorest, has experienced an uptick in terrorist attacks since 2021 as Jihadist groups operating in the Sahel expand southward.

A lack of economic opportunity for youth and weak service delivery further exacerbates the situation. Climate change also constitutes an increasing threat, disproportionately affecting poorer regions.

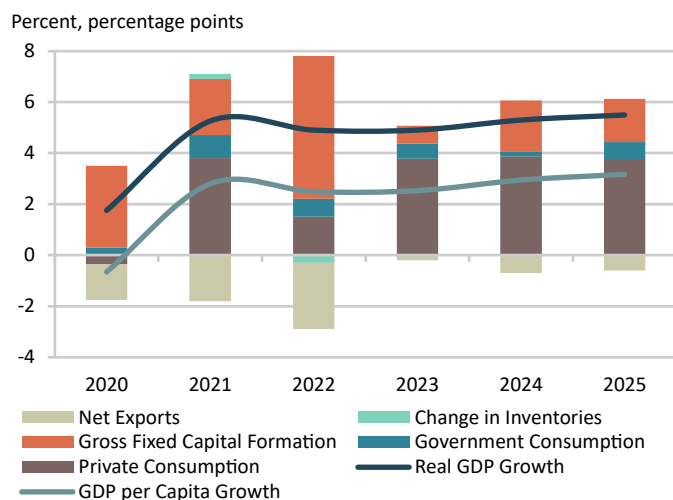
Growth is expected to strengthen gradually in 2024-25, as external demand regains momentum and domestic inflation moderates, but fiscal consolidation measures and tighter financing conditions will keep a lid on the recovery. Risks remain tilted to the downside, including the possibility of weaker-than-expected global demand, growing insecurity in the North, fiscal financing pressures, and climate shocks disrupting agriculture production.

## Recent developments

Real GDP growth is estimated to have slowed to 4.9 percent in 2022, down from 5.3 percent in 2021, as disruptions associated with the war in Ukraine led to weakening export revenues and increased cost of living at home, which was only partially offset by higher public spending. In particular, a sharp uptick in food and energy prices led headline inflation to reach a 20-year high of 7.5 percent in 2022, which contributed to a significant deceleration in consumer spending. Increased energy and fertilizer costs also negatively impacted the agriculture sector, which together with more variable rainfall contributed to slowing production. In this context, extreme poverty increased to 30.6 percent nationwide, and reached up to 45.9 percent in rural areas.

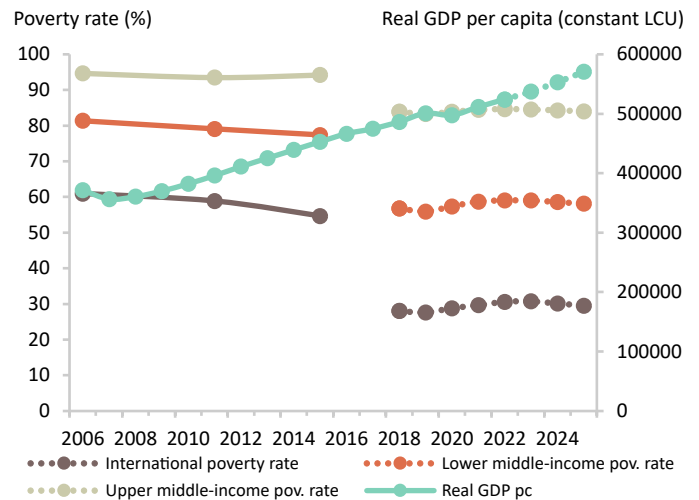
Rising inflation and growing insecurity in the Savanes region led the government to implement emergency spending in a revised 2022 budget, including higher subsidies for fertilizers and fuel, tax exemptions, public sector wage and pension increases amounting to 1.3 percent of GDP, and new capital expenditure for security purposes amounting to 2 percent of GDP. These emergency measures, some of which appear poorly targeted, contributed to the fiscal deficit increasing to 8.3 percent of GDP in 2022, up from 4.8 percent in 2021. The government was able to meet rising borrowing needs through additional external concessional financing and higher regional

**FIGURE 1 Togo / Real GDP growth and contributions to 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.

bond issuances where appetite for debt remained strong throughout the year despite tightening financing conditions.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 75 basis points in 2022 (to 2.75 percent for liquidity calls and 4.75 percent for the marginal lending facility). BCEAO will likely need to continue tightening in 2023 in line with other major central banks, and as foreign exchange reserves have declined, and inflation remains well above the target range of 1-3 percent. Furthermore, delaying fiscal adjustments towards the regional fiscal deficit target of below 3 percent of GDP by 2025 could exacerbate debt sustainability risks in some countries, while increasing regional financing needs, reducing reserve buffers, and elevating inflationary risks.

