

Sub-Saharan Africa

Macro Poverty Outlook

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

Spring
Meetings
2021



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Sub-Saharan Africa

Spring Meetings 2021

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Congo, Republic

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

ANGOLA

Table 1

2020

Population, million	32.9
GDP, current US\$ billion	62.6
GDP per capita, current US\$	1903.05
International poverty rate (\$ 19) ^a	49.9
Lower middle-income poverty rate (\$3.2) ^a	71.5
Upper middle-income poverty rate (\$5.5) ^a	88.5
Gini index ^a	51.3
School enrollment, primary (% gross) ^b	113.5
Life expectancy at birth, years ^b	60.8

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

Notes:

(a) Most recent value (2018), 2011 PPPs.

(b) WDI for school enrollment (2015); life expectancy (2018).

Angola experienced a fifth consecutive year of recession in 2020, as GDP contracted by an estimated 4 percent. COVID-19 reduced services activity, while low oil prices, reduced OPEC quotas, and logistical disruptions took a toll on the oil sector. Reprofiting of external debt obligations and the oil price recovery since late 2020 have provided some relief but debt risks remain elevated. The lagged effect of exchange rate depreciation is adding to inflation. Rising prices, high unemployment, and limited social safety nets have resulted in rising poverty.

Key conditions and challenges

Angola's oil- and public investment-driven growth model has been exhausted, but inclusive, diversified, private sector-led growth is yet to emerge. Since oil prices declined in 2015, Angola's real GDP has shrunk by a cumulative 9.5 percent, with GNI per capita (in dollar terms) cut in half.

Before 2015, Angola's growth model resulted in an overvalued exchange rate, excessive debt, and an economy dominated by State-owned enterprises. While growth was high at 8.2 percent from 2004 to 2014, growth in non-oil sectors was stunted. As lower oil prices resulted in a prolonged recession and the exchange rate depreciated rapidly after moving to a float in 2018, half of the population lived on less than \$1.90 per day (2011 PPP) in 2018 (a rate similar to 2008) and debt-to-GDP ballooned to an estimated 128 percent by the end of 2020.

The current administration (elected in late 2017) has embarked on an ambitious reform program. Reforms aimed at macro-economic stabilization included floating of the currency, strengthening tax revenue, and passage of a fiscal responsibility law. Reforms aimed at shifting the Angolan economy from dependence on oil and the SOE sector include privatization of state assets, removal of pervasive price controls, improved regulation and

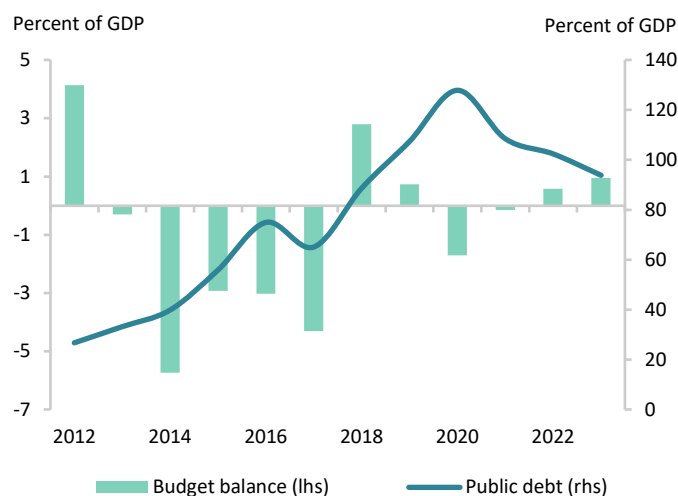
oversight of financial institutions and creation of a competition authority. Finally, to reduce poverty and inequality, the Kwenda cash transfer program was introduced in 2020.

Angola's transition to a more diversified, private-sector led growth model has become even more urgent in the face of COVID-19. Sectors ranging from agriculture to financial services have large untapped potential and can generate the jobs crucial for poverty reduction. Continued progress on structural reforms, including market-based pricing of fuel, and larger and more effective investments in human capital are needed to advance towards a more productive and inclusive Angola.

Recent developments

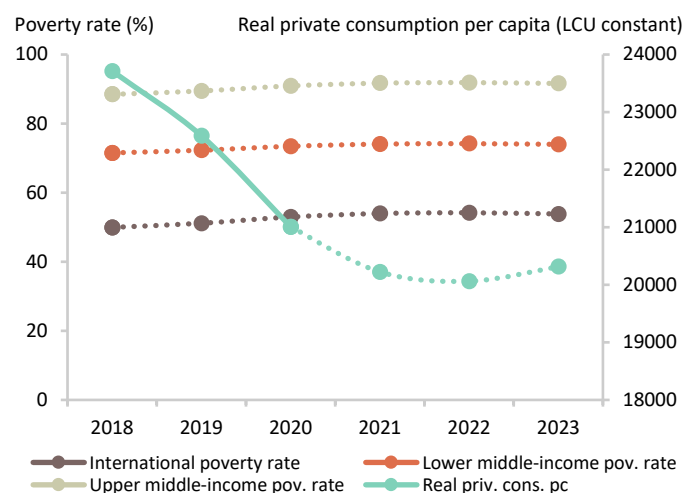
GDP is estimated to have contracted by 4 percent in 2020. Although the spread of COVID-19 in Angola has been limited (124 cases per 100,000 adults as of February 17, compared to 427 cases on average for Sub-Saharan Africa), non-oil activity dropped sharply in the second quarter of 2020 as measures to halt the spread of COVID-19 restricted in-person service provision. As the pandemic resulted in lower oil prices and restrictive OPEC+ quotas, Angola's crude oil production declined 7.1 percent in 2020, standing at 1.28 million barrels per day. Year-on-year, it is estimated that both oil and non-oil activity contracted (by 7.2 and 3.1 percent, respectively).

FIGURE 1 Angola / Budget balance and change in debt



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

Driven by the decline in the volume and value of oil, export revenues (in US dollars) declined by 37.3 percent in 2020. Yet as imports also declined (by 23.3 percent), the current account remained in balance. In the context of the oil price decline and heightened debt vulnerabilities, the currency lost 36.7 percent of its value vis-à-vis the US dollar in 2020. Net international reserves stood at US\$8.8 billion in January 2021 equivalent to six months of imports.

With the pass-through from currency depreciation, inflation accelerated, to 25.1 percent in 2020 (from 16.9 percent in 2019). Prices for food, much of it imported, rose faster (by 31.4 percent). Though poverty rates are substantially higher in rural areas, urban households are particularly vulnerable to price shocks due to high unemployment and low subsistence production, with purchased food accounting for 44 percent of their expenditures.

Despite the sharp drop in oil revenues, the primary fiscal balance remained in surplus, though narrower than in 2019. The government has prioritized spending on health (which increased 40 percent) and social protection. Debt reprofiling agreements reached in 2020, including under the DSSI, have reduced near-term financing pressures.

Outlook

A partial recovery is expected in 2021, with GDP projected to grow by 0.9 percent and accelerating to 3.5 percent in 2022, still slower than population growth. The recovery is conditional on a stronger oil sector, loosening of OPEC+ production quotas and resumption of investments to halt the structural decline in production. This is consistent with the recent strength of oil prices and a world economy gradually recovering from COVID-19 as vaccines are rolled out.

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

The current account is expected to return to surplus in 2021, aided by increased oil proceeds. Inflation is expected to retreat gradually as the lagged impact of rapid currency depreciation between 2018 and 2020 wanes.

Fiscal and debt consolidation is critical to ensure a sustainable recovery. The fiscal deficit is expected to decline to zero in

2021, with non-oil taxes making up an increasing share of revenues. Debt is expected to start declining in 2021, reaching 94 percent of GDP by 2023 based on continued fiscal retrenchment and prudent debt management.

Continued high unemployment and inflation have increased food insecurity and poverty. Projections, tentative due to limited data, suggest that the share of the population living on less than \$1.90 per day (2011 PPP) will continue increasing in 2021, reaching about 54 percent, an increase of 2 million people since 2019. Another million may fall into poverty by 2023 before the poverty rate starts to decline modestly. Expanding the Kwenda program and measures to support job creation, especially for youth, are critical to mitigate poverty and negative effects on human capital.

TABLE 2 Angola / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-2.4	-0.6	-4.0	0.9	3.5	2.5
Private Consumption	-3.4	-1.6	-4.0	-0.6	2.4	4.5
Government Consumption	-1.7	-1.6	-23.9	18.0	-3.2	1.1
Gross Fixed Capital Investment	-5.1	-3.1	-5.6	3.3	6.9	5.4
Exports, Goods and Services	1.2	0.8	-6.8	-1.7	6.4	-1.4
Imports, Goods and Services	-16.9	0.0	-23.3	6.8	6.4	4.5
Real GDP growth, at constant factor prices	-7.5	-1.0	-4.4	0.9	3.6	2.4
Agriculture	-7.6	-4.4	6.9	7.4	3.0	3.7
Industry	-11.4	-2.8	-8.4	0.0	7.0	2.2
Services	-1.7	2.0	-1.3	0.9	-0.3	2.3
Inflation (Consumer Price Index)	19.6	17.1	22.3	22.7	17.0	12.3
Current Account Balance (% of GDP)	7.3	5.7	0.1	3.4	3.4	2.7
Net Foreign Direct Investment (% of GDP)	-6.4	-2.0	-1.4	-1.3	0.2	1.2
Fiscal Balance (% of GDP)	2.8	0.7	-2.6	-0.8	0.1	0.7
Debt (% of GDP)	88.6	107.3	128.2	105.3	100.4	91.9
Primary Balance (% of GDP)	7.5	6.0	4.8	6.5	6.2	6.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	49.9	51.1	52.9	53.9	54.2	53.8
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	71.5	72.3	73.5	74.1	74.2	74.0
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	88.5	89.5	90.9	91.7	91.9	91.6

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

Notes: e = estimate, f = forecast.

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

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

BENIN

Key conditions and challenges

Table 1 **2020**

Population, million	12.4
GDP, current US\$ billion	15.2
GDP per capita, current US\$	1224.7
International poverty rate (\$ 19) ^a	49.6
Lower middle-income poverty rate (\$3.2) ^a	76.2
Upper middle-income poverty rate (\$5.5) ^a	90.6
Gini index ^a	47.8
School enrollment, primary (% gross) ^b	116.7
Life expectancy at birth, years ^b	61.5

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

Notes:

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Real GDP growth slowed to 2 percent in 2020, as the COVID-19 crisis affected global demand, containment measures hindered services and recession hit Benin's main trading partner, Nigeria. The fiscal balance deteriorated due to large counter-cyclical fiscal spending and lower tax revenues. Growth and poverty reduction are expected to gradually recover over the medium term, supported by the re-opening of the border with Nigeria in early 2021. Uncertainty over the efficacy and accessibility of vaccines cloud the outlook.

Benin entered the COVID-19 pandemic with real GDP growth averaging 6.4 percent in the period 2017-2019 (3.5 percent in per capita terms), driven by cotton exports, and the construction and transport sectors. The 16-month border closure with Nigeria has however brought to light some of the vulnerabilities of its growth model. Despite some domestic manufacturing in cement and textile, the economy is hampered by its reliance on re-exporting imported goods and commodities (e.g. used cars, rice) to Nigeria through its land border, and the concentration of formal exports in agricultural products (mainly cotton and cashew). Eighty five percent of the labor force is working in the informal economy, which is costly for firms and workers and has hampered productivity growth. Domestic revenue mobilization is low and has remained among the lowest in the WAEMU despite ambitious tax policy and administration reforms since 2016. While economic gains at the macro level have started to translate into better living standards and improved human development indicators, the effects of COVID-19 on informal businesses and households, could reverse recent trends.

The duration of the COVID-19 pandemic, both regionally and globally, constitute substantial downside risks. A prolonged outbreak would compromise the economic

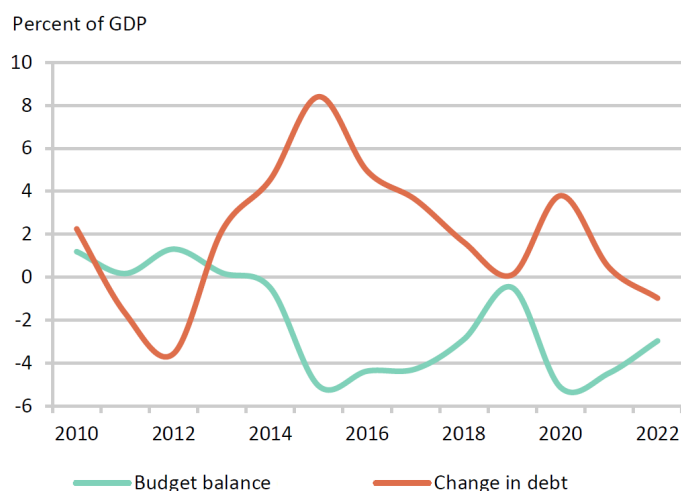
recovery, with new containment measures undermining poverty reduction by threatening the livelihoods of the large informal sector and increasing food insecurity, while raising fiscal and external financing requirements and debt pressures. Diversifying the economy and reducing the fiscal dependence on trade with Nigeria remain medium-term challenges to economic transformation that raises productivity and reduces poverty. Increased security threats spilling over from the Sahel region could also threaten growth.

Recent developments

Due to the COVID-19 crisis real GDP growth slowed to 2.0 percent in 2020 (-1.0 percent in per capita terms). H1 2020 experienced the largest slump with quarterly GDP contracting by 2 percent in Q2, following the imposition of COVID-19 restrictions. GDP grew in Q3 (+1.6 percent y/y) as retail and manufacturing activity picked up once containment measures eased. Agriculture was mildly hit by labor shortages due to restrictions on the regional migrant flows. On the demand side, public expenditure was the main driver of growth. Inflation ramped up and reached +3.3 percent at end-2020, on the back of higher food prices in a context of border closures and trade disruptions.

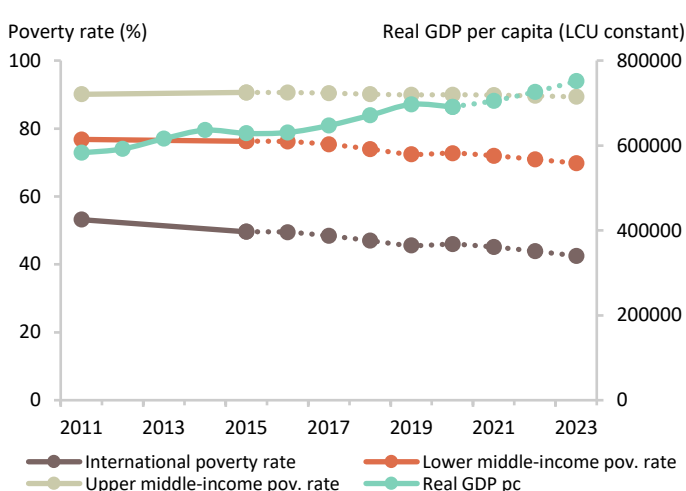
The current account deficit (CAD), including grants, widened from 4.0 percent of GDP in 2019 to 4.6 percent in 2020. Despite the strong cotton production (Benin was the major exporter in West Africa),

FIGURE 1 Benin / Budget 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



Source: World Bank. Notes: see Table 2.

exports have been hit by declining commodity prices and lower re-export activities. The fiscal deficit (including grants) significantly widened, from 0.5 percent of GDP in 2019 to 5.1 percent in 2020, as authorities turned to counter-cyclical fiscal spending to counter the crisis. The ambitious health and socio-economic response plan amounted to 2.7 percent of GDP. In parallel, subdued demand, combined with the adverse impact of the border closure reduced total revenues (driven by lost customs earnings).

Benin's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Foreign reserves reached 5.5 months of imports in 2020 (up from 4.4 in 2019), due to large donor support and reduced imports during the pandemic. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures, since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds.

Poverty and vulnerability remain high. National poverty stood at 38.5 percent in 2019, with rural poverty at 44.2 percent (+12.8 ppts higher than urban). World Bank estimates suggest that \$1.9 a day

(2011 PPP) poverty declined from 49.6 percent in 2015, to 45.5 in 2019 increasing only slightly to 45.9 percent in 2020. Inequality is moderate based on consumption aggregates, with a Gini index of 34.7 percent in 2019, but the COVID-19 crisis is expected to reverse some of these achievements in the short and medium terms.

Outlook

Benin is expected to recover gradually. Growth will rebound to 5.0 percent in 2021, and progressively reach 6.5 percent in 2023. Private consumption and exports should drive the recovery, pushed by higher commodity prices, positive growth in Nigeria and the reopening of its border. In per capita terms, however, Benin will not achieve pre-COVID 19 levels in the next two years given its population growth and growth remaining below potential. Inflation should slow to 2.0 percent, as labor restrictions linked to COVID-19 expire.

The CAD should improve slightly and stabilize at -4.3 percent in 2023 as formal and informal trade resumes, even as imports are expected to remain high on the back of strong construction activity. FDI and portfolio flows should increase gradually.

The fiscal deficit (including grants) is expected to gradually decrease as authorities revert to fiscal consolidation by reigning in recurrent spending. As revenues also bounce back, the fiscal deficit will reach the WAEMU convergence criteria of 3 percent of GDP in 2022. The deficit is expected to be increasingly financed by non-concessional borrowing. On January 2021, Benin raised EUR 1 billion (5.7 percent of GDP) in Eurobonds. Part of the proceeds will serve to rollover the 2019 debut Eurobond and improve Benin's debt servicing capacity. Still, increased exposure to commercial borrowing may raise vulnerabilities linked to low domestic revenue collection. The public debt ratio is projected to reach a peak at 46.4 percent of GDP in 2021, before gradually declining.

Poverty is expected to decline over the projection period as the country recovers from the crisis. Despite increasing slightly in 2020, as a result of the slowdown in per capita growth, the \$1.9/day PPP poverty headcount rate is expected to decrease to 42.5 percent in 2023, while the \$3.2/day PPP poverty rate declines from 72.8 percent in 2020 to 69.8 percent by 2023. The recent acceleration in the pace of poverty reduction led by growth in agriculture could be compromised by any resurgence of the COVID-19 pandemic or other border shocks.

TABLE 2 Benin / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.7	6.9	2.0	5.0	6.0	6.5
Private Consumption	3.5	3.5	2.6	5.0	6.0	6.5
Government Consumption	6.0	5.8	19.6	-0.2	-5.0	-10.3
Gross Fixed Capital Investment	16.3	10.2	-7.8	5.1	11.8	12.6
Exports, Goods and Services	5.0	8.6	-31.4	23.2	13.8	5.1
Imports, Goods and Services	4.8	3.4	-26.9	16.6	12.9	4.6
Real GDP growth, at constant factor prices	6.7	6.9	2.0	5.0	6.0	6.5
Agriculture	7.3	7.2	5.6	6.5	7.6	8.4
Industry	6.2	6.2	-1.9	1.3	1.4	2.2
Services	6.7	7.1	1.8	6.3	7.8	7.7
Inflation (Consumer Price Index)	0.8	-0.9	3.0	2.0	2.0	2.0
Current Account Balance (% of GDP)	-4.5	-4.0	-4.6	-4.5	-4.5	-4.3
Net Foreign Direct Investment (% of GDP)	1.2	1.3	0.6	1.0	1.1	1.2
Fiscal Balance (% of GDP)	-2.9	-0.5	-5.1	-4.5	-3.0	-2.6
Debt (% of GDP)	41.1	41.2	46.1	46.4	45.4	44.0
Primary Balance (% of GDP)	-1.3	1.1	-3.1	-2.1	-1.0	-0.6
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	47.0	45.6	45.9	45.1	43.9	42.5
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	74.0	72.4	72.8	72.0	70.9	69.8
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	90.1	89.9	90.0	89.9	89.6	89.4

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

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

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

BOTSWANA

Key conditions and challenges

Table 1 2020

Population, million	2.4
GDP, current US\$ billion	16.1
GDP per capita, current US\$	6853.6
International poverty rate (\$19) ^a	14.5
Lower middle-income poverty rate (\$3.2) ^a	36.5
Upper middle-income poverty rate (\$5.5) ^a	59.1
Gini index ^a	53.3
School enrollment, primary (% gross) ^b	103.2
Life expectancy at birth, years ^b	69.3

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

Notes:

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2015); life expectancy (2018).

Botswana's economy is estimated to have contracted by 7.9 percent in 2020 as the pandemic affected key sectors, notably diamonds and tourism. Unemployment edged up to 24.5 percent and the poverty rate is estimated to have reached 60.2 percent in 2020, up from 57.0 percent in 2019, using the upper-middle-income country threshold. While a growth recovery is expected in 2021, sustaining the momentum in the medium-term will require transformation to overcome the structural limits of the current growth model.

The discovery of the world's largest diamond deposits in the 1960s allowed Botswana to maintain average growth rates of over 5 percent up until the 2009 global financial crisis, with real GDP per capita growing almost five times faster than the global average. Notably, Botswana has benefited from buoyant diamond exports – at around 80 percent of total export earnings – and accompanying significant revenue inflows (over a third of overall revenue collection). This led the authorities to establish, in 1994, the Pula Fund with the aim of preserving part of the income from diamond exports for future generations. Prudent macroeconomic management has enabled Botswana to accumulate substantial savings, in the form of foreign exchange reserves and the Government Investment Account (GIA). However, Botswana has struggled to maintain its growth momentum in recent years as the diamonds-cum-public sector led growth model has reached its limits and alternative drivers of growth have not materialized. After averaging at 7 percent between 2010 and 2014, weakening global demand for diamonds and severe weather conditions slowed real GDP growth to an average of 2.6 percent between 2015 and 2019. Increased government spending to support growth and greater revenue volatility has resulted in consecutive years of fiscal deficits since FY2015/16, thus eroding

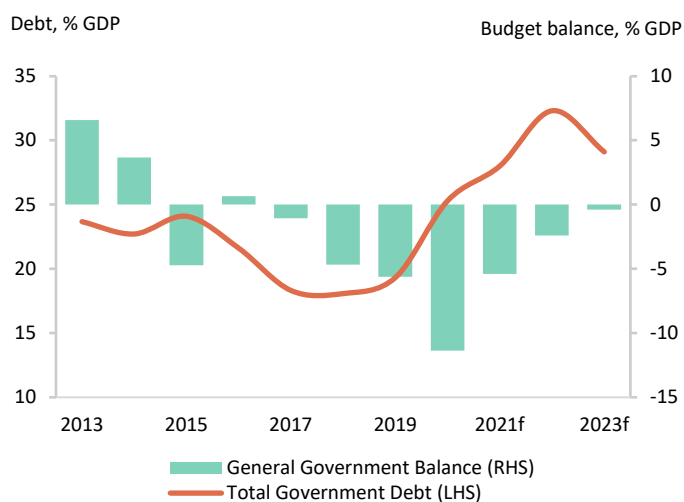
fiscal buffers. GIA savings fell from 20 percent of GDP in FY2015/16 to 8 percent at the end of FY2019/20, posing a threat to the sustainability of savings.

COVID-19 has exacerbated existing vulnerabilities, reversing some of the gains made in living standards over the past five years. Low capital accumulation and sluggish productivity have affected growth in the non-resource economy. Unemployment is high and living conditions have deteriorated. The pandemic has underscored the urgent need for a transformation in the growth model so that Botswana can develop a diversified and robust economy and accelerate job creation. Successful implementation of structural reforms under the Economic Recovery and Transformation Plan (ERTP) would improve conditions for a diversified and private sector-led growth model.

Recent developments

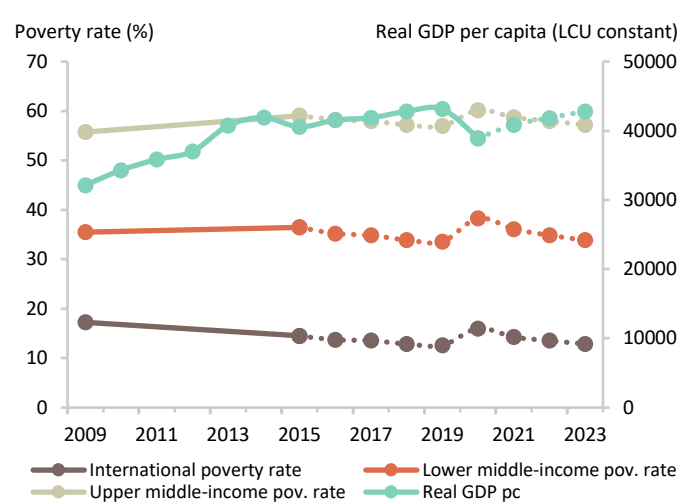
The economy is estimated to have contracted by 7.9 percent in 2020. Diamond production is estimated to have declined by 29 percent as global demand waned. As a result, merchandise exports fell by an estimated 26 percent in 2020, weighed down by a 77 percent drop (y/y) in the second quarter. Travel restrictions affected the private sector, with significant losses registered in the tourism and hospitality industry. Unemployment increased slightly from 23.2 percent in the first quarter of 2020 to 24.5 percent in the last quarter. An additional 103,000 people are estimated to

FIGURE 1 Botswana / Evolution of Public Debt and Fiscal Balance



Source: World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

have fallen below the upper-middle income poverty line (US\$5.5 per day, 2011 PPP) in 2020, bringing the total to 1.4 million people.

Botswana's fiscal position has worsened. The fiscal deficit is set to widen to 11.4 percent of GDP in FY2020/21, from 5.6 percent in FY2019/20, reflecting a sharp decline in mineral revenues (55 percent), a rigid and high public sector wage-bill, and the impact of the COVID-19 Economic Response package approved in April 2020. Elevated financing needs have been met by further GIA drawdowns and increased domestic bond issuances. Increased borrowing to close the financing gap is expected to push public debt from 19.3 percent in FY2019/20 to an estimated 27.4 percent of GDP at the end of FY2020/21, although remaining below the 40 percent of GDP statutory cap.

Muted exports caused the current account deficit to widen to an estimated 8.1 percent of GDP in 2020 (from 7.6 percent in 2019). Merchandise exports declined by an estimated 26 percent in 2020 as travel restrictions constrained diamond sales (also known as sights) and year-on-year export fell by 78 percent in Q2 2020. Coupled with relatively stable imports and a significant drop in tourism receipts, the trade deficit increased to 12.5 percent in 2020 from 6.9 percent in 2019. Despite this,

increased Southern African Customs Union (SACU) transfers for FY2020/21 helped to alleviate some pressures. Foreign direct investment fell 30 percent in the first half of 2020. International reserves decreased by 23.3 percent year-on-year to US\$5.1 billion (10.9 months of imports) at the end of November 2020.

Outlook

Botswana's economy could grow by 6.9 percent in 2021, reflecting recovery of mining production following last year's sharp contraction, with results from the first diamond sight showing exports are up by 18 percent (y/y). However, broad-based recovery will be critical to reduce poverty, as most people who lost jobs due to COVID-19 remain unemployed. Similarly, per capita GDP will not revert to 2019 levels until 2023. Over the medium-term, growth will plateau at around 4.2 percent with private investments in coal and copper mining, along recovering consumption, being the main contributing factors.

The anticipated diamond-led recovery will also improve the fiscal position, with the deficit set to narrow to about 5.4 percent of GDP in FY2021/22 due to higher

mineral revenues and revenue enhancing measures including revisions to the VAT rate, fuel levy and withholding tax. These will cushion the anticipated impact of reduced SACU receipts. Expenditures will remain largely unchanged as one-off COVID-19 emergency spending is replaced by ERTF-linked spending, although efforts to "right-size" the wage bill will begin with the abolishment of 50 percent of vacant positions. While total debt is expected to remain sustainable over the medium-term, it is expected to increase to an estimated 28.0 percent of GDP in FY2020/21, reflecting depleted fiscal buffers and subsequent increase in external borrowing.

The outlook is not without substantial COVID-19-related downside risks, particularly as additional waves and mutations of the virus provide added uncertainty. A scenario where waves of infections are followed by worldwide lockdowns could curtail demand in the global diamond industry, thus resulting in a slower recovery for Botswana. Services, particularly tourism, trade and transport, would also be impacted. Lower mineral receipts would worsen the fiscal position, adding to pressures from the anticipated declines in SACU receipts. Both the fiscal and external balance would likely remain in deficit beyond FY2023/24.

TABLE 2 Botswana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.5	3.0	-7.9	6.9	4.3	4.1
Private Consumption	4.1	4.2	-1.8	1.1	3.0	4.1
Government Consumption	3.7	3.3	-0.7	3.3	-7.5	-9.9
Gross Fixed Capital Investment	8.1	6.6	-2.6	3.3	3.2	8.0
Exports, Goods and Services	7.2	-16.7	-28.6	32.5	16.5	6.2
Imports, Goods and Services	11.8	6.7	-8.9	9.7	5.0	2.5
Real GDP growth, at constant factor prices	4.5	3.2	-7.9	6.9	4.2	4.2
Agriculture	2.6	-0.1	3.5	3.0	3.0	2.5
Industry	5.5	0.2	-15.0	14.5	2.7	3.2
Services	4.1	4.5	-5.5	4.4	4.8	4.6
Inflation (Consumer Price Index)	3.2	2.8	1.9	3.1	4.0	4.0
Current Account Balance (% of GDP)	0.6	-7.6	-8.1	-5.2	-2.8	0.5
Net Foreign Direct Investment (% of GDP)	1.1	1.2	1.1	1.7	1.8	1.6
Fiscal Balance (% of GDP)^a	-4.7	-5.6	-11.4	-5.4	-2.4	-0.4
Debt (% of GDP)	18.1	19.3	25.3	28.0	32.3	29.1
Primary Balance (% of GDP)^{a,b}	-4.1	-5.0	-10.5	-4.4	-1.1	1.1
International poverty rate (\$1.9 in 2011 PPP)^{c,d}	12.9	12.6	16.0	14.3	13.5	12.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{c,d}	33.9	33.6	38.3	36.1	34.9	33.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{c,d}	57.2	57.0	60.2	58.7	58.0	57.2

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

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

(b) Refers to Public and Publicly Guaranteed debt.

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

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

BURKINA FASO

Key conditions and challenges

Table 1 **2020**

Population, million	20.9
GDP, current US\$ billion	16.0
GDP per capita, current US\$	765.7
International poverty rate (\$19) ^a	43.8
Lower middle-income poverty rate (\$3.2) ^a	76.7
Upper middle-income poverty rate (\$5.5) ^a	92.3
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	94.5
Life expectancy at birth, years ^b	61.2

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

Notes:

(a) Most recent value (2014), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Favorable terms-of-trade and good crop production kept the economy growing in 2020, despite the negative COVID-19 shock and persistent security crisis. However, about 450,000 people joined the extreme poor in 2020. With low oil and high gold prices, real GDP is projected to rise by 3.1 percent in 2021 and the extreme poverty incidence rate is projected to decrease only from 2022 onwards. Improvements in the efficiency of social safety nets and public service delivery are critical to resume poverty reduction.

The primary sector employs 80 percent of the adult population, mostly in subsistence agriculture, and contributes a quarter of the country's GDP. Due to a lack of irrigation capacity, agriculture has been highly exposed to the vagaries of weather and climate change. Cotton, once the largest export commodity, remains the major cash crop. The secondary sector contributes a similar share to the economy, almost 75 percent of which is generated by a booming mining industry. Gold now accounts for about 85 percent of export proceeds, placing Burkina Faso among Africa's top five gold exporters. The mining sector has, however, limited linkages to the local economy and generates few jobs. Services account for about half of GDP, with retail, transportation, and the public sector generating most jobs and value added. Public service delivery has been facing an increasingly difficult context with growing violence and conflict, as evidenced by an unprecedented humanitarian crisis.

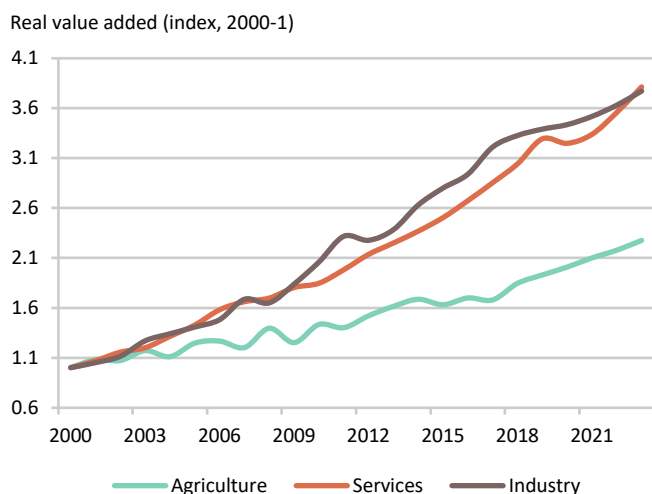
COVID-19 has had two major effects. Externally, it has supported the BOP through high gold and low oil prices—fuel imports accounted for 20 percent of the 2019 import bill. Domestically, however, it has aggravated the impact of the ongoing security, humanitarian, and social crises. The fiscal accounts are strained by (i) rising spending on military personnel and

equipment in response to the deteriorating security situation; (ii) additional social assistance to the over 600 thousand new internally displaced; and (iii) a high and rising wage bill due to strong union pressure in a tense social context. Additional spending is often financed through the issuance of relatively expensive (domestic) debt with increasing debt service payments. Also, low investment in the non-gold sector along with stagnating labor and land productivity, limited access to credit, and the high cost of doing business are constraining potential growth.

Recent developments

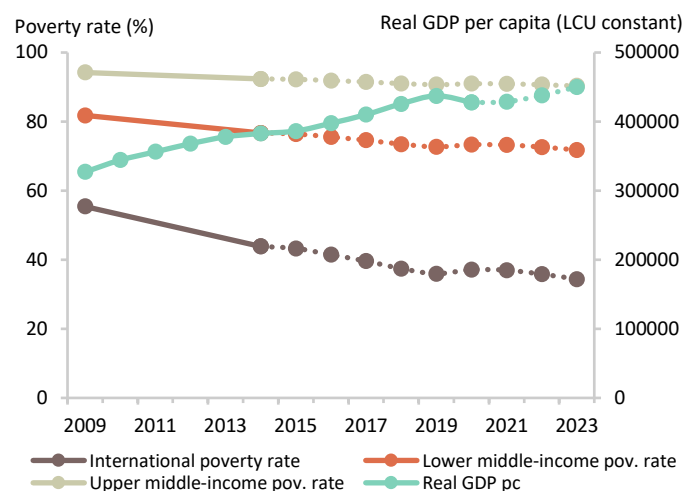
In the first half of 2020, real GDP growth collapsed by 5 percent (y/y) on account of the early COVID-19 containment measures. Exceptionally benign terms of trade and the implementation of the Emergency Response Plan (ERP) helped the economy to rebound by 8 percent in the third quarter (y/y). With booming gold exports, the current account deficit (CAD) decreased to 2.6 percent of GDP from 4.8 percent in 2019. The fiscal deficit, as a share of GDP, increased to 5.6 percent in 2020 from 3.2 percent in 2019, largely due to COVID-19 mitigation measures. Domestic revenue collection (excluding grants at 4.4 percent of GDP) is estimated at 18 percent of GDP, down by 1.5 percentage points compared to 2019, mainly due to temporary tax deferrals or cancellations included in the ERP while tax

FIGURE 1 Burkina Faso / Sectoral real value added



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

administration measures helped prevent a larger decrease.

Burkina Faso's monetary and exchange rate policies are managed by the BCEAO, which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached an estimated 5.5 months of imports in 2020 (vs 5.9 months in 2019) supported by donor inflows and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the US Dollar. Since March 2020, the BCEAO has supported the regional economy through a policy rate cut and refinancing operations of 3-month COVID-19 bonds.

Simulations suggest that the COVID-19 crisis increased the extreme poverty rate by about a percentage point, to 37.1 percent in 2020, resulting in an additional 450,000 extreme poor and reversing two years of poverty reduction. A direct consequence of the shock is an increase in food insecurity: 28 percent of households can no longer meet their dietary needs and the phenomenon is more pronounced in rural areas (33.5% vs 16.8% in urban areas). Social protection has been limited and not always well targeted. Only 8.8% of households declared receiving COVID-19-related assistance.

Outlook

Amid continued uncertainty, the economy is projected to grow by 3.1 percent in 2021, marginally above the population growth rate. Growth is expected to be driven by a gradual recovery in services (1.2 percentage points contribution) as retail, restaurants, hotels, and transportation services recover. Strong gold production will support the mining sector (0.6 percentage point contribution). Encouraging rainfalls recorded toward the end of 2020 might also translate into a continuation of strong agricultural performance. The CAD is projected to increase by 0.6 percent of GDP in 2021 due to mining profits repatriations and slowing FDIs and portfolio investments. With security, humanitarian, and social challenges persisting throughout the year, the fiscal deficit is projected to remain elevated, at 5.2 percent of GDP, and public debt to rise to 53.1 percent of GDP. The effects of the COVID-19 shock on poverty will persist with the headcount ratio remaining at 37 percent – adding 190,000 new extreme poor – and returning to pre-COVID-19 levels around end-2022.

This growth and poverty outlook is sensitive to risks. On the downside, social unrest, insecurity, or political upheaval

could destabilize an already fragile situation. Further, given the high dependence on agriculture and its low level of resilience to natural hazards, the country is highly exposed to natural disasters, including low rainfall, floods, and locust invasions. Finally, in case of a rapid recovery of the world economy, terms of trade could shift quickly to the disadvantage of Burkina Faso's exporters and importers. On the upside, 2021 could bring good weather conditions and an above-average harvest; an effective start of the COVID-19 vaccination campaign by mid-2021 could help prevent another lockdown; and more efficient social safety nets and public service delivery would help enhance the pace of poverty reduction.