## Outlook

Growth is projected to stabilize at 4.9 percent in 2023, as an uptick in consumer spending driven by subsidizing energy and food price inflation should be offset by decelerating public investment and external demand. As the global economy regains momentum in 2024-25, growth in Togo is projected to strengthen as well, reaching 5.3 percent in 2024 and 5.5 percent in 2025, but fiscal consolidation measures and tighter financing conditions will keep a lid on domestic demand. While extreme poverty is expected to remain elevated in 2023, at 30.7 percent, it is projected to gradually decline to 30.1 percent in 2024 and 29.5 percent in 2025 as inflation moderates and agriculture production recovers, though still remaining above pre-COVID

levels. The decline in poverty is projected to be the strongest in rural areas, given the positive outlook for the agriculture sector. Lower poverty reduction is expected in urban areas, reflecting steady but more moderate growth in services activity.

The Government's fiscal consolidation plan, which includes reduced capital spending and increased revenue mobilization, is expected to bring the deficit to 4.5 percent of GDP in 2025, thereby remaining above the WAEMU convergence criterion of 3 percent. While external debt distress risks are moderate, elevated domestic debt, ongoing refinancing pressures and tighter global financing conditions are a source of vulnerability. Downside risks to the outlook also stem from regional security threats, disruptions from more frequent extreme weather events, and uncertainty around global demand and commodity markets.

**TABLE 2 Togo / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	1.8	5.3	4.9	4.9	5.3	5.5
Private Consumption	-0.5	5.3	2.1	5.4	5.5	5.3
Government Consumption	2.0	6.4	5.9	3.3	1.3	5.2
Gross Fixed Capital Investment	15.0	8.9	21.8	2.9	6.9	5.8
Exports, Goods and Services	-4.7	12.0	5.2	4.9	5.8	6.8
Imports, Goods and Services	0.8	13.8	11.0	3.7	5.8	6.1
<b>Real GDP growth, at constant factor prices</b>	2.0	5.1	5.0	4.9	5.3	5.5
Agriculture	1.3	6.0	3.9	4.5	5.1	5.3
Industry	5.3	6.8	3.1	4.8	6.2	6.4
Services	0.9	4.0	6.3	5.1	4.9	5.2
<b>Inflation (Consumer Price Index)</b>	1.8	4.5	7.5	5.3	3.5	3.0
<b>Current Account Balance (% of GDP)</b>	-0.3	-1.3	-5.8	-5.6	-5.3	-4.2
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	0.7	-1.1	0.9	1.8	2.0	2.0
<b>Fiscal Balance (% of GDP)</b>	-6.9	-4.8	-8.3	-6.6	-5.4	-4.5
<b>Revenues (% of GDP)</b>	16.2	17.0	17.4	17.3	16.6	16.3
<b>Debt (% of GDP)</b>	60.4	63.6	68.0	70.1	70.4	69.6
<b>Primary Balance (% of GDP)</b>	-4.6	-2.3	-6.0	-3.8	-2.5	-1.9
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	28.8	29.6	30.6	30.7	30.1	29.5
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	57.4	58.7	59.0	59.0	58.6	58.1
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	83.9	84.4	84.7	84.5	84.3	84.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.7	7.8	5.2	3.1	4.6	4.4
<b>Energy related GHG emissions (% of total)</b>	23.1	25.1	25.9	25.2	25.0	25.2

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/ Projection based on microsimulation model that accounts for differences in sectoral growth, food and nonfood inflation.

# UGANDA

**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) <sup>a</sup>	42.2
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	71.9
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	91.1
Gini index <sup>a</sup>	42.7
School enrollment, primary (% gross) <sup>b</sup>	102.7
Life expectancy at birth, years <sup>b</sup>	62.9
Total GHG emissions (mtCO2e)	62.5

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

a/ Most recent value (2019), 2017 PPPs.

b/ Most recent WDI value (2020).

*Uganda's economy is expected to grow above 5 percent in FY23, as investment picks momentum, supported by lower inflationary pressures and easier monetary policy. Reducing the fiscal deficit to 3.5 percent by FY24 would make debt more sustainable. GDP growth will accelerate beyond 6 percent in FY24 and FY25, if not derailed by a global slowdown, disruptions to global finances and weather shocks. Poverty will fall as incomes recover.*