TABLE 2 Burkina Faso / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.8	5.7	0.6	3.1	5.0	5.7
Private Consumption	1.5	7.2	0.9	4.2	6.5	6.3
Government Consumption	8.1	19.6	8.0	1.3	1.4	2.1
Gross Fixed Capital Investment	18.0	-6.4	-7.2	2.9	6.4	10.2
Exports, Goods and Services	6.0	-2.3	0.2	3.2	4.9	5.2
Imports, Goods and Services	3.5	-1.6	-1.0	4.5	7.2	7.9
Real GDP growth, at constant factor prices	6.5	5.7	0.6	3.1	5.0	5.7
Agriculture	9.9	4.6	4.1	4.6	3.7	4.5
Industry	3.6	1.9	1.3	2.4	3.2	3.9
Services	6.6	8.2	-1.4	2.8	6.6	7.2
Inflation (Consumer Price Index)	2.0	-3.2	3.2	2.1	2.4	2.5
Current Account Balance (% of GDP)	-4.1	-4.8	-2.6	-3.2	-3.7	-4.0
Net Foreign Direct Investment (% of GDP)	1.2	1.3	1.1	0.9	0.7	0.7
Fiscal Balance (% of GDP)	-4.2	-3.2	-5.6	-5.2	-4.6	-3.2
Debt (% of GDP)	37.7	42.7	47.6	53.1	55.4	56.3
Primary Balance (% of GDP)	-3.2	-1.9	-4.3	-3.6	-2.6	-1.4
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	37.4	36.0	37.1	37.0	35.8	34.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	73.5	72.7	73.3	73.2	72.6	71.8
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	91.0	90.7	91.0	90.9	90.7	90.4

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

Notes: e = estimate, f = forecast.

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

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

BURUNDI

Table 1 **2020**

Population, million	11.9
GDP, current US\$ billion	3.3
GDP per capita, current US\$	274.0
International poverty rate (\$ 19) ^a	72.8
Gini index ^a	38.6
School enrollment, primary (% gross) ^b	119.0
Life expectancy at birth, years ^b	61.2

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

Notes:

(a) Most recent value (2013), 2011 PPPs.

(b) Most recent WDI value (2018).

Economic growth is estimated to decelerate to 0.3 percent in 2020 from 1.8 percent in 2019, with poor performance in services and agriculture, partially offset by COVID-19 induced import-substitution in industry. Macroeconomic challenges include large external imbalances, fiscal pressures and high public indebtedness. With rapid population growth, per capita GDP is contracting while poverty is expected to reach 87.5 percent in 2023. The medium-term growth outlook is modest and highly vulnerable to risks from the continuing economic fallout from the COVID-19.

Key conditions and challenges

Economic and social development have been hampered by structural weaknesses that have locked the economy in a low-level equilibrium. These include the dominance of low-productivity agriculture (reliance on poor-quality land and rainfall), limited economic diversification (weak private sector, narrow export base, supply-side constraints), limited fiscal space for public investments, low capital accumulation and weak productivity, and massive human capital challenges compounded by high population growth. These weaknesses have been exacerbated since 2015 by large external imbalances, fiscal pressures, high domestic debt crowding out of private sector credit, and constrained access to forex. The result has been depressed growth, limited job-creation, and high poverty trends.

COVID-19 presents additional challenges to households across the income distribution, through both direct and indirect effects. COVID-19 may entail long-lasting repercussions on human capital, as households are forced to adopt harmful coping strategies such as selling productive assets or reducing expenditures on education and food. Border closures particularly affect small farmers as significant trade in agricultural products takes place between Burundi and neighboring countries. Limited fiscal space and scant monetary and

financial buffers undermine the government's ability to stimulate the economy and mitigate economic costs of the pandemic. The national development plan for 2018-2027 aims to boost economic growth and resilience notably by supporting growth sectors (such as market-oriented agriculture, infrastructure, mining), developing human capital, and enhancing environmental protection. Implementing this agenda poses significant financing needs and requires political commitment to reforms.

In addition, uncertainty around the second wave of COVID-19 persists. Burundi's increases in cases since December 2020 and the closure of land and sea borders are likely to slow the pace of recovery depending on the duration of these measures.

Recent developments

Although COVID-19 cases remain relatively low, the pandemic has impacted Burundi's fragile economy through border closures and lower commodity exports. Economic growth for 2020 is estimated at 0.3 percent from 1.8 percent in 2019, owing to a slowdown in agriculture and a contraction in services. The industrial sector expanded moderately driven by the food industry. Growth was supported by government consumption (especially health) while other demand components tumbled. Inflation rose in 2020 with higher food prices and disruptions to imported consumer products.

FIGURE 1 Burundi / Public debt, fiscal and current account balances

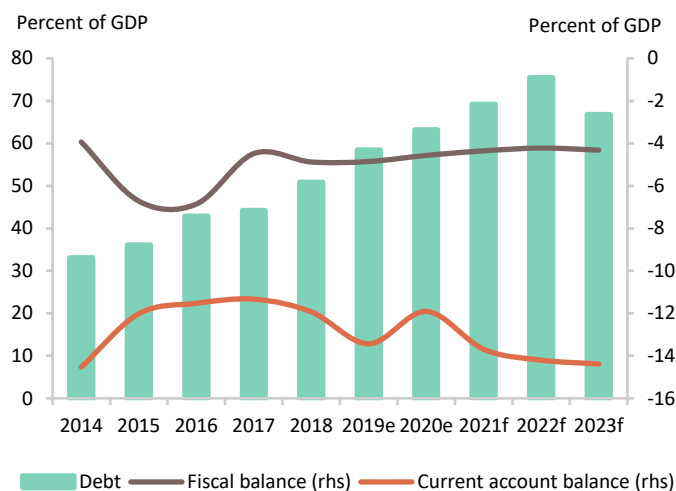
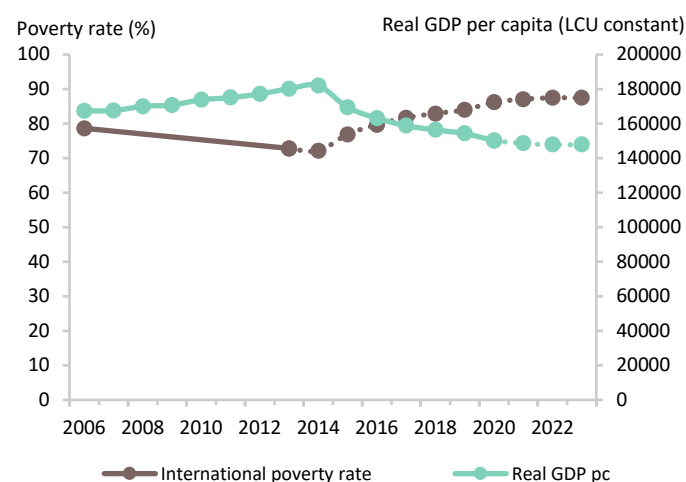


FIGURE 2 Burundi / Actual and projected poverty rate and real GDP per capita



Sources: Official statistics and World Bank calculations.

Source: World Bank. Notes: see Table 2.

The fiscal deficit narrowed due to a drastic cut in capital expenditure to address the loss in revenue, but remained high at 4.6 percent of GDP in 2020, leading to a further increase in public debt to 63.2 percent of GDP (of which 26 percent is external). Helped by lower oil prices, the current account deficit (CAD) narrowed to a still-high 11.9 percent of GDP in 2020. The deficit was mainly financed by trade credits. Exchange rate overvaluation weighs on the economy. In December 2020, the parallel market premium averaged 70 percent while the depreciation of the official exchange rate was limited to 3.8 percent year-on-year. In September 2020, international reserves remained low covering 1.3 months of imports. GDP growth per capita remains negative. Poverty has been estimated at 87 percent in 2021 (based on international poverty line of \$1.90/capita/ day, in 2011 PPP), up from 72.8 percent in 2013 (last year with data availability). Progress has been made in education and health, yet Burundi's Human Capital Index remains low – with children today living up to only 39 percent of their productive potential - compared to the counterfactual if they had enjoyed full health, including adequate nutrition, and education. Literacy rates remain particularly low among women and rural residents. Food insecurity remains alarming, with 56

percent of children under 5 stunted and malnutrition rates even higher outside of the capital city.

Outlook

Under the base case that the COVID-19 is brought under control during 2021, economic growth is projected at 2-3 percent during 2021-23, supported by gains in all sectors. Assuming normal weather conditions, agriculture will grow faster in 2021 as borders start to reopen. Mining activity is expected to pick up as the country exploits its mineral potential and a new coltan mine was opened in 2020. On the demand side, a rise in private and public investment is expected under economic recovery.

The fiscal deficit is expected to narrow in 2021-2023, driven by measures to bolster revenue collection as outlined in the Government's Public Finance Management Strategy 2018-2027. These measures rely on increasing the effectiveness of tax administration and include broadening the tax base (taxation of the informal sector) and improving revenue collection. The strategy also aims at improving the utilization of external resources, notably the accounting and monitoring and evaluation of grants.

However, with external grants limited, public debt is expected to rise further to 67 percent of GDP in 2023 mostly due to issuance of new domestic debt. The CAD is expected to remain high at around 14 percent of GDP in 2022-23 as the overvalued exchange rate leads real growth in imports to outstrip export growth (the latter is expected to be driven by minerals).

The outlook remains vulnerable to the continuing economic fallout from the COVID-19 and the availability and distribution of vaccines, fiscal slippages, forex pressures and climatic shocks. Under a low-case scenario that COVID is not controlled and border closures and other restrictive measures recur throughout 2021, economic growth could be reduced by 1 percentage point with attendant impacts on poverty. On the upside, the new administration has shown efforts to reengage with development partners, and the rapid resumption of aid flows could accelerate growth.

TABLE 2 Burundi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.6	1.8	0.3	2.0	2.5	3.0
Private Consumption	3.5	3.1	0.3	2.7	2.8	3.1
Government Consumption	6.7	8.3	19.2	-0.6	4.4	5.1
Gross Fixed Capital Investment	24.9	32.9	-16.6	21.4	7.1	6.0
Exports, Goods and Services	11.0	-0.5	-10.9	4.6	4.7	4.9
Imports, Goods and Services	19.0	17.1	4.3	6.9	6.0	5.8
Real GDP growth, at constant factor prices	1.7	1.8	0.3	2.0	2.5	3.0
Agriculture	3.0	3.1	2.8	3.1	3.2	3.2
Industry	2.4	2.1	1.8	2.0	2.0	2.0
Services	0.7	0.9	-1.7	1.3	2.2	3.3
Inflation (Consumer Price Index)	-2.6	-0.8	7.5	3.4	3.7	3.6
Current Account Balance (% of GDP)	-11.9	-13.4	-11.9	-13.7	-14.2	-14.4
Net Foreign Direct Investment (% of GDP)	0.0	0.0	-0.1	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.9	-4.9	-4.6	-4.4	-4.2	-4.3
Debt (% of GDP)	50.9	58.5	63.2	69.2	75.4	66.8
Primary Balance (% of GDP)	-4.5	-4.3	-3.9	-3.6	-3.4	-3.6
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	82.9	84.0	86.2	87.0	87.5	87.4

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

Notes: e = estimate. f = forecast.

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

(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 2020

Population, million	0.6
GDP, current US\$ billion	1.7
GDP per capita, current US\$	3093.6
International poverty rate (\$19) ^a	3.4
Lower middle-income poverty rate (\$3.2) ^a	15.4
Upper middle-income poverty rate (\$5.5) ^a	41.3
Gini index ^a	42.4
School enrollment, primary (% gross) ^b	104.0
Life expectancy at birth, years ^b	72.8

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

(a) Most recent value (2015), 2011 PPPs.

(b) Most recent WDI value (2018).

The COVID-19 crisis led to a contraction of real GDP of 14 percent in 2020, exacerbating pre-existing fiscal, debt, and external imbalances. Progress in poverty reduction since 2015 was erased. Over the medium-term, growth is expected to recover gradually as tourism flows and foreign direct investment rebound. The outlook is subject to substantial downside risks stemming from access to vaccines, the emergence of new variants of the virus, the speed of global recovery, and climatic shocks.

Political stability, democratic institutions, and pro-market reforms generated significant economic and social progress in Cabo Verde since independence in 1975. However, the country's development model, based on tourism and Foreign Direct Investment (FDI) has shown signs of fatigue since the 2008 Global Financial Crisis. The subsequent sluggish recovery in Europe reduced the influx of funds to Cabo Verde, with dwindling private investment and growth. Ineffective expansionary fiscal policy between 2010-2015 led to growing fiscal financing needs, increasing public debt, and a slowdown in productivity. To put public debt on a sustainable path, authorities initiated a fiscal consolidation program in 2016, including the reform of key loss-making State Own Enterprises (SOEs). The impact and persistence of the COVID-19 pandemic exacerbated the vulnerabilities of the growth model. In addition to the adverse economic effects of domestic containment and mitigation measures, international travel restrictions led to a sharp contraction in tourism and related activities. Rising global uncertainty also depressed FDI. Authorities responded to the crisis appropriately, expanding public health services and social protection programs as well as providing financial support to small businesses and hard-hit sectors, although it set back gain

in poverty reduction made in the past five years.

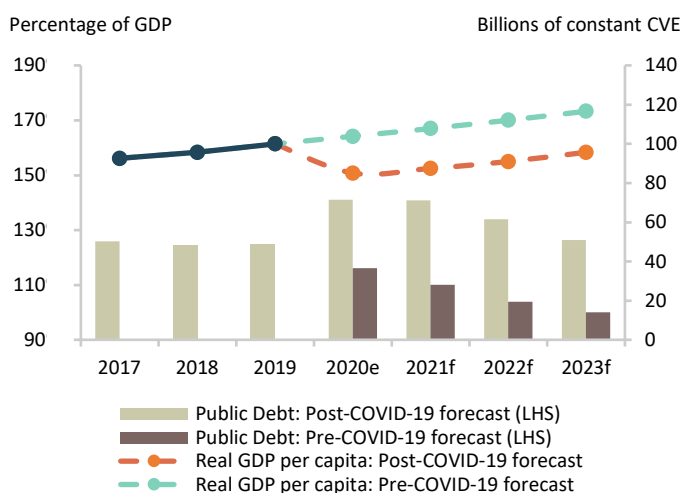
The pace of the economic recovery is tied to the duration of the pandemic, access to vaccines, the emergence of new variants of the virus, and the speed of global recovery, particularly international tourism. Fiscal risks are high as the government is exposed to contingent liabilities in sectors that are particularly vulnerable to the crisis. A protracted pandemic would aggravate the current crisis, triggering these liabilities and leading to macroeconomic instability. The country also remains significantly exposed to natural disasters that could further weigh on external and fiscal balances.

Recent developments

Economic activity contracted by 14 percent in 2020, the largest contraction on record and one of the highest in Africa. The deceleration was driven by the shutdown of the tourism sector and the associated negative spillovers in upstream sectors. The services sector contracted by 18.4 percent, while industrial output declined by 3.6 percent. Agriculture output grew by 2.5 percent as the 3-year long draught came to an end in 2020.

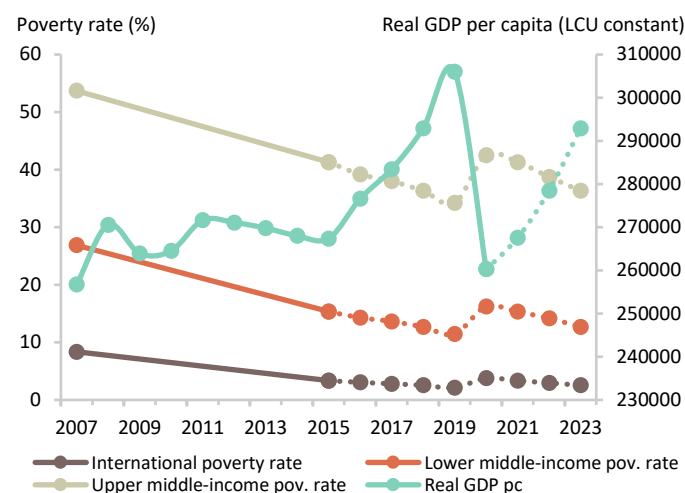
The Current Account Deficit (CAD) increased from 0.4 percent of GDP in 2019 to 13.8 percent in 2020, owing to the collapse in services exports. The CAD was financed primarily by grants and concessional loans. International reserves reached 7.8 months of imports.

FIGURE 1 Cabo Verde / Real GDP per capita and debt outlook



Sources: World Bank and IMF Staff estimates

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



Source: World Bank. Notes: see Table 2.

The overall fiscal deficit reached 9.3 percent of GDP in 2020, driven by a fall of 20 percent in tax revenue and an increase of 21 percent in current spending due to health-related expenditures and temporary subsidies. Financing needs of 12.3 percent of GDP were covered by concessional credits, grants, domestic borrowing, and resources freed by the Debt Service Suspension Initiative (DSSI). The stock of public debt climbed to 141.1 percent in 2020. The risk of external and total debt distress is high but public debt remains sustainable due to its concessional profile, long maturity and low interest rates.

Cabo Verde's monetary policy is aligned with the Eurozone, as the Escudo is pegged to the Euro. Despite an accommodative monetary policy stance, inflation remained subdued at 1 percent in 2020. Liquidity and capital ratios in the banking system are adequate, but exposure to non-performing loans is high.

The crisis reversed the progress in poverty reduction achieved since 2015, pushing close to 10,000 people into temporary poverty. Population living under the international poverty line of US\$1.9/day (2011 PPP) increased from 2.3 percent in 2019 to 3.7 percent in 2020.

Outlook

The economy will recover slowly from the pandemic. Real GDP growth is projected to be 3.9 percent in 2021 and gradually accelerate to 6.1 by 2023. GDP per capita is projected to return to the 2019 level by 2024. In the short-term, the recovery will be driven by a gradual reactivation of the tourism sector. Over the medium-term, private consumption and investment in tourism and the blue economy, energy and ICT will contribute to closing the output gap. The resumption of FDI and structural reforms will also unlock investments and accelerate productivity. The outlook is subject to substantial downside risks stemming from delays in the recovery of tourism, financial flows, and SOEs reforms.

The CAD is projected to reach 13.5 percent of GDP in 2021, converging to 4.6 in 2023. Medium-term external financing needs are expected to be covered mainly by private external debt and FDI, which is expected to reach 5 percent of GDP in 2023. International reserves would remain steady at about 6 months of imports.

Authorities are committed to macroeconomic stabilization in the short-term and fiscal consolidation in the medium-term. Consolidation measures will include

enhanced management of fiscal risks, notably from SOEs, and revenue mobilization. The primary deficit is projected to reach 6.1 percent of GDP in 2021 and improve over the medium term to 0.5 percent in 2023. The extension of the DSSI in 2021 will free resources amounting to 0.5 percent of GDP and the public debt-to-GDP ratio is expected to fall to 126.4 by 2023. Inflation is projected to remain below 1.5 percent over the medium-term.

The poverty rate (using the international poverty line of \$1.9/day) is projected to decline to 3.3 percent in 2021 and reach 2.5 percent in 2023 with significant downside risks associated with an uncertainty about the depth and duration of the pandemic and associated impacts on tourism.

TABLE 2 Cabo Verde / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.5	5.7	-14.0	3.9	5.2	6.1
Private Consumption	1.5	5.9	-7.0	2.9	4.1	5.3
Government Consumption	2.2	4.8	5.1	2.6	-5.8	-3.7
Gross Fixed Capital Investment	4.4	-4.5	0.9	0.3	7.6	6.4
Exports, Goods and Services	15.9	10.0	-49.0	15.1	18.2	11.3
Imports, Goods and Services	8.7	2.0	-21.9	5.6	8.9	5.7
Real GDP growth, at constant factor prices	4.5	5.7	-14.0	3.9	5.2	6.1
Agriculture	-18.5	-6.8	2.5	6.2	7.3	8.1
Industry	8.1	7.5	-3.6	4.2	5.5	6.6
Services	6.3	6.3	-18.4	3.6	4.9	5.7
Inflation (Consumer Price Index)	1.3	1.1	1.0	1.2	1.4	1.5
Current Account Balance (% of GDP)	-5.2	-0.4	-13.8	-13.5	-9.7	-4.6
Net Foreign Direct Investment (% of GDP)	4.1	4.1	4.1	4.2	4.5	5.0
Fiscal Balance (% of GDP)	-2.7	-1.8	-9.3	-9.1	-6.3	-3.3
Debt (% of GDP)	124.7	124.9	141.1	140.9	134.0	126.4
Primary Balance (% of GDP)	-0.2	0.8	-6.4	-6.1	-3.5	-0.5
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	2.5	2.1	3.8	3.4	3.0	2.5
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	12.7	11.5	16.2	15.3	14.2	12.7
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	36.3	34.2	42.5	41.3	38.7	36.3

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

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

(b) Projection using neutral distribution (2015) with pass-through = 1 based on GDP per capita in constant LCU.

CAMEROON

Table 1 **2020**

Population, million	26.5
GDP, current US\$ billion	39.7
GDP per capita, current US\$	1494.5
International poverty rate (\$ 19) ^a	26.0
Lower middle-income poverty rate (\$3.2) ^a	47.0
Upper middle-income poverty rate (\$5.5) ^a	71.0
Gini index ^a	46.6
School enrollment, primary (% gross) ^b	105.7
Life expectancy at birth, years ^b	58.9

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

Notes:

(a) Most recent value (2014), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic resulted in the contraction of Cameroon's economy in 2020, and additional 400,000 people fell into extreme poverty. The pandemic has mainly affected service sectors and those linked to global value chains, hampering manufacturing sectors. Despite expenditure controls, the drop in domestic revenue has worsened the fiscal situation. Moreover, the country remains at high risk of debt distress. The outlook is favorable, with the economy recovering gradually and returning to pre-COVID 19 growth rates in 2023.

Key conditions and challenges

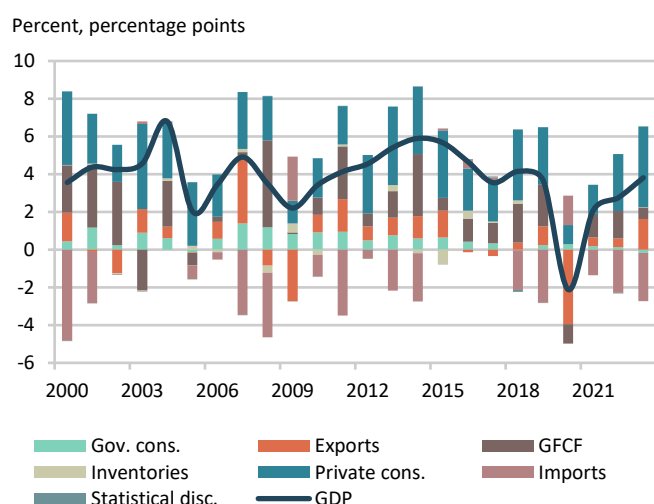
Cameroon is a lower-middle-income country playing a leading role in the Central African Economic and Monetary Community (CEMAC), holding 41.6 percent of the community's GDP in 2019. The country is richly endowed with natural mineral resources, including oil, natural gas, gold, iron, and manganese. The country has shown a relatively strong macroeconomic performance in recent years, with growth reaching 3.7 percent in 2019. Government's expenditures increased continuously in the past decade due to the security crises. Concomitantly, non-oil revenues increased on the back of improved tax collection. Hence, the fiscal deficit reduced significantly and represented 3.3 percent of GDP in 2019, compared to 4.5 percent of GDP in 2014. Over the last decade, the pace of economic growth has not been high enough to lead to a significant poverty reduction because of the lack of redistributive policies and population growth. The COVID-19 pandemic has compounded the cyclical and long-term risks faced by the country (exposure to external shocks, high risk of debt distress, security issues and political turmoil). Both the drop in production of goods and services, reduced exports, and disruptive global value chains translated into financing needs and daunting socio-economic challenges. The main sources of vulnerabilities that could weigh on debt sustainability

include tighter financial conditions, SOEs' contingent liabilities and committed but non-disbursed debt resulting, inter alia, from delays in infrastructure projects. On the social side, a prolonged health crisis together with the weak safety nets have further overstretched the health system. Moreover, ongoing civils conflicts in the South-West and the North-West notably are adding to the challenge of recovering from the pandemic.

Recent developments

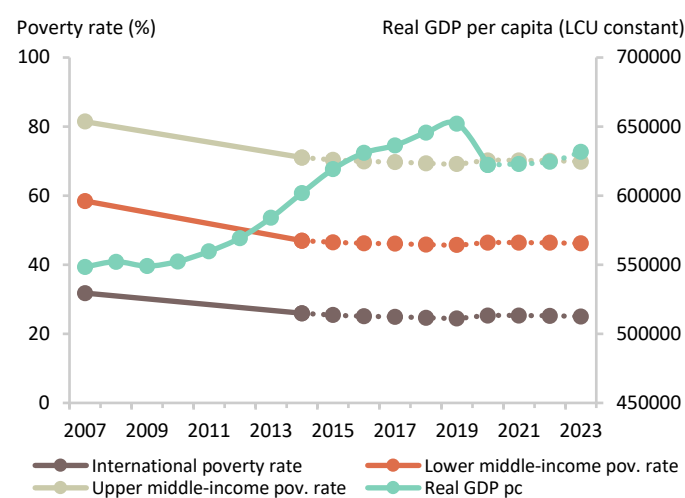
The COVID-19 has hit the economy hard, with the tertiary sector being the most impacted. Branches such as hotels and catering, transport, and public administration services experienced a significant drop in their activities. Consumption and investment fell as income decreased and uncertainty spread as a result of containment measures. As a result, Q2 output contracted by 1.1 percent (y-o-y) from a 4.4 percent growth (y-o-y) in Q2 2019. Global trade weakness entailed a lower demand from Cameroon's main trading partners, but the sharp drop of imports supported the trade account balance to narrow by 6.1 percent in 2020, compared to 2019. Despite a drop in net current transfers (by 18.2 percent between 2019 and 2020), the current account deficit narrowed to 4.6 percent of GDP in 2020, from 5.0 percent of GDP in 2019. At the end of December 2020, inflation has surged by 2.5 percent mainly driven by clothing and footwear items. Food prices also increased

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.

amid heightened tensions in the North, the Far North, and the South-West regions.

The fiscal accounts deteriorated, albeit less than anticipated, as the two major revenue components performed well (oil and VAT). For instance, the unexpected recovery in oil prices coupled with a good VAT collection helped government revenues to reach 10.3 percent of GDP cumulatively in Q1-Q3 2020, compared to 10.6 percent of GDP in the corresponding period in 2019. Meanwhile, the revised budget law involved expenditures reprioritization, which led the overall fiscal deficit to an estimated 3.9 percent of GDP in 2020, compared to 3.3 percent of GDP in 2019. Public debt increased driven by external debt increase and reached 43.4 percent of GDP at the end of December 2020, compared to 42.8 percent of GDP at the corresponding period in 2019.

The COVID-19 pandemic has reversed parts of progress in poverty reduction. Poverty simulations suggest that the economic downturn in 2020 could have increased extreme poverty incidence to 25.3 percent in 2020, pushing an additional 400,000 people to live with less than PPP \$1.90 a day. Containment measures implemented between April and June reduced production levels leading to non-essential staff's lay-off, a drop in remunerations,

and lower enterprise turnover in the formal and informal sectors. Also, food insecurity issues increased primarily in conflict-affected areas.

Outlook

Cameroon's economic activity is expected to recover gradually from 2021 onwards on the back of dynamic secondary and tertiary sectors. Higher oil production and prices, services supply, and improved external demand would translate into stronger private consumption and investment. The major upside risk is a rapid vaccine release in the developed part of the world. Real GDP would grow by 2.1 percent in 2021 (0.1 percent in per capita terms), and the country is projected to return to its pre-COVID growth rate (3.8 percent) in 2023. The trade balance is expected to improve, reflecting higher export volumes and improved terms of trade. Hence, the current account deficit should narrow to 3.4 percent of GDP in 2021, from 4.6 percent in 2020, before reaching 2.3 percent of GDP in 2023. Similarly, Cameroon's fiscal position would improve steadily over 2021-23, on the back of fiscal consolidation efforts. The partial elimination of temporary tax incentives

and measures to broaden the tax base will support revenue mobilization in 2021, while the postponement of non-priority goods and services and capital expenditures will stabilize government's expenditures. Therefore, the fiscal deficit will narrow to an estimated 3.5 percent of GDP in 2021, contrary to 3.9 percent of GDP in 2020.

The US\$ PPP 1.9 poverty rate is expected to remain the same, at 25.3 percent 2021, drawing an additional 166,000 people into extreme poverty. If the COVID-19 pandemic persists till 2022, an additional 166,000 people could move into extreme poverty. Poverty reduction would resume in the medium term as economic growth gradually returns to its pre-COVID path. Downside risks include renewed restrictions due to the recent surge in COVID-19 cases, delayed deployment of the vaccine, and a prolonged closure of borders in major economies, which would affect Cameroon's economy. Should such risks materialize, Cameroon's oil and commodity exports would grow more modestly than in the baseline scenario, affecting both the fiscal and external accounts.

TABLE 2 Cameroon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.1	3.7	-2.1	2.1	2.7	3.8
Private Consumption	5.7	4.5	1.5	2.2	4.3	6.0
Government Consumption	-0.2	1.8	2.3	1.4	1.1	-1.4
Gross Fixed Capital Investment	7.9	8.1	-3.6	4.5	5.1	2.1
Exports, Goods and Services	1.8	5.1	-19.7	2.8	2.8	9.8
Imports, Goods and Services	8.1	10.5	-5.4	4.9	8.1	8.6
Real GDP growth, at constant factor prices	4.1	3.6	-2.1	2.1	2.7	3.8
Agriculture	5.1	2.8	-0.2	4.1	4.8	5.6
Industry	3.1	3.6	-3.6	4.3	4.6	4.7
Services	4.4	3.9	-1.8	0.5	1.3	2.8
Inflation (Consumer Price Index)	1.1	2.5	2.5	2.5	2.5	2.5
Current Account Balance (% of GDP)	-3.6	-5.0	-4.6	-3.4	-2.8	-2.4
Fiscal Balance (% of GDP)	-2.3	-3.3	-3.8	-3.5	-2.9	-2.0
Debt (% of GDP)	39.3	42.8	43.4	43.6	43.2	42.9
Primary Balance (% of GDP)	-1.4	-2.3	-2.9	-2.5	-1.9	-1.2
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	24.7	24.5	25.3	25.3	25.2	25.0
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	45.9	45.7	46.4	46.4	46.3	46.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	69.4	69.1	70.2	70.2	70.1	69.9

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

Notes: e = estimate, f = forecast.

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

(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 **2020**

Population, million	4.8
GDP, current US\$ billion	2.2
GDP per capita, current US\$	462.6
Gini index ^a	56.2
School enrollment, primary (%gross) ^b	102.0
Life expectancy at birth, years ^b	52.8

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

Notes:

(a) Most recent value (2008), 2011 PPPs.

(b) WDI for school enrollment (2016); life expectancy (2018).

The Central African Republic (CAR) economy stagnated in 2020 following the COVID-19 pandemic. The outlook is subject to downside risks arising from renewed insecurity amidst election disputes coupled with uncertainty on the global economy related to the impact of new strains of COVID-19 and the rollout of vaccines. Consolidating the peacebuilding process and implementing key structural reforms should remain a key priority. Over 70 percent of the population has been living in extreme poverty over the past decade

Key conditions and challenges

CAR is one of the most fragile and poorest countries in the world. The country is endowed with ample natural resources but has faced continued political instability and cycles of violence since independence. The poverty rate increased from 66.3 percent in 2008 to 71.4 percent in 2020 – 3.4 million people live below the international poverty line (US\$1.90 per day, 2011 PPP). Access to education, health care facilities, and basic social services remain limited throughout the country and under pressure due to many internally displaced persons. Consequently, the Human Capital Index is among the lowest in sub-Saharan African countries at 0.29 with a limited contribution to GDP growth. The formal private sector is small, constrained by several structural challenges, including limited access to finance and infrastructure, low skills, gaps in the legal and regulatory frameworks governing economic activities, and a fragile security environment. CAR's economic diversification is limited and has been primarily driven by agriculture, forestry, and mining activities over the past decades, making the country particularly vulnerable to commodity price shocks. The socioeconomic effects of COVID-19, coupled with renewed insecurity amidst post-election disputes, exacerbate an already precarious humanitarian situation. Nearly half of the population requiring humanitarian assistance, and

food insecurity affecting over half of the CAR population. Pre-existing structural challenges left CAR particularly vulnerable to a protracted deep political crisis and its socioeconomic impact.

Recent developments

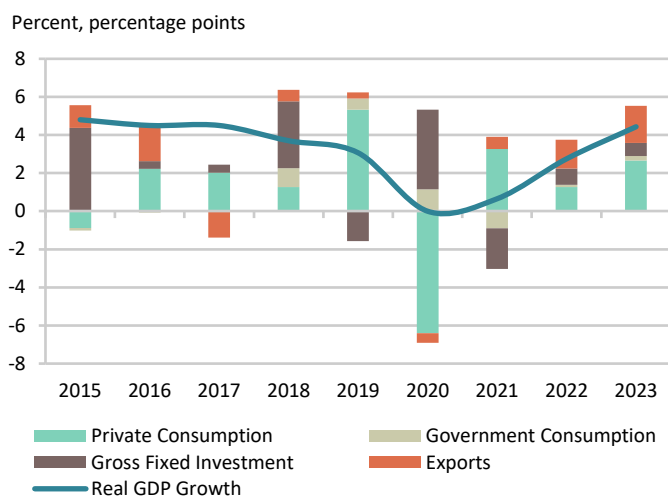
Despite a relatively contained health impact, the COVID-19 pandemic has significantly affected CAR's economy, which is estimated to have stagnated in 2020, compared to an expansion of 3.1 percent in 2019. Disruption in global value chains, low external demand, and domestic containment measures affected trade, transport, tourism, and mining sectors. The agriculture, forestry, and telecommunications sectors were more resilient than expected.

Public investments increased from 5.6 percent of GDP in 2019 to 11 percent of GDP in 2020, driven by measures to fight and contain the COVID-19 pandemic – leading to an overall increase in gross fixed capital investment. Uncertainties and shocks created by COVID-19 have led to a reduction in private investments by 14.1 percent in 2020.

Inflation accelerated in the second quarter of 2020 as measures to curtail the spread of COVID-19 disrupted food supply chains but decelerated during the second half of the year with the reopening of the border. Overall, the average level of inflation in 2020 is estimated at 2.1 percent.

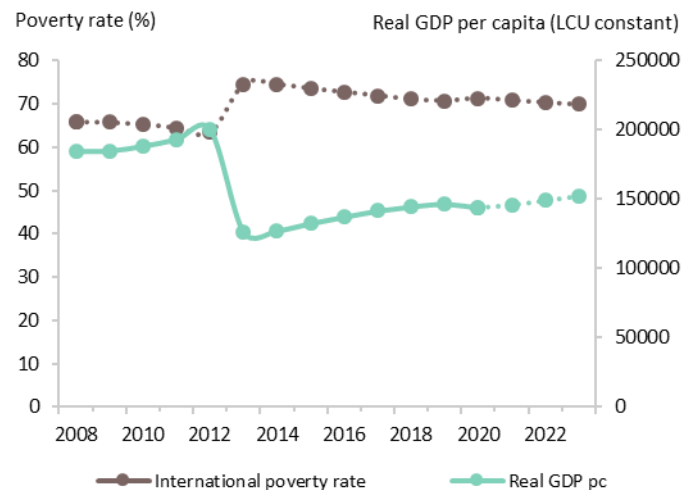
The fiscal balance, including grants, switched to a deficit in 2020, as pressures

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



Source: World Bank.

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



Source: World Bank.

mounted from the expenditure side in response to the COVID-19 pandemic. The overall fiscal deficit is estimated at 2.5 percent of GDP in 2020, financed primarily by grants. As a result, public debt declined from 47.2 percent of GDP in 2019 to 46.8 percent of GDP in 2020. CAR remains at high risk of debt distress.

The current account balance deteriorated from 4.8 percent of GDP in 2019 to 7.6 percent of GDP in 2020, driven by weak external demand and private transfer and an increase in non-oil imports fueled by donors funded investments. Trade balance deteriorated by 4.1 percent as the export of merchandise declined, and imports increased slightly. The capital account balance improved from 3.6 percent in 2019 to 7.6 percent of GDP in 2020, reflecting an upward trend in project grants. Foreign direct investment declined by more than 60 percent, driven by uncertainties created by the COVID-19 pandemic. Consequently, the balance of payments is estimated to have generated a lower deficit of 0.3 percent of GDP in 2020.

The latest household survey was conducted in 2008, and the recent trends in household consumption and poverty are based on projections. In 2008, nearly 66.3 percent of the population lived in extreme poverty. The coup in 2013 precipitated an unprecedented political and economic

crisis that increased the incidence of extreme poverty to 75 percent. Since then, progress was made to reduce extreme poverty, notably over the past 4 years, albeit at a very slow pace. The Covid-19 pandemic has reversed this hard won modest progress, and the extreme poverty rate is projected to have 71.3 percent in 2020, which equates to about 3.5 million people living in extreme poverty.

Outlook

CAR's economy was expected to recover, but the outlook is now less sanguine as renewed insecurity amid election disputes is undermining the prospect of a post-COVID-19 recovery. Real GDP growth is projected at 0.7 percent in 2021 – 2.5 percentage points below initial projections before the December 2020 elections. Economic activity is expected to rebound gradually, contingent on an improvement in the security environment. In the medium term, CAR's economy is forecasted to grow at 3.6 percent on average –1.5 percentage points below pre-COVID-19 projections. Extreme poverty is projected to decline at a slower pace and remains high. The consumer price index is expected to increase to 3.5 percent in 2021, reflecting

inflationary pressures with the blockade of the Bangui-Douala corridor amidst election disputes. Inflation is projected to fall below the regional convergence criterion of 3 percent in the medium-term.

The fiscal position is expected to deteriorate further in 2021 with a deficit of 2.7 percent of GDP as grants decline and revenues drop with renewed insecurity and the blockade of the Bangui-Douala corridor. In the medium term, the external position is projected to worsen as a result of a higher trade deficit and lower investment inflows. The current account balance is expected to improve with an improvement in the balance of goods and services but will remain structurally in deficit.

CAR's economy is likely to enter a deeper recession if renewed insecurity lingers. The humanitarian situation will likely deteriorate, with thousands of additional people fleeing for their safety and falling into poverty. Further violence and insecurity are likely to increase the country risk premium, heighten investment uncertainty, delay the reform agenda, critical to leverage domestic resources and strengthen the social contract.

TABLE 2 Central African Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.7	3.1	0.0	0.7	2.8	4.4
Private Consumption	1.3	5.7	-6.7	3.6	1.4	2.9
Government Consumption	14.1	7.7	14.4	-9.7	1.5	3.0
Gross Fixed Capital Investment	26.0	-9.6	29.0	-11.6	5.2	4.1
Exports, Goods and Services	3.8	1.9	-3.2	4.2	9.6	11.6
Imports, Goods and Services	8.0	4.9	-4.8	0.6	3.1	3.3
Real GDP growth, at constant factor prices	3.6	2.6	0.0	1.0	2.6	4.4
Agriculture	3.4	3.1	4.0	2.0	2.7	4.1
Industry	1.5	2.1	-2.0	1.0	1.5	1.8
Services	4.4	2.3	-1.9	0.3	2.9	5.4
Inflation (Consumer Price Index)	1.6	2.8	2.1	3.5	2.5	2.5
Current Account Balance (% of GDP)	-8.0	-4.8	-7.6	-6.8	-5.2	-5.2
Fiscal Balance (% of GDP)	-1.0	1.7	-2.6	-2.7	-1.5	1.0
Debt (% of GDP)	50.0	47.9	46.5	44.4	41.0	38.7
Primary Balance (% of GDP)	-0.6	2.0	-2.3	-2.4	-1.1	1.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	71.1	70.7	71.4	71.6	71.4	70.7

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

Notes: e = estimate, f = forecast.

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

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

CHAD

Key conditions and challenges

Table 1 2020

Population, million	16.4
GDP, current US\$ billion	9.9
GDP per capita, current US\$	603.6
International poverty rate (\$ 19) ^a	38.1
Lower middle-income poverty rate (\$3.2) ^a	66.3
Upper middle-income poverty rate (\$5.5) ^a	86.2
Gini index ^a	43.3
School enrollment, primary (% gross) ^b	89.2
Life expectancy at birth, years ^b	54.0

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

Notes:

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

(b) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic has significantly altered Chad's economic recovery, started in 2018. GDP contracted by 0.9 percent in 2020, and the poverty rate increased by 1 percentage point to 41.7 percent. Both the fiscal and current account balances deteriorated substantially, and difficulties in financing fiscal deficit could lead to domestic arrears' buildup. The pandemic has highlighted Chad's oil dependence and vulnerability to shocks. Recovery will be fragile and subject to significant downside risks such as regional conflicts and climate shocks.

Chad's economic performance has been below potential for most of the 2010s, keeping the country in the bottom part of most development rankings. Growth averaged negative 0.2 percent over the past five years, about negative 3.2 percent in per capita terms. Living conditions and access to essential services remain poor, due in part to cyclical insecurity, to exogenous constraints such as being landlocked and without good trade networks, experiencing severe weather conditions, and endogenous constraints related to a weak governance, including in the management of oil revenues, low human capital investment despite a rapidly growing population, and lack of infrastructure.

COVID-19 has highlighted the economic weaknesses related to the dependency on the oil sector. The combination of the global recession, disruptions in global and domestic supply chains, measures to flatten the contagion curve, and investment risk aversion have taken a heavy toll on the economy. This underscored Chad's fragility due to low levels of regional integration, poor quality health care and education, and the lack of access to electricity and digital technology. The uncertain nature of the depth and duration of the pandemic coupled with fiscal liquidity constraints exacerbate an economic context already witnessing several downside risks. Regional conflicts may further disrupt bilateral trade and stretch government finances as the flow of

refugees from neighboring countries increases. Presidential and legislative elections scheduled for April and October 2021 respectively could increase uncertainty.

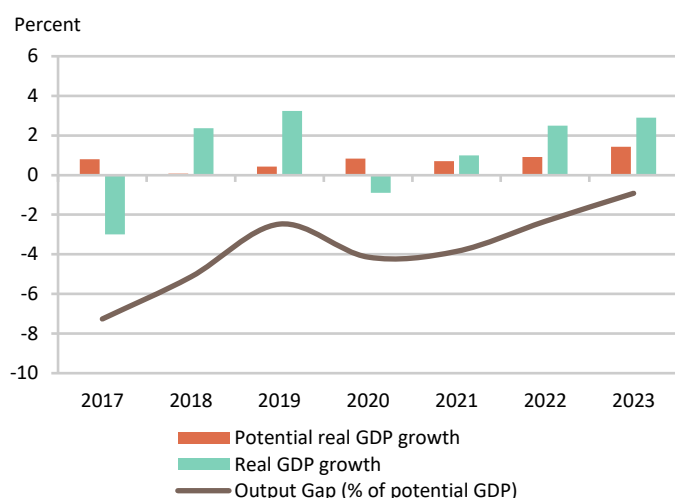
Recent developments

The dual effect of the persistent COVID-19 pandemic and the sharp collapse of oil prices have plunged Chad into recession. The economy contracted by 0.9 percent in 2020 and the negative output gap widened to 4.1 percent. Agriculture and the oil sector remained the main drivers of growth, contributing 1.1 percentage point, while services contributed negatively (-2.0 percent). The impact of containment measures on domestic supply chains pushed up prices and inflation rose from -1.0 percent in 2019, to 3.5 percent.

The current account deficit widened from 4.9 percent of GDP in 2019, to 9.3 percent. The value of exports decreased by 21.9 percent driven by a sharp drop in oil prices (-35.1 percent); although in real terms, export growth increased by 1.1 percent (as oil exports grew by 2.4 percent). Import growth did not adjust in the same proportion as the government imported goods needed to control the pandemic. The fiscal deficit was financed by a significant increase in external grants.

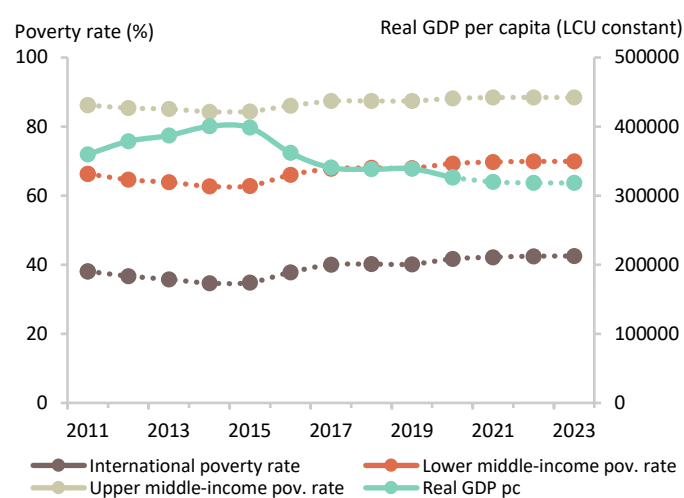
Chad's monetary and exchange rate policies are managed by the regional Bank of Central African States (BEAC). BEAC relaxed the monetary stance by cutting the policy interest rate from 3.5 percent, to 3.25 percent in March 2020, to cushion the

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

pandemic's impact. Regional reserves stayed at their 2019 level of 3.5 months of imports in 2020.

Despite a significant increase in oil revenue (thanks to a one-year lagged in oil-revenue taxation), Chad posted a fiscal deficit (excluding grants) of 3.7 percent of GDP, as it increased its spending to mitigate the impact of the pandemic. An increase in grants, which stood at 4.8 percent of GDP, led to an overall fiscal surplus (including grants) of 1.1 percent of GDP. Public debt reached 47.3 percent of GDP, and the risk of debt distress remained high.

Chad's poverty rate remains high, with about four out of ten Chadians (41.7 percent) leaving below the international poverty line of US\$1.90 a day in 2011 Purchasing Power Parity (PPP), while 53 percent of Chadian households are vulnerable. Poverty is estimated to have increased by 1.6 percentage points between 2019 and 2020, and the number of poor to have increased by about four hundred thousand people bringing the total of poor from 6.4 million to 6.8 million. Based on the 2020 high frequency survey, i) two third of Chadian households reported a loss in their total income, and ii) 57 percent of transfer receivers reported a decline in this source of income. The combined effect of the loss of income, a reduction of domestic transfers and remittances, and

increased market prices due to the pandemic increased the national poverty rate by 5.5 percent. Income inequality remains high with a Gini coefficient of 43.3.

Outlook

The economy is projected to slowly recover, thanks to the global oil markets resumption that would boost international trade, in 2021 with growth reaching 1 percent, and a decrease in per capita growth contraction to -1.9 percent of GDP, from -3.8 percent of GDP in 2020. With the rollout of COVID-19 vaccines in the second half of 2021, the recovery is expected to gain momentum in 2022-23 with economic growth reaching 2.7 percent on average. Inflation should decelerate to 3 percent and remain below the CEMAC convergence criteria as the effects of supply chain disruptions subsidies and GDP growth converges towards its potential.

The current account deficit is expected to decrease slightly in 2021; export growth is expected to reach 4.8 percent, driven by crude oil exports. Still, the current account deficit will remain substantial, averaging 8.5 percent of GDP over 2021-23. Foreign direct investment and financial support from donors should help finance the

current account deficit. CEMAC regional reserves are projected to remain below 5 months of imports by 2023.

The fiscal balance will turn into a deficit of 1.1 percent of GDP (including grants and 5.6 percent of GDP (excluding grants) in 2021. Fiscal revenues are projected to decrease by 14.3 percent, due to a 39.1 percent fall in oil revenue. Public expenditures are also expected to decrease by 4.2 percent as the COVID-19 related spending engaged is gradually removed. By 2022, the fiscal deficit should narrow to 0.8 percent of GDP with the government's efforts to mobilize more domestic revenues outside the oil sector and a slight decrease in government's expenditures. Although public debt will remain at around 47 percent of GDP, difficulties to pay debt services will lead the country in debt distress.

The adverse effects of the COVID-19 crisis on poor and vulnerable households are expected to last for several years, with the poverty rate expected to increase to 42.5 percent by 2023. The weakness of redistribution programs or structural economic transformation limit the space for poverty reduction. In particular, poor and vulnerable households who earn a part of their livelihood from transfers and family enterprises that have been closed because of the pandemic, are in risk of remaining or falling into poverty.

TABLE 2 Chad / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.4	3.2	-0.9	1.0	2.5	2.9
Private Consumption	0.7	1.4	0.3	0.6	2.5	2.5
Government Consumption	-11.8	1.7	18.1	-4.4	3.4	2.8
Gross Fixed Capital Investment	5.4	6.6	-9.8	-0.6	13.3	15.8
Exports, Goods and Services	4.6	6.0	1.1	4.8	0.7	0.4
Imports, Goods and Services	1.4	4.0	2.0	4.0	4.1	4.1
Real GDP growth, at constant factor prices	2.3	3.3	-0.9	1.0	2.4	2.8
Agriculture	4.0	4.6	2.4	5.8	3.2	2.8
Industry	0.6	0.9	-0.2	0.8	1.6	1.6
Services	1.0	2.5	-5.2	-5.4	1.6	3.3
Inflation (Consumer Price Index)	4.0	-1.0	3.5	3.0	3.0	3.0
Current Account Balance (% of GDP)	-4.7	-4.9	-9.3	-7.8	-8.7	-9.3
Fiscal Balance (% of GDP)	1.5	-0.6	1.1	-1.1	-0.8	2.2
Debt (% of GDP)	48.3	44.4	47.3	46.9	47.0	47.0
Primary Balance (% of GDP)	3.0	1.0	2.9	0.4	0.3	3.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	40.2	40.1	41.7	42.2	42.4	42.5
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	68.0	68.0	69.3	69.8	69.9	69.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	87.4	87.4	88.2	88.4	88.5	88.5

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

Notes: e = estimate, f = forecast.

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

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

COMOROS

Table 1 **2020**

Population, million	0.9
GDP, current US\$ billion	1.2
GDP per capita, current US\$	1348.3
International poverty rate (\$19) ^a	19.1
Lower middle-income poverty rate (\$3.2) ^a	39.7
Upper middle-income poverty rate (\$5.5) ^a	64.6
Gini index ^a	45.3
School enrollment, primary (% gross) ^b	99.5
Life expectancy at birth, years ^b	64.1

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

(a) Most recent value (2013), 2011 PPPs.

(b) Most recent WDI value (2018).

The COVID-19 shock hit the economy significantly in 2020, but the fallout from the pandemic is fully materializing only this year. A prompt vaccination roll-out would allow Comoros to progressively return to normality. In a context of longstanding fragility, inadequate government response to the pandemic may cause social discontent and financial sector vulnerability. In addition, the pandemic is likely to have increased the share of those living in poverty and deepened poverty among the poor.

Key conditions and challenges

Comoros has been in a persistent low-growth equilibrium, in a context of social, political, and institutional fragility. The economy over the last decade has been primarily consumption-driven, fueled by remittances and tourism receipts from the diaspora, and relying on external aid. Low domestic revenue along with a high public wage bill and weakly managed SOEs constrain social spending and crowd out the space for critical infrastructure. Private sector development is limited by a small domestic market and a weak rule of law, a fragile financial system and an onerous business environment. Poverty reduction has remained modest while inequality has been on the rise, including between rural-urban regions and across islands. Labor force participation is remarkably low, especially among female workers, and low quality education has undermined the contribution of human capital to productivity growth, with overall factor productivity growth missing. The monetary agreement with France has contributed to fairly conservative fiscal policy, low inflation rates, and adequate levels of foreign reserves, with no signs of significant currency misalignment in recent years. COVID-19 is exacerbating existing economic and social challenges with short-term risks aggravated by the rapid spread of the virus since the beginning of the year. High levels of non-performing loans

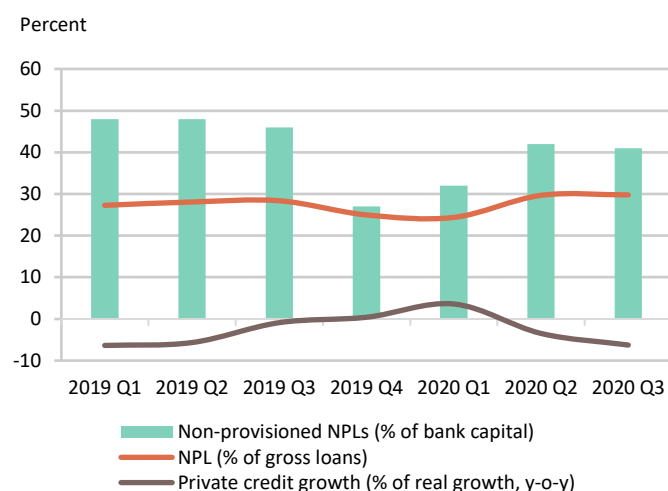
and longstanding solvency issues are testing the stability of the financial sector. Deterioration of SOEs' financial situation, including of Comores Telecom, a national telecom provider that is facing increased competition, could intensify risks associated with SOEs' contingent liabilities. In light of the spatial inequalities between the islands, a delayed or uneven response by the government could lead to a renewed cycle of social discontent and political instability.

Recent developments

Despite a relatively contained first wave of COVID-19 in Comoros in 2020, most economic activity was disrupted due to mobility restrictions and the suspension of international travel, resulting in a drop of tourism receipts. Demand for agricultural products and services (leisure and transport) were the most hit. Notwithstanding this, the limited spread of the pandemic, along with strong support from the diaspora and sustained government health and social spending, led to a smaller contraction in growth (-0.5 percent) than previously anticipated. Inflation remained low in 2020 supported by government measures to contain the price of selected imports.

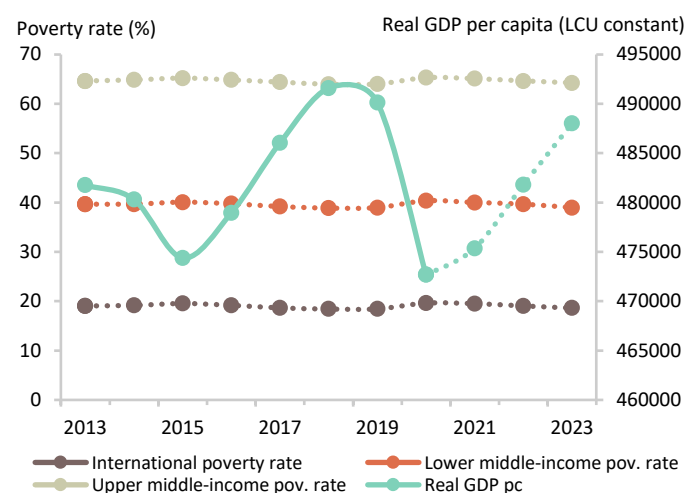
Vulnerabilities in the financial sector have intensified. After years of insolvency of SNPSF, a public systemic financial institution, the authorities started the restructuring process with the separation of the postal from banking services (planned for

FIGURE 1 Comoros / Non-performing loans and credit growth



Sources: WB Financial Stability Monitor for Comoros (December 2020).

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



Source: World Bank. Notes: see Table 2.

the second half of the year). Other two small banks have been under provisional administration due to capital shortfalls. The BCC eased liquidity strains through lower reserve requirements and requested banks to extend maturities for hard-hit debtors, limiting, at least temporarily, the rise of NPLs (see Figure 1).

Fiscal policy measures have been taken to mitigate the impacts of the pandemic which include reduced taxation of selected imports, increased spending on health, subsidized pay for workers in key SOEs and cash transfers to the poor. Despite a shortfall in domestic revenues, the fiscal deficit was curbed to -0.1 percent of GDP in 2020 (compared to -1.9 percent in 2019), thanks to strong external budget support from official donors and participation in the Debt Service Suspension Initiative.

The current account balance was only slightly negative in 2020 (-0.7 percent of GDP compared to -3.9 percent in 2019) despite the decrease in tourism receipts, due to lower imports and an increase in remittances, which proved to be resilient despite the economic slowdown in Europe (France in particular, where most of the diaspora lives). The poverty rate (at US\$1.90 per day) is estimated to have increased from 18.5 percent in 2019 to 19.6 percent in 2020 owing to social-economic fallouts from the pandemic (Table 2).

Outlook

The new and stronger COVID-19 wave since January and the anticipated challenges to vaccine acquisition and distribution, will likely delay economic recovery. Recovery may start only during the second half of 2021, resulting in a nearly absent growth this year (0.2 percent). The tightening of social distancing measures to contain the spread of the new wave, and the decision of the French government to close its borders, would decrease tourism receipts and aggravate the economic impact of the pandemic. Despite weak domestic revenues, the government is expected to continue boosting social and health spending to mitigate the impact of the pandemic.

The economy is expected to recover in 2022 and 2023, depending on the pace of vaccination in Comoros and abroad, which would allow for a normalization of economic activity, and globally. Likewise, Comoros' fiscal stance is expected to progressively return back to pre-crisis levels, with external aid decreasing accordingly. There are significant downside risks to the outlook, however, including a prolonged pandemic and growing vulnerabilities in the financial sector. The

Comorian financial sector was already highly vulnerable prior to the pandemic, with at least three financial institutions undercapitalized, including one insolvent (SNPSF). Less resilient remittances and growing difficulties among SOEs, including Comores Telecom, and political tension from growing social frustration also represent significant risks to the outlook. Poverty (measured against the US\$ 3.20 poverty line) is expected to decline progressively (see Figure 2), contingent on Comoros' ability to contain the economic impacts of COVID-19, the rollout of vaccinations, and the success of mitigation measures adopted by the government.

TABLE 2 Comoros / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.4	1.9	-0.5	0.2	2.2	4.2
Private Consumption	1.8	2.0	0.9	0.1	2.5	3.8
Government Consumption	0.0	-7.2	4.0	7.0	-0.8	4.4
Gross Fixed Capital Investment	19.0	11.9	-4.9	0.4	2.8	3.7
Exports, Goods and Services	19.2	0.5	-7.7	0.1	2.2	4.8
Imports, Goods and Services	10.9	5.2	-1.7	2.3	2.4	3.3
Real GDP growth, at constant factor prices	3.0	1.9	-0.5	0.2	2.2	4.2
Agriculture	2.7	-0.9	1.1	1.7	2.0	2.2
Industry	1.7	1.4	2.0	2.2	2.6	2.9
Services	3.3	3.3	-1.7	-0.8	2.2	5.3
Inflation (Consumer Price Index)	1.7	3.3	1.4	0.9	2.0	2.0
Current Account Balance (% of GDP)	-2.4	-3.9	-0.7	-2.3	-3.5	-3.6
Fiscal Balance (% of GDP)	-1.7	-1.9	-0.1	-2.4	-2.1	-2.0
Debt (% of GDP)	17.4	23.9	29.7	33.1	34.0	35.5
Primary Balance (% of GDP)	-1.5	-1.7	0.3	-1.9	-1.5	-1.4
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	18.4	18.5	19.6	19.5	19.1	18.6
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	38.9	39.0	40.4	40.0	39.7	39.0
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	63.9	64.0	65.3	65.1	64.6	64.2

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

Notes: e = estimate, f = forecast.

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

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

DEMOCRATIC REP. OF CONGO

Table 1 **2020**

Population, million	89.6
GDP, current US\$ billion	48.8
GDP per capita, current US\$	544.6
International poverty rate (\$ 19) ^a	77.2
Lower middle-income poverty rate (\$ 3.2) ^a	91.4
Upper middle-income poverty rate (\$ 5.5) ^a	97.9
Gini index ^a	42.1
School enrollment, primary (% gross) ^b	118.5
Life expectancy at birth, years ^b	60.4

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

Notes:

(a) Most recent value (2012), 2011 PPPs.

(b) Most recent WDI value (2018).

Economic activity weakened in DRC in 2020 due to COVID-19, with GDP growth estimated at 0.8 percent. The current account deficit widened, significantly reducing international reserves, causing exchange rate depreciation and rising inflation. Moderate growth prospects are forecast for 2021 based on recovery in the non-extractive sector and increase in world commodity prices. However, uncertainty around the duration of the pandemic and global recovery as well as political stability continue to weigh on medium-term prospects for economic growth and poverty reduction.

Key conditions and challenges

DRC relies heavily on extractives as growth drivers, which contributed 1.9 percentage points to growth in 2020. The country's high product and market concentration- copper and cobalt constitute over 80 percent of exports while China absorbs 40 percent of exports - renders it vulnerable to commodity price volatility and export partners' demand. With huge untapped potential in agriculture, DRC is a net food importer, which reduces fiscal and foreign exchange buffers and contributes to food insecurity. Major structural constraints lead to an under-developed service sector. Improving the business environment and narrowing the infrastructure gap are needed to achieve economic diversification.

Political uncertainty, a legacy of DRC's period of political unrest, continues to weigh on growth. Consensus is key to advance structural reforms and attract investors. Additionally, fiscal policy has limited scope as expenditure-led adjustments could further jeopardize long-term growth prospects and pro-poor spending. Therefore, improving domestic revenue mobilization to sustainably widen fiscal space is crucial.

DRC is second only to Nigeria in Sub-Saharan Africa on the number of extreme poor. Poverty remains high in the country, including in urban areas, and significant geographical disparities exist, with

extreme poverty concentrated in central and northwestern provinces. Despite some improvement, social and human development indicators remain weak: in 2019, infant mortality of 66.1 per 1000 live births was higher than the Sub-Saharan average of 51.7, while the HCI of 0.37 in 2020 remains below the Sub-Saharan average of 0.40.

The COVID-19 pandemic further exposed DRC's weak health and social protection system. Strengthening the healthcare system remains a key challenge as the country continues to address both COVID-19 and Ebola outbreaks. A longer health crisis and its related economic disruptions could result in behavioral changes that may delay the recovery, dampen growth prospects, widen inequality, and increase vulnerabilities.

Recent developments

Economic growth decelerated to 0.8 percent in 2020 from 4.4 percent in 2019 as non-mining sectors contracted by 1.6 percent (2019: 5.7 percent growth) due to mobility restrictions, weaker trading activities and constrained government spending. Private consumption and government investment fell in 2020 by 1.0 and 10.2 percent, respectively. The extractives sector in contrast grew 6.9 percent in 2020 (2019: 1 percent), helped by China's robust demand, the containment of workers on mining sites and a recovery in commodity prices. Copper and cobalt output rose by 12.7 and 11.4 percent (y-o-y), respectively.

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

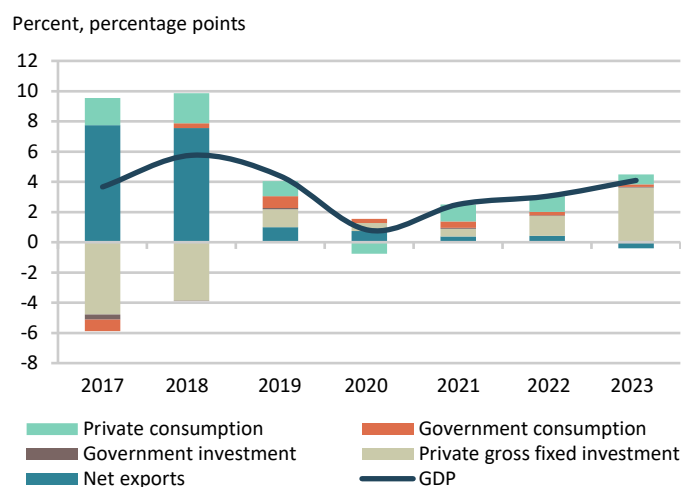
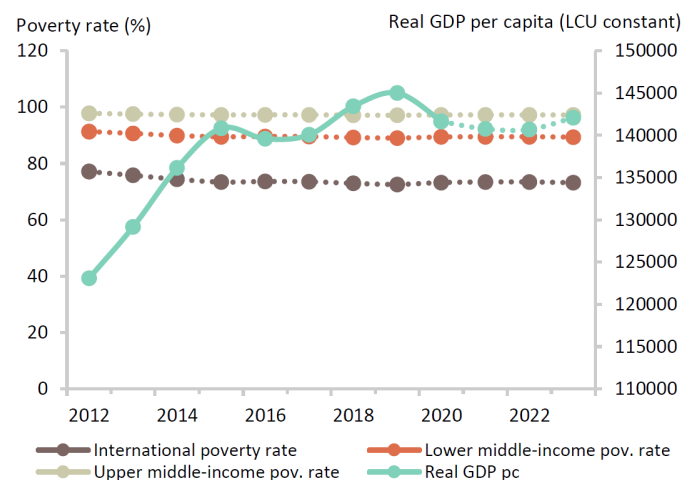


FIGURE 2 Democratic Republic of Congo / Actual and projected poverty rates and real GDP per capita



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

Source: World Bank. Notes: see Table 2.

The current account deficit (CAD) widened by 0.5 percentage points to 4.0 percent in 2020, as the deterioration in the income balance largely outweighed the improvement in trade balance. Capital inflows only partly financed the deficit and international reserves declined to 2.9 weeks of imports at end-2020 (2019: 3.1 weeks). The Congolese franc depreciated by 13 percent on average in 2020, putting pressure on inflation, which averaged 11.2 percent. BCC first loosened then tightened monetary policy, raising its policy rate to 18.5 percent to maintain positive real interest rates and re-anchor inflation expectations.

The government's pandemic response widened the fiscal deficit by 0.7 percentage points to 1.9 percent of GDP in 2020. Revenue decreased to 9.0 percent of GDP in 2020, forcing expenditures down to 10.9 percent of GDP in 2020. The government resorted to BCC's advances for financing until April-2020 and subsequently mobilized emergency support from the IMF and AfDB. It also increased domestic debt issuance and accumulated arrears.

Poverty is estimated at 73.3 percent in 2020, an increase of 0.7 percentage points compared to 2019, due to the COVID-19 pandemic. This might not fully capture the deteriorating living conditions since, according to COVID-19 High Frequency

Phone surveys in Kinshasa, over 10 percent of households have seen members lose their jobs while 20 percent have reduced their food consumption.

Outlook

Economic growth is projected to slightly recover to 2.5 percent in 2021 before accelerating to 4.1 percent in 2023, closer to its pre-COVID level. The non-extractive sector should resume growth in 2021 as pandemic-related disruptions progressively fade and production normalizes. The mining sector is expected to expand further in 2021 and pick up pace in 2022. The Kamoa-Kakula copper project is on track to begin production in July 2021.

The fiscal deficit should decline slightly with a moderate recovery and efforts to improve domestic revenue mobilization. However, given the prolonged pandemic and delays in the roll-out of vaccines, the deficit is only expected to narrow to about 1.2 percent over 2021-22, before widening again in 2023 considering the election cycle. The CAD is also projected to narrow by 2022 to 2.7 percent as higher commodity prices improve terms of trade. Net FDI inflows are also expected to increase fueled by higher global demand.

Given the lingering adverse effects of COVID-19 and with high population growth likely to partially offset economic growth, extreme poverty is projected to stagnate with only a slight reduction of less than 0.1 percentage point by 2023.

DRC's economy remains vulnerable to commodity price movements and the growth performance of its major trading partners. Also, underperformance in the projected revenue mobilization -derived from potentially reduced economic activity and extended fiscal relief measures-coupled with substantial spending pressure associated with a prolonged pandemic, could worsen fiscal imbalances and generate further arrears. Finally, renewed political uncertainty might lead to further economic instability and weak investment. Should these risks materialize, the medium-term growth prospects could be much weaker, hovering closer to 2.0 percent in 2021 and 2.9 percent in 2022.

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

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	5.8	4.4	0.8	2.5	3.0	4.1
Private Consumption	2.7	1.4	-1.0	1.6	1.5	1.0
Government Consumption	8.4	20.2	6.6	9.0	4.7	3.5
Gross Fixed Capital Investment	-29.5	14.4	5.1	5.7	13.0	32.2
Exports, Goods and Services	25.7	-2.5	2.8	4.6	5.0	5.6
Imports, Goods and Services	5.9	-7.6	1.5	6.0	6.5	10.5
Real GDP growth, at constant factor prices	5.9	4.3	0.8	2.5	3.0	4.1
Agriculture	1.5	2.8	1.9	3.2	3.2	3.2
Industry	12.1	6.8	2.8	3.0	3.6	4.1
Services	1.3	2.1	-2.1	1.6	2.3	4.5
Inflation (Consumer Price Index)	29.3	4.7	11.2	10.0	7.0	5.0
Current Account Balance (% of GDP)	-3.7	-3.5	-4.0	-3.9	-2.7	-2.5
Fiscal Balance (% of GDP)	0.1	-1.2	-1.9	-1.4	-1.0	-1.8
Debt (% of GDP)	10.4	10.2	10.5	10.2	9.3	8.8
Primary Balance (% of GDP)	0.4	-0.9	-1.6	-1.2	-0.8	-1.6
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	73.0	72.6	73.3	73.5	73.5	73.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	89.2	89.1	89.5	89.5	89.5	89.4
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	97.2	97.1	97.3	97.3	97.3	97.2

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

Notes: e = estimate, f = forecast.

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

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

REPUBLIC OF CONGO

Table 1 **2020**

Population, million	5.5
GDP, current US\$ billion	10.7
GDP per capita, current US\$	1938.3
International poverty rate (\$19) ^a	39.6
Lower middle-income poverty rate (\$3.2) ^a	64.1
Upper middle-income poverty rate (\$5.5) ^a	83.9
Gini index ^a	48.9
School enrollment, primary (% gross) ^b	106.6
Life expectancy at birth, years ^b	64.3

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

Notes:

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

(b) WDI for school enrollment (2012); life expectancy (2018).

The Congolese economy contracted by an estimated 7.9 percent in 2020, driven by the underperformance of the oil sector and a slowdown in non-oil activities. The extreme poverty rate increased sharply by 4 percentage points, reaching 52.5 in 2020. The debt level has worsened, maintaining Congo in debt distress. Although the economy is set to return to positive growth in 2022, the poverty rate is expected to further increase by 0.7 percentage point between 2020 and 2023.

Key conditions and challenges

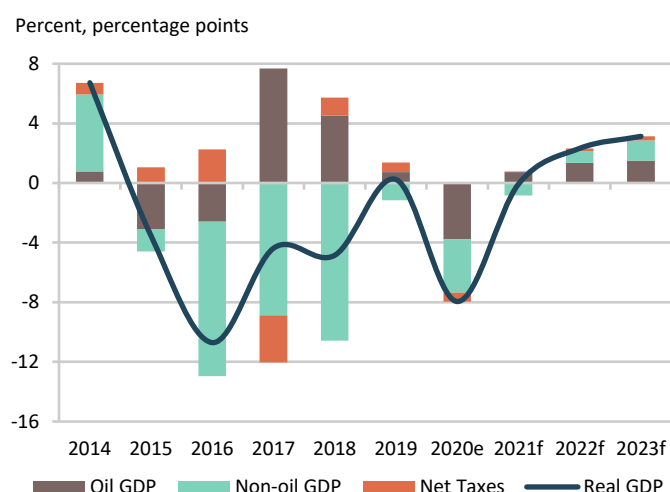
Congo experienced a negative average real growth rate of -5.2 percent over 2015-2020. This contraction in the economy is primarily a result of the country's high dependency on oil. The decline in oil prices observed in recent years and weak governance reflected in high levels of non-concessional borrowing have led Congo into debt distress; its debt-to-GDP ratio has more than doubled from 47.4 percent in 2014 to an estimated 103 percent in 2020. Moreover, weak governance in key sectors has prevented revenues from natural resources from translating into higher growth and investment in human capital. The COVID-19 pandemic has exacerbated these issues striking a particularly severe blow on the poor. The proportion of the population living below the international extreme poverty line of \$1.90 PPP per day has risen by about a third from 39.1 percent in 2015 to 52.5 percent in 2020. The risks to Congo's economic stability stem not only from the spread of the COVID-19 pandemic in the country but also from its international repercussions. The country is overwhelmingly reliant on the hydrocarbon sector. On average, it contributed 78 percent of Congo's exports and 30 percent of its GDP between 2015 and 2020. This makes the Congolese economy extremely vulnerable to volatile oil prices. Congo's ability to reduce its debt through the successful clearance of

arrears and the restructuring of private commercial claims, among other channels, will determine how soon the country can return to a sustainable debt level. Furthermore, as Congo is already a country affected by FCV, potential internal social unrest due to falling incomes and post-elections security concerns could also impact macro-economic stability and sustainable growth.

Recent developments

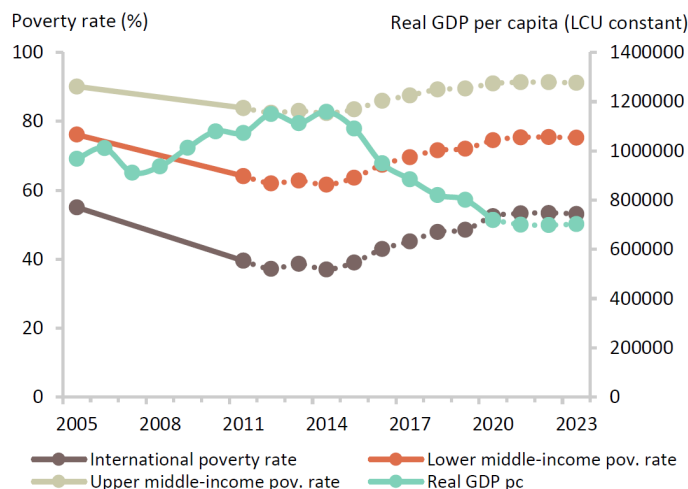
The COVID-19 pandemic and associated oil price shocks are placing an unprecedented strain on the Congolese economy. GDP is estimated to have contracted by 7.9 percent in 2020. Hydrocarbon production shrank by 7.7 percent due to a contraction in global demand for oil and technical difficulties in some oil fields. The overall budget deficit in 2020 is estimated at 1.3 percent of GDP, in contrast to a surplus of 3.5 percent in the preceding year. However, the fiscal deficit for 2020 is estimated to be less than the earlier (October) World Bank forecast of 13.4 percent of GDP, owing to better than expected oil revenues in the second half of 2020 combined with lower than anticipated government spending. Driven by a decrease in exports and a collapse in commodity prices, Congo is expected to record a current account deficit of 2.8 percent in 2020, wider than the 0.8 percent registered in 2019. Meanwhile, the debt-to-GDP ratio increased from 82.3 percent in 2019 to 103 percent of GDP at the end of 2020. Negotiations

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

to restructure external commercial debt have intensified recently. However, Congo has not been able to finalize the debt restructuring negotiations with oil traders. Although Congo is benefitting from the Debt Service Suspension Initiative (DSSI), the restructuring of the external commercial debt will be critical to ensure debt sustainability.

The economic crisis and the COVID-19 pandemic have worsened poverty rates and living conditions. Poverty rates have risen by more than four percentage points in just one year: 48.5 in 2019 to 52.5 in 2020. Recent household surveys also reveal that about 75 percent of households experienced a reduction in their ability to pay rent and 69 percent in their ability to meet food needs, highlighting the need to allocate more resources for social spending.

Outlook

Congo needs to strengthen its macro-fiscal situation, bolster institutions to foster greater non-oil economic activities, while improving the scope and quality of service delivery to build the country's human capital and basic infrastructure.

The economy is not expected to recover fully in 2021 as the outlook is subject to heightened risks including the duration and severity of the COVID-19 pandemic, the COVID-19 vaccine rollout, potential internal social unrest due to falling incomes, as well as the government's ability to put in place fiscal consolidation measures to address its debt situation.

The economy is expected to contract by 0.1 percent in 2021. Economic activity is projected to rebound gradually over 2022-2023, with GDP growth averaging 2.7 percent as the oil sector starts to recover and life returns to a new normal. However, the proportion of people living below the international poverty line is set to rise from a level of 52.5 percent in 2020 to 53.2 percent in 2023 despite the gradual recovery of the economy. Furthermore, the recent flooding disaster that started in late 2020 and has continued in early 2021 presents an additional challenge that could impact the most vulnerable and add further stress to the weak fiscal situation. It also calls for Congo's readiness to address climate change vulnerabilities and mitigate disaster risks.

While fiscal consolidation is expected to resume in 2021, its success remains uncertain given the reliance on the hydrocarbon sector, the volatility of oil prices and a

procyclical fiscal policy stance. Macroeconomic stabilization would require restoring fiscal sustainability through continued public debt restructuring and public financial management reforms.