## Key conditions and challenges

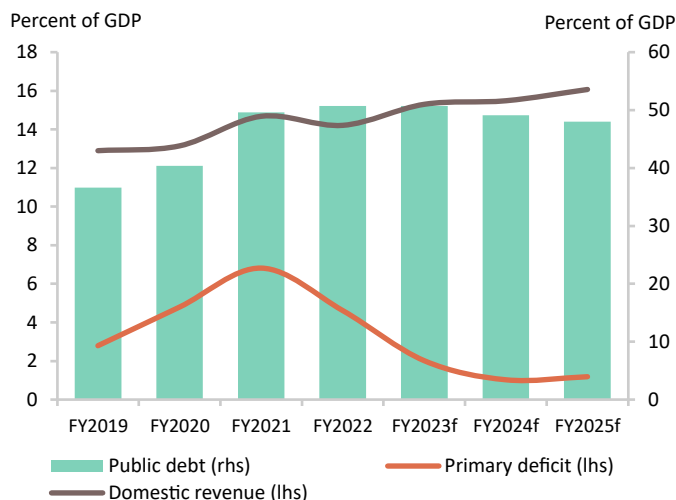
Increased shocks and less momentum behind policy reform create challenges for sustaining economic growth and reducing poverty in Uganda. Real GDP per capita grew by only 1.0 percent per year between 2011 and 2022 in the context of rapid population growth, drought and other external shocks, a less supportive external environment, and weakening policy and institutional framework (including centralization of policymaking). The pace of poverty reduction decelerated as most households rely heavily on agriculture and are vulnerable to climate change and weather shocks. Ahead of possibly transitioning into an oil producer, the Ugandan economy needs to structurally transform and shift labor into a more productive employment to reinvigorate economic activity and reduce poverty. Labor is not moving to high-productivity activities. Approximately two-thirds of the Ugandan workforce remain occupied in agriculture, which produces less than a quarter of the GDP. Although services constitute a large share of GDP, many jobs in the sector are informal and low-skilled. Given Uganda's small domestic market and distortions, international trade must support this transformation and boost economic growth and development. The private sector must drive this transformation and diversification. Uganda's growth model of debt-financed public spending—which has emphasized physical

infrastructure—has crowded out private sector investment and is not sustainable. A more appropriate role for the state is to build human capital, facilitate private investment and job creation, and pursue measures to reduce inequality and strengthen resilience. The prospects for the shift to private sector-led growth depend on macroeconomic stability, more efficient and effective public spending, increased government support for the most vulnerable, and the uptake of digital and other innovative technologies.

## Recent developments

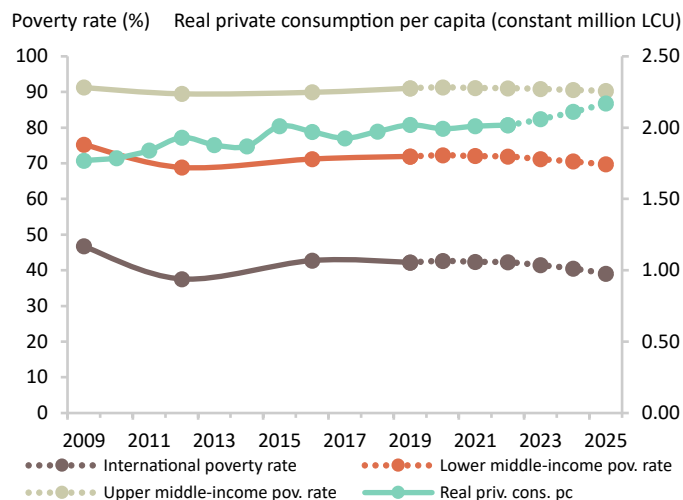
Uganda's economy weathered successive shocks in 2022 with GDP growth expected to recover to 5.7 percent y/y during FY23 (July 2022 to June 2023). A post-COVID-19 recovery in services and industrial sectors offset the weather-induced decline in agriculture. An uptick in investments and employment growth reinforced domestic demand before lending rates rose in response to a tighter monetary stance starting in June 2022. High-frequency phone surveys find that employment, labor, and farm incomes improved through November 2022, although more than half of the population remained moderately food insecure, while 15 percent were severely insecure. Due to inflation, the poorest households in rural areas were unable to access or buy food in desired amounts. The external current account deficit is expected to widen to 9 percent of GDP in FY23 due to a deterioration in the terms of trade.

**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.

While Uganda's exports benefitted from the surge in commodity prices, the re-opening of the Rwanda-Uganda border, easing of non-tariff barriers with Kenya, resumption of the gold trade, and recovery of tourism, imports growth has been stronger, partly to support investments.

Inflation subsided beginning November 2022, thanks to lower international commodity prices and Bank of Uganda's (BoU) tight monetary policy. In February 2023, BoU maintained its policy rate at 10 percent, 350 basis points above its level a year ago, for the fourth consecutive month. Hence, the annual headline and core inflation slid to 9.2 percent and 7.8 percent, respectively, as the energy and utilities prices reduced.