TABLE 2 Republic of Congo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-4.8	0.2	-7.9	-0.1	2.3	3.1
Private Consumption	4.5	2.5	-4.2	2.0	2.5	3.5
Government Consumption	-4.7	-18.7	13.8	-1.2	-0.5	0.9
Gross Fixed Capital Investment	-24.9	-2.4	-20.5	-1.5	5.0	6.0
Exports, Goods and Services	11.4	7.4	-8.5	2.0	3.6	3.9
Imports, Goods and Services	5.1	3.2	-10.4	4.5	6.0	6.5
Real GDP growth, at constant factor prices	-6.4	-0.4	-8.0	-0.1	2.3	3.1
Agriculture	-1.0	0.7	-6.0	-1.5	1.5	2.0
Industry	-8.5	0.3	-7.7	1.5	2.7	3.0
Services	-4.3	-1.7	-8.7	-2.0	1.9	3.4
Inflation (Consumer Price Index)	1.2	2.2	1.4	2.0	2.2	2.5
Current Account Balance (% of GDP)	8.5	-0.8	-2.8	1.5	3.2	3.8
Net Foreign Direct Investment (% of GDP)	3.0	3.4	1.8	2.0	2.5	2.3
Fiscal Balance (% of GDP)	5.7	3.5	-1.3	0.8	2.4	1.8
Debt (% of GDP)	77.2	82.3	103.0	94.6	86.0	81.7
Primary Balance (% of GDP)	7.6	8.0	0.0	2.4	3.9	3.7
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	47.9	48.5	52.5	53.3	53.4	53.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	71.6	72.1	74.5	75.3	75.4	75.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	89.3	89.6	91.0	91.3	91.4	91.2

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

Notes: e = estimate, f = forecast.

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

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

COTE D'IVOIRE

Key conditions and challenges

Table 1 **2020**

Population, million	26.4
GDP, current US\$ billion	60.0
GDP per capita, current US\$	2275.1
International poverty rate (\$19) ^a	29.8
Lower middle-income poverty rate (\$3.2) ^a	59.1
Upper middle-income poverty rate (\$5.5) ^a	83.2
Gini index ^a	41.5
School enrollment, primary (% gross) ^b	100.3
Life expectancy at birth, years ^b	57.4

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

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic negatively impacted the economy in 2020 through disruptions to services, trade, lower external demand and reduced foreign financing flows, reducing real growth to 1.8 percent. Fiscal and external balances deteriorated, debt pressures increased, and poverty rose. Downside risks to the economic outlook predominate, including a second COVID-19 wave, a decline in agricultural commodity prices, a sluggish global recovery and security vulnerabilities.

During the last decade, Côte d'Ivoire has been one of the fastest-growing countries in Sub-Saharan Africa (SSA), with real GDP growth averaging 8.2 percent per year (5.7 percent in per capita terms) over 2012–2019. This was driven mainly by a post-conflict recovery, public investment, and reforms that supported a credit expansion. However, the catch-up effects are dissipating, and the country will need to attract private investment and accelerate the structural shift towards higher value-added activities.

Meanwhile, within-firm productivity rose in manufacturing, but there has been little structural change between firms allocating resources to the most productive ones. Côte d'Ivoire has made significant progress on improving the business environment in terms of easing regulations and was one of the strongest reformers according to the World Bank's Doing Business report until 2019, although progress has been limited in the past year. Private investment is below levels seen in other emerging market economies. Difficulties accessing industrial land, higher transport and logistics costs, and limited access to finance, especially for SMEs, remain key barriers to investment. Further structural reforms (access to finance, access to land, tax reforms) will be essential to sustain the pace of private sector led growth.

The economic recovery since 2012 translated into some improvement of households' livelihoods. The national poverty rate declined from 44.4 percent in 2015, to 39.5 percent in 2018, but rose in 2020 due to the pandemic. The crisis highlighted vulnerabilities in social safety nets, and poverty, inequality and regional disparities remain key concerns that require continued government expenditure (social programs and basic infrastructure). In addition, domestic resource mobilization is insufficient to match spending needs. Therefore, it is critical to expand the tax base and improve governance in revenue administration (including digitalization of tax procedures) to create the fiscal space necessary to promote equitable and inclusive growth.

Recent developments

GDP growth slowed to 1.8 percent (near 7 percent projected pre-COVID). The volatility in global demand and commodity prices led to lower exports, while FDI and external financial flows shrank. Household consumption grew by 1.9 percent. Agriculture showed some resilience, but services and industry were hit hard by the confinement restrictions and supply chain disruptions. Inflation increased moderately, due mainly to higher food costs. High frequency surveys suggest formal private sector employment dropped by 41 percent during COVID-19 restrictions. The national poverty rate rose and remained above previous levels (39.4 percent in

FIGURE 1 Cote d'Ivoire / Real GDP Growth, current and fiscal account balances

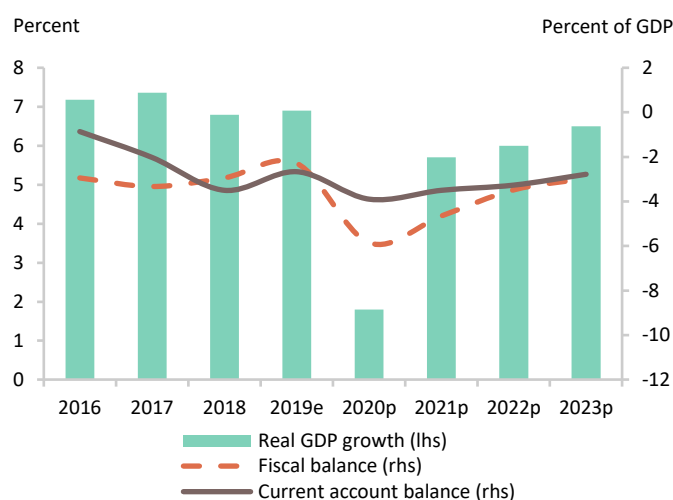
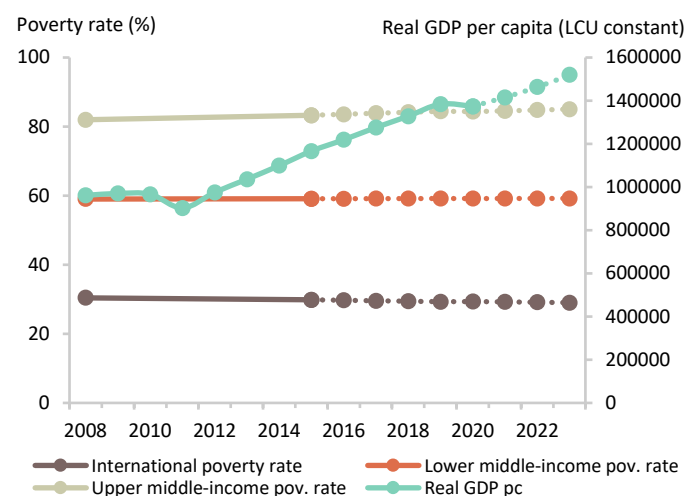


FIGURE 2 Cote d'Ivoire / Poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Source: World Bank.

2018) at 41.5 percent in October 2020, corresponding to nearly 425 thousand additional poor.

The fiscal deficit widened to 5.9 percent of GDP in 2020 and debt rose to 45.8 percent of GDP (from 41.2 in 2019), driven by the government's COVID-19 emergency response package. Tax revenues narrowed, reflecting the toll on economic activity and the fiscal cost of crisis measures.

The current account deficit increased to 3.8 percent of GDP in 2020, mainly reflecting a lower trade surplus, as global prices for cocoa beans – 27 percent of exports in 2018 – and external demand for the country's exports were subdued.

Côte d'Ivoire's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), with a fixed peg between the CFA Franc and the Euro. To support COVID-19 related extra spending, the BCEAO announced monetary and macroprudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to support governments and businesses. Côte d'Ivoire's reserves reached an estimated 5.5 months of imports in 2020. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD.

Outlook

Economic growth should gradually return to pre-pandemic levels by 2023. Real GDP is projected to grow by 5.7 percent in 2021, building on the recovery of late 2020 which was reflected in some high frequency monthly indicators picking up again (export volumes, google mobility indicators, etc.). Domestic consumption will continue to pick up alongside the recovery. Inflation is projected to remain below the WAEMU target, anchored by the CFAF/Euro peg and a prudent monetary policy. The external current account deficit is expected to narrow gradually, reaching 2.7 percent of GDP by 2023 as exports recover and grow faster than imports, strengthening the country's trade balance.

The fiscal deficit is projected to gradually narrow towards the WAEMU criterion of 3 percent by 2023. Continued crisis-support spending for households and firms, and accelerated public investment, will put pressure on public expenditures in 2021. Fiscal consolidation in the medium-term should come from increased digitalization in revenue administration, renewed efforts in collections and tax policy reforms, combined with the

gradual withdrawal of COVID spending and control over current spending.

Poverty incidence increased during the pandemic, but the economic recovery, continued government expenditure and expansion of the country's social safety net through cash transfers are expected to put poverty back onto a downward trajectory in 2021.

Despite this relatively favorable outlook, downside risks are significant. Côte d'Ivoire may yet face a second domestic peak of COVID-19 outbreaks if new strains become more prevalent, which may require further confinement measures. The country has ordered vaccines and the vaccination campaign (to begin with essential staff from the healthcare, security and education sectors) has started in March 2021. In addition, continued pandemic restrictions in trade partners (the US and EU) may depress export prices and demand, while slowing down the recovery of foreign direct investments.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.9	6.2	1.8	5.7	6.0	6.5
Private Consumption	8.0	6.0	1.9	3.0	6.0	6.5
Government Consumption	1.9	4.1	0.3	5.1	0.1	-5.3
Gross Fixed Capital Investment	18.7	5.5	6.2	9.7	4.5	5.8
Exports, Goods and Services	5.6	5.7	-4.6	4.6	4.8	5.7
Imports, Goods and Services	2.2	4.4	-0.2	1.5	1.4	1.1
Real GDP growth, at constant factor prices	6.9	6.2	1.8	5.7	6.0	6.5
Agriculture	5.3	1.4	0.7	1.8	1.9	1.7
Industry	10.7	10.1	4.0	5.0	7.0	7.0
Services	6.1	6.1	1.3	6.9	6.6	7.3
Inflation (Consumer Price Index)	0.4	0.8	1.2	1.4	1.6	1.8
Current Account Balance (% of GDP)	-3.5	-2.7	-3.8	-3.4	-3.2	-2.7
Net Foreign Direct Investment (% of GDP)	1.2	1.0	0.2	1.6	1.8	1.7
Fiscal Balance (% of GDP)	-2.9	-2.3	-5.9	-4.7	-3.4	-2.9
Debt (% of GDP)	40.1	41.2	45.8	46.1	46.3	45.8
Primary Balance (% of GDP)	-1.6	-0.7	-4.0	-3.0	-1.7	-1.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	29.4	29.3	29.3	29.2	29.1	29.0
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	59.1	59.1	59.1	59.2	59.2	59.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	84.1	84.4	84.3	84.5	84.8	85.0

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

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

(b) Projection using annualized elasticity (2008-2015) with pass-through = 1 based on GDP per capita in constant LCU.

EQUATORIAL GUINEA

Table 1 **2020**

Population, million	1.4
GDP, current US\$ billion	9.6
GDP per capita, current US\$	6852.7
School enrollment, primary (%gross) ^a	61.8
Life expectancy at birth, years ^a	58.4

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

Notes:

(a) WDI for school enrollment (2015); life expectancy (2018).

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

Key conditions and challenges

Equatorial Guinea entered 2020 with a challenging macroeconomic situation characterized by five years of economic contraction and a fragile fiscal position. The Equatorial Guinean economy is an undiversified economy which is dominated by a declining hydrocarbon sector that represents 55.7 percent of GDP, 87.6 percent of exports and 80.2 percent of government revenues in 2017-2019. Weak governance and a poor business environment constraint the use of the country's resources to reduce poverty, and the unleashing of the country's economic potential to achieve inclusive growth.

The impact of the COVID-19 pandemic on the real and fiscal sectors stressed the need to diversify the economy to achieve more inclusive growth, and to implement reforms that will help restore fiscal sustainability. Improving human capital and the business environment remain critical to diversifying the economy. As data remain scarce, there is a need to conduct the Living Standard Measurement Survey (LSMS), planned in 2021, to benchmark poverty incidence and undertake a poverty assessment to understand challenges faced by low-income households and inform design of the next National Economic and Social Development Plan, and implement the interim national development strategy. Economic prospects are subject to several headwinds. Despite the recent

developments on different vaccines in 2020, there is still an uncertainty surrounding their effectiveness and the timeline of their deployment in developing countries. In addition, investors could be concerned by the possible exuberance in equity markets and volatility in these markets could further feed uncertainty. In its 2021 Budget Law, the government adopted some tax cuts to increase liquidity in firms but it also adopted withholding taxes to adequately collect domestic tax revenues. However, the impact of these domestic resource mobilization (DRM) measures could be reduced by weak capacity to enforce the tax law and the absence of e-platforms which could help the tax administration. Finally, increased spending pressures and the government's capacity to secure external financing – in the form of budget support – could negatively affect the fiscal balance.

Recent developments

The COVID-19 pandemic resulted in an economic recession which was driven by lower domestic and external demand. With the implementation of containment measures at the national and international levels, real gross domestic product (GDP) contracted by 4.9 percent in 2020, compared with -6.0 percent in 2019. On the supply side, the recession was broad-based. Compared to our initial projections, the economic contraction was less severe because oil production stabilized with the drilling of additional wells.

FIGURE 1 Equatorial Guinea / Major sources of macroeconomic changes

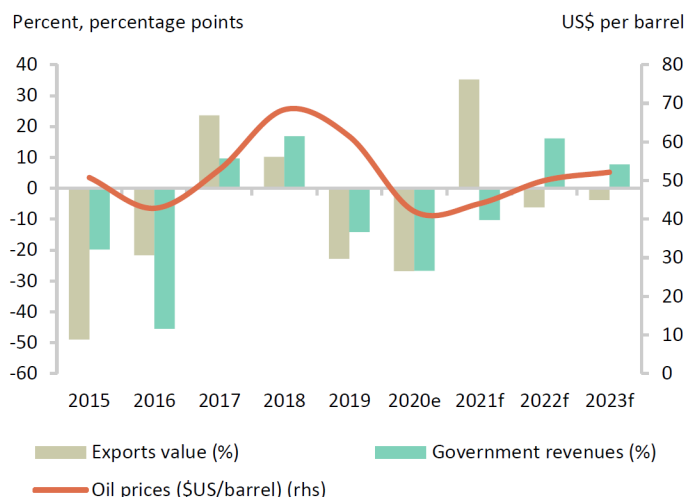
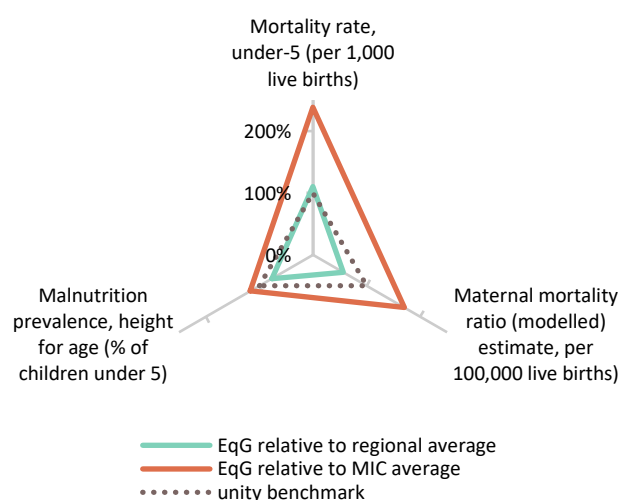


FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Sources: National authorities, World Bank Commodity Pink Sheet and World Bank staff estimates.

Source: World Development Indicators (WDI).

The prolonged lockdown, the associated disruption of economic activities and the sixth year of economic recession are likely to have resulted into additional losses in jobs and earnings. The proportion of the population living below the poverty line is expected to have increased as Equatorial Guinea has very limited social safety nets, and the tertiary sector, which employs about 38.6 percent of the labor force, has been particularly affected by containment measures. Additionally, the number of COVID-19 cases is increasing due to an erosion in compliance with containment measures, misuse of face masks and lack of hand sanitation.

Due to the decline in oil price that resulted in lower government revenues (-3.2 percent of GDP in 2020) and an increase in government expenditures (+2.1 percent of GDP in 2020), Equatorial Guinea recorded a shift from a fiscal surplus of 2.0 percent of GDP in 2019 to a fiscal deficit of 3.3 percent of GDP in 2020. In addition to the decline in government revenues, the government adopted some targeted and temporary measures to support the private sector (estimated cost of 0.3 percent of GDP) in 2020. In this challenging economic environment, the government cleared a portion of domestic arrears in 2020 (1.9 percent of GDP) but they were still estimated at 20.6 percent of GDP at end-2020.

This fiscal stance resulted into a higher total public debt estimated at 52.3 percent of GDP (at end-2020).

Lower oil prices also deteriorated the country's external position as its contribution to net foreign assets declined by Euro 265 million as the value of exports declined by 30.4 percentage points in 2020, and the current account deficit increased to 10.9 percent of GDP in 2020 from 1.6 percent of GDP in 2019.

Outlook

With more favorable economic prospects in trading partners, real GDP is projected to increase by 2.4 percent in 2021 on the back of an increase in gas production from the Alen field and the backfill project to the LNG plant. The current account deficit is projected to narrow to 4.7 percent of GDP 2021. However, the economy is projected to be back in recession in 2022-2023 as existing oil wells will reach maturity and major projects, such as the Fortuna gas project, have not yet materialized.

This outlook is subject to headwinds related to the management of the pandemic at the national and global level, the volatility of financial markets, the access to external financing to implement the government

budget, and potential delays in the implementation of critical reforms.

In its 2021 budget law, the government anticipated an increase of the fiscal deficit to about 3.8 percent of GDP in 2021 on the back of lower government revenues. The fiscal deficit is, however, forecasted at about 4.2 percent of GDP 2021 because of the above-mentioned headwinds. Progress in the implementation of the IMF program could help to finance the substantial gross total financing needs, estimated at 11.9 percent of GDP. The clearance of a portion of domestic arrears (about 2.1 percent of GDP), planned in 2021, could marginally strengthen the banking system and affect private sector confidence in the non-hydrocarbon sector despite uncertain outlooks. Public debt is projected at 46.6 percent of GDP in 2021, and to average 53.3 percent of GDP in 2022-2023.

With growth in 2021 being primarily driven by the hydrocarbon sector and the service sector projected to record a sluggish economic expansion, unemployment and poverty are likely to increase. The design of effective social policies depends on results from the Survey on the Impact of COVID-19 conducted in December 2020.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-6.2	-6.0	-4.9	2.4	-5.6	-2.3
Private Consumption	3.4	3.4	3.4	3.4	2.8	2.8
Government Consumption	1.6	-4.5	-5.3	-4.2	-10.9	1.2
Gross Fixed Capital Investment	-10.1	-55.8	-42.1	-34.0	1.9	5.5
Exports, Goods and Services	-5.7	-6.2	-9.0	3.5	-9.2	-5.0
Imports, Goods and Services	6.2	-9.0	-7.8	-0.7	-4.0	1.1
Real GDP growth, at constant factor prices	-6.2	-6.0	-5.0	2.4	-5.5	-2.3
Agriculture	-2.4	-5.8	0.4	2.8	1.4	1.4
Industry	-11.7	-8.7	-6.8	3.7	-13.2	-8.5
Services	5.8	-1.2	-2.1	0.3	6.8	6.0
Inflation (Consumer Price Index)	1.3	1.2	5.8	3.5	3.4	3.3
Current Account Balance (% of GDP)	-2.8	-1.6	-10.9	-2.7	-3.0	-6.9
Net Foreign Direct Investment (% of GDP)	3.0	5.3	3.9	5.6	5.5	5.5
Fiscal Balance (% of GDP)	0.1	2.0	-3.3	-4.2	-2.6	-1.7
Debt (% of GDP)	42.1	45.9	52.3	46.6	53.0	53.7
Primary Balance (% of GDP)	0.8	2.7	-2.0	-2.3	-0.5	0.6

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

Notes: e = estimate, f = forecast.

ERITREA

Table 1 **2020**

Population, million	3.5
GDP, current US\$ billion	2.1
GDP per capita, current US\$	588.8
School enrollment, primary (% gross) ^a	68.4
Life expectancy at birth, years ^a	65.9

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

Notes:

(a) Most recent WDI value (2018).

Real GDP growth declined 0.6 percent in 2020 as a drop in net exports and private consumption was cushioned by a sharp increase in capital spending in mining. The latter resulted in a fiscal deficit of 4.8 percent of GDP. Despite the positive impact of the new mines on growth, the medium-term outlook remains bleak without a re-engagement with the broader international community and the resolution of the external arrears. Latest available data from 1996/97 suggests poverty is widespread.

Key conditions and challenges

With UN sanctions lifted in November 2018, Eritrea has started emerging from a decade of international isolation. However, the re-engagement progress with development and international partners stalled a year ago. Efforts to shift from a centrally planned to a market-led economy have been very slow and sporadic, and large SOEs dominate economic activity. Monetary policy is characterized by administrative measures and fiscal dominance, while severe import restrictions enable a fixed exchange rate regime pegged to the US dollar and characterized by low foreign exchange reserves. The banking system is largely lending to the government and lacks international correspondence banks, while payment and settlement systems are absent. The country is among the most vulnerable and least adapted to climate change in Sub-Saharan Africa, and frequent weather shocks pose a heavy burden for the economy and rural livelihoods. The mining sector, which started operating in 2011, accounts for over 90 percent of total exports, yet contributions to budget revenues are limited.

The Covid-19 crisis hit Eritrea amid a hiatus in its reengagement with development partners leaving it without needed external funding. In addition, informal-cross border trade was affected by the conflict

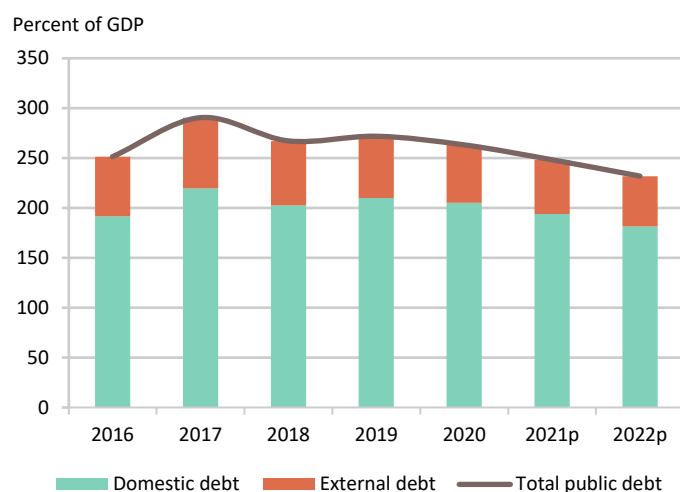
in northern Ethiopia. Yet, Eritrea's isolation moderated the magnitude of the initial external shock.

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

Recent developments

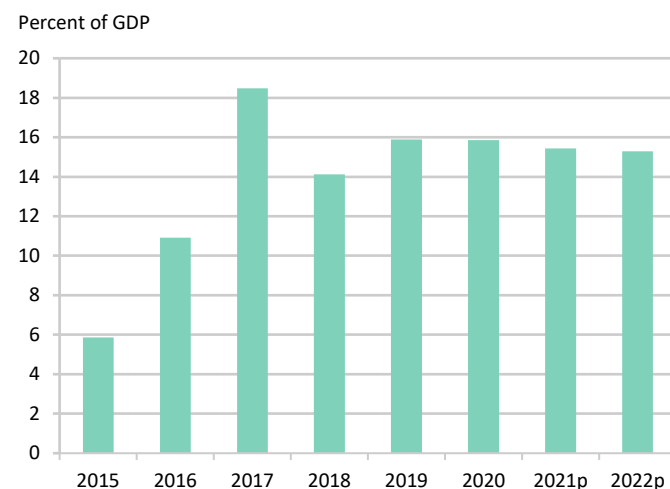
Hit by the COVID-19 crisis, real GDP growth declined an estimated 0.6 percent in 2020 from 3.8 percent in 2019. A lockdown over several months and border closures weighed heavily on private consumption. Yet, the sharp rise in government capital spending moderated the impact of the Covid crisis on output growth. Specifically, the sharp decline in exports of about 6.5 percent was offset by a contraction in imports and sharp increase in government investment totaling about 5 percent of GDP. The latter marked the opening of two mines (Colluli and Asmara) supported by net FDI inflows. The government also continued building the

FIGURE 1 Eritrea / Evolution of total public debt



Sources: Ministry of Finance, Planning and Economic Development.

FIGURE 2 Eritrea / Wage bill



Sources: Ministry of Finance, Planning and Economic Development.

important connection road from the Ethiopian border to the port of Massawa. Deflationary pressures aggravated prior to the Covid-19 crisis by the temporary opening of borders with Ethiopia in 2019 have eased and inflation reached 4.9 percent in 2020.

The external current account surplus is set to narrow to 10.7 percent of GDP in 2020 from 12.1 percent in 2019, largely due to a slowdown in remittances but also due to a compression of the merchandise trade surplus to around 3 percent in 2020 from 4.5 percent of GDP in 2019. The traditionally large net errors and omissions stem largely from trade with Ethiopia undertaken by the private sector rather than the government.

Meanwhile, the fiscal deficit widened to close to 5 percent of GDP in 2020 from 1.5 percent in 2019. The fiscal expansion was driven by an investment push in two mines and the road to Massawa as well as small dams. Public debt is estimated at above 260 percent of GDP, of which 80 percent is owed to domestic banks. That said, fiscal and domestic debt outcomes remain uncertain given frequent data revisions due to reporting lags of several months due to widespread manual processes.

Outlook

Aided primarily by the economic recovery in China, export growth of commodities is likely to lift real GDP growth to 2 percent in 2021 from -0.6 percent in 2020. As the Colluli and Asmara mines export at full capacity and aggregate demand rebounds on the back of sustained and widespread vaccination, real output growth could accelerate to an average of about 4.5 percent over the next two years. The government also expects spillover effects from the new potash mine of Colluli to fertilizer production, which in turn could increase productivity in agriculture, improving food security and livelihoods, especially if introduced in parallel with policy reforms that foster private sector development.

Nevertheless, significant downside risks cloud the horizon. Sizable uncertainties surround the evolution of the Covid-19 pandemic, including logistical and economic roadblocks hampering the prospects of timely and widespread vaccination domestically and abroad. Furthermore, severe climate vulnerabilities continue to burden Eritrea and could worsen in coming years. Finally, the

fragile macroeconomic situation and severe credit constraints leave the country with little space to boost preparedness facing these risks, and to control damages should they materialize.

In this context, efforts to normalize the country's relations with the international community could result in a pathway to reduce significantly external arrears and provide much-needed external financing. This in turn would provide resources to build much needed infrastructure over the medium term, to help abate the risks associated with climate change and jump-start the private and financial sectors.

TABLE 2 Eritrea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	13.0	3.8	-0.6	2.0	4.9	3.8
Private Consumption	13.2	5.5	-1.9	2.0	8.0	6.1
Government Consumption	0.8	39.3	16.4	8.8	4.7	4.1
Gross Fixed Capital Investment	-62.8	67.5	152.2	17.7	-10.4	0.4
Exports, Goods and Services	8.9	-5.0	-6.5	35.6	6.4	4.2
Imports, Goods and Services	18.7	1.4	-3.8	22.9	6.4	6.3
Real GDP growth, at constant factor prices	12.8	3.7	-0.7	2.0	4.9	3.7
Agriculture	24.0	27.0	-0.5	3.4	3.1	2.5
Industry	11.1	13.0	-0.7	1.4	10.2	7.6
Services	4.9	-26.0	-1.1	0.3	1.5	0.5
Inflation (Consumer Price Index)	-14.4	-16.4	4.9	2.9	1.9	2.0
Current Account Balance (% of GDP)	15.4	12.1	10.7	13.9	13.5	12.1
Net Foreign Direct Investment (% of GDP)	2.9	3.9	3.8	3.6	3.5	3.4
Fiscal Balance (% of GDP)	4.3	-1.5	-4.8	-4.4	-0.8	-0.7
Debt (% of GDP)	267.1	271.8	263.1	248.2	231.8	219.7
Primary Balance (% of GDP)	5.7	0.2	-3.2	-2.9	0.6	0.6

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

Notes: e = estimate, f = forecast.

ESWATINI

Table 1 **2020**

Population, million	1.2
GDP, current US\$ billion	4.5
GDP per capita, current US\$	3918.9
International poverty rate (\$ 19) ^a	29.2
Lower middle-income poverty rate (\$3.2) ^a	52.1
Upper middle-income poverty rate (\$5.5) ^a	72.0
Gini index ^a	54.6
School enrollment, primary (% gross) ^b	114.7
Life expectancy at birth, years ^b	59.4

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

(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2018).

Economic growth is estimated to have contracted by 3.1 percent in 2020—an upward revision from previous projection of -3.5 percent reflecting some recovery witnessed during the second half of 2020. However, the second wave of pandemic is dampening the recovery in 2021. Fiscal deficit increased in 2020 reflecting higher COVID-19 related expenditure and declining revenues. The slow recovery from the pandemic, will contribute to stagnation in poverty reduction, with around a third of the population projected to live in extreme poverty.

Key conditions and challenges

The Eswatini economy is closely integrated with the South Africa economy which makes it vulnerable to developments in South Africa. It exports over 65 percent of its exports and imports over 70 percent from South Africa. Eswatini's currency, the emalangeni, is pegged to the South African rand, with the banking sector dominated by South African banks. Fiscal revenues largely depend on Southern African Customs Union (SACU) revenues, which are shaped by developments in South Africa. The country's heavy dependence on highly volatile SACU revenues translate into significant fluctuations in public spending and pose a challenge to the management of fiscal resources.

The COVID-19 pandemic has exposed Eswatini's deeper economic and health challenges. COVID-19 related deaths increased significantly during the second wave, increasing by over 500 in just two months compared to less than 150 during the first phase. The pandemic has stretched the health care system complicated by high prevalence of HIV/AIDS. The pandemic contributed to the contraction of the economy in 2020. Over the past decade, poverty levels, jobs and the incomes of the average Eswatini citizens have stagnated, while public finances have deteriorated. Addressing the underlying structural challenges remain a key

priority for the economy to sustainably grow at higher levels.

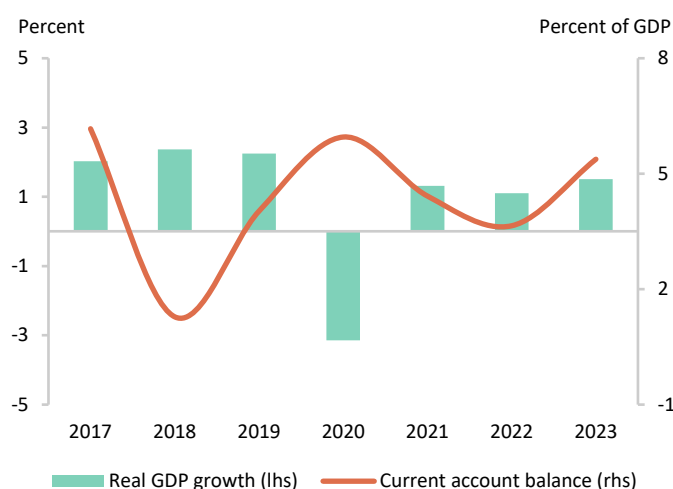
Poverty levels have historically been high and there has been little progress in reducing them, with close to 30 percent of the population living below the US\$1.90/day (2011 PPP) international poverty line. The poverty level rises to just over half of the population when the lower-middle-income-country threshold of US\$3.20/day is used. This, together with high inequality levels – with a consumption per capita Gini index of 54.6 in 2017 – increases vulnerability to economic shocks. Unemployment was high even before COVID-19, affecting 23 percent of the labor force in 2016.

Recent developments

The economy partly recovered during the second half of 2020, as reflected in the service and industry sectors. It is estimated to have contracted by 3.1 percent in 2020, a slight upward revision from a previously projected contraction of 3.5 percent. Easing of lockdown restrictions supported some construction, manufacturing and services activities. Though the manufacturing sector contracted in 2020, some signs of recovery were witnessed through a lesser decline in exports in 2020H2 compared to 2020H1.

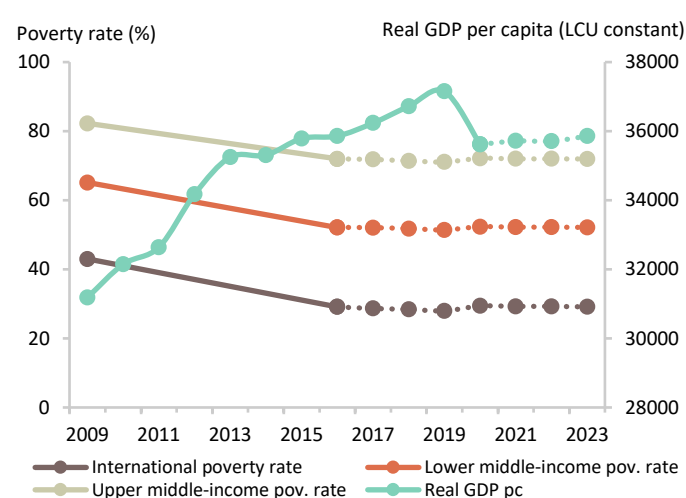
Domestic revenue declined year on year (y/y) by 2.7 percentage points of GDP in 2020 due to the COVID-19 pandemic while SACU revenues increased by 3 percent to 12.9 percent of GDP. The decline in

FIGURE 1 Eswatini / Real GDP growth and Current account balance



Sources: Ministry of Finance, Eswatini.

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



Source: World Bank staff calculations.

revenues reflects lower economic activity due to COVID-19 containment measures. Expenditures remained within the supplementary budget approved in June 2020. The fiscal deficit for FY2020/21 is estimated to have reached 8.5 percent of GDP, mainly financed by higher SACU receipts and loans from the World Bank and the IMF to deal with the pandemic. Public debt increased to about 45 percent of GDP in 2020, driven by external debt.

Annual inflation increased to 3.9 percent in 2020, from 2.6 percent in 2019, reflecting COVID-19 induced supply chain disruptions. The freeze of utility prices kept inflationary pressures lower in 2020. Monetary policy remained accommodative in January 2021, as the repo rate was kept constant at 3.75 percent since July 2020.

Current account surplus increased in 2020, partly due to surpluses recorded in trade balance and secondary income account (largely higher SACU revenue). Although both exports and imports contracted in 2020, trade balance remained in surplus.

As a result of the socio-economic impact of the pandemic, poverty is projected to increase. The \$1.90/person/day international poverty rate is estimated to have increased from 28 percent in 2019 to 29.4 percent in 2020. This was mainly due to lower household consumption as reduced economic activity resulted in loss of

employment. The dominance of the informal sector means most businesses have no means or safety nets to withstand the economic shock induced by COVID-19. Furthermore, the pandemic has exacerbated the household food insecurity challenge.

Outlook

The second wave of the COVID-19 pandemic is projected to reverse the economic gains witnessed during the second half of 2020 and constrain economic activity in the short to medium term. The economy is projected to grow by 1.3 percent of GDP in 2021, reflecting COVID-19 related containment measures implemented in early 2021. Inflation is expected to increase in 2021, partly due to rising oil and domestic administered prices. The US\$1.90/person/day international poverty rate is projected at 29.3 percent in 2021 and 29.3 percent in 2022 given the mild economic recovery, together with high unemployment. Overall, the recovery remains uncertain and hinges on the evolution of the COVID-19 pandemic, rollout of the vaccines and the pace of recovery of the global and regional economies, particularly that of South Africa.

The fiscal deficit is projected to decrease to 6.5 percent of GDP in 2021, reflecting the

start of the implementation of three-year Fiscal Adjustment Plan. In 2021, the plan focuses on recurrent expenditure containment amounting to 0.6 percent of GDP (reducing wages, goods and services and transfers to SOEs) and boosting domestic revenue by 1.1 percent of GDP. Further, the recovery in 2021 will lead to increase in revenues, while the loans already disbursed by the World Bank and IMF have helped to cushion the financing gap and reduced domestic expenditure arrears. Debt levels will remain high in 2021, as the country is projected to borrow externally, given constrained domestic financial market.

The current account surplus is projected to decrease in 2021, partly due to declining SACU revenues and higher imports of medical necessities to deal with the second wave of COVID-19. However, fiscal adjustments are projected to contain the growth of other imports while supply disruptions are projected to ease in the second half of 2021 boosting exports.

TABLE 2 Eswatini / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.4	2.2	-3.1	1.3	1.1	1.5
Private Consumption	2.7	2.6	-3.7	2.6	2.2	2.2
Government Consumption	-4.7	-3.5	-5.4	-3.7	-2.5	-2.5
Gross Fixed Capital Investment	35.1	3.3	2.3	0.3	2.9	5.3
Exports, Goods and Services	10.9	8.0	-3.2	4.9	3.7	3.9
Imports, Goods and Services	-8.7	6.0	-3.6	4.1	4.5	5.1
Real GDP growth, at constant factor prices	2.4	2.2	-3.1	1.3	1.1	1.5
Agriculture	5.9	-0.6	1.9	4.5	3.4	2.5
Industry	-0.3	4.4	-7.6	3.0	-0.3	4.2
Services	3.7	1.3	-0.9	-0.3	1.6	-0.4
Inflation (Consumer Price Index)	4.8	2.6	3.9	5.6	4.6	4.8
Current Account Balance (% of GDP)	1.3	4.0	5.6	4.0	3.3	5.0
Net Foreign Direct Investment (% of GDP)	-0.9	-2.1	-0.1	-0.6	-0.7	-0.7
Fiscal Balance (% of GDP)	-10.0	-7.2	-8.5	-6.5	-6.2	-2.9
Debt (% of GDP)	24.6	30.9	45.7	51.2	55.8	52.8
Primary Balance (% of GDP)	-8.8	-5.6	-6.4	-3.6	-3.1	0.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	28.4	28.0	29.4	29.3	29.3	29.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	51.8	51.4	52.3	52.2	52.2	52.1
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	71.4	71.1	72.1	72.0	72.0	72.0

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

Notes: e = estimate, f = forecast.

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

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

ETHIOPIA

Table 1 **2020**

Population, million	115.0
GDP, current US\$ billion	107.4
GDP per capita, current US\$	934.6
International poverty rate (\$ 19) ^a	30.8
Lower middle-income poverty rate (\$3.2) ^a	68.9
Upper middle-income poverty rate (\$5.5) ^a	90.2
Gini index ^a	35.0
School enrollment, primary (% gross) ^b	90.0
Life expectancy at birth, years ^c	66.2

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

(a) Most recent value (2015), 2011 PPPs.

(b) Ethiopia LSMS (2018/19).

(c) Most recent WDI value (2018).

After a better-than-expected outturn in FY20, the economy is expected to slow down further in FY21. While employment levels have recovered, a quarter of households still reported reduced income in October, and firm revenue has been hit. Base money expansion has presumably helped ease liquidity constraints and fuel credit growth, but it may have also contributed to inflation, which reached 19.2 percent in January 2021. The Ethiopian economy would rebound in the medium term as macroeconomic and structural reforms are completed.

Key conditions and challenges

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

The limitations of the state-led development model in Ethiopia have become apparent. Structural transformation remains incipient, and the role of the private sector is constrained by SOE dominance and an uneven playing field. The financing of the large capital investments coupled with a loss in competitiveness, caused by an overvalued exchange rate, have put the country at high risk of debt distress. Acknowledging these shortcomings, the authorities launched a Homegrown Economic Reform Agenda in September 2019, which aims to foster efficiency and introduce competition in key growth-enabling sectors (energy, logistics, telecom), improve the business climate, and address macroeconomic imbalances. Among other measures, authorities are expected to adopt a market-determined exchange rate and introduce a modern monetary policy framework by end-2022.

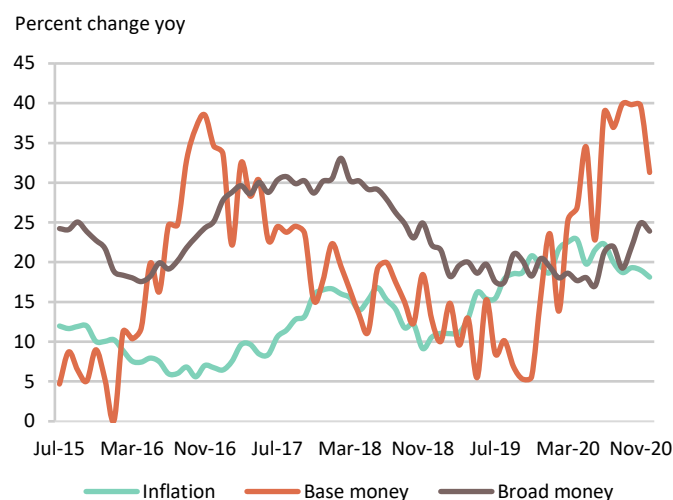
Ethiopia is facing formidable challenges. While the armed confrontation in the North of the country seems to have been geographically contained so far, risks of a protracted and more widespread conflict persist. The humanitarian situation is reported to be dire, with thousands of people displaced. The desert locust invasion could affect crops, threatening food security. And there is risk that poverty increases due to the COVID-19 impacts given the high levels of vulnerability to shocks.

Recent developments

Ethiopia grew at 6.1 percent in FY20, as the impact of the COVID-19 pandemic took place largely in the final quarter of the fiscal year. Crop production improved, while growth in services and manufacturing eased to single digits.

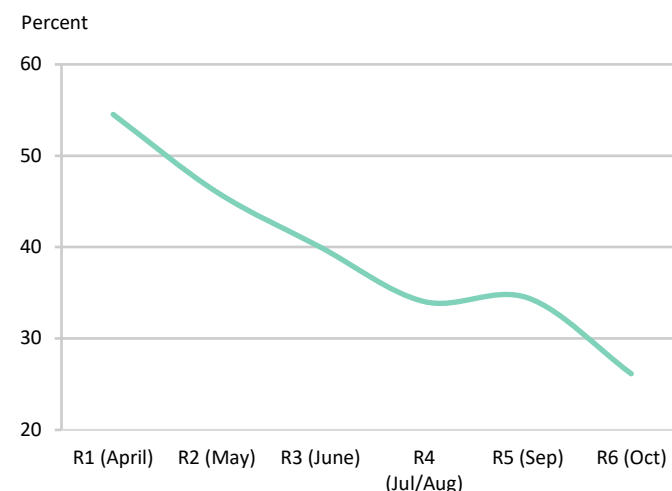
While external demand remains depressed due to COVID-19, it is showing some signs of recovery. Merchandise exports excluding gold declined by 4.1 percent during July-December 2020 (year-on-year), while most items (except garments) showed signs of recovery in the second quarter of the fiscal year. Including gold, merchandise exports grew at 21 percent. Exports of services (including air travel) dropped by 9.2 percent. An even sharper drop in imports, driven down by limits in SOE spending and currency depreciation has resulted in the narrowing of the current account balance. Remittances, which dropped by 10 percent in FY20, rebounded during the first half of FY21 (19.1 percent). Meanwhile, net

FIGURE 1 Ethiopia / Inflation and monetary aggregates



Source: National Bank of Ethiopia.

FIGURE 2 Ethiopia / Share of respondents who reported income reduction or loss.



Source: Wieser et al., 2020.

foreign direct investment remains depressed, dropping by 1.7 percent during the same period.

While healthcare spending increased significantly as part of the response to the pandemic, total expenditure dropped in FY20. Revenue collection deteriorated mainly due to the drop in indirect tax collections as demand has weakened. Overall, the general government deficit is estimated to have increased to 2.8 percent of GDP in FY20, compared to 2.5 percent of GDP in FY19.

Reserve money surged by 37 percent during July-December 2020 (year-on-year), and bank credit has continued to expand strongly (28.7 percent nominal growth, yoy). A 5 percent decrease in payment collection by commercial banks suggest some firms and households are struggling to repay their loans. Inflation, which had slightly eased in recent months, picked up again, reaching 19.2 percent in January, possibly pushed by seasonality factors and monetary expansion. Faster nominal depreciation resulted in a reduction in real overvaluation during the first half of FY21, although the still elevated parallel market premium suggest foreign exchange shortages persist.

The COVID-19 pandemic has had severe economic impacts, resulting from reduced employment and income. Employment

rates plunged in the early days of the pandemic, with 8 percent of respondents losing their jobs by April 2020. While employment levels have recovered (except for some persistent job losses in urban areas), the situation faced by households remains challenging. According to the high frequency phone surveys, more than half of the households reported in April 2020 that their incomes were either reduced or had totally disappeared. While the proportion of those who reported reduction of income decreased in subsequent months, it remained high as of October 2020, at 26 percent.

Outlook

Growth is expected to decelerate further in FY21, to about 2 percent, impacted by reduced income reported by firms and households and a slowdown in crop production. Continued import compression and favorable terms of trade are expected to contain the current account deficit in FY21. The fiscal deficit is expected to reach about 3 percent of GDP in FY21, slightly above FY20 outturn. Inflation would remain elevated in FY21, while trending down in the medium term as a tighter macroeconomic stance is implemented

once the pandemic abates. As key macroeconomic and structural reforms are fully implemented by 2022, foreign direct investment, exports, and economic growth are expected to strengthen in the medium term.

The effects of the COVID-19 pandemic on livelihoods are expected to be severe. Household incomes, as shown by the high-frequency phone surveys, are impacted through a reduction in aggregate demand that affects low-income households disproportionately. Results from the phone survey of firms show that Covid-19 and related containment measures have substantially impacted firms' operations. With formal firms not hiring, a reduction in aggregate demand will also affect the self-employed. Casual laborers and self-employed (44 percent of urban households) are hit particularly hard with an expected downturn of the economy. Moreover, reduced fiscal space will put pressure on the provision of social services during and after the economic downturn, potentially having detrimental long-term effects on the poor.

TABLE 2 Ethiopia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2017/18	2018/19	2019/20 e	2020/21 f	2021/22 f	2022/23 f
Real GDP growth, at constant market prices	7.7	9.0	6.1	2.3	6.0	7.5
Private Consumption	5.3	5.1	5.0	2.5	4.0	6.5
Government Consumption	3.6	7.2	0.6	17.6	9.0	14.0
Gross Fixed Capital Investment	6.8	12.4	6.3	-3.5	5.2	4.8
Exports, Goods and Services	5.0	3.0	-0.9	7.0	12.0	5.7
Imports, Goods and Services	0.2	0.6	-2.3	1.5	2.2	2.5
Real GDP growth, at constant factor prices	7.7	9.0	6.1	2.3	6.0	7.5
Agriculture	3.5	3.8	4.3	4.0	4.0	4.0
Industry	12.2	11.5	9.6	3.5	9.0	16.0
Services	8.7	12.0	5.2	0.1	5.5	4.1
Inflation (Consumer Price Index)	14.5	12.5	19.9	19.0	10.0	9.0
Current Account Balance (% of GDP)	-6.2	-5.1	-4.1	-3.3	-3.7	-3.7
Fiscal Balance (% of GDP)	-2.9	-2.5	-2.8	-3.2	-2.2	-1.9
Debt (% of GDP)	59.6	57.3	56.5	56.6	55.6	53.3
Primary Balance (% of GDP)	-2.4	-2.0	-2.3	-2.5	-1.5	-1.1
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	27.6	26.5	25.9	25.9	25.4	24.6
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	65.6	64.4	63.7	63.8	63.1	62.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	85.8	84.2	83.4	83.4	82.6	81.4

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2010-HICES and 2015-HICES. Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021 to 2023.

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

GABON

Table 1 **2020**

Population, million	2.2
GDP, current US\$ billion	14.5
GDP per capita, current US\$	6503.1
International poverty rate (\$ 19) ^a	3.4
Lower middle-income poverty rate (\$3.2) ^a	11.2
Upper middle-income poverty rate (\$5.5) ^a	32.2
Gini index ^a	38.0
School enrollment, primary (% gross) ^b	139.9
Life expectancy at birth, years ^b	66.2

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

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

(b) Most recent WDI value (2018).

Gabon's economy is set to contract by 1.9 percent in 2020 as COVID-19 induced a downturn in global demand and a fall in oil prices. The pandemic is continuing to damage Gabon's public finances with a significant hit to its revenues leading to record high levels of debt and the accumulation of arrears. As the COVID-19 crisis is unfolding, the medium-term outlook suggests a timid recovery and no prospects of poverty reduction before 2023.

Key conditions and challenges

Gabon's economic recovery was gaining pace as economic diversification and fiscal adjustment efforts had started to pay off. This progress has been threatened, however, by the COVID-19 pandemic and the decline in oil prices. Inadequate governance and a poor business climate are major challenges for Gabon's economy to transform its wealth in natural resources into sustainable development and broad-based improvement of living conditions. A second wave of COVID-19 cases triggering tighter restrictions on economic activity may cause even more hardship for the population. Efforts to improve supply chains and in particular food supply to urban areas should be maintained to contain food price pressures and tackle food security issues.

Fluctuations in oil and manganese prices remain the main risk factors, given the country's reliance on these commodities. A reduction in Gabon's oil production to align it with the decision made by the OPEC and its allies to cut production would require the country to accelerate fiscal consolidation or seek debt reprofiling. Despite the challenging economic context, it is still important for the Government to preserve public investment, maintain efforts to repay current domestic arrears and avoid any additional accumulation to lay the ground for a rapid economic recovery and mitigate the negative

poverty and social impacts in the medium term. Sustained implementation of reforms to support domestic revenue mobilization, reduce the civil service wage bill, strengthen public finance management and the efficiency of public investment are crucial for improving the country's growth prospects.

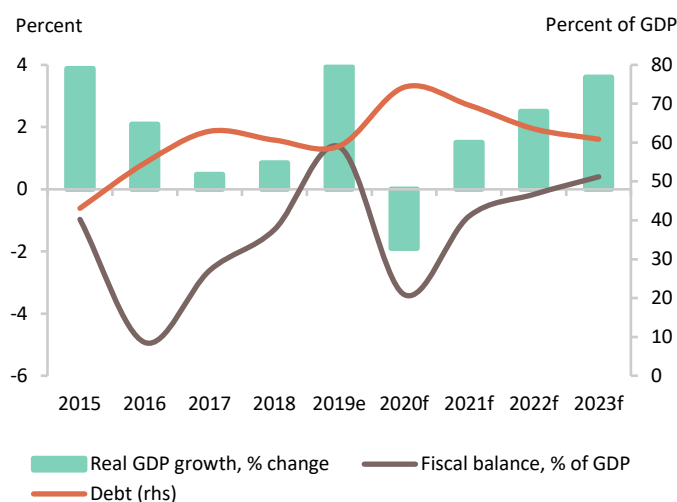
COVID-19 has exacerbated existing social challenges, with a significant impact on the most vulnerable. The reduction in government revenues is a major threat to the financing of the social protection program benefiting the most vulnerable, which is already underfinanced. Self-employed workers and workers in informal activities, who are excluded from the social protection system, will experience major income losses.

Recent developments

The COVID-19 crisis has pushed Gabon into recession in 2020. Evidence suggests that real GDP contracted by 1.9 percent in 2020 after growing at 3.9 percent in 2019. The contraction was led by the decline in oil production and the weakness in the service sector while manganese and mineral production significantly increased. Price pressures remained limited in 2020, well below the 3 percent limit in the CEMAC zone. Pressures on food prices have been largely contained.

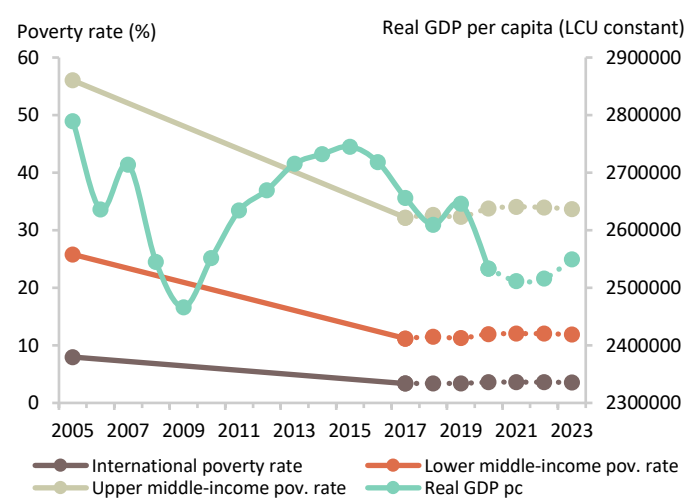
The deterioration of the overall fiscal deficit in 2020 may be more contained than anticipated in the 2020 revised budget law. Lower tax revenues due to

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



Sources: Gabonese authorities and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

the expected recession and tax relief related to the COVID-19 pandemic were combined with declining oil revenues owing to low crude oil prices. Both current and investment spending contracted in 2020. Debt levels have reached historical highs, estimated at 75 percent of GDP in December 2020. Gabon has started accumulating arrears on external and domestic debt again due to cash pressures resulting from delays in mobilizing external funding, equivalent to 1 percent of GDP by the end of 2020.

With lower oil prices, Gabon's export earnings decreased in 2020 despite higher export volumes of oil and manganese. Imports also declined in 2020 mostly driven by lower imports of manufactured and capital goods. Overall, the trade balance recorded a smaller surplus than in the previous year. The current account deficit is expected to widen to 4.1 percent of GDP in 2020.

Poverty has been exacerbated by the COVID-19 pandemic with a poverty rate estimated at 33.8 percent in 2020, up from 32.3 in 2019. The negative impact of the COVID-19 crisis on households is significant with income and jobs losses, and constrained access to health and other basic services as evidenced by the share of adults and children who were not able to receive care to fulfill their

needs (29.2 percent and 33.3 percent respectively) in September 2020.

Outlook

Amid exceptional uncertainty on the turnaround in the pandemic despite hopes from recent vaccine approvals, Gabon's economy is projected to grow 1.5 percent in 2021 and 2.5 percent in 2022. Growth will be supported mainly by sustained private investments in agribusiness, wood processing and mining in the medium term thanks to the gradual global recovery. The medium-term outlook suggests a timid recovery with output levels expected to take about three years to return to their 2019 levels.

The authorities are expected to revert to the path towards fiscal consolidation once the fallout from the pandemic subsides. Hence, the fiscal deficit is expected to narrow gradually over the medium term. The projected rise in tax revenue, combined with efforts to limit tax exemptions, is expected to offset partly the projected decline in commodity revenues. Cuts in current spending are also expected to contribute to improving the fiscal balance. The current account deficit is expected to gradually narrow in the medium term

supported by higher oil prices and a resumption of investment in wood and agribusiness thanks to the expected progressive global economic recovery.

Due to current constraints faced by the Gabonese economy and the impact of the pandemic on household income, the share of households living on less than \$5.5 per day is expected to reach 34 percent in 2021 before decreasing to 33.7 percent in 2023.

TABLE 2 Gabon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	0.8	3.9	-1.9	1.5	2.5	3.6
Private Consumption	-0.4	0.9	-2.6	0.2	1.5	1.9
Government Consumption	-18.2	1.9	-3.4	-3.1	-0.1	1.3
Gross Fixed Capital Investment	8.0	6.1	-30.6	2.3	2.8	6.4
Exports, Goods and Services	4.2	21.2	11.8	3.0	4.1	4.8
Imports, Goods and Services	-0.6	20.5	-8.9	1.0	3.0	4.3
Real GDP growth, at constant factor prices	0.9	4.3	-1.9	1.5	2.5	3.6
Agriculture	9.5	7.9	1.6	3.0	5.0	5.0
Industry	-0.7	7.4	2.6	4.3	6.3	7.3
Services	0.7	2.1	-5.1	-0.5	-0.5	0.7
Inflation (Consumer Price Index)	6.3	3.0	2.0	3.0	3.0	3.0
Current Account Balance (% of GDP)	-3.2	-0.3	-4.1	-2.4	-0.4	-0.1
Fiscal Balance (% of GDP)	-1.3	1.4	-3.5	-1.0	-0.3	0.2
Debt (% of GDP)	60.6	59.1	75.0	70.4	64.6	61.9
Primary Balance (% of GDP)	1.1	3.6	-0.1	1.9	2.6	3.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	3.4	3.4	3.6	3.6	3.6	3.6
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	11.5	11.3	12.0	12.1	12.1	11.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	32.7	32.3	33.8	34.0	34.0	33.7

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

Notes: e = estimate, f = forecast.

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

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

GAMBIA

Table 1 **2020**

Population, million	2.4
GDP, current US\$ billion	1.9
GDP per capita, current US\$	788.1
International poverty rate (\$19) ^a	10.3
Lower middle-income poverty rate (\$3.2) ^a	38.4
Upper middle-income poverty rate (\$5.5) ^a	72.7
Gini index ^a	35.9
School enrollment, primary (% gross) ^b	101.7
Life expectancy at birth, years ^b	61.7

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

Notes:

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Growth stagnated in 2020, driven by a pandemic-induced fall in tourism and private consumption. Despite the crisis, the external and fiscal deficits were kept in check due to increased donor support. Growth and poverty reduction are expected to gradually recover over the medium term, as the pandemic recedes. The outlook is subject to downside risks stemming from the speed of global recovery, the magnitude of the domestic COVID-19 outbreak, the vaccine roll-out, and the pace of fiscal and structural reforms.

Key conditions and challenges

Since the democratic transition of 2017, the Government has taken important steps to lay the foundations for democracy, improve the rule of law, restore macroeconomic stability, and reignite growth, which averaged 6 percent between 2017-2019. Following strong economic performance and debt restructuring, The Gambia exited debt distress in early 2020, paving the way for an IMF Enhanced Credit Facility. However, the new Constitution was rejected in Parliament, foreshadowing possible difficulties with sustaining economic governance reforms in the run-up to the 2021 elections.

COVID-19 has exacerbated existing economic and social challenges, particularly as tourism stopped, partially reversing gains in poverty reduction. Given that the risk of debt distress remains high, The Gambia has limited fiscal policy buffers to respond to a downturn. Its outlook is subject to downside risks stemming from the depth and duration of the pandemic, possible virus mutations, the deployment of vaccines across key tourist markets, the reform pace ahead of the elections and climatic shocks. Upside risks are limited, originating from a faster pandemic recovery and tourism rebound.

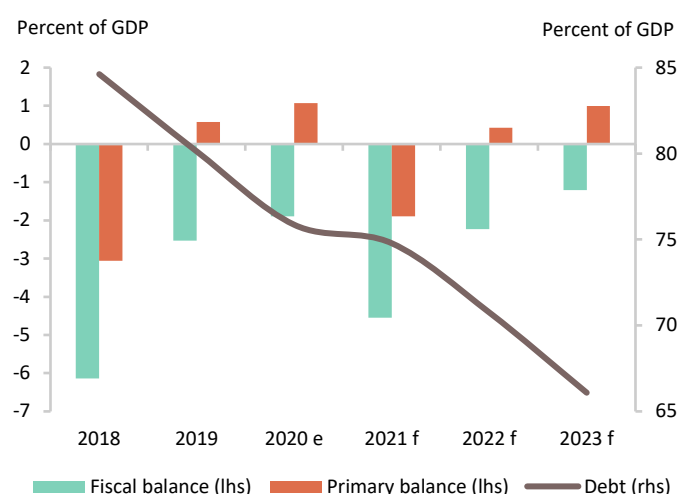
Recent developments

GDP growth fell to 0 percent in 2020 (-2.9 percent in per capita terms). The services sector was affected most, as containment measures suppressed private consumption and tourism declined, with flight arrivals falling by 62.4 percent. Nevertheless, ample rains spurred a rebound in agriculture, while strong private foreign inflows, especially remittances, supported construction and commerce.

The current account deficit widened to 5.5 percent of GDP, as the tourism drop was partially offset by remittances and official transfers. FDI financed the deficit, while the exchange rate remained stable. International reserves reached 4.9 months of next year's imports, supported by a record 80.9 percent growth in net remittances, which may reflect some transfers moving to the formal financial sector.

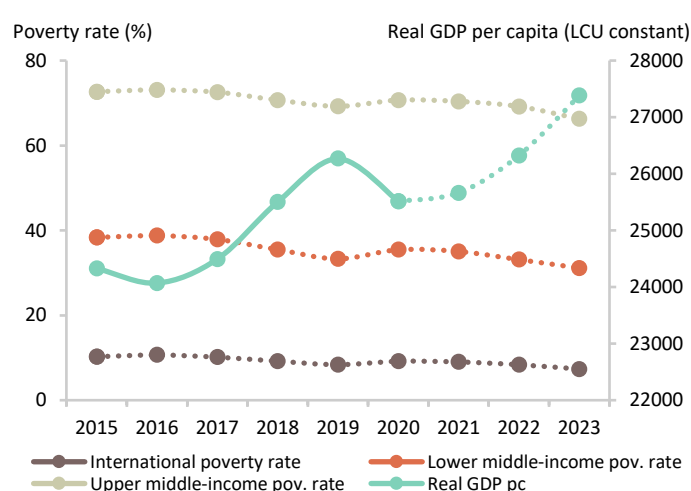
The Government registered a primary surplus, reducing the fiscal deficit to 1.9 percent of GDP and public debt-to-GDP to 75.8 percent, as grant increases supported most of the pandemic-related spending. Tax collections decreased by 0.4 percent of GDP but reached 95 percent of the pre-COVID-19 target, supported by the revision of reference prices combined with the adoption of transactional-value-based customs and excise levies. The tax shortfall was compensated by higher non-tax revenue due to one-off proceeds from recovery of assets stolen by the previous autocratic regime. Although expenditure

FIGURE 1 Gambia / Fiscal and primary balances and debt



Sources: The Gambian authorities and World Bank estimates.

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



Source: World Bank. Notes see Table 2.

remained stable, recurrent spending increased to accommodate COVID-19 needs, while reallocating funding from lower-priority areas. However, capital expenditure declined due to pandemic-related implementation challenges. Due to previous debt restructuring, relief under the Debt Service Suspension Initiative (DSSI) was modest (0.23 percent of GDP). Inflation decreased to 5.9 percent, driven by a demand drop, low fuel prices, a stable exchange rate, temporary administrative price controls on essential goods and the dissipation of the postal rate increase of April 2019. The central bank continued with cautious monetary easing, lowering the policy rate from 12.5 percent in end-2019 to 10 percent by end-2020, while reducing the statutory reserve requirement ratio by 200 basis points to 13 percent in May. Broad money continued to grow by 22.0 percent, supported by the buildup of net foreign assets in the banking system. The COVID-19 pandemic has adversely affected households' labor market activities, access to markets and health care. Despite government support, stable prices, and improved labor market conditions following the relaxation of containment measures in the third quarter of 2020, households have experienced a rapid income decline. As a result, the poverty rate is estimated to have increased from 8.4 percent in 2019 to 9.2

percent in 2020, equivalent to over 25 thousand additional poor.

Outlook

The economy is expected to gradually recover in 2021, as private consumption is less constrained by lockdowns and large public infrastructure projects are implemented. However, the exceptional rainfall-driven agricultural performance of 2020 is not expected to continue, and private construction would slow down, given the subdued economic activity in 2020 and normalized remittance inflows. Over the medium-term, growth would be spurred by services/tourism, industrial activity, agriculture recovery, and the pandemic-induced absorption of technology. This assumes renewed focus on reforms, political stability, and normal weather. As a result, real GDP is projected to grow by 3.5 percent in 2021 and 5.5 percent in 2022. Inflation will temporarily increase before steadily dropping to 5.1 percent in 2023, close to the 5 percent target. The current account deficit is expected to widen, driven by the high import content of public investments, as the recovery begins in 2021, and by declining grants and private inflows over time, which were partially frontloaded in 2020. Exports would grow, supported by revitalized re-exports.

The deficit will largely be financed by FDI and capital transfers. Foreign exchange reserves would hover around 4.5 months of next year's imports.

The fiscal deficit is projected to widen to 4.5 percent of GDP in 2021 due to lower grants and continued spending on infrastructure. As the economy recovers, tax revenues should increase, supported by improved tax expenditure monitoring and administrative measures. Expenditures would decrease over the medium-term, as recurrent spending slows down. Transfers to SOEs and subvented agencies are expected to fall, as the Government strengthens SOE corporate governance and balance sheets and rationalizes agencies. The fiscal deficit would gradually start decreasing after 2021, anchored in the new Medium-Term Fiscal Framework 2021-25. Furthermore, savings under DSSI would extend to 0.15 percent of GDP in 2021. Public debt-to-GDP should remain on a downward path, reaching 66.1 percent by 2023. Although the recovery is expected to start in 2021, COVID-19 will undermine poverty reduction in the near future, in the context of subdued growth. With uncertainty about the future of international tourism, labor demand may also be adversely impacted. The international poverty rate is expected to decline to 9.0 percent in 2021 and 7.3 percent by 2023, with significant downside risks associated with an uncertain recovery.

TABLE 2 Gambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	7.2	6.1	0.0	3.5	5.5	7.0
Private Consumption	9.7	4.1	1.0	2.6	6.1	5.8
Government Consumption	3.7	14.6	22.9	-1.0	-4.0	5.2
Gross Fixed Capital Investment	2.0	25.3	11.6	15.8	8.7	9.4
Exports, Goods and Services	44.2	-1.2	-37.9	20.0	25.3	20.0
Imports, Goods and Services	17.6	3.1	-6.3	16.3	14.8	11.9
Real GDP growth, at constant factor prices	7.2	6.1	0.0	3.5	5.5	7.0
Agriculture	3.7	-1.3	5.0	2.8	3.3	3.4
Industry	2.0	14.3	6.4	6.2	5.2	7.9
Services	10.1	6.5	-3.6	2.8	6.4	7.9
Inflation (Consumer Price Index)	6.5	7.1	5.9	6.3	5.5	5.1
Current Account Balance (% of GDP)	-9.5	-5.3	-5.5	-12.5	-12.9	-10.9
Fiscal Balance (% of GDP)	-6.1	-2.5	-1.9	-4.5	-2.2	-1.2
Debt (% of GDP)	84.6	80.1	75.8	74.8	70.7	66.1
Primary Balance (% of GDP)	-3.0	0.6	1.1	-1.9	0.4	1.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	9.2	8.4	9.2	9.0	8.4	7.3
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	35.5	33.3	35.5	35.1	33.1	31.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	70.7	69.2	70.7	70.4	69.2	66.3

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

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

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

GHANA

Table 1 **2020**

Population, million	31.1
GDP, current US\$ billion	69.6
GDP per capita, current US\$	2239.4
International poverty rate (\$ 19) ^a	12.7
Lower middle-income poverty rate (\$3.2) ^a	29.3
Upper middle-income poverty rate (\$5.5) ^a	55.1
Gini index ^a	43.5
School enrollment, primary (% gross) ^b	104.8
Life expectancy at birth, years ^b	63.8

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

(a) Most recent value (2016), 2011 PPPs.

(b) Most recent WDI value (2018).

Ghana's increasing dependence on commodities and limited structural transformation left it vulnerable to shocks. COVID-19 hit the economy in 2020, leading to a significant decline in per capita GDP for the first time since 2013 and to a rise in poverty. The government's response helped contain the crisis, but the fiscal deficit and public debt skyrocketed. Economic activity is expected to remain subdued until 2023, with recovery threatened by a COVID-19 rebound and the recent Ebola outbreak in Guinea.

Key conditions and challenges

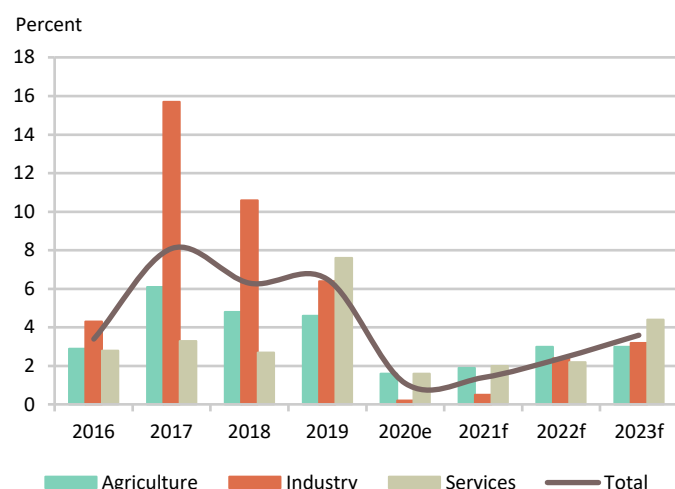
After thirty years of strong economic growth, Ghana's economic model has shown some vulnerabilities over the past decade, despite real GDP growth averaging 6.8 percent per annum. The economy has become increasingly reliant on primary commodities, with limited diversification or growth-enhancing structural transformation, resulting in fast depletion of natural capital and increased vulnerability to external shocks. Per capita GDP growth over the past decade has slowed down (averaging 3.3 percent), reflecting the sustained high average population growth rate of 2.3 percent per annum. Ghana has also suffered from repeated episodes of macroeconomic instability, linked to election-cycle overspending and commodity price volatilities and, more recently, an energy crisis and a weak financial sector. Over the past decade, the pace of poverty reduction has slowed, in large part reflecting limited creation of productive jobs. Uneven regional distribution of social and physical infrastructure has increased spatial disparities making it difficult for the poor to escape poverty. In 2016, the poverty rate was 29.3 percent (using the lower middle-income threshold) and by 2019 had fallen to 27.0 percent. However, the COVID crisis significantly impacted household welfare and poverty has jumped to 30.4 percent in 2020. Surveys administered in May-June 2020 suggest

that three-quarters of households saw a decrease in their incomes, especially from self-employment, remittances, and private transfers. Ghana has suffered a slowdown in many services sectors, such as wholesale and retail trade and hospitality. The poverty and social effects are also being felt through loss of incomes in agriculture, particularly in the cocoa sector, and manufacturing, despite public support programs.

Recent developments

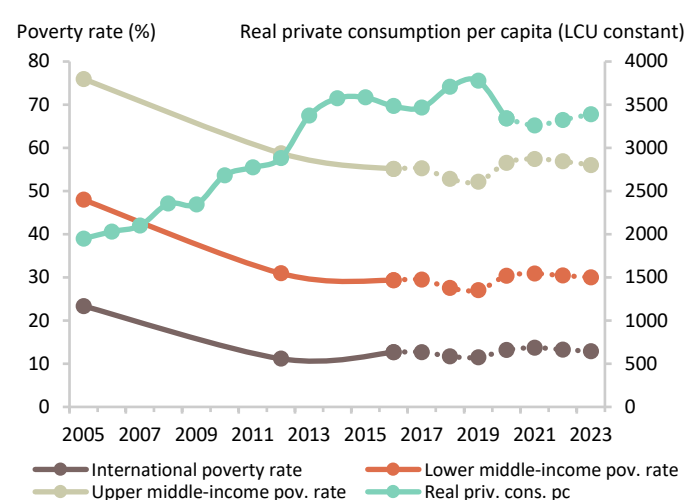
Ghana's economy contracted by 3.2 and 1.1 percent in the second and third quarters of 2020, respectively, pushing the country into a recession for the first time in 38 years. However, a modest growth of 1.1 percent is estimated for the full year of 2020 thanks to a strong 4.9 percent growth in Q1, at the onset of the COVID-19 crisis. The Government attempted to mitigate the pandemic's impact on households and businesses by enacting the Corona Virus Alleviation Plan (CAP) and the medium-term COVID-19 Alleviation and Revitalization of Enterprises Support (CARES) program in mid-2020. But the low growth in 2020, coupled with high population growth, has pushed real per capita incomes 1 percent lower than in 2019. Government financing needs increased substantially during the pandemic, pushing the Government to resort to central bank financing, resulting in sharp increases in debt and debt service cost. Fiscal pressures arose from costly financial sector

FIGURE 1 Ghana / Real GDP growth and real sectoral growth rates



Sources: Ghana Statistical Service and World Bank.

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



Source: World Bank. Notes: see Table 2.

reforms in 2018-2020 and the Energy Sector Recovery Program (ESRP), started in 2019. The overall fiscal deficit, including energy and financial sector costs, was therefore already elevated at 7.6 percent of GDP in 2019 and the debt-to-GDP ratio at 63.9 percent. The COVID-19 crisis and election related spending led to the suspension of the fiscal rule and the fiscal deficit is estimated at 16.2 percent of GDP in 2020. While debt remains sustainable, the April 2020 Debt Sustainability Analysis (DSA) concluded that Ghana remains at high risk of debt distress.

Ghana's current account deficit widened to 3.0 percent of GDP at the end of 2020 from 2.9 percent in 2019, reflecting a lower trade surplus and higher services outflows. However, stronger remittance inflows and lower net investment income outflows, especially from the extractive sector, helped moderate the impact on reserves. The Ghana Cedi depreciated at a much slower rate of 3.9 percent against the US dollar in 2020, compared with 12.9 percent in 2019. This reflected the improved risk sentiment in the global financial market, increased inflows from mining, remittances, and BOP support which helped ease demand pressures.

Inflation has been kept in check in 2020, despite a slight acceleration at the end of the year. The year-on-year change of the

Consumer Price Index was 10.4 percent in December, above the upper limit of the central bank's target range of 6-10 percent, mainly due to higher food inflation. To minimize the pandemic's impact on the economy and the banking sector, the Bank of Ghana (BoG) lowered the Monetary Policy Rate (MPR) by 150 basis points to 14.5 percent, and reduced the Primary Reserve Requirements and the Capital Adequacy Ratio. Yet, net private credit growth slowed to 5.8 percent at the end of December 2020, sharply down from 23.8 in December 2019. Overall, however, the banking sector's performance remained strong during 2020.

Outlook

Ghana's economy showed early signs of recovery in the second half of 2020 as business sentiments improved with the ending of the lockdowns. The economic contraction was smaller in Q3 than Q2, thanks to strong year-on-year performance in the agriculture, manufacturing and tradable services sectors. The medium-term negative impact of the pandemic on growth will continue to be felt through low external demand, low commodity prices, particularly of oil, and lower FDI

and tourism receipts. However, continued recovery could spur growth to 1.4 percent in 2021 and further to 3.6 percent by 2023. With relative stability in the exchange rate and the central bank's gradual return to a tighter monetary policy stance, inflation is expected to moderate to the central bank's target range. The fiscal and current account balances are expected to improve only slowly over the medium term (see Table 2), largely reflecting adverse external factors and a slow return to normalcy in domestic revenue mobilization. Against this backdrop of economic slowdown and new restrictions, poverty is likely to continue to rise in 2021 to 30.9 percent before declining as private consumption growth recovers.

The two major short-to-medium term risks are health related. First, risks stem from the second pandemic wave already affecting some African countries with more virulent variants of the COVID virus. There has been a sharp rebound in cases in Ghana requiring further restrictions. A fast vaccine rollout could help mitigate this risk. Second, the Ebola outbreak in Guinea in mid-January poses significant health and economic risks for Ghana given the very porous land borders. Ghana's fiscal position is also a major risk factor with rising domestic and external debt, including Eurobonds.

TABLE 2 Ghana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.3	6.5	1.1	1.4	2.4	3.6
Private Consumption	9.4	4.2	-9.7	-0.3	4.1	4.1
Government Consumption	1.8	5.4	6.4	-11.0	-10.0	-10.1
Gross Fixed Capital Investment	13.2	-10.0	34.5	9.2	1.8	5.1
Exports, Goods and Services	10.3	6.7	-2.3	-3.2	1.0	1.0
Imports, Goods and Services	4.6	1.7	-2.3	-3.0	0.4	0.4
Real GDP growth, at constant factor prices	6.2	6.5	1.1	1.4	2.4	3.6
Agriculture	4.8	4.6	1.8	1.9	3.0	3.0
Industry	10.6	6.4	0.2	0.5	2.4	3.2
Services	2.7	7.6	1.6	2.0	2.2	4.4
Inflation (Consumer Price Index)	9.8	7.9	10.4	9.8	9.6	6.8
Current Account Balance (% of GDP)	-3.1	-2.9	-3.0	-3.3	-3.1	-3.0
Fiscal Balance (% of GDP)	-7.0	-7.6	-16.2	-12.1	-11.1	-10.7
Debt (% of GDP)	59.0	63.9	78.7	78.9	80.1	81.0
Primary Balance (% of GDP)	-1.4	-1.9	-9.8	-4.5	-4.1	-3.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	11.7	11.5	13.2	13.7	13.2	12.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	27.5	27.0	30.4	30.9	30.5	30.0
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	52.8	52.1	56.5	57.4	56.9	56.0

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

Notes: e = estimate, f = forecast.