Due to shocks, government revenues remained below target, while recurrent spending overshot the underspending on the capital budget. The fiscal deficit is expected at 5.1 percent of GDP and public debt at 50 percent of GDP. Despite efforts to repay domestic arrears, government's reliance on the domestic market to finance its deficit hurts the private sector's recovery.

## Outlook

Uganda's economic growth is expected to accelerate to above 6 percent per year in the medium-term, as inflationary pressures subside, BoU eases monetary policy, and the government relies mainly on revenue collection and spending efficiencies to cut the deficit. The investments and exports of oil will support government's other promotional efforts for tourism, export diversification, and agro-industrialization. Nonetheless, the slowdown of global growth, disruptions in global financial conditions, and increasingly volatile weather remain major downward risks.

Accelerated growth may reduce poverty (measured at the \$2.15/day international poverty line) from 41.4 percent in 2023 to 39 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 any environmental shocks.

Inflation expectations are lower as global supply chains improve, energy prices stabilize, and the shilling stabilizes with increased foreign capital inflows. Core inflation is projected to return to the target of 5 percent by December 2023. However, drought conditions will exert pressure on food prices and sustain headline inflation above 6 percent. With the balance of risks tilted downwards, BoU is expected to cautiously ease monetary policy to support economic recovery.

To sustain the fiscal consolidation into the medium-term, the planned reduction in recurrent spending is expected to be followed with improved efficiency in public investment projects and sustained revenue effort. A lower fiscal deficit is expected to reduce debt accumulation and combined with a deliberate effort to minimize non-concessional borrowing, reduce fiscal risks. The government plans to reduce domestic borrowing while maintaining the debt below 50 percent of GDP beyond FY23 to avoid crowding out the private sector.

**TABLE 2 Uganda / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	3.0	3.4	4.7	5.7	6.2	6.7
Private Consumption	2.0	4.2	3.4	5.0	5.3	5.6
Government Consumption	7.9	6.1	-17.4	-0.6	2.2	2.5
Gross Fixed Capital Investment	-0.1	5.1	20.1	9.1	8.0	8.3
Exports, Goods and Services	-1.2	2.6	-18.6	18.0	16.7	15.3
Imports, Goods and Services	-5.4	8.6	-8.9	14.4	11.7	10.6
<b>Real GDP growth, at constant factor prices</b>	3.0	3.4	4.7	5.7	6.2	6.7
Agriculture	4.6	3.8	4.4	4.2	4.0	4.3
Industry	3.1	3.4	5.4	6.3	7.9	8.1
Services	2.2	3.3	4.4	6.1	6.3	7.0
<b>Inflation (Consumer Price Index)</b>	2.3	2.5	3.7	8.3	7.2	5.0
<b>Current Account Balance (% of GDP)</b>	-6.7	-10.2	-7.9	-9.0	-10.6	-12.2
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	2.6	2.1	3.1	5.2	6.3	6.6
<b>Fiscal Balance (% of GDP)</b>	-7.1	-9.5	-7.4	-5.1	-3.5	-3.4
<b>Revenues (% of GDP)</b>	13.1	14.7	14.2	15.3	15.5	16.1
<b>Debt (% of GDP)</b>	40.4	49.6	50.7	50.7	49.1	48.0
<b>Primary Balance (% of GDP)</b>	-4.8	-6.8	-4.6	-2.0	-1.0	-1.2
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	42.6	42.4	42.3	41.4	40.5	39.0
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	72.3	72.0	71.9	71.2	70.5	69.7
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	91.3	91.1	91.1	90.9	90.6	90.3
<b>GHG emissions growth (mtCO2e)</b>	0.6	1.6	3.5	3.7	3.9	4.0
<b>Energy related GHG emissions (% of total)</b>	17.8	16.8	17.1	17.4	17.8	18.2

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 2019-UNHS. 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 private consumption per capita in constant LCU.

# ZAMBIA

**Table 1** **2022**

Population, million	19.6
GDP, current US\$ billion	28.3
GDP per capita, current US\$	1445.4
International poverty rate (\$2.15) <sup>a</sup>	61.4
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	77.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	90.7
Gini index <sup>a</sup>	57.1
School enrollment, primary (% gross) <sup>b</sup>	98.7
Life expectancy at birth, years <sup>b</sup>	62.4
Total GHG emissions (mtCO <sub>2</sub> e)	94.5

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2015), 2017 PPPs.  
 b/ WDI for School enrollment (2017); Life expectancy (2020).