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

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

GUINEA

Table 1 **2020**

Population, million	13.1
GDP, current US\$ billion	15.2
GDP per capita, current US\$	1159.3
International poverty rate (\$ 19) ^a	36.1
Lower middle-income poverty rate (\$3.2) ^a	70.9
Upper middle-income poverty rate (\$5.5) ^a	92.5
Gini index ^a	33.7
School enrollment, primary (% gross) ^b	91.5
Life expectancy at birth, years ^b	61.2

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

(a) Most recent value (2012), 2011 PPPs.

(b) WDI for school enrollment (2016); life expectancy (2018).

Growth was resilient to the pandemic, slowing to 4.7 percent in 2020. Capital investment was reduced to contain the increase in the fiscal deficit, following Covid-19 measures. The fiscal and external deficits were supported by increased donor financing and improved terms of trade. Growth and poverty reduction are expected to recover, supported by sustained mining growth and a rebound in services. Downside risks include prolonged COVID-19 and Ebola outbreaks, delayed vaccine rollouts, the slow pace of fiscal and structural reforms, and social unrest.

Key conditions and challenges

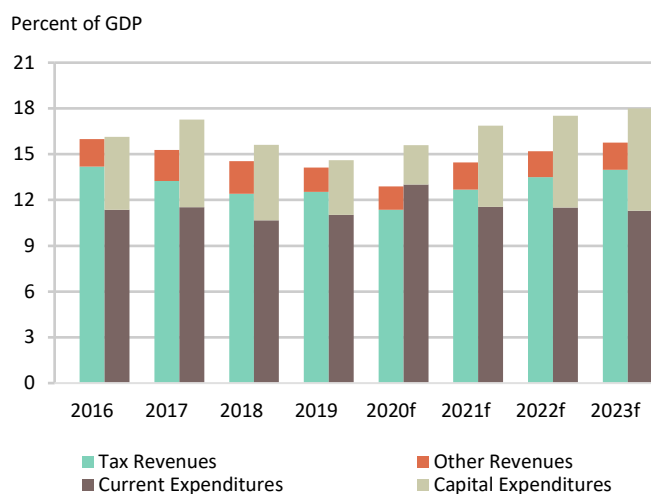
Over the past five years, Guinea's robust macroeconomic performance and growth has been supported by prudent fiscal management. However, the economy remains undiversified, highly dependent on mining (15 percent of GDP) and agriculture (25 percent of GDP). Mining (bauxite and gold) accounts for about 80 percent of exports, rendering the economy exposed to fluctuations in commodity prices. Domestic credit amounts to less than 10 percent of GDP, reflecting the underdevelopment of financial markets. Growth is also constrained by low investment levels and large infrastructure gaps. Tax revenues have been declining, after reaching a peak of 14.2 percent of GDP in 2016, mainly as a result of tax exemptions for the mining sector. The low rate of tax collection is a key constraint to development given the large infrastructure and social needs. Guinea's human capital index (HCI) is below what would be predicted for its income level. Although income inequality is relatively low, gender gaps are widespread across all dimensions, with a substantial divide in school enrollment, wages, agricultural productivity, and political representation. COVID-19 has exacerbated existing economic and social challenges, slowing poverty reduction. It has also underscored the urgent need to enact deeper structural reforms to diversify the economy and

promote a more inclusive growth model. Guinea is at moderate risk of external debt distress, but with limited space to absorb shocks. This assessments hinges on commitments to maintain a prudent borrowing plan, respecting the limits embedded in the December 2020 Debt Sustainability Analysis (DSA). Risks to the economic outlook remain skewed to the downside, particularly due to the evolution of the COVID-19 pandemic and a recent Ebola outbreak, with the distribution of vaccines being critical factor to address both.

Recent developments

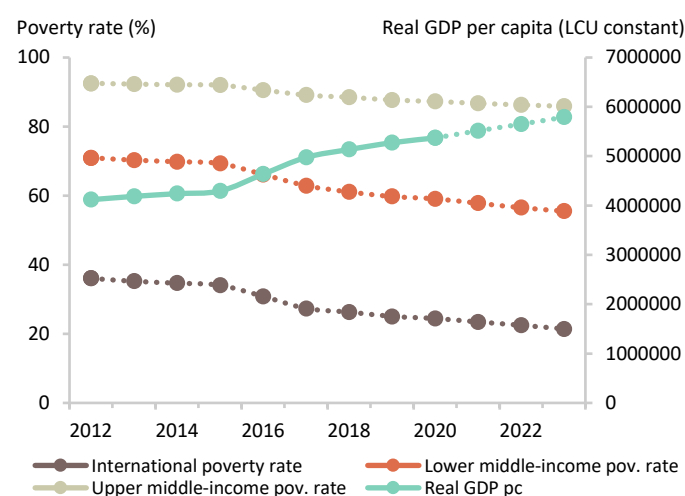
Economic growth decelerated to 4.7 percent in 2020, 1.8 percent in per capita terms, due to the COVID-19 pandemic. While mining production sustained growth in 2020, the service sector is estimated to have grown only 0.4 percent due to declining activity in the hotel, restaurant and transport sectors. Investments in the mining sector boosted bauxite production while higher gold prices bolstered artisanal gold exports. Inflation accelerated to 10.6 percent in 2020, from 9.5 percent in 2019, with higher food prices partly due to supply disruptions and an increase in central bank financing to meet the larger fiscal deficit resulting from COVID-19 impact. The current account deficit narrowed to 12.5 percent of GDP with higher mining exports compensating for higher imports of medicines, sugar, and intermediate and capital goods. Mining-related FDI continued to be the main source of external

FIGURE 1 Guinea / Fiscal revenues and expenditures



Sources: Guinean authorities; and World Bank staff projections.

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



Source: World Bank. Notes: see Table 2.

financing and declined to 10.7 percent of GDP in 2020. International reserves are estimated at 3.8 months of imports in 2020.

The overall fiscal deficit (including grants) widened to 2.7 percent of GDP in 2020, driven by two factors. First, at 11.4 percent of GDP in 2020, tax revenues reached its lowest level since 2011, due to tax exemptions for mining projects and under the COVID-19 response plan, as well as weak tax administration. Second, subsidies to the public electricity utility, which had more than doubled in 2019, further increased in 2020 because of electricity subsidies offered under the COVID-19 response plan, and reliance on expensive thermal technology. Under-executed capital expenditures partially offset higher current transfers and social spending to protect vulnerable households. The debt-to-GDP ratio increased to 39.1 percent of GDP in 2020.

Projections based on GDP per capita growth suggest that extreme poverty incidence has declined from 25 percent in 2019 to 24 percent in 2020. This corresponds to over 3.2 million people living in extreme poverty in 2020. While this indicates that some of the extreme poor have been lifted out of extreme poverty, the COVID-19 pandemic has likely pushed part of the vulnerable population into

poverty. Indeed, statistics from the COVID-19 household High-Frequency Phone Survey conducted in October-November 2020 show that over 8 out of 10 households experienced earning losses due to the COVID-19 pandemic with households receiving transfers and those owning nonfarm enterprises being the most affected. Non-monetary poverty – the Multidimensional Poverty Index – estimated at nearly 32 percent in 2018, remains high.

Outlook

Over the medium-term, mining-related infrastructure investment will continue to drive growth. Economic growth will accelerate to 5.5 percent in 2021 but will decline to 5.2 percent in 2022-2023 because of lower growth in the service sector. Public and private investment for infrastructure (energy and transport) will support the construction sector. Better provisioning of agriculture inputs and infrastructure investments should also improve agricultural productivity. The implementation of structural reforms to strengthen governance and the business climate, as well as more reliable electricity provision, following completion of the Souapiti hydropow-

er project in 2020, should attract private investments and support private sector development. Inflation is expected to remain high but decline gradually to 7.8 percent by 2023.

The external current account deficit is projected to increase to 14.8 percent of GDP in 2021, reflecting higher imports for infrastructure spending and other capital goods. The deficit is projected to decline thereafter, to 11.6 percent of GDP by 2023, with exports projected to grow faster than imports after completion of the dam. FDI inflows will meet over 70 percent of financing requirements between 2021 and 2022, with long-term loans meeting the rest.

The extreme poverty rate is projected to decrease to 23.4 percent in 2021 aligned with modest expected growth and will further decrease to 21.4 percent by 2023 based on growth projections. However, according to results from the High-Frequency Phone Survey, the impact of the COVID-19 pandemic on job and income losses has not been subsiding. With the risk of a sustained negative impact of the COVID-19 pandemic combined with the Ebola outbreak, poverty reduction is likely to be undermined. The recovery of the service sector may support earnings and employment in urban areas.

TABLE 2 Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.2	5.6	4.7	5.5	5.2	5.2
Private Consumption	3.8	5.4	3.5	3.2	1.4	1.4
Government Consumption	-7.2	-6.3	42.9	-5.5	8.7	7.8
Gross Fixed Capital Investment	8.7	-8.4	16.5	40.9	7.1	7.6
Exports, Goods and Services	7.2	-0.6	8.9	6.0	5.6	5.6
Imports, Goods and Services	3.7	-9.5	26.9	8.6	3.6	3.6
Real GDP growth, at constant factor prices	6.7	6.5	4.7	5.5	5.2	5.2
Agriculture	5.4	4.8	3.1	3.9	4.4	4.4
Industry	6.4	8.0	11.3	8.6	7.8	7.8
Services	7.4	5.9	0.4	3.6	3.3	3.2
Inflation (Consumer Price Index)	9.8	9.5	10.6	8.0	7.9	7.8
Current Account Balance (% of GDP)	-18.7	-13.7	-12.4	-14.7	-11.9	-11.5
Net Foreign Direct Investment (% of GDP)	11.0	12.9	10.5	7.2	8.0	8.3
Fiscal Balance (% of GDP)	-1.1	-0.5	-2.7	-2.4	-2.3	-2.2
Debt (% of GDP)	37.4	33.1	39.1	41.7	42.1	41.0
Primary Balance (% of GDP)	-0.3	0.0	-2.1	-1.5	-1.3	-1.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	26.3	25.0	24.4	23.4	22.5	21.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	61.1	59.8	59.1	57.8	56.6	55.5
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	88.5	87.7	87.3	86.7	86.3	85.9

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

Notes: e = estimate, f = forecast.

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

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

GUINEA-BISSAU

Key conditions and challenges

Table 1 2020

Population, million	2.0
GDP, current US\$ billion	1.4
GDP per capita, current US\$	714.9
International poverty rate (\$ 19) ^a	68.4
Lower middle-income poverty rate (\$3.2) ^a	85.4
Upper middle-income poverty rate (\$5.5) ^a	93.8
Gini index ^a	50.7
School enrollment, primary (% gross) ^b	118.7
Life expectancy at birth, years ^b	58.0

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

(a) Most recent value (2010), 2011 PPPs.

(b) WDI for school enrollment (2010); life expectancy (2018).

Containment measures against COVID-19 and weak external demand for cashew nuts caused GDP to contract by 2.4 percent in 2020. High spending needs and a slump in tax income widened the fiscal deficit to 9.0 percent of GDP and raised the debt to GDP ratio to 78.4 percent. Growth is projected to increase to 3 percent in 2021 with a slight recovery in the cashew market. The medium term will be characterized by fiscal consolidation to maintain debt sustainability.

Exports of raw cashew nuts, which account for 90 percent of merchandise exports, determine economic performance in Guinea-Bissau. Cashew production is dispersed among many smallholder farmers, whose income supports overall economic activity. Annual GDP grew 5.4 percent on average between 2015 and 2017 (3.2 percent in per capita terms) as cashew prices reached record highs, but Guinea-Bissau is structurally vulnerable to terms-of-trade shocks and climate change risks. Raw cashew prices have been on a downward trajectory since 2018, adversely affecting economic growth, poverty, and government finances. Around 13 percent of tax revenue is directly related to cashew nut exports.

A small tax base and poor tax administration generate tax receipts of less than 10 percent of GDP. Deficient revenue collection capacity has created a high dependency on indirect taxes which are mostly collected through customs procedures. The public wage bill corresponds to more than 50 percent of tax income, limiting public service provision and domestically financed capital expenditure. Primary deficits and externally financed infrastructure projects have led to considerable debt accumulation and high debt servicing costs. However, the country's infrastructure remains in a dire state.

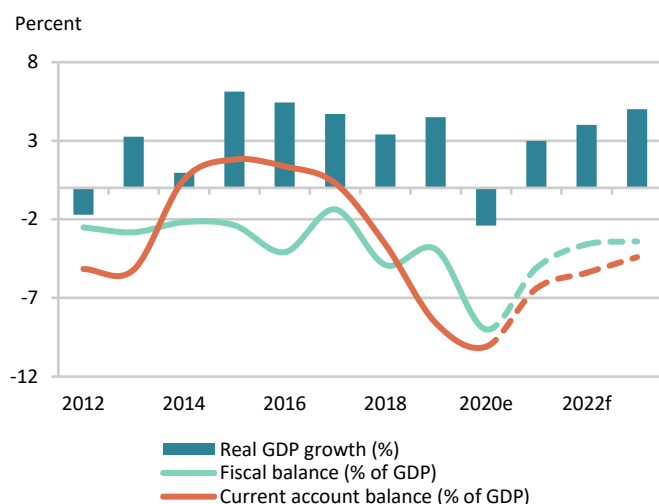
Persistent political instability has taken a heavy toll on economic development and diversification. Policy uncertainty and poor business environment lay at the source of a practically missing industry sector, which combined with low diversification and productivity in the primary sector, keeps the country highly dependent on food and capital imports. As COVID-19 has accentuated the urgent need for transformation, the Government drew a new development plan aiming to i) modernize public institutions, ii) accelerate job creation iii) boost the productive sector and infrastructure iv) improve human capital and living conditions v) promote regional integration and vi) preserve biodiversity. Its success depends on strong political engagement and sufficient means of financing.

Recent developments

The pandemic struck at the onset of the annual cashew marketing season, which reduced external demand, causing farm-gate prices to reach their lowest in 6 years. Strict lockdown measures affected the supply of goods and services, and increased unemployment. Private consumption and investment weakened, while public expenditure grew considerably, supported in part by the international community. Overall, GDP contracted by 2.4 percent in 2020 (-4.7 percent in per capita terms).

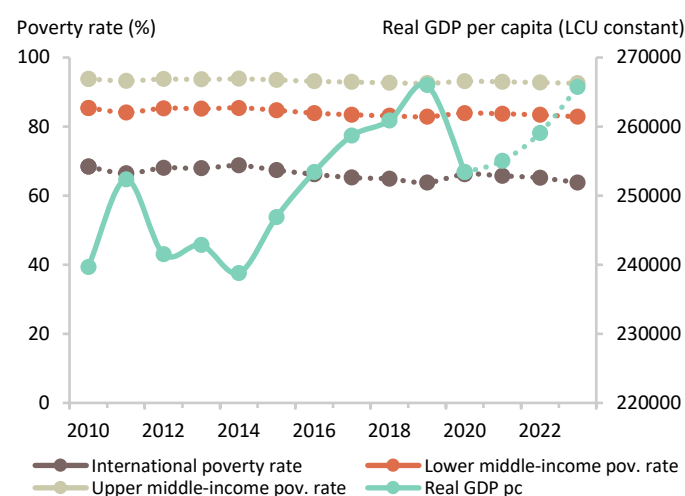
Tax receipts dropped 16.1 percent, but increased non-tax revenue, grants, and

FIGURE 1 Guinea-Bissau / Evolution of main economic indicators



Sources: Ministry of Finance and World Bank.

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



Source: World Bank; see Table 2.

debt service adjustments supported the fiscal space. High recurrent expenses, particularly health and social spending, and new infrastructure investments, significantly increased total expenditure by 32 percent. Thus, the overall fiscal deficit grew from 3.9 percent of GDP in 2019 to 9 percent in 2020. High financing needs of 10 percent of GDP, which includes the payments of arrears, were addressed with concessional borrowing and domestic lending, raising public debt to 78.4 percent of GDP. The latest Debt Sustainability Assessment (DSA) concluded that the risk of external and overall debt distress is high, but public debt is assessed as sustainable on a forward-looking basis. The current account deficit worsened from 8.6 percent of GDP in 2019 to 10.1 percent in 2020, driven by a drop of 22 percent in export value of cashew nuts. Lower prices of oil imports were counterbalanced by high import prices for rice, the main staple food.

Guinea-Bissau's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports during the pandemic. Between March and October 2020, the

REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds. Inflation accelerated from 0.3 percent in 2019 to 1.5 percent in 2020, reflecting increased food prices (+3.5 percent) as a result of disruption in international trade and national supply channels.

Poverty measured using \$1.90 international poverty line increased from 63.8 to 66.2 percent between 2019 and 2020 corresponding to an augmentation of the number of poor by around 75,000 people.

Outlook

Based on a subsiding of the COVID-19 pandemic around mid-2021, a gradual recovery of the international cashew market and higher investments, GDP growth is set to reach 3 percent in 2021 and increase to 5 percent until 2023.

Fiscal consolidation is set to bolster the medium-term debt sustainability. Better tax administration, increased tax rates,

and efforts to broaden the tax base shall substantially increase revenue in 2021. Prudent current spending, including on the public wage bill, will limit the fiscal deficit to 5.1 percent of GDP in 2021. Over a term of 5 years, the fiscal deficit is set to narrow to 3 percent and the debt ratio to 70 percent of GDP, in line with the WAEMU convergence criteria.

Due to the country's high import dependence, the trade balance will remain in a large deficit over the medium term, despite an increase in cashew exports. Increased foreign aid inflows are set to narrow the current account deficit to 6.4 percent in 2021.

The outlook is subject to high downside risks, including lower cashew nut prices and a more prolonged fallout from the COVID-19 pandemic, as a vaccination program may be delayed. The country's fragile socio-economic context may increase social tensions, which could trigger a renewed political instability, or hinder the authorities' commitment to macroeconomic stability and prudent fiscal policies. The economic recovery is expected to maintain the poverty rate around 66 percent in 2021. Poverty will gradually decline from 2021 and will stand at 63.8 percent in 2023, accompanied by a decrease of the number of poor by about 22,000 people.

TABLE 2 Guinea-Bissau / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.4	4.5	-2.4	3.0	4.0	5.0
Private Consumption	-0.5	1.4	-3.8	2.1	2.3	3.5
Government Consumption	5.1	16.6	9.0	2.4	2.7	4.0
Gross Fixed Capital Investment	7.6	33.8	9.6	4.7	8.0	6.9
Exports, Goods and Services	14.4	8.7	-14.6	10.1	10.4	10.2
Imports, Goods and Services	-8.5	14.1	-3.0	5.0	5.1	5.3
Real GDP growth, at constant factor prices	3.4	4.5	-2.4	3.0	4.0	5.0
Agriculture	3.4	5.8	-0.8	4.1	4.3	5.1
Industry	5.7	4.2	-0.7	2.9	4.8	6.1
Services	2.7	3.5	-4.3	2.1	3.5	4.6
Inflation (Consumer Price Index)	0.4	0.3	1.5	2.0	2.0	2.0
Current Account Balance (% of GDP)	-3.6	-8.6	-10.1	-6.4	-5.4	-4.4
Fiscal Balance (% of GDP)	-4.9	-3.9	-9.0	-5.1	-3.6	-3.4
Debt (% of GDP)	59.2	66.9	78.4	78.4	76.7	74.3
Primary Balance (% of GDP)	-4.3	-2.6	-7.5	-2.7	-1.1	-1.1
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	64.9	63.8	66.2	65.8	65.2	63.8
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	83.1	82.9	83.9	83.7	83.4	82.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	92.7	92.5	93.1	93.0	92.8	92.6

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

Notes: e = estimate, f = forecast.

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

(b) Projection using neutral distribution (2010) with pass-through = 0.87 based on GDP per capita in constant LCU.

KENYA

Table 1 **2020**

Population, million	53.8
GDP, current US\$ billion	102.7
GDP per capita, current US\$	1910.4
International poverty rate (\$19) ^a	37.1
Lower middle-income poverty rate (\$3.2) ^a	66.5
Upper middle-income poverty rate (\$5.5) ^a	86.6
Gini index ^a	40.8
School enrollment, primary (% gross) ^b	103.2
Life expectancy at birth, years ^b	66.3

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

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2016); life expectancy (2018).

Kenya's real GDP is estimated to have contracted by 0.3 percent in 2020 as the COVID-19 pandemic took a heavy toll on the economy. Nonetheless, ongoing policy responses to the crisis and reopening of the economy are leading to a moderate recovery. Recent gains in poverty reduction were reversed but are expected to recover, supported by more inclusive policy responses. Delayed vaccination, more severe global recession, and fiscal slippages could challenge the projected recovery in the medium term.

Key conditions and challenges

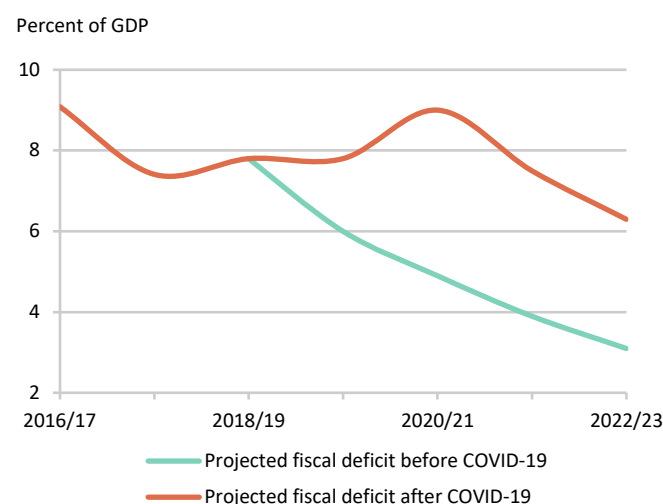
Buoyed by increased public spending, the Kenyan economy experienced robust GDP growth over the past decade, averaging 5.8 percent, elevating Kenya to a middle-income country and catalyzing a significant reduction in the poverty level. Government consumption and investment accounted for almost a quarter of this strong growth performance, reflecting an ambitious development agenda that included plugging the large infrastructure gap and implementing devolution. However, this has resulted in increasing fiscal deficits (from 3.5 percent of GDP in 2010/11 to 7.8 percent of GDP in 2019/20) and public debt accumulation (from 43.1 percent of GDP in 2010/11 to 65.8 percent of GDP in 2019/20), as expenditure growth outpaced revenue mobilization. The COVID-19 pandemic reversed some of the earlier gains in poverty reduction through a decline in job opportunities, lower earnings and closure of household-run businesses. The unemployment rate increased to a four-year high of 10.4 percent in June 2020. Many wage workers, especially women, faced reduced working hours and wages. With schools closed, the pandemic caused a decline in access to education and exacerbated pre-existing education disparities for poor children. COVID-19 also constrained access to health services due to the unavailability of consulting doctors and long waiting times.

The pandemic-induced economic contraction has intensified fiscal pressures as the government refocused its attention on mitigating the economic and social toll of the pandemic. The planned fiscal consolidation was paused. Even as the crisis weakened revenues, the government increased spending and cut taxes to cushion the impact of COVID-19 on households and businesses. Although it is evident that the pandemic has increased unemployment and poverty, policymakers face high uncertainty in navigating the economy out of the pandemic as the future course of the virus, both globally and in Kenya, and its full economic and social impact remains unclear.

Recent developments

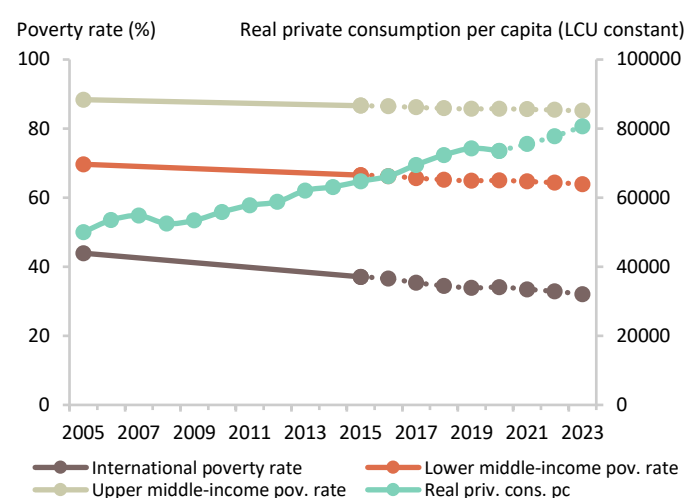
Kenya's real GDP contracted by an estimated 0.3 percent in 2020. The pandemic disrupted international trade and travel, sharply cutting exports of cut flowers and tourism. Meanwhile, domestic containment measures curtailed services activities—notably education (most institutions were closed between March and December), but also transport, trade, and hospitality services—and businesses slashed investment spending. Strong growth in agriculture cushioned the economic impact of the pandemic. High-frequency indicators suggest the economy began to recover in the fourth quarter of 2020, with the Purchasing Manager Index showing steady business activity expansion through early 2021, consistent with the

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



Sources: The National Treasury, 2021 Budget Policy Statement.

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



Source: World Bank. Notes: see Table 2.

recovery in working hours and wages from the rapid response phone surveys.

In response to the crisis, the government implemented supportive fiscal and monetary policies. The Central Bank of Kenya reduced the policy rate by 125bps and the cash reserve ratio by 100bps; introduced flexibility in loan repayments, loan provisioning, and classification as well as suspending negative credit listing; and enhanced digital finance to reduce cash transactions and facilitate online transactions. Meanwhile, the government increased expenditures—to support the healthcare system, protect the most vulnerable households, and support firms—and provided tax relief (including lowering VAT and corporate tax rates). As a result, the fiscal deficit edged up to 7.8 percent of GDP in 2019/20, compared with 6.0 projected before COVID-19, and government debt rose to 65.8 percent of GDP. The international poverty rate has risen to 34.1 percent in 2020 from 33.9 percent in 2019 due to the impact of COVID-19, based on simulations using the relationship between real GDP growth and poverty. However, estimates based on rapid response phone surveys indicate poverty rose substantially higher, particularly amongst urban households. This led to a new group of poor, which are more often

involved in services and—on average—are younger and better educated.

Outlook

The economy is expected to rebound in 2021, although uncertainty remains elevated. Aided by a projected recovery in private consumption and the reopening of education institutions, growth will recover to 4.5 percent in 2021 and remain at 5.3 percent on average over 2022–23. Merchandise exports are expected to accelerate in 2021, supported by global economic upturn, but a full recovery in services exports (mainly tourism) is unlikely until 2022. The current account deficit is projected to widen over the medium-term as imports strengthen on the back of domestic economic recovery.

The baseline assumes that policymakers continue gradually normalizing the extraordinary measures adopted in the wake of COVID-19 as economic conditions improve. Since January 2021, the Credit Reference Bureau resumed listing loan defaulters, measures to encourage mobile money usage expired, and pre-pandemic tax rates (income tax and VAT) were restored. Subsequently, increased domestic

revenue mobilization and contained expenditure are expected to reduce public debt accumulation in the medium term.

This baseline outlook also assumes timely mass availability of COVID-19 vaccines (expected in 1H2021) and the absence of a new wave of rising infections that would necessitate widespread containment measures. Delayed vaccination, fiscal slippages, adverse weather conditions, and more severe global recession could challenge the projected recovery in the medium term. Realization of these downside risks could result in lower average growth of 3.7 percent in 2021–22.

With the recovery from COVID-19, poverty is expected to continue its pre-COVID-19 downward trend with a likely decline of slightly under one percentage point per year. However, this will require implementation of recovery programs to ensure Kenya resumes the pace of poverty reduction prior to COVID-19. Besides, investments into inclusive policy interventions like raising agricultural productivity, creating private sector jobs, and maintaining and enhancing safety net programs is needed to sustainably reduce poverty in the future.

TABLE 2 Kenya / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.3	5.4	-0.3	4.5	4.7	5.8
Private Consumption	6.5	5.0	1.3	5.1	5.2	6.1
Government Consumption	5.6	4.9	5.2	4.8	4.0	3.1
Gross Fixed Capital Investment	1.3	2.4	-3.3	4.2	4.3	7.4
Exports, Goods and Services	3.9	-0.2	-0.1	3.2	6.0	6.3
Imports, Goods and Services	2.5	-2.0	-0.6	5.6	6.2	6.5
Real GDP growth, at constant factor prices	6.3	5.5	-0.3	4.5	4.7	5.8
Agriculture	6.0	3.6	6.4	4.8	4.9	5.2
Industry	5.5	4.6	3.6	3.9	4.5	5.4
Services	6.7	6.7	-4.4	4.6	4.7	6.2
Inflation (Consumer Price Index)	4.7	5.2	5.3	5.4	5.6	5.6
Current Account Balance (% of GDP)	-5.7	-5.8	-4.8	-5.2	-5.3	-5.5
Net Foreign Direct Investment (% of GDP)	1.7	1.1	0.3	0.5	1.1	1.3
Fiscal Balance (% of GDP)	-7.5	-7.7	-8.3	-8.1	-6.6	-4.9
Debt (% of GDP)	60.8	62.7	67.2	69.0	68.7	66.6
Primary Balance (% of GDP)	-2.8	-3.3	-4.1	-3.9	-2.4	-1.1
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	34.5	33.9	34.1	33.5	32.9	32.1
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	65.2	64.9	65.0	64.7	64.4	63.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	85.9	85.7	85.8	85.6	85.4	85.2

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

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

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

LESOTHO

Key conditions and challenges

Table 1 2020

Population, million	2.1
GDP, current US\$ billion	2.1
GDP per capita, current US\$	958.1
International poverty rate (\$ 19) ^a	27.2
Lower middle-income poverty rate (\$3.2) ^a	49.9
Upper middle-income poverty rate (\$5.5) ^a	73.2
Gini index ^a	44.9
School enrollment, primary (% gross) ^b	120.9
Life expectancy at birth, years ^b	53.7

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

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

(b) WDI for school enrollment (2017); life expectancy (2018).

Economic growth continues to remain subdued driven by the negative effects of the COVID-19 pandemic and floods in early 2021. The economy is expected to rebound and grow by 2.9 percent in 2021 mainly due to the recovery in construction, mining and manufacturing. Poverty is estimated to have increased to 31.2 percent in 2020, up from 28.5 percent in 2019, using the international poverty line. Rural population with food insecurity increased from 18 percent to 30 percent.

Lesotho has been experiencing slow growth and persistent inequality which have been exacerbated overtime by environmental-related shocks, political instability and decelerated economic growth. Inevitable spillovers from the South African economy, especially due to high prevalence of COVID-19 and unsolved structural impediments to growth in South Africa such as electricity shortages, continue to pose challenges to Lesotho. The pandemic has worsened the already dire economic performance in South Africa, and this is expected to spillover to Lesotho through the lower SACU receipts and remittances. The public debt levels have also been on an increase largely due to higher borrowing associated with the policy responses due to COVID-19.

The pandemic is unfolding in a context of high poverty and unemployment. About a third of the population still lives on less than US\$1.90/person/day (in 2011 PPP terms). Poverty is concentrated in rural regions which tend to have poorer access to basic infrastructure and services. Further, rural communities are more vulnerable to climatic shocks which contribute to erratic and generally low productivity in agriculture, a sector that is a source of livelihoods for most of the rural population. The pandemic has worsened economic vulnerability and food insecurity in the country. Unemployment rate has been

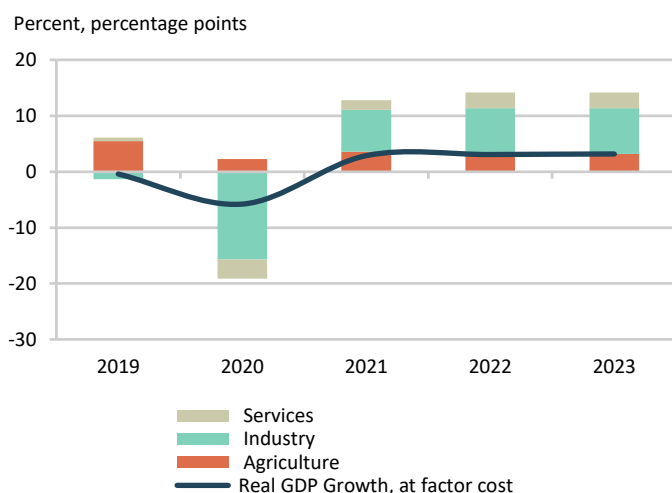
high even before COVID-19 at 22.5 percent in 2019 (strict definition), rising to 38.3 percent (when the expanded definition is used).

Recent developments

The economy was already in recession even before the advent of COVID-19. Real GDP contracted by 1.2 percent and 0.4 percent in 2018 and 2019, respectively. It further contracted by 1.8 percent in the first quarter of 2020 before any COVID-19 case was reported in the country. The first positive COVID-19 case was reported in May 2020 and economic growth contracted by 15.7 percent in the second quarter of 2020, consequent to nationwide lockdown implemented in late March that brought the economy to a halt. All economic sectors, except for agriculture, information and communication, real estate, education and health contracted in the second quarter of 2020. Mining contracted by 44 percent and manufacturing by 29 percent mainly due to weak global demand. While hospitality sector and, wholesale and retail contracted by 51 percent and 38 percent, respectively, in the second quarter of 2020.

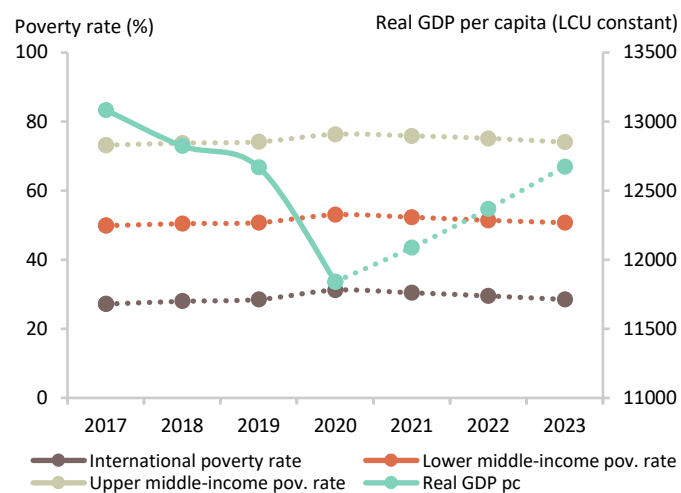
On average, annual inflation rate registered 5.0 percent in 2020 compared with 5.2 percent in 2019 largely due to higher food and energy prices, amidst supply-demand challenges imposed by closure of borders and domestic lockdown measures during 2020. The year-on-year inflation rate has accelerated to 5.4

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



Sources: WDI and staff estimates.

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



Source: World Bank. Notes: see Table 2.

percent in January 2021. The current account deficit narrowed from 4.1 percent of GDP in 2019 to 3.6 percent in 2020 as exports of goods and services declined faster than imports of goods and services, as well as higher SACU revenue inflows since April 2020 and it is expected to widen further in the medium-term. The Central Bank of Lesotho (CBL) eased the monetary policy stance by reducing the policy rate by a cumulative 275 basis points from March to July 2020 to react to the COVID-19 shock. The fiscal deficit is expected to narrow to 3.7 percent of GDP in 2020 largely due to higher SACU inflows and widen in the medium-term. Health and social-related expenditure are expected to rise in line with COVID-19 mitigation measures, while capital expenditure is expected to decline due to reallocation.

The poverty rate is estimated to have increased from 28.5 percent in 2019 to 31.2 percent in 2020, using the US\$1.90/person/day (in 2011 PPP terms) international poverty line. COVID-19-related lockdown measures have had a negative shock to the labor market, resulting in job and income losses with the effects concentrated in urban areas. Rural population with food insecurity increased from 18 percent in 2018 to 30 percent in 2020, while urban population with food insecurity increased

from 9.2 percent to 13.3 percent. Remittances have also fallen due to the global economic slowdown, especially in South Africa. Food insecurity is high: the findings from the COVID-19 Socio-Economic Impact on Household Survey conducted by the Bureau of Statistics (BOS) estimate 21.1 percent of the population to have been affected by severe food insecurity in June 2020, and this stagnated at 20.9 percent in September 2020.

Outlook

Economic growth is expected to rebound to 2.9 percent in 2021 and gradually recover to 3.1 percent in 2022. Agriculture is expected to grow moderately in the medium term as agricultural subsidies and good rains are expected to contribute to crop production. Furthermore, medicinal cannabis farming as well as horticulture farming projects are also expected to provide impetus to grow. The projected recovery in the medium-term is set to be led by a rebound in the manufacturing, construction and mining activities. The construction activities associated with the second phase of Lesotho Highlands Water Project (LHWP-II) have already started in the first half of 2021, and these

are expected to have a positive impact on growth. Services are also expected to add impetus to the growth momentum over the medium-term.

Inflation is expected to follow developments in the regional food and energy prices due to supply-demand challenges imposed by restricted movements and closure of borders and will accelerate steadily to 5.5 percent by 2023. Uncertainties surrounding the efficacy, affordability and timeliness of COVID-19 vaccines continue to pose a huge risk to macroeconomic outlook. The recovery of exports and overall economic growth largely depends on external demand conditions as well as the re-opening of the global economy. The recession in the neighboring South African economy is expected to dampen Lesotho's growth outlook through various channels, such as reduced SACU receipts and lower remittances.

Economic recovery will be accompanied by declining poverty rate but will remain higher than in 2019. The US\$1.90/person/day (in 2011 PPP terms) poverty rate is projected to fall slightly to 30.5 percent in 2021 and further to 29.6 percent in 2022.

The scaling up of government social assistance programs is expected to cushion the adverse impacts of COVID-19 pandemic.

TABLE 2 Lesotho / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-1.2	-0.4	-5.8	2.9	3.1	3.2
Private Consumption	-18.4	-2.5	1.1	1.3	1.2	1.8
Government Consumption	-1.9	7.8	-10.3	7.5	0.7	4.0
Gross Fixed Capital Investment	-24.1	0.4	-4.1	-2.4	25.8	17.2
Exports, Goods and Services	-2.3	-10.8	-9.2	6.3	3.6	3.2
Imports, Goods and Services	-13.1	-1.4	-2.8	3.3	5.4	5.8
Real GDP growth, at constant factor prices	-1.2	-0.4	-5.8	2.9	3.1	3.2
Agriculture	-12.0	5.5	2.3	3.6	3.2	3.2
Industry	3.7	-1.3	-15.7	7.5	8.2	8.2
Services	-1.2	-0.4	-5.8	2.9	3.1	3.2
Inflation (Consumer Price Index)	4.0	5.2	5.0	5.2	5.4	5.5
Current Account Balance (% of GDP)	-2.3	-4.1	-3.6	-8.1	-10.5	-11.7
Net Foreign Direct Investment (% of GDP)	1.4	1.3	1.3	1.4	1.3	1.3
Fiscal Balance (% of GDP)	-0.1	-6.7	-3.7	-10.8	-9.6	-9.7
Debt (% of GDP)	44.5	47.9	65.4	69.1	74.3	72.9
Primary Balance (% of GDP)	0.9	-6.0	-3.5	-10.4	-9.4	-9.4
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	28.0	28.5	31.2	30.5	29.6	28.5
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	50.5	50.8	53.1	52.4	51.4	50.8
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	73.8	74.1	76.3	75.9	75.1	74.1

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

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

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

LIBERIA

Table 1 **2020**

Population, million	5.1
GDP, current US\$ billion	2.9
GDP per capita, current US\$	583.1
International poverty rate (\$ 19) ^a	44.4
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	85.1
Life expectancy at birth, years ^b	63.7

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

Notes:

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for school enrollment (2017); life expectancy (2018).

Liberia's economy is expected to recover in 2021 as economic activity picks up following the lifting of lockdown measures in the second half of 2020. Real GDP is projected to expand by 3.3 percent in 2021 and rise to an average of 4.4 percent during 2022-23. Headline inflation is expected to moderate to single digits on the back of a tight monetary policy stance. The outlook assumes high uncertainty and downside risks around COVID-19 and the likely resurgence of Ebola.

Key conditions and challenges

Liberia's economy is undiversified and highly reliant on primary commodity exports and therefore vulnerable to shocks, which continue to pose macroeconomic challenges. The economy contracted for the second year in a row in 2020 due to the adverse impact of the COVID-19 pandemic. Limited fiscal space from low domestic resources mobilization and a relatively high wage bill continue to constrain public investments in key sectors, including agriculture, infrastructure, education, and health thus keeping GDP growth below the population growth. Extreme poverty incidence increased to pre-2012 levels during the two consecutive years (2019-20) of economic contraction and is projected to peak at 52.1 percent in 2021. Poverty reduction is expected to resume from 2022 onwards, but the recent shocks have set progress back by 5 years.

The COVID-19 pandemic has adversely impacted economic and social outcomes. Two-thirds of households reported income loss and dire food situation according to the High Frequency Phone Monitoring Survey Report (HFPMS) launched in August 2020. In the wake of the COVID-19 pandemic, the deadly Ebola Virus Disease (EVD) that severely affected lives and livelihood in Liberia (2014-2015) has resurfaced in neighboring Guinea. With the relatively porous borders, there is a high

risk of spread into Liberia with the accompanying fiscal pressures as government activates its preparedness and response plan. Meanwhile, the financial sector has faced consistent shortage of Liberian dollars, partly due to high inflation rates since 2018.

Recent developments

The COVID-19 pandemic and related containment measures adversely impacted economic activity during most of 2020. Following the lifting of lockdown measures in the second half of 2020, economic activity has picked up in most of the productive sectors of the economy. With the notable exception of the mining sector, which experienced an 8.1 percent (y/y) reduction in iron ore production, output in other productive sectors of the economy increased significantly during the second half of 2020, reflecting an increase in domestic and external demand. Rubber output increased by 6.9 percent (y/y) in the second half of 2020, as operations resumed in the sector amid favorable international prices. Gold output increased by 19.5 percent (y/y) despite the recent decline in international prices. Production of cement and beverages rose by 55.8 percent (y/y) and 29.0 percent, respectively, indicating increased activities in the construction and other services sector as lockdown measures were lifted. Business sentiment also improved with about 70.6 percent of firms having positive expectations for sales and 6.1 percent anticipating an

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

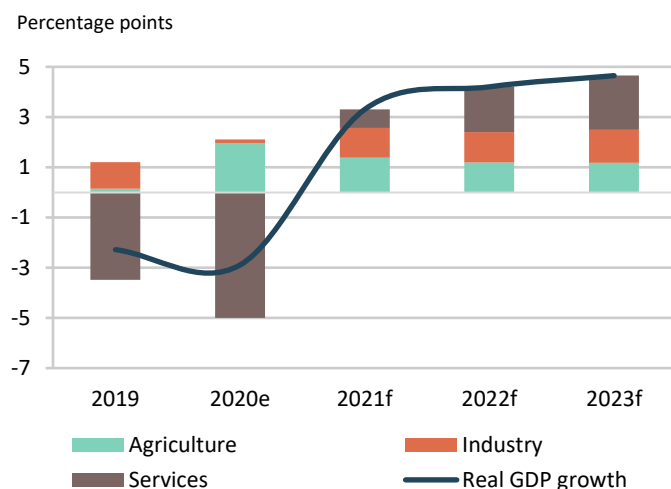
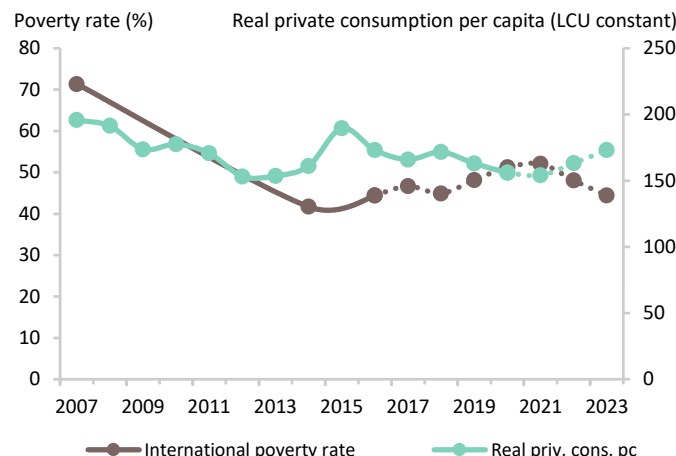


FIGURE 2 Liberia / Actual and projected poverty rate and real private consumption per capita



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

Source: World Bank. Notes: see table 2.

increase in workforce according to the HFPMS concluded in December 2020. Headline inflation declined significantly reaching 17.4 percent in 2020, down from 27.0 percent in 2019. Food and non-food inflation fell to 15.7 percent and 11.5 percent, respectively in December 2020, from 23.0 percent and 18.6 percent a year ago. The moderation in inflation was due to the Central Bank of Liberia (CBL) tight monetary policy stance in 2020, weak economic activity, and lower international oil prices. Despite sharply lower international oil prices, fuel prices in Liberia fell only slightly due to the introduction of an excise tax to boost revenue collection. The fiscal deficit narrowed to 3.7 percent of GDP in FY2020, from 6.1 percent in FY2019. The FY2021 budget of US\$570 million was approved in October 2020 and a mid-year review of fiscal operations showed public expenditure within the limits of the revenue collected. Revenue collection amounted to 9.8 percent of GDP, while cash expenditure amounted to 8.5 percent of GDP, reflecting a fiscal surplus on a cash basis. Liberia's current account deficit narrowed to 20.5 percent of GDP in 2020 due mainly to an improvement in the trade balance as a result of increased iron ore and gold exports. The improvement in the trade balance and rise in net remittances inflows helped support

the relative stability in the L\$/US\$ exchange rate in 2020. Gross official reserves rose to US\$326 million, equivalent to 2.5 months of imports in 2020, up from US\$292 million, equivalent to 2.3 months of imports in 2019 due to increased donor support.

Outlook

Liberia's economy is expected to recover and return to a relatively strong growth path over the medium term. Output is set to expand by 3.3 percent in 2021 and rise to an average of 4.4 percent during 2022-23 as economic activity picks up in the productive sectors, especially mining, agriculture and construction. The headline inflation rate is expected to moderate further to single digit in 2021 as the CBL maintains its tight monetary policy stance to contain inflation. Annual average inflation rate is expected to decline to 9.8 percent in 2021 and further to 5.5 percent by 2023.

The fiscal deficit is projected to narrow to 2.9 percent of GDP in FY2021, and further to 2.0 percent of GDP by FY2023 as revenues improve and the Government maintains its tight expenditure controls. However, Liberia's external position is

expected to deteriorate in 2021 as import demand rises faster than export growth. The current account deficit is projected to widen to 22.3 percent of GDP in 2021, and further to 22.8 percent of GDP in 2023.

The outlook assumes high levels of uncertainty around the evolution of the COVID-19 crisis and the evolving Ebola situation, with risks tilted to the downside. The resurgence of the COVID-19 pandemic and its likely impact on external demand and global and domestic supply chains; delayed access to vaccines, as well as low confidence and unaddressed vulnerabilities in the financial sector could undermine economic recovery, increase poverty, and weaken Liberia's fiscal and external balances. An outbreak of Ebola in Liberia will only heighten these risks and uncertainties.

TABLE 2 Liberia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.2	-2.3	-2.9	3.3	4.2	4.7
Private Consumption	6.0	-2.8	-1.9	1.1	8.6	8.6
Government Consumption	-4.3	4.0	-11.6	1.0	-8.5	-16.6
Gross Fixed Capital Investment	-13.6	-4.3	0.2	7.6	2.9	6.0
Exports, Goods and Services	-0.3	1.6	-10.2	1.0	1.6	1.6
Imports, Goods and Services	-13.8	0.4	-7.4	1.3	3.1	3.1
Real GDP growth, at constant factor prices	1.2	-2.3	-2.9	3.3	4.2	4.7
Agriculture	-0.2	0.4	5.3	3.5	3.0	3.0
Industry	20.0	5.2	0.6	5.2	5.3	5.7
Services	-4.6	-7.9	-12.1	2.0	4.9	5.8
Inflation (Consumer Price Index)	20.4	27.0	17.4	9.8	7.0	5.5
Current Account Balance (% of GDP)	-23.5	-22.1	-21.1	-22.3	-22.5	-22.8
Fiscal Balance (% of GDP)	-4.8	-6.1	-3.7	-2.9	-2.9	-2.0
Debt (% of GDP)	40.3	52.5	56.6	62.0	64.5	64.0
Primary Balance (% of GDP)	-4.2	-5.4	-2.3	-1.8	-0.7	0.1
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	44.9	48.2	51.2	52.1	48.1	44.4

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

Notes: e = estimate. f = forecast.

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

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

MADAGASCAR

Key conditions and challenges

Table 1 2020

Population, million	27.1
GDP, current US\$ billion	13.7
GDP per capita, current US\$	505.4
International poverty rate (\$19) ^a	78.8
Lower middle-income poverty rate (\$3.2) ^a	91.5
Upper middle-income poverty rate (\$5.5) ^a	97.5
Gini index ^a	42.6
School enrollment, primary (% gross) ^b	134.1
Life expectancy at birth, years ^b	66.7

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

Notes:

(a) Most recent value (2012), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

The Covid-19 crisis has plunged the Malagasy economy into its deepest recession in over a decade. A rebound in external demand and the resumption of domestic investments are expected to support a gradual recovery starting in the second half of 2021. The evolution of the pandemic and how the government responds to it will define the pace of this recovery. A return onto its pre-crisis poverty reduction trend is conditional on the country staging a growth spurt from 2022 onward.

Broad-based development in Madagascar remains hindered by a combination of inadequate infrastructure, weak human capital, poor governance, and a high degree of exposure to political unrests and weather-related shocks. However, when political stability prevails, a segment of the private sector has been able to prosper and support growth.

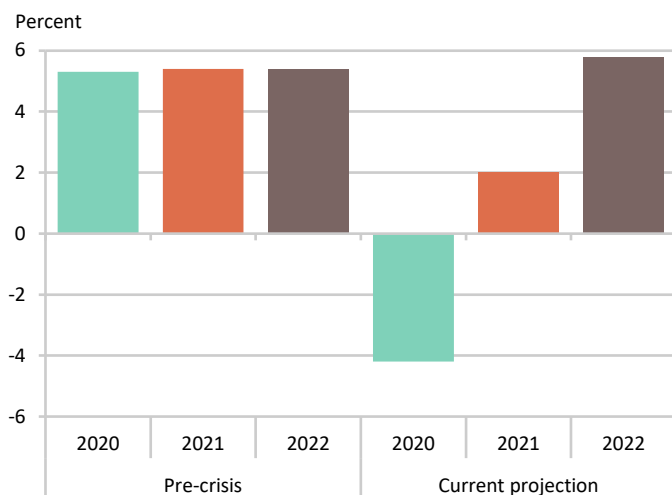
Following the 2009-13 political crisis, the economy has been recovering with GDP growth reaching a decade-high of 4.4 percent in 2019. The resumption of external aid, reopening of access to international preferential market, and incremental reforms in public financial management and business environment have supported the recovery. The competitiveness of labor cost and availability of vast arable land are among factors that attracted private investment in export-oriented activities such as agribusinesses, IT outsourcing, and apparel. Investments have been accompanied by formal job creation in industry and services but at a pace insufficient to absorb much of the 75 percent of total workforce that are employed in agriculture and mostly located in rural areas. The Covid-19 crisis has halted the recovery momentum, plunging the country into its deepest recession since 2009. As a result, the recent trend of poverty reduction was halted, and the prevalence of poverty rose by 3.5 percentage points to 80

percent from 2019 to 2021. The evolution of the pandemic and the response of the government as well as the trend of recovery among main export destinations will shape the near-term outlook and create an unusually high degree of uncertainty around projections. In the short term, the key challenges lie in the preservation of lives and livelihoods by reinforcing the health sector response and expanding social protection and private sector support programs. Alongside, more transparent management of public resources and continued reliance on concessional financing for public debt are needed to preserve fiscal sustainability. Over the medium-term, sustained growth will require the mobilization of domestic resources, reforms to stimulate private investment and job creation, leapfrog the digitalization of the economy, and boost agricultural productivity

Recent developments

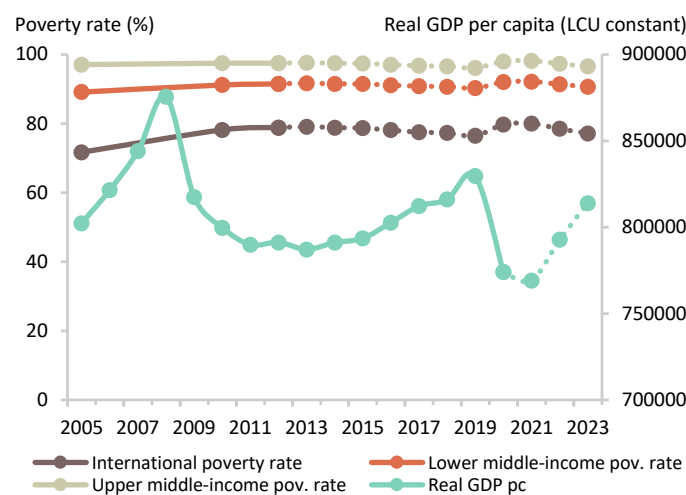
The impact of the Covid-19 crisis on the Malagasy economy is more severe than previously projected. The continued closure of international borders, the recession in main export markets, and a collapse in private investment have resulted in a recession estimated at -4.2 percent in 2020, which is 3 percentage points lower than the October 2020 projection. The Covid-19 outbreak has primarily affected export-oriented activities. Revenues from export of goods contracted by 20 percent in 2020 compared to 2019 and tourist arrivals

FIGURE 1 Madagascar / Real GDP growth scenarios



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

declined by more than 80 percent, resulting in a widening of the current account deficit to 4 percent of GDP. In addition, domestic demand has been dampened by income losses caused by lockdown and a sharp drop in private investment. In June 2020, an estimated 64.4 percent of household surveyed reported a decline in their income due to social distancing measures and 7.7 percent contraction in employment has been recorded. A small recovery in employment has been observed towards the end of the year. Against this background, the poverty rate is estimated to have risen to 79.7 percent in 2020, up from 76.5 percent in 2019, sending approximately another 1.4 million people under the international poverty line of \$1.90/capita/day (in 2011 PPP). Urban populations were more immediately affected by the COVID shock, but rural households were impacted as well by contracting demand, particularly for off-farm activities. In November 2020, decreasing food consumption has remained among the top coping strategies when dealing with income-reducing shocks, further risking long-term health implications for household members.

Lower economic activity and temporary tax relief measures have reduced fiscal revenues to 9 percent of GDP and widened the overall fiscal deficit from 1.3 percent of

GDP in 2019 to 5.2 percent of GDP in 2020. As a result, public debt surged from 37 percent in 2019 to 45 percent in 2020. However, the risk of debt distress remains moderate as external financing has been mostly on concessional terms, with emergency support from donors mostly covering the unexpected increase in external and fiscal financing needs. Supported by the inflow of external financing, the year-on-year depreciation of the local currency against the US\$ has been moderate at 5 percent, contributing to contain inflation at 4.5 percent in 2020. The financial sector has been overall resilient, supported by a banking sector that remained sufficiently capitalized. In contrast, the microfinance sector has been fragilized by temporary cash flow difficulties due to delays in loan repayment and deposit withdrawals at the beginning of the containment period.

Outlook

Growth is projected to progressively pick up, but Covid-19 will have protracted effects on the economy and poverty. GDP growth is expected to reach 2 percent supported by a recovery in global demand, the resumption of nickel exports, and public investments and accelerate further in

the medium term by a return of private investors. As a result, poverty is projected to decline to 77.2 percent by 2023 (based on an international poverty line of \$1.90/capita/day, in 2011 PPP). However, the impact of the pandemic is expected to cast a long shadow on economic and social prospects and could be compounded by other shocks, including droughts and other climatic events affecting already vulnerable populations. Under baseline conditions, GDP per capita would only reach its pre-crisis level by 2024, with risks being mostly tilted to the downside.

A modest economic recovery should lower the budget deficits, reaching 3.8 percent in 2023. The main driver of this decline will be a gradual pickup in government revenues, offsetting accelerating public investments. In this context, public debt is projected to stabilize around 52 percent of GDP in 2023. The current debt risk profile for Madagascar still makes plans to scale up priority investments appropriate but calls for prudent borrowing policies and fast-track reforms to boost revenue mobilization and public spending efficiency.

TABLE 2 Madagascar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.2	4.4	-4.2	2.0	5.8	5.4
Private Consumption	1.6	1.2	-1.0	1.7	3.4	4.0
Government Consumption	-7.9	1.9	2.1	2.1	4.3	4.0
Gross Fixed Capital Investment	11.0	12.9	-2.9	5.6	12.7	9.4
Exports, Goods and Services	2.4	10.9	-15.3	3.8	7.1	7.0
Imports, Goods and Services	11.1	4.6	-7.3	4.8	6.9	6.6
Real GDP growth, at constant factor prices	2.3	4.3	-4.2	2.0	5.8	5.4
Agriculture	0.4	5.5	2.3	2.4	3.0	3.2
Industry	2.0	6.6	-14.3	2.7	6.9	6.3
Services	3.3	3.1	-4.1	1.6	6.9	6.2
Inflation (Consumer Price Index)	7.3	5.6	4.3	5.9	6.1	6.1
Current Account Balance (% of GDP)	0.7	-2.3	-4.0	-4.4	-4.3	-4.3
Net Foreign Direct Investment (% of GDP)	2.6	2.5	2.7	2.6	2.4	
Fiscal Balance (% of GDP)	-1.3	-1.4	-5.2	-5.4	-4.6	-3.8
Debt (% of GDP)	39.5	37.4	45.1	49.7	51.2	51.9
Primary Balance (% of GDP)	-0.5	-0.7	-4.4	-4.5	-3.6	-2.7
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	77.3	76.5	79.7	80.0	78.5	77.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	90.7	90.3	92.0	92.2	91.4	90.7
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	96.6	96.1	98.0	98.2	97.3	96.6

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

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

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

MALAWI

Key conditions and challenges

Table 1 2020

Population, million	19.1
GDP, current US\$ billion	8.1
GDP per capita, current US\$	425.3
International poverty rate (\$ 19) ^a	69.2
Gini index ^a	44.7
School enrollment, primary (% gross) ^b	144.8
Life expectancy at birth, years ^b	63.8

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

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Malawi's economic growth fell to 0.8 percent in 2020 and is expected to pick up to 2.8 percent in 2021. The country's services and industry sectors have been heavily affected by the COVID-19 pandemic. Malawi will benefit from a one-time boost to maize production in 2021 due to favorable weather and extensive input subsidies. However, it will need to strengthen fiscal sustainability and invest in diversification in order to sustainably increase growth and reduce persistently high poverty levels.

Malawi's continued reliance on subsistence, rainfed agriculture has limited its growth potential, increases its susceptibility to weather shocks, and creates food insecurity. This has been compounded by trade restrictions, which impede investment and commercialization, and erratic electricity supply that limits value addition and slows economic diversification. Public investment has been low, offset by large and increasing subsidies to maize production. These factors have contributed to persistently high poverty levels and limited structural transformation. The share of the population below the international poverty line of \$1.90 per day has decreased only marginally from 72 percent in 2010 to 68 percent in 2019. Weak budget management and economic policies have contributed to recurring and increasing fiscal deficits, which have been largely funded by high-cost domestic borrowing. This has led to a high level of domestic debt, which increasingly reduces fiscal space for development spending and also risks crowding out private sector investment. While Malawi has benefitted from exchange rate stability and lower inflation in recent years, this has also contributed to real appreciation, which reduces competitiveness.

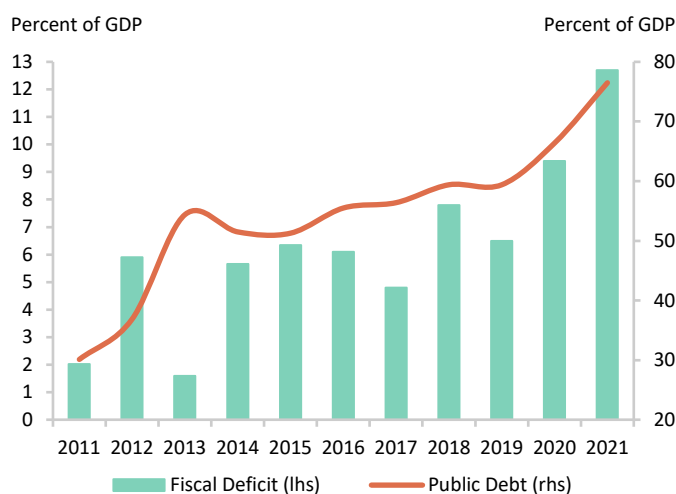
The COVID-19 pandemic has heavily impacted Malawi's economy, with a second wave affecting the country since mid-December 2020. Trade disruptions, lower

tourism and remittances, and social distancing policies and behavior have slowed activity in the service and industry sectors but has been partially offset by a strong agriculture harvest due to favorable weather conditions. The urban poor have been particularly affected, and an estimated 12 percent of the total economically active population have experienced job losses. The COVID-19 pandemic is reducing revenues and increasing expenditure for COVID-response, which together with expansionary policies by the new administration, further worsen the fiscal position and reduce fiscal space. In particular, the new administration is implementing a costly universal agricultural input subsidy that will boost maize production in the short term, but will need to be reformed to make it fiscally sustainable and support diversification. The nature of the recovery will depend on the evolution of the pandemic in Malawi. A strong recovery and higher growth will be needed in the medium term for the country to reduce its debt burden and to sustainably reduce poverty.

Recent developments

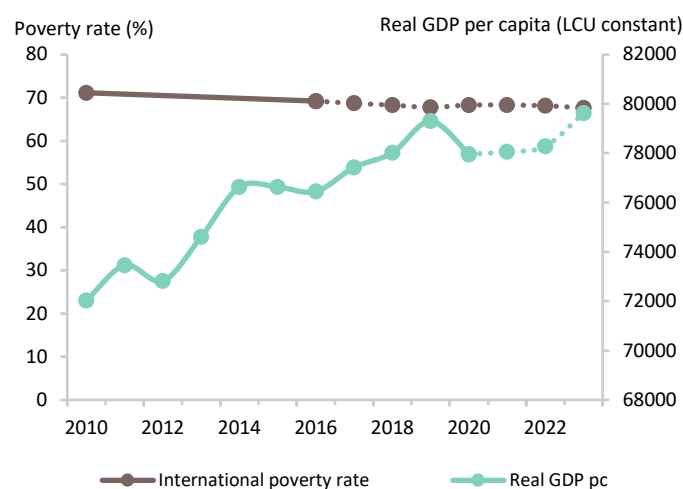
Growth in 2020 is estimated at 0.8 percent, down from the pre-COVID projection of 4.8 percent. With population growth around 3.0 percent, this represents a contraction in per capita GDP of greater than 2 percent. Political stability returned following the June 2020 Presidential elections; however, global and domestic factors emanating from the pandemic are

FIGURE 1 Malawi / Fiscal deficit and public debt



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: see Table 2.

affecting Malawi's economy, including: 1) disruption in global value chains, trade and logistics; 2) decrease in tourism; and 3) decrease in remittances. This has combined with social distancing policies and behavior contributing to reduction in domestic demand. Lower international oil prices, on the other hand, helped reduce the import bill and alleviated fuel and transportation price pressures. A reduction in international remittances and tourism also contributed to a worsening external sector balance, with the current account deficit estimated to widen to 18.3 percent of GDP in 2020, which is largely financed by development assistance. Headline inflation decelerated to 7.6 percent in December 2020, down from a recent peak of 11.5 percent in December 2019, supported by lower food and global oil prices.

The FY2020 fiscal deficit expanded to 9.4 percent of GDP, far wider than the revised target of 5.4 percent of GDP. This was due to optimistic revenue assumptions combined with weaker growth due to the pandemic, as well as recurrent expenditure overruns due to election-related pressures, COVID-19 response, higher domestic interest payments, and repayment of unbudgeted arrears. Financing of the fiscal deficit, largely using domestic resources has pushed domestic

debt beyond external debt levels. Public debt increased to 66.4 percent of GDP in 2020.

Outlook

The second wave of the pandemic which started in late 2020 has been more intense than the first and is further disrupting economic activity. Extensive input subsidies and favorable weather are expected to contribute to a one-time jump in maize production, which, combined with a pickup in tobacco production after 2020's weak harvest, should lead to a strong agriculture performance in 2021. However, the vaccine is not expected to reach a significant portion of the population until at least mid-2022. As such, social distancing policies and behavior are expected to weigh on economic activity and suppress domestic demand and only a weak rebound is expected in the services and industry sectors in 2021. International tourism, in particular, is unlikely to return to previous levels in the short term. These factors are expected to lead to growth of 2.8 percent in 2021. With GDP per capita growth remaining low, the share of the population below the international \$1.90 poverty line is projected to continue to

stagnate around 68 percent in 2021 and remain near this level through 2023.

The FY2021 budget is expansionary and the projected fiscal deficit of 12.7 percent of GDP could widen further. Revenue and grants are already weaker than budgeted, which may further underperform due to PAYE tax reform measures implemented since November. Expenditure has increased substantially due to the Affordable Inputs Program (AIP) for the agriculture sector and increasing interest payments. The wage and pension bill is also increasing moderately. In addition, more resources are needed for pandemic response, and expenditure arrears are resurfacing. The deficit will be largely financed by domestic borrowing. The Government needs to contain spending in order to limit rapidly increasing interest costs and reduce domestic debt.

The current account deficit is projected to remain near 18 percent of GDP over the medium term. A good agricultural performance will induce a one-time increase in agriculture exports. However, steadily declining global demand for tobacco and limited agricultural diversification will hamper export growth. Health response materials will also boost imports.

TABLE 2 Malawi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.5	4.4	0.8	2.8	3.0	4.5
Private Consumption	7.3	3.9	1.8	2.4	2.5	2.9
Government Consumption	-14.3	3.5	12.7	-6.5	6.5	6.9
Gross Fixed Capital Investment	-2.9	6.0	5.9	0.1	9.0	8.2
Exports, Goods and Services	6.9	3.8	-5.0	4.8	-0.3	2.5
Imports, Goods and Services	6.4	3.6	-1.8	2.9	1.1	2.4
Real GDP growth, at constant factor prices	2.9	4.4	0.8	2.8	3.0	4.5
Agriculture	2.4	4.3	3.4	5.2	1.7	3.2
Industry	2.2	3.8	1.2	1.6	2.4	4.3
Services	3.4	4.5	-0.7	1.9	3.8	5.2
Inflation (Consumer Price Index)	9.2	9.4	8.6	8.8	7.6	7.0
Current Account Balance (% of GDP)	-20.5	-17.2	-18.3	-17.4	-18.1	-17.9
Net Foreign Direct Investment (% of GDP)	1.5	1.4	1.1	1.0	1.8	2.2
Fiscal Balance (% of GDP)	-7.8	-6.5	-9.4	-12.7	-9.5	-8.9
Debt (% of GDP)	59.4	59.4	66.4	76.5	80.6	83.6
Primary Balance (% of GDP)	-3.9	-2.6	-5.0	-7.0	-3.0	-1.9
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	68.3	67.8	68.3	68.3	68.2	67.6

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

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

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

MALI

Key conditions and challenges

Table 1 **2020**

Population, million	20.3
GDP, current US\$ billion	17.2
GDP per capita, current US\$	848.3
International poverty rate (\$ 19) ^a	50.3
Lower middle-income poverty rate (\$3.2) ^a	79.8
Upper middle-income poverty rate (\$5.5) ^a	95.0
Gini index ^a	33.0
School enrollment, primary (% gross) ^b	75.6
Life expectancy at birth, years ^b	58.9

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

(a) Most recent value (2009), 2011 PPPs.

(b) Most recent WDI value (2018).

After robust growth in 2019, the ongoing COVID pandemic and August military coup in 2020 triggered an economic contraction rolling back poverty reduction by half a decade. The fiscal balance widened, and debt pressures increased, although the external balance strengthened due to improved terms of trade. Growth and poverty reduction are expected to gradually recover over the medium term. The outlook is tilted to the downside with risks from the political transition, rising insecurity, persisting COVID-19 impacts, and climatic hazards.

The undiversified economy has experienced little structural change in recent years. The manufacturing sector remains small (14 percent of GDP) and concentrated in agro-industries and textiles, reflecting low levels of human capital with jobs concentrated in the informal sector. Exports are dominated by gold and cotton, subject to volatile prices and climatic shocks. Farmers' productive capacity remains low with limited access to finance. Scaling access to agricultural technologies and promoting selected value chains to increase poor farmers' income, should remain strategic goals if Mali is to accelerate its economic transformation.

Governance challenges were brought to the forefront by the military coup of August 18, 2020. Beforehand, the country had made limited progress towards restoring trust in the state, while greater decentralization, a key tenet of the Algiers Peace Agreement in 2015 has not fully materialized. The poor management of SOEs (notably EDM and CMDT) increased fiscal pressure. Tax administration reforms progressed slowly while spending efficiency remains low. In the coming years, restoring peace and democratic rule, while consolidating the fiscal position constitute the country's most pressing challenges.

The recent surge of COVID-19 cases in Mali and globally also constitutes downside risks. Despite the terms of trade

improvement, due to the counter-cyclical nature of the gold prices, the under-diversified economy is vulnerable to continuing depressed external demand. A prolonged outbreak would also stall the domestic recovery, increasing the cyclical deficit on top of additional outlays including the rollout of the vaccination program and the costs of the political transition.

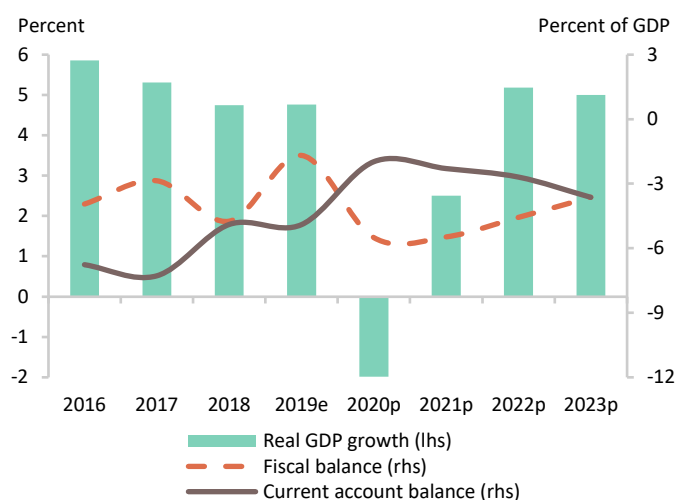
Recent developments

Real growth contracted by 2 percent (-4.9 percent in per capita terms) in 2020 due to the COVID-19 shock and August 2020 coup. The retail, construction and hospitality sectors declined. Agriculture was dampened by the poor performance of cotton and cereal production. In contrast, telecommunications, mining and industry were resilient. On the demand side, private consumption and investment declined. Inflation turned positive since July mainly due to increased food costs.

The current account deficit narrowed to 2.3 percent of GDP in 2020, due to improved terms of trade and despite regional economic sanctions (August to October) following the military coup. The deficit was mainly financed by foreign direct investment (FDI) and project grants in 2019, but external inflows declined in 2020, due to the pandemic and the post-coup donor disengagement.

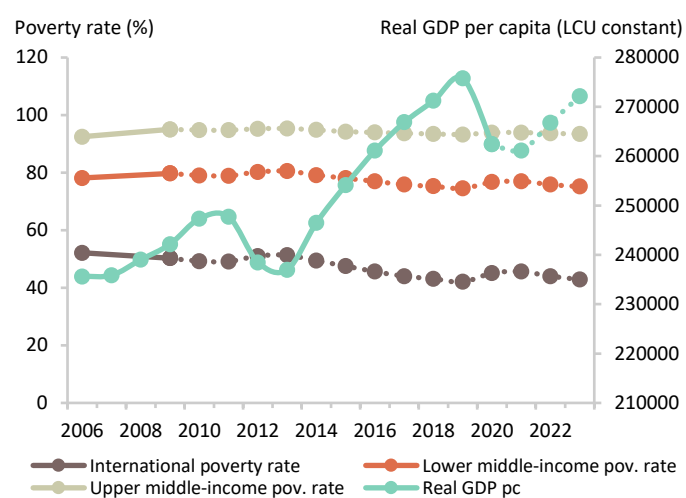
The fiscal deficit rose to 5.5 percent of GDP in 2020. Revenues dropped at the beginning of the pandemic (-17.2 percent y/y in 2020Q1) but recovered since May,

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

responding to the relaxation of containment measures and the end of tax reduction measures. Expenditures increased (for wages and transfers) with cuts in non-essential investment. Public debt rose to 44.1 percent of GDP in 2020, though Mali remains at a moderate risk of debt distress. Mali participated in the Debt Service Suspension Initiative (DSSI) and requested an extension till June 2021, benefiting from lower debt servicing costs of 0.04 percent of GDP in 2020 and 0.23 percent of GDP in 2021.

Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to help governments and businesses.

The COVID-19 crisis has rolled back poverty reduction of the last five years. The poverty rate (US\$ 1.9/day in 2011 PPP) decreased from 45.6 percent in 2015 to 42.1 percent in 2019. However, in 2020, a combined loss of income and remittances and rising prices drove up the poverty rate by three percentage points to 45 percent (representing almost a million additional people living below the extreme poverty line).

Outlook

Growth will gradually rebound, reaching 2.5% in 2021 and 5.2% in 2022. As the pandemic wanes, private consumption will continue to recover as evidenced by high frequency indicators during the second half of 2020. With new elections promised within 18 months of the political transition (since September 2020), lower political uncertainty should boost private investments, while public investments are expected to rebound in 2021-2022. Preliminary simulations suggest poverty may remain stable at 45 percent in 2021, before decreasing to 44 percent in 2022 and 43 percent in 2023.

The favorable terms of trade in recent years would narrow in 2021-2023 with

projected higher oil prices and a return of gold prices to historical levels. Import demand will rise following the recovery in private consumption. The current account deficit should gradually increase and settle around 3.0 percent of GDP in the medium term, financed by FDI and increased external flows.

Tax collections will accelerate with continued reforms. Non-tax revenues and grants should increase with the expected sale of a third telecommunication license and the gradual reengagement of donors. Expenditures will remain high in 2021 with the postponement of pandemic related spending. The fiscal deficit is projected to stay at 5.5 percent of GDP in 2021 and gradually return to the WAEMU criterion of 3 percent by 2024. Public debt will reach 47.1 percent in 2023 before declining.

Downside risks to the outlook are significant, including new confinement measures, rising insecurity in the central regions, weather shocks, and a tumultuous transition.

TABLE 2 Mali / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.7	4.8	-2.0	2.5	5.2	5.0
Private Consumption	3.0	3.8	-10.3	18.4	8.3	8.3
Government Consumption	2.0	4.0	21.5	5.7	3.3	3.3
Gross Fixed Capital Investment	-0.9	6.3	-16.0	12.0	-4.4	-4.4
Exports, Goods and Services	-0.1	2.3	-19.0	4.2	4.0	4.0
Imports, Goods and Services	-12.1	5.9	-4.0	3.4	5.2	5.2
Real GDP growth, at constant factor prices	5.3	4.5	-2.2	3.5	5.2	5.2
Agriculture	5.9	4.1	-7.6	8.6	4.6	4.6
Industry	5.5	3.7	1.4	-1.2	4.9	4.9
Services	4.8	5.2	0.6	1.8	5.8	5.8
Inflation (Consumer Price Index)	1.9	-3.0	0.7	1.4	2.1	2.0
Current Account Balance (% of GDP)	-4.9	-4.9	-2.0	-2.3	-2.7	-3.6
Net Foreign Direct Investment (% of GDP)	2.7	1.8	1.4	1.1	1.1	1.1
Fiscal Balance (% of GDP)	-4.7	-1.7	-5.5	-5.5	-4.6	-3.6
Debt (% of GDP)	36.1	40.5	44.1	46.2	46.9	47.1
Primary Balance (% of GDP)	-3.9	-0.7	-4.3	-4.0	-2.8	-2.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	43.2	42.1	45.1	45.6	44.0	42.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	75.3	74.6	76.7	77.0	75.9	75.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	93.5	93.2	93.9	93.9	93.7	93.4

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

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

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

MAURITANIA

Key conditions and challenges

Table 1 2020

Population, million	4.7
GDP, current US\$ billion	7.6
GDP per capita, current US\$	1645.0
International poverty rate (\$ 19) ^a	6.0
Lower middle-income poverty rate (\$3.2) ^a	24.1
Upper middle-income poverty rate (\$5.5) ^a	58.8
Gini index ^a	32.6
School enrollment, primary (% gross) ^b	100.4
Life expectancy at birth, years ^b	64.7

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

(a) Most recent value (2014), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic severely impacted the economy, leading to the first ever contraction since 2008 and reversing years of poverty reduction. Despite the crisis, the external and fiscal balances remained resilient in 2020, supported by increased donor financing and improved terms of trade. Growth and poverty reduction are expected to gradually recover. Risks are tilted to the downside stemming from a sustained COVID-19 outbreak, climatic hazards, delayed structural reforms, and regional insecurity.