*Challenges in agriculture, mining, and construction slowed economic growth to 3.9 percent in 2022 after the post-pandemic rebound in 2021. Strong momentum in services, continued government commitment to reform, a boost in business confidence from expected debt restructuring, and favorable copper prices should support a modest but steady growth acceleration in 2023–24.*

## Key conditions and challenges

Zambia is in debt distress and requires debt relief. Weak fiscal discipline, excessive non-concessional borrowing, and falling copper prices caused external debt to jump to 66.4 percent of GDP in 2019 from 6.7 percent in 2011. The COVID-19 pandemic exacerbated Zambia’s debt vulnerabilities, leading to a default on Eurobond payments in 2020. The government elected in August 2021 has launched policy reforms and begun a sharp fiscal adjustment but a substantial reduction in the net present value of Zambia’s debt stock is also required to restore debt sustainability. Currently, Zambia’s creditors—official and private—are discussing terms for a debt restructuring agreement.

In addition, job creation, increased productivity, and economic transformation is needed to ensure that future economic growth lifts more Zambians out of poverty, currently estimated at 62 percent. This is needed over the medium term to counter the track record of low and uneven growth, slow structural change, weak productivity especially in agriculture, insufficient human capital accumulation, and lack of adequate enablers for private sector-led growth. The Human Capital Index shows that a child born in Zambia will be 40 percent as productive when they grow up as they could be if they enjoyed complete education and full health, which is below the regional average.

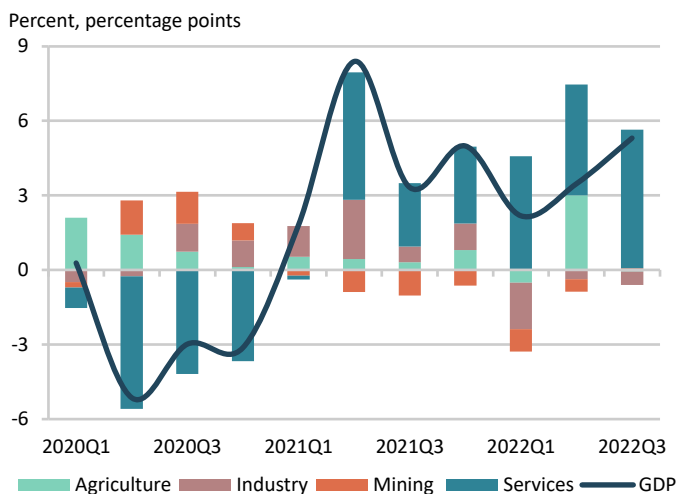
## Recent developments

External and domestic headwinds slowed the pace of recovery in 2022. Real GDP grew by 3.7 percent, year-on-year, in Q1–Q3, driven by services (Figure 1). But falling world copper prices and operational challenges reduced copper production by 4.4 percent in 2022. Meanwhile, adverse weather and disruptions in the supply of fertilizer dampened crop output. The current account surplus narrowed to 2.3 percent of GDP in 2022 as spillovers from Russia’s invasion of Ukraine raised Zambia’s import bill while falling copper prices and output slowed growth in nominal export revenue. Uncertainty about debt restructuring reversed portfolio capital flows, triggering a 28.6 percent depreciation of the kwacha between September 2022 and February 2023 and placing pressure on reserves.

Inflation has remained in single digits since June 2022 and was 9.6 percent (y/y) in February 2023, supported by fiscal and monetary restraints. In February 2023, the Bank of Zambia increased the statutory reserve ratio on deposits by 2.5 percentage points and hiked the policy rate by 25 basis points.

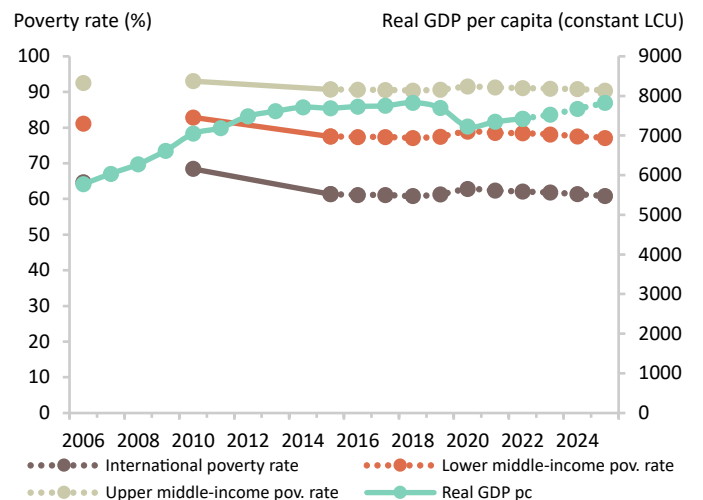
The government remains committed to fiscal prudence and in 2022 delivered 6 percentage points of GDP improvement in the primary fiscal balance (commitment basis). The debt service standstill, controls on recurrent spending, rationalization of capital projects, and increased income tax revenue

**FIGURE 1 Zambia / Real GDP growth and sectoral contributions to real GDP growth**



Source: Zambia Statistics Agency.

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



Source: World Bank. Notes: see Table 2.



created space to increase social spending—ensuring that fiscal consolidation did not excessively drag growth. Available data point to a slow and uneven recovery of household welfare in the last couple of years. The annual Labor Force Survey indicates that urban unemployment returned to pre-COVID-19 levels by 2021 but rural unemployment did not recover from the sharp increase in 2018. Household earnings, in turn, decreased across the board 2020–21. A phone survey from July 2022 found that as many as 50 percent of households did not fully meet their demands of basic staples, overwhelmingly citing economic reasons as the main barrier to access (increased prices or lack of money).

## Outlook

The recovery is expected to strengthen, with GDP growing by around 4.5 percent

annually 2023–25. A debt restructuring deal will boost market confidence, external capital flows, and macroeconomic stability. Firmer copper demand from China and commencement of fertilizer production at a newly established domestic plant will broaden the base of GDP growth. Completion of reforms to agricultural policies, business regulations, and the energy sector will ensure fiscal sustainability and promote private sector-led growth. However, the Bank of Zambia expects inflation to rise and remain above its target band of 6–8 percent over the next two years on account of inflationary pressure from sustained exchange rate depreciation, increase in energy costs, and lingering external headwinds.

The risks to the outlook are balanced but there is substantial uncertainty. Sooner-than-anticipated debt restructuring deal would create fiscal space, accelerate foreign aid delivery, and improve engagement with the international community. Firmer-than-expected copper prices will

boost the external sector's performance and support exchange rate stability. However, the prolonged war in Ukraine will continue to impact the terms of trade for Zambia as it heavily depends on imported petroleum. Growing rainfall variability leading to floods and sometimes droughts is a risk that is undermining agriculture production and rural livelihoods.

Under current GDP-based projections, the incidence of poverty is projected to slowly return to pre-pandemic levels by 2025. Projected sustained growth in the services and construction sectors are expected to benefit the urban poor and reverse the recent increase in urban poverty. Progress with rural poverty, however, is more uncertain. While the agriculture sector is projected to grow, rates are just above population growth and the sector is subject to high volatility. Structural barriers to agricultural productivity and limited ability to cushion external shocks among the rural poor mean that additional support may be needed to improve their livelihoods.

**TABLE 2 Zambia /** Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-2.8	4.6	3.9	4.2	4.7	4.8
Private Consumption	3.1	3.6	4.5	4.5	4.5	4.5
Government Consumption	10.8	5.6	-3.4	12.8	8.8	8.8
Gross Fixed Capital Investment	-29.7	25.3	9.2	11.3	0.2	7.4
Exports, Goods and Services	21.8	-6.6	6.0	-4.6	3.5	2.6
Imports, Goods and Services	10.6	2.5	9.3	1.6	-0.6	4.7
<b>Real GDP growth, at constant factor prices</b>	-2.2	4.7	3.0	4.2	4.7	4.8
Agriculture	17.2	6.9	-3.9	2.0	3.0	3.0
Industry	1.3	4.2	-3.9	1.0	2.5	2.5
Services	-6.1	4.7	7.8	6.1	5.9	6.1
<b>Inflation (Consumer Price Index)</b>	15.7	22.3	10.7	11.1	10.1	7.1
<b>Current Account Balance (% of GDP)</b>	10.7	8.4	2.3	3.4	4.3	3.7
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	-1.0	1.9	-2.5	-2.9	-3.5	-4.1
<b>Fiscal Balance (% of GDP)</b>	-13.3	-9.3	-7.9	-8.5	-7.7	-6.9
<b>Revenues (% of GDP)</b>	21.0	23.1	21.9	21.5	22.3	20.3
<b>Primary Balance (% of GDP)</b>	-7.3	-2.9	-0.2	-0.1	0.7	0.6
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	62.7	62.2	61.9	61.7	61.2	60.7
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	78.7	78.5	78.3	78.0	77.5	77.0
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	91.5	91.2	91.1	90.9	90.6	90.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.0	1.5	0.9	1.0	1.4	1.4
<b>Energy related GHG emissions (% of total)</b>	8.2	8.7	8.8	9.0	9.4	9.9

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-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	20.7
GDP per capita, current US\$	1267.0
International poverty rate (\$2.15) <sup>a</sup>	39.8
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	64.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	85.0
Gini index <sup>a</sup>	50.3
School enrollment, primary (% gross) <sup>b</sup>	96.1
Life expectancy at birth, years <sup>b</sup>	61.1
Total GHG emissions (mtCO <sub>2</sub> e)	122.9

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

Real GDP growth is estimated to have slowed to 3.4 percent in 2022 on the back of worsening agriculture conditions and macroeconomic instability. Annual inflation returned to triple digit levels in 2022, driven by both monetary expansion and external shocks. Poverty levels, albeit declining, remained elevated. Economic growth is projected to slow to 2.9 percent in 2023 and remain subdued in the medium term, reflecting global shocks and structural bottlenecks.

## Key conditions and challenges

Zimbabwe's economic development continues to be hampered by price and exchange rate instability, misallocation of productive resources, high informality, low investment, and limited structural transformation. High inflation, multiple exchange rates, unsustainable debt levels, and ineffective control over government spending have increased the cost of production, reduced incentives for productivity-enhancing investment, and encouraged informality. Trade integration has declined, and foreign direct investment (FDI) remains low, limiting transfer of new technologies and investment in modernizing the economy.

High unsustainable debt and arrears to international financial institutions (IFIs) limit Zimbabwe's growth potential. External debt is estimated at 107 percent of GDP in 2022. The government has prepared an Arrears Clearance, Debt Relief and Restructuring Strategy, resumed token payments to IFIs and Paris Club creditors, and initiated a high-level structured Dialogue Platform with creditors and development partners.

Although it has declined since its peak of 2020, extreme poverty remains high in the context of cyclical agricultural production and elevated food prices. Persistent inflation, high dependence on low-productivity agriculture, slow structural transformation, and intermittent shocks like drought,

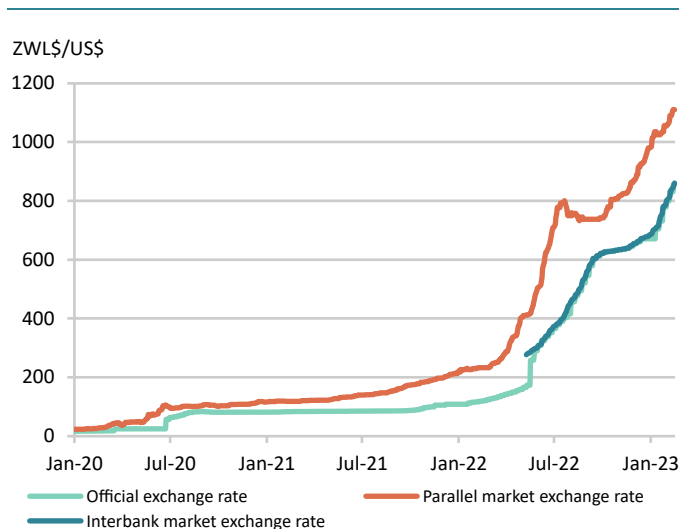
natural disasters, and pandemic have contributed to the high rate of poverty and vulnerability in Zimbabwe.

## Recent developments

Real GDP slowed to 3.4 percent in 2022 from 8.5 percent in 2021 on the back of worsening agriculture conditions and price and exchange rate instability. Due to low rainfall, agriculture output contracted by 14 percent, after growing at double digits in 2021. Triple digit inflation constrained private sector demand, while fiscal austerity limited growth of government demand and investment. Mineral exporters benefited from high global prices and together with tourism contributed most to overall economic growth.

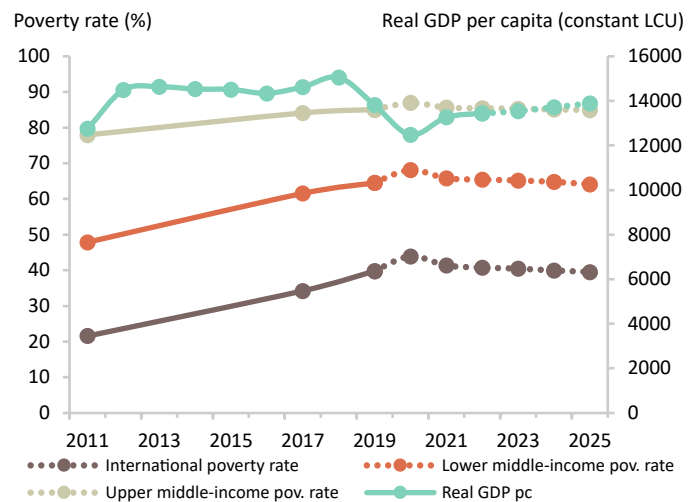
Inflation returned to triple digits, albeit declining since August 2022, fueled by broad money expansion and surge in global prices. Russia's invasion of Ukraine, through high food and energy prices, has exacerbated domestic inflationary pressures that emanated from loose monetary policy and quasi-fiscal operations, with annual inflation returning to triple digits in May 2022. End of period inflation reached 244 percent in 2022. However, monetary tightening, including sharp hike in interest rates, and fiscal policy measures brought inflation down to 230 percent in January 2023. Further, the relative relaxation on foreign currency auction controls contributed to declining parallel market premium from over 93 percent in July 2022 to 30 percent in February 2023. Despite still

**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.

high inflation, the Central Bank reduced the interest rate from 200 percent per annum to 150 percent in February 2023.

The fiscal deficit was contained for a fourth year in a row, but quasi-fiscal operations continued. The fiscal deficit is estimated at 1.5 percent of GDP in 2022, from 1.7 percent in 2021. Additional spending driven by inflation was matched by higher revenue. The large part of additional spending was allocated for wages, public investment, procurement of grain, and social protection. Revenues increased significantly due to high inflation and exchange rate valuation gains as some of the taxes (45 percent) were collected in U.S. dollars.

The current account remained in surplus though narrowing from 1.5 percent of GDP in 2021 to 1.1 percent in 2022 as trade deficit widened. The merchandise trade deficit increased sharply as import growth continued to outpace growth of exports on the back of high global prices. However, strong remittances and improvements in tourism receipts from abroad kept the current account in surplus.

The job loss and economic disruptions associated with the COVID-19 pandemic have mostly dissipated. The modest economic growth in 2022 translated into a

marginal decline in the international poverty rate. Nevertheless, about 6.2 million people lived below the international poverty line in 2022.

## Outlook

Real GDP growth is projected to slow further to 2.9 percent in 2023 and remain subdued in the medium term, reflecting global shocks, structural bottlenecks, and price and exchange rate instability. Growth in 2023 will be driven mostly by agriculture, mining, and further recovery of tourism and other related services. Agriculture output is expected to grow on account of better rains, but costly inputs and financing issues are likely to weigh on yields of key crops.

Downside risks to the outlook are high reflecting potential policy loosening prior to elections, sharp global slowdown of growth, volatile commodity prices, and climate change. Inflation will slow down but remain in triple-digits in 2023. Further monetary tightening and liberalization of the exchange rate could bring inflation to double-digit levels from 2024.

The fiscal deficit is projected to increase in 2023, reflecting election spending pressures. Higher wages and transfers will drive expenditure while investments in public infrastructure are expected to be moderate. Revenue will continue to benefit from high inflation and exchange rate depreciation. With limited access to concessional financing and rising costs of commercial financing, financing of future deficits will become more difficult, necessitating further fiscal consolidation. The current account surplus will continue shrinking, reflecting increase in imports and slowdown in remittances inflows.

The international poverty rate is expected to decline modestly in the medium term along with the projected increase in GDP per capita. Although the agriculture sector is expected to do relatively well thanks to the timely rain, high food prices and slow economic growth will continue to retard the pace of poverty reduction. Breaking the correlation of household welfare with the weather cycles, increasing labor productivity through capital deepening and structural transformation, and instituting a robust social protection system are the structural priorities to reduce poverty and vulnerability.

**TABLE 2 Zimbabwe / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-7.8	8.5	3.4	2.9	3.4	3.4
Private Consumption	-2.7	4.7	3.4	3.5	3.2	3.2
Government Consumption	-23.8	142.1	0.8	2.6	1.9	2.2
Gross Fixed Capital Investment	-4.1	-3.8	6.9	1.1	5.6	5.3
Exports, Goods and Services	-39.8	41.1	6.0	2.8	3.8	3.8
Imports, Goods and Services	-29.0	54.8	5.5	3.1	3.1	3.1
<b>Real GDP growth, at constant factor prices</b>	-7.7	8.4	3.4	2.9	3.4	3.4
Agriculture	4.1	17.5	-14.1	3.0	3.4	3.4
Industry	-8.2	6.4	7.4	3.3	3.5	3.7
Services	-9.6	7.7	5.1	2.7	3.3	3.2
<b>Inflation (Consumer Price Index)</b>	557.2	98.5	193.4	124.0	74.0	54.0
<b>Current Account Balance (% of GDP)</b>	3.0	1.5	1.1	0.4	0.7	0.5
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	0.7	0.4	0.8	0.7	0.6	0.5
<b>Fiscal Balance (% of GDP)</b>	1.5	-1.7	-1.5	-1.7	-1.5	-1.5
<b>Revenues (% of GDP)</b>	13.3	15.2	18.9	17.6	17.5	17.8
<b>Debt (% of GDP)</b>	92.1	81.7	111.6	106.2	87.2	79.2
<b>Primary Balance (% of GDP)</b>	1.5	-1.7	-1.4	-1.6	-1.1	-1.4
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	43.9	41.4	40.8	40.5	40.0	39.5
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	68.1	65.8	65.4	65.2	64.8	64.1
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	86.9	85.6	85.4	85.3	85.1	84.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.3	3.2	2.3	1.6	1.7	1.8
<b>Energy related GHG emissions (% of total)</b>	10.7	11.4	12.1	12.2	12.3	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 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

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