Despite improved macroeconomic stability over the past five years, with prudent fiscal and debt policy after the end of the commodity super cycle in 2014-2015, Mauritania did not manage to build a diversified and inclusive economy nor make significant progress on its development agenda. As a result, the country's per capita GDP growth averaged only 0.4 percent between 2016 and 2019. This low growth per capita reflects a weak business environment impaired by limited competition and underdeveloped financial markets, poor human and physical capital, and over-reliance on extractive resources. COVID-19 has exacerbated existing economic and social challenges, reversing some gains made in poverty reduction over the past few years. It has also underscored the urgent need to enact deeper structural reforms to build back a stronger, faster, and more inclusive growth model. The new priority program (PROPEP) launched in September 2020 to support the recovery and boost long-term inclusive growth in 2021-22 will require large financing and significant commitment on the political and administrative levels to materialize. Given the high risk of debt distress, the Government should maintain its prudent borrowing plans based on concessional financing. At the same time, it should utilize its fiscal space generated over the past years to ramp-up

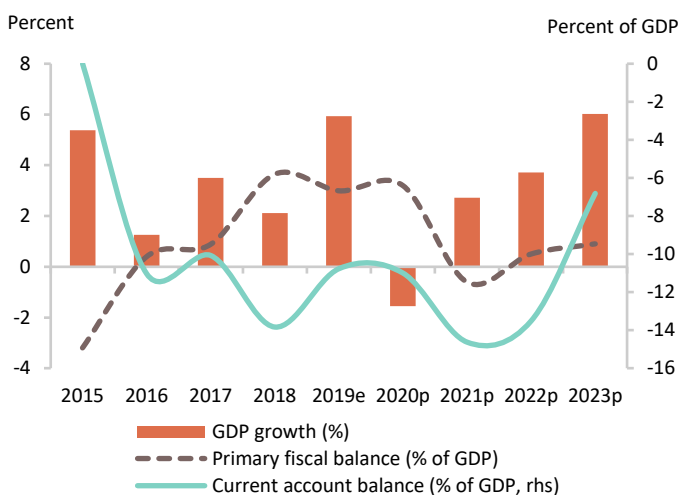
efficient social and capital spending. There is also a need to develop a simple and clear rule-based fiscal framework to effectively manage the significant gas inflows expected starting 2023. Finally, Mauritania is exposed to climate shocks (floods and droughts), which could reduce agricultural productivity.

Recent developments

The COVID-19 pandemic severely impacted the economy, leading to a contraction of 1.5 percent in 2020 (-4.2 in per capita terms). While extractive industries held up well, domestic non-extractive activity was severely affected by the pandemic. Retail and transportation services were hit by the lockdown and the fishing sector contracted due to a drop in global demand. Inflation remained low at 2.4 percent in 2020, consistent with a large negative output gap and contained food prices.

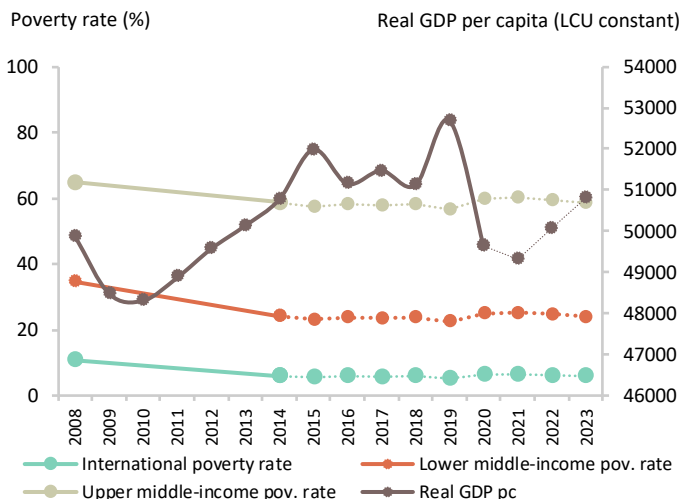
The current account deficit (CAD) remained almost unchanged at 11 percent of GDP as lower fishing exports were offset by resilient mining production and improved terms of trade (higher gold/iron export prices and lower oil import prices). The CAD was financed by strong extractive-related FDI, increased donor financing and a suspension of debt service through the Debt Service Suspension Initiative (DSSI). As a result, international reserves increased to 4.9 months of imports in 2020 and the exchange rate remained stable.

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



Sources: Mauritanian authorities and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Despite the pandemic and the resulting large drop in tax revenues, the fiscal balance (excluding grants) registered a surplus of 0.3 percent of GDP in 2020. This was driven by two factors. First, non-tax revenues surged thanks to higher SOE dividends (reflecting last year's profits) and increased gasoline excise revenues due to the price differential between the lower international oil prices and the fixed domestic retail prices. Second, the increase in current transfers was offset by a combination of reduced public investments due to under-execution partly reflecting the COVID-induced lockdown. The robust fiscal position and high nominal growth reflecting improved terms of trade helped maintain the debt-to-GDP ratio around 73.5 percent of GDP in 2020.

To mitigate the impact of the crisis, the central bank eased its monetary policy by reducing its reserve requirement and policy rate. This has, however, not translated in lower lending rates nor increased lending to the private sector, thus reflecting the limited effectiveness of the monetary policy. While banking regulations were tightened with the implementation of Basel III standards, NPLs remain high at 21.5 percent in 2020.

The pandemic-induced crisis has impacted the labor market, particularly in urban areas where social distancing measures

reduced economic activity in services and affected widespread-informal jobs. As a result, urban workers experienced job losses and a drop in their income. This has reversed years of poverty reduction and pushed the poverty rate (US\$ 1.9/day in 2011 PPP) from 5.4 percent in 2019 to 6.3 percent in 2020.

Outlook

Assuming the vaccine roll-out starts in the second quarter of 2021, growth would recover to 2.7 percent in 2021. This u-shaped recovery will be driven by a rebound in services, particularly, as households and businesses adapt to operating in the pandemic. Growth is expected to accelerate in 2022-2023, assuming a continued recovery in private consumption, a rebound in key export markets and the onset of gas production in 2023. Despite this acceleration, real GDP per capita will not return to its 2019 level before 2024 due to the high population growth.

The CAD is expected to increase and remain elevated at 14 percent of GDP in 2021-2022 fueled by high capital investment imports and worsened terms of trade. It is then expected to shrink to 6.8 percent as hydrocarbon exports come on

stream in 2023. External financing would be met by extractive related FDI and concessional financing. As a result, international reserves would remain above 4 months of imports.

Fiscal pressures will slightly increase in 2021 as the Government ramps up its social spending and public investments in line with its recovery plan. Higher spending, coupled with lower non-tax revenues, will offset the pick-up in tax revenues as the economy recovers, leading to a primary deficit (excluding grants) of 1.1 percent of GDP in 2021. As the Government unwinds COVID-19 spending measures, the primary balance will return to a surplus, putting the debt-to-GDP ratio back on a downward trend starting 2022.

Monetary policy is expected to remain prudent to ensure price stability in the short run. In the longer-term, the authorities are aiming to implement reforms for more effective liquidity management and deepen the interbank forex market.

The slow economic recovery that will be driven by the low-labor intensity extractive sector coupled with household uncertainty about the future will undermine poverty reduction. Consequently, the poverty rate would continue to increase to 6.4 percent in 2021 before taking a downward trend to reach 6 percent in 2023.

TABLE 2 Mauritania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.1	5.9	-1.5	2.7	3.7	6.0
Private Consumption	2.7	2.4	-5.7	1.6	3.0	2.8
Government Consumption	4.5	5.0	6.5	8.5	2.3	5.5
Gross Fixed Capital Investment	4.1	5.5	2.4	3.5	5.4	3.9
Exports, Goods and Services	-4.0	6.0	0.7	2.0	4.5	10.4
Imports, Goods and Services	0.5	0.7	0.3	3.4	4.3	3.4
Real GDP growth, at constant factor prices	1.7	5.9	-1.5	2.7	3.7	6.0
Agriculture	2.1	1.4	-0.8	0.7	1.2	2.3
Industry	-8.4	7.2	0.4	4.9	5.7	10.6
Services	7.7	7.1	-2.9	2.3	3.6	4.8
Inflation (Consumer Price Index)	3.0	2.2	2.4	2.6	3.0	3.5
Current Account Balance (% of GDP)	-13.8	-10.8	-11.0	-14.6	-13.5	-6.8
Net Foreign Direct Investment (% of GDP)	11.0	11.6	11.5	13.3	12.7	9.2
Fiscal Balance (% of GDP)	2.5	2.1	2.4	-1.4	-0.4	0.0
Debt (% of GDP)	76.9	73.4	73.5	73.1	71.7	68.1
Primary Balance (% of GDP)	3.7	3.0	3.8	-0.4	0.6	0.9
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	5.9	5.4	6.1	6.1	5.9	5.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	23.8	22.5	24.3	24.3	23.8	22.4
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	58.3	56.6	59.1	59.1	58.5	56.6

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

Notes: e = estimate, f = forecast.

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

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

MAURITIUS

Table 1 **2020**

Population, million	1.3
GDP, current US\$ billion	11.2
GDP per capita, current US\$	8807.6
Lower middle-income poverty rate (\$3.2) ^a	2.2
Upper middle-income poverty rate (\$5.5) ^a	12.7
Gini index ^a	36.8
School enrollment, primary (% gross) ^b	99.5
Life expectancy at birth, years ^b	74.4

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

Notes:

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

(b) WDI for school enrollment (2019); life expectancy (2018).

Covid-19 has led to a steep recession in 2020 despite heavy government intervention. Gradual recovery in 2021 is hampered by a new lockdown in March, and remains subject to significant downside risks, including a prolonged pandemic or failure to address longstanding structural constraints to investment, competitiveness, and skills development. The fiscal outlook depends heavily on a timely unwinding of Covid-support measures and a reform of the public pension system. The effects of Covid-19 have reversed recent gains in poverty reduction and female labor force participation.

Key conditions and challenges

On July 1 2020, Mauritius became a High Income Country. It reached this milestone in one of the worst years in its history due to the global Covid-19 pandemic. Even pre-Covid, a number of structural constraints had arisen in the Mauritian economy that put sustainable inclusive growth at risk. These include stagnating private investment, declining external competitiveness, and a rising debt to GDP ratio. These trends reflect shortcomings in policy coherence and implementation capacity to deploy public resources towards innovation and skills development as Mauritius transitions to a knowledge-based economy.

Mauritius responded to the Covid-19 shock with one of the largest support packages in the world as a share of GDP. The country relied heavily on its Central Bank, including through a non-refundable transfer to government of 13 percent of GDP and the creation of the Mauritius Investment Corporation (MIC) with a budget of up to 17 percent of GDP to finance strategic companies in distress and invest in new priority industries. As public sector activity in the economy reached unprecedented heights, a challenge will be to retract measures in a way that restores fiscal and monetary policy sustainability while resisting the temptation of open-ended support to firms that were unviable before the pandemic.

Achieving inclusive growth in the future is also linked to the challenge of overcoming constraints to a more inclusive labor market. This includes increasing the participation of youth and women with low educational attainments. Over 50,000 youth aged 16 to 29 are neither in education nor in employment, and about 1 out of 3 has obtained at most a certificate of primary education. Similarly, only 1 in 2 women participates in the labor market, and only 1 in 3 among women with low education. The impact of Covid-19 reversed recent gains in labor force participation of women.

Recent developments

After an outbreak in March that claimed 10 lives, Mauritius curbed the transmission of Covid-19 through a hard lockdown and had been Covid-free since April 2020 when a new outbreak occurred in March 2021 and the country went back on lockdown. Tourism arrivals have been near zero since the onset of the pandemic. As a result, service exports dropped 45 percent over the first three quarters of 2020. Merchandise exports contracted sharply during the second quarter but recovered in the third for an overall 15 percent drop in the first three quarters. Air cargo remains a critical constraint given limited passenger traffic. GDP contracted 15.6 percent in 2020. While government supported consumption and firm survival, the fiscal deficit rose to 13 percent of GDP in fiscal year

FIGURE 1 Mauritius / General government balance and debt

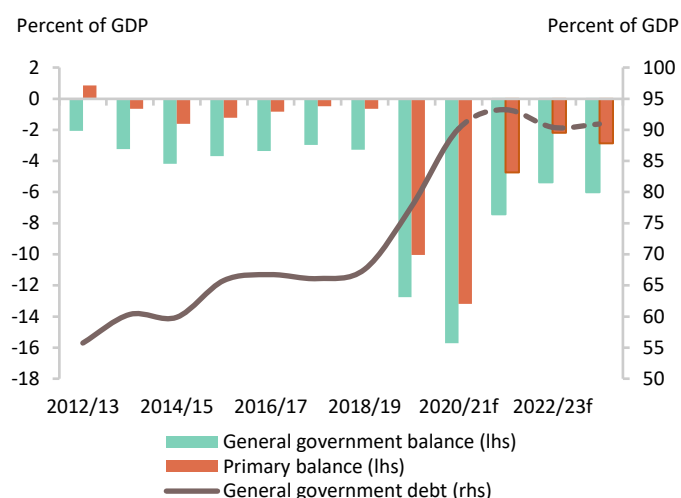
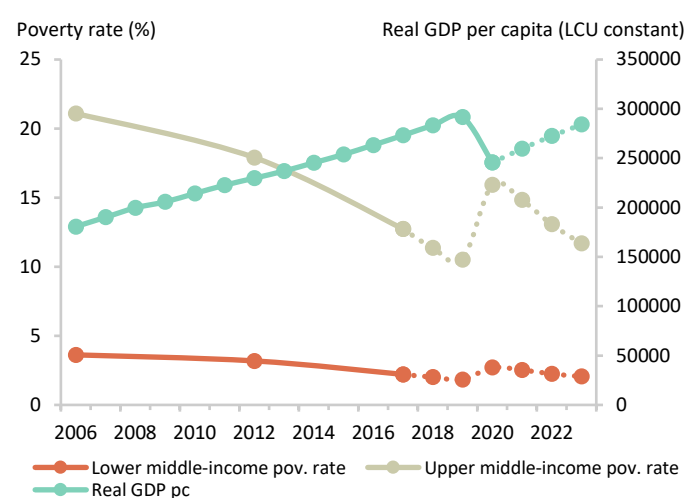


FIGURE 2 Mauritius / Actual and projected poverty rates and real GDP per capita



Sources: Statistics Mauritius, World Bank staff estimates.

Source: World Bank. Notes: see Table 2.

2019/20 and public debt reached 78 percent of GDP (up from 68 percent the previous year). Merchandise exports contracted sharply during the second quarter but recovered in the third for an overall 15 percent drop in the first three quarters. Air cargo remains a critical constraint given limited passenger traffic.

The current account deficit widened to 11.7 percent of GDP, financed by a combination of surpluses in the financial account that are linked to the offshore sector and new external financing from bi- and multilateral partners. The CB intervened for close to USD 1 bln to stabilize the Mauritian Rupee after permitting an initial 10 percent depreciation at the onset of the pandemic. Reserves remain ample at 14 months of imports, and concerns over potential financial flow reversals in the offshore sector after the country's addition to the EU's AML watchlist in October have not materialized so far. Inflation was 2.5 percent in 2020.

Poverty (Upper-MIC threshold of \$5.5 a day 2011 PPP) fell from 18 to 10 percent between 2012 and 2019. However, given the dramatic contraction of GDP in 2020, poverty is estimated to have increased by almost 6 percentage points as results from phone surveys (carried out in May, June and July 2020) show a significant drop in informal employment during the

lockdown. Levels of informal employment in July remained 21 percent below those at the beginning of the year, with a large proportion of women exiting the labor market.

Outlook

GDP is expected to grow 3.6 percent in 2021 under a baseline that assumes a brief lockdown in response to the new outbreak, a successful rollout of vaccines, and reopening of borders in time for the main tourist season in November / December. Initial recovery is led by industry, while the services sector resumes its role as driver of growth from 2022 onwards. The main downside risk remains a prolongation of the Covid-pandemic and border closures that further delay recovery in tourism. In light of pre-Covid trends, strong and coherent policy actions to revive competitiveness, stimulate private investment, and address skills shortages will also be critical to medium term recovery.

Fiscal pressures and debt levels were already on the rise pre-Covid, and a 15.7 percent deficit is expected under the 2020/21 budget. Debt would reach 90 percent of GDP, even though most of the

deficit is financed by a non-refundable transfer from the Central Bank and stabilize at that level under the baseline. This assumes withdrawal of most Covid related measures combined with gradual increases in revenue starting in fiscal year 2021/22. Downside risks are related to the timely withdrawal of Covid-measures, resisting the temptation for additional Central Bank financing and limiting the role of the MIC. A key factor for fiscal sustainability in the medium term are the outcomes of an ongoing reform of the public pension system. Projections indicate that poverty will only fall back below 12 percent, just above the pre-COVID-19 level, well into 2023.

TABLE 2 Mauritius / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices^a	3.8	3.0	-15.6	3.6	5.9	4.3
Private Consumption	3.2	3.2	-11.8	6.9	6.2	4.1
Government Consumption	4.2	2.0	-7.3	4.1	5.6	4.9
Gross Fixed Capital Investment	10.9	6.2	-22.4	-8.3	3.7	5.0
Exports, Goods and Services	2.7	-4.1	-29.4	9.6	8.3	8.0
Imports, Goods and Services	-0.2	2.5	-22.8	9.4	7.1	7.1
Real GDP growth, at constant factor prices	3.6	3.2	-15.7	3.1	6.0	4.3
Agriculture	-1.3	4.1	3.5	5.1	1.1	1.0
Industry	2.6	2.4	-7.8	11.7	1.7	1.5
Services	4.1	3.3	-18.8	0.5	7.8	5.4
Inflation (Consumer Price Index)	3.2	0.5	2.5	2.8	3.3	3.3
Current Account Balance (% of GDP)	-3.9	-5.4	-11.7	-10.7	-8.8	-6.1
Net Foreign Direct Investment (% of GDP)	10.3	14.3	8.9	15.3	15.4	14.2
Fiscal Balance (% of GDP)^b	-3.3	-12.8	-15.7	-7.4	-5.4	-6.0
Debt (% of GDP)^b	67.6	77.7	90.2	93.2	90.4	90.9
Primary Balance (% of GDP)^b	-0.6	-10.0	-13.2	-4.7	-2.2	-2.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{c,d}	2.0	1.8	2.7	2.5	2.3	2.1
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{c,d}	11.4	10.5	15.9	14.8	13.1	11.7

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

Notes: e = estimate. f = forecast.

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

(b) Fiscal balances are reported in fiscal years (July 1st - June 30th).

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

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

MOZAMBIQUE

Key conditions and challenges

Table 1 2020

Population, million	31.3
GDP, current US\$ billion	13.8
GDP per capita, current US\$	441.9
International poverty rate (\$ 19) ^a	63.7
Lower middle-income poverty rate (\$3.2) ^a	82.4
Gini index ^a	54.0
School enrollment, primary (% gross) ^b	116.4
Life expectancy at birth, years ^b	60.2

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

(a) Most recent value (2014), 2011 PPPs.

(b) Most recent WDI value (2018).

The economy contracted by 1.3 percent in 2020, as the global pandemic reduced domestic activity and external demand. The poverty rate is estimated to have increased from 61.9 percent in 2019 to 63.3 percent in 2020 owing to loss of income and employment, pushing an estimated one million people into poverty. Economic recovery is expected to start in 2021, but this is subject to risks including rising COVID-19 cases, spots of military instability and delayed rollout of the COVID-19 vaccine.

The impact of COVID-19 has been exacerbated by Mozambique's fragile economic structure. Despite the relatively low number of infections in 2020, the economy saw its first contraction in almost 30 years. The existing growth model, characterized by high dependence on large investments in the extractive industry and exports of commodities, with weak domestic linkages, amplified the effects of the crisis. The services and extractives sectors, main growth drivers, lost steam as disruptions in global markets reduced demand for commodities and Foreign Direct Investment (FDI) flows. Prior to 2020, Mozambique experienced a prolonged slowdown. Between 2016-2019, growth averaged 3 percent, with GDP per capita contracting by an average of 5 percent. While the slowdown was triggered by the hidden debt crisis and climatic shocks, low labor productivity and high infrastructure deficit remain persistent constraints to growth. This, together with a private sector dominated by capital intensive megaprojects and informal enterprises, have undermined the economy's ability to generate jobs and support poverty reduction. As a result, economic disparities have increased, which, combined with pre-existing political tensions, fueled the fragility that has led to sporadic military insurgencies. While government strategic plans recognize the need to promote productivity and diversification, fiscal

capacity is limited. Adding to the challenge is Mozambique's vulnerability to climatic shocks, which has recurrently reversed gains in poverty reduction.

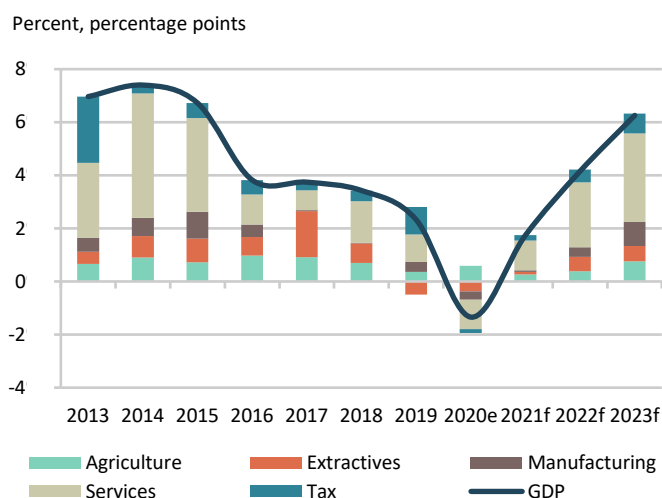
Growth prospects rely mainly on developments in the Liquefied Natural Gas (LNG) sector, which are expected to push average annual growth to above 8 percent from 2024. However, rising uncertainty associated with COVID-19 and military insurgency pose considerable risks to future growth. Poverty incidence is expected to decrease slightly, from 63.3 to 62.2 percent between 2020 and 2023, but the number of poor is projected to increase by 1.3 million, due to population growth.

The pandemic highlighted the urgency of structural transformation to reduce vulnerability to global shocks. In the shorter-term, focus should be on recovery to avoid scarring and the loss of productive capacity. This includes measures such as employment subsidies to firms to encourage worker retention, and expansion of social protection programs to support informal entrepreneurs. In the medium and long-term, Mozambique needs to diversify away from the current megaproject-driven growth toward a more interconnected and competitive economy.

Recent developments

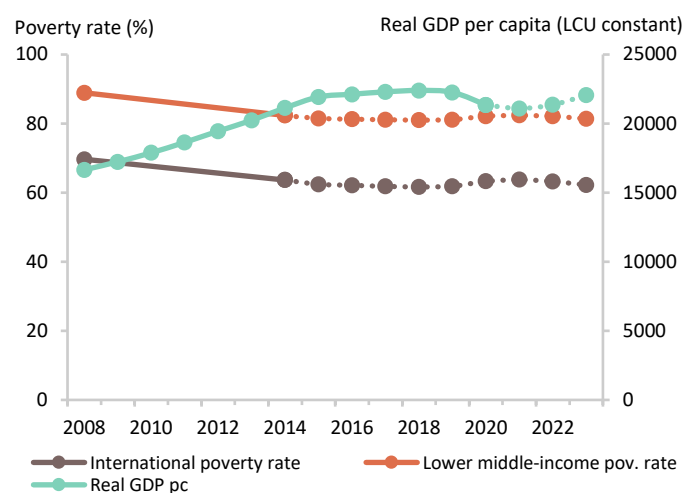
The global pandemic has substantially disrupted economic activity. Real GDP contracted by 1.3 percent in 2020, from 2.3 percent growth in 2019. While favorable weather conditions supported agricultural

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



Source: World Bank Staff Estimates.

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



Source: World Bank. Notes: see Table 2.

production, which grew by 3 percent, all other sectors recorded weak performance. Extractives sector production dropped by 17 percent due to low commodity prices and demand. The decline in domestic demand with the introduction of lockdown measures constrained manufacturing and services output. The hotel and restaurants subsectors were particularly hit, contracting by 23 percent. To support the economy, the policy rate was cut from 12.8 to 10.3 percent, but demand remained subdued. Annual average inflation stood at 3.1 percent, below the government projection of 4 percent. However, average food inflation, which affects the poor most, reached almost 9 percent. As a result, poverty is expected to increase from 61.9 in 2019 to 63.3 percent in 2020.

The external position remained largely stable in 2020. The current account deficit (CAD), excluding one-off capital gains, reached 27.3 percent of GDP in 2020, compared to 25.5 percent in 2019. Despite the drop in exports, given low global demand, the CAD improved as imports declined, largely reflecting low domestic demand, currency depreciation and delayed implementation of LNG projects. The CAD was financed by FDI, private debt and donor support. The external reserves reached US\$ 3.9 billion, equivalent to 7 months of imports (excluding megaprojects).

Public finances remain under significant pressures. COVID-19 response measures and increased military spending pushed total government expenditure from 29.8 percent in 2019 to 32.5 percent of GDP in 2020. Despite weak economic activity, tax revenue collection, excluding capital gains, slightly rose from 19.4 to 20.9 percent of GDP between 2019 and 2020. This, combined with higher donor support, put estimated primary deficit at 1.3 percent of GDP in 2020 from 2.1 percent in 2019 (excluding capital gains). Total public debt increased from 108 percent of GDP in 2019 to 122 percent in 2020, due to rising financing needs and currency depreciation.

Outlook

Recovery is anticipated to be slower than expected. Growth is projected at 1.7 percent in 2021, down from the pre-COVID estimate of 5 percent, given the slow rollout of the COVID-19 vaccine, rising virus cases and deaths, and tighter containment measures. Despite the expected increase in commodity prices, muted global demand will likely keep exports low. The service sector is set to recover, but slowly, considering the still limited mobility. Agriculture will also contribute to

growth recovery, as ongoing investments in irrigation, improved seeds, and distribution systems yield returns. However, unfavorable weather conditions, pose considerable risks. In the medium-term, growth is anticipated to gradually pick up, reaching 6 percent by 2023, as the LNG sector develops. However, high population growth will continue to drag per capita growth. Poverty would increase to 63.8 percent in 2021, but decline to pre-crisis level by 2023.

The CAD is projected to reach around 60 percent in the medium-term as LNG investments advance. FDI and private debt would remain the main financing sources with the external reserves position expected to remain at comfortable levels.

The fiscal outlook will likely remain challenging. Fiscal consolidation is set to resume in the medium-term. However, COVID-19, military insurgencies, and natural disasters may impede fiscal adjustment. Additionally, slower than anticipated implementation of LNG projects could delay the expected revenue. This reinforces the need for an adequate fiscal framework anchored in appropriated fiscal targets, complemented by sustainable medium-term debt objectives, and improved investment management in line with the regulatory framework.

TABLE 2 Mozambique / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.4	2.3	-1.3	1.7	4.2	6.3
Private Consumption	3.7	4.1	-9.9	12.2	9.3	2.3
Government Consumption	-5.7	6.1	42.2	-35.8	-1.1	-71.4
Gross Fixed Capital Investment	12.4	-8.1	106.1	-10.7	31.7	23.7
Exports, Goods and Services	36.5	-5.5	-41.1	80.7	14.5	27.0
Imports, Goods and Services	43.7	-2.5	28.5	0.1	23.4	1.4
Real GDP growth, at constant factor prices	3.4	1.4	-1.3	1.7	4.2	6.3
Agriculture	3.0	1.6	2.6	1.1	1.6	3.3
Industry	3.9	-0.6	-3.6	0.8	4.9	8.0
Services	3.4	2.2	-2.4	2.4	5.3	7.1
Inflation (Consumer Price Index)	3.9	2.8	3.1	4.0	4.4	4.8
Current Account Balance (% of GDP)	-30.3	-19.7	-27.3	-44.5	-60.6	-62.4
Net Foreign Direct Investment (% of GDP)	18.1	14.5	16.9	18.9	25.9	22.4
Fiscal Balance (% of GDP)^a	-4.1	0.3	-4.7	-5.8	-4.8	-3.6
Debt (% of GDP)^b	110.1	108.2	121.7	126.9	120.4	119.8
Primary Balance (% of GDP)^a	0.3	3.6	-1.2	-2.6	-1.8	-0.7
International poverty rate (\$1.9 in 2011 PPP)^{c,d}	61.6	61.9	63.3	63.8	63.3	62.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{c,d}	81.0	81.1	82.2	82.4	82.1	81.3

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

Notes: e = estimate. f = forecast.

(a) Figures include once-off capital gains revenues in 2019, estimated at 5.8 percent of GDP.

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

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

(d) Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021 to 2023.

NAMIBIA

Key conditions and challenges

Table 1 2020

Population, million	2.5
GDP, current US\$ billion	10.8
GDP per capita, current US\$	4265.5
International poverty rate (\$ 19) ^a	13.8
Lower middle-income poverty rate (\$3.2) ^a	30.3
Upper middle-income poverty rate (\$5.5) ^a	51.0
Gini index ^a	59.1
School enrollment, primary (% gross) ^b	124.2
Life expectancy at birth, years ^b	63.4

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

(a) Most recent value (2015), 2011 PPPs.

(b) Most recent WDI value (2018).

Namibia's economy has been hard hit by the pandemic which has triggered the sharpest contraction in recorded history. After an estimated 7.3 percent decline in 2020, GDP growth is projected to rebound to 1.8 percent this year. The adverse welfare effects of the pandemic are likely to linger, especially as the growth recovery remains hampered by pre-pandemic structural constraints, and poverty is at risk of increasing further. Growth-friendly fiscal consolidation will be essential to preserve debt sustainability.

Namibia's growth challenge predates the COVID-19 crisis and structural constraints are likely to limit the post-COVID recovery. The economy has been in recession in three of the last four years, indicating deep-rooted economic difficulties even before the COVID-19 shock. Per capita growth has been negative for several years. Namibia is largely dependent on investments in mineral extraction and government spending, and has suffered from falling commodity prices, weak growth in key trade partners (Angola, South Africa) and tight fiscal policy on the back of government's effort to rebalance public finances. Weak demand and skills mismatches have constrained job creation with the unemployment rate hovering at around 20 percent over the last 5 years.

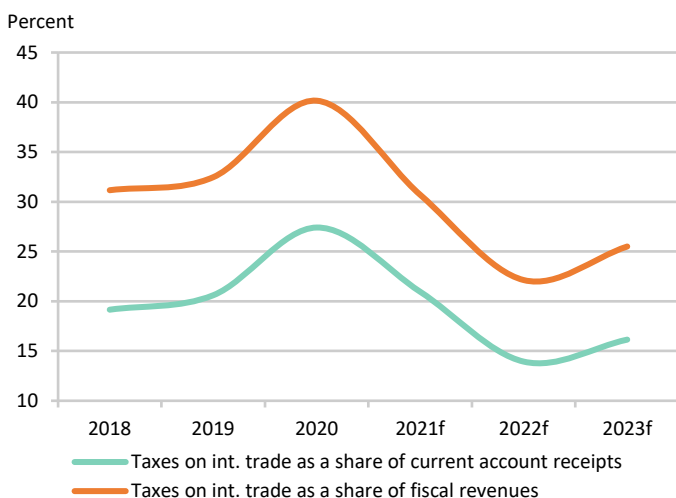
The ongoing COVID-19 pandemic and structural rigidities have resulted in elevated macroeconomic vulnerabilities. The room for additional fiscal stimulus is significantly reduced. Global and regional developments will remain an important driver of Namibia's fiscal and external positions as the country is highly reliant on commodity exports and SACU transfers. Volatility in prices of Namibia's export commodities, particularly diamonds and uranium, presents risks as do growth prospects in key trade partners (e.g. South Africa).

Uncertainty regarding the outlook this year combined with an uncompetitive business environment will continue to constrain private investment, leading to weak growth and job creation. While COVID-19 vaccinations are set to begin, the possibility of recurrent restrictive measures domestically will remain a downside risk to the recovery until the spread of the virus is sufficiently lowered. The pandemic has further exacerbated Namibia's disparities in economic opportunities and access to services. Globally, Namibia remains one of the most unequal countries and about 64 percent of the population live with less than US\$5.5 daily (real PPP).

Recent developments

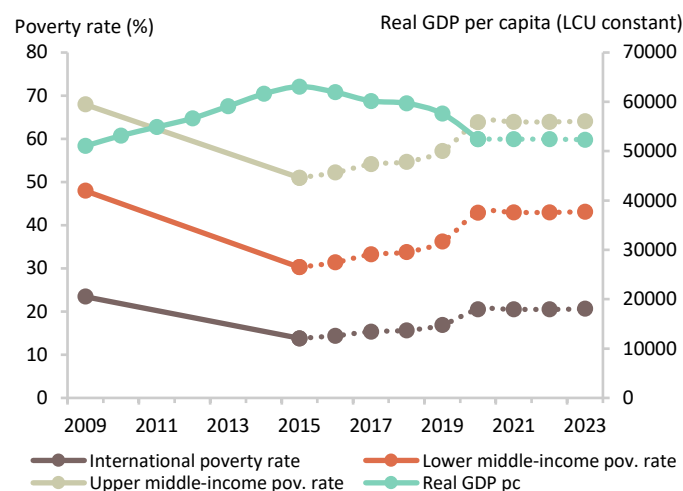
The pandemic has exacerbated preexisting challenges. Real GDP is projected to have contracted by 7.3 percent in 2020. The mining sector, an important earner of foreign exchange, contracted by 12.2 percent y-o-y over Q1-Q3 affected by domestic factors (insufficient supply of water for uranium production, depleting zinc deposits), and falling global demand (especially diamonds). The hospitality industry recorded a large contraction of 46.5 percent y-o-y following local and foreign restrictions. 200,000 more people fell into poverty bringing the number of poor to a record-high 1.6 million. On the back of depressed domestic demand, inflation averaged 2.2 percent in 2020.

FIGURE 1 Namibia / Importance of SACU transfers



Sources: Ministry of Finance, Central Bank and World Bank staff estimates.

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



Source: World Bank. Notes: see table 2.

The fiscal situation deteriorated as the pandemic delayed fiscal consolidation efforts and the COVID-19 crisis added to expenditure pressures. The government implemented a stimulus package of NAD8.3 billion (4.5 percent of GDP) that included spending on health, an emergency income grant, wage subsidies in affected sectors and loan guarantees for SMEs. As a result, expenditures are expected to reach 41.2 percent of GDP this fiscal year (ending in March 2021). At the same time, revenues declined due to fiscal relief measures and the economic contraction. The fiscal deficit is projected to widen to 10.2 percent of GDP in 2020/21 and the debt-to-GDP ratio to go up to 74.4 percent. Most of the deficit is financed through domestic market issuances and use of cash reserves. The government also approached the AfDB and IMF for budget support.

On the external side, the current account balance swung to a surplus of NAD3.6 billion over the first nine months of 2020 on the back of a smaller trade deficit – driven by lower imports – and higher SACU inflows. It is expected to have reached a small surplus of 0.6 percent of GDP in 2020, the first since 2007. Reserves rose to about US\$2.1 billion at the end of 2020 and cover more than 5 months of imports.

Outlook

Namibia's potential for recovery depends on the evolution of the pandemic globally and domestically and the government's ability to address long-lasting challenges to higher economic growth. Improvement in global demand for commodities should support a rebound in exports but other sectors like tourism will remain hampered by global restrictions. Overall, GDP is expected to grow by 1.8 percent in 2021.

The authorities are committed to restoring fiscal sustainability, but public finances will remain under pressure. In a context of deteriorated social outlook and the persistence of the pandemic, additional spending pressures are likely to materialize, including vaccine expenditures. The government has secured some vaccines through the COVAX facility to cover about 20 percent of the population and is looking to scale up the program to cover 60 percent of Namibians. However, lower SACU transfers expected for the upcoming fiscal year will limit room for maneuver in the budget and translate into persistently high financing requirements. The fiscal deficit is projected to hover around 9 percent of GDP in 2021/22 and debt will continue to rise. Financing needs will be

filled primarily in the domestic market. Namibia is also planning to roll-over its upcoming maturing Eurobond. Reduced SACU transfers and a larger trade deficit from next year will keep international reserves under pressure over the medium term. Monetary policy will remain driven by the peg to the Rand.

Reversing the social impact of the pandemic and putting Namibia on a higher and more sustainable growth trajectory that allows for higher job creation and poverty-reduction will require unlocking structural constraints that predate the crisis. Needed reforms include improving the business environment to foster private investment and boost productivity and diversifying the economy. Preserving social spending will also be important to limit the risks of further worsening of poverty and inequality.

TABLE 2 Namibia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.1	-1.6	-7.3	1.8	1.8	1.5
Private Consumption	-0.9	3.6	-4.7	4.1	4.2	3.5
Government Consumption	-0.1	0.4	5.2	-2.4	-2.2	-1.7
Gross Fixed Capital Investment	-5.2	-4.2	-26.6	3.0	2.7	2.9
Exports, Goods and Services	16.5	-2.0	-27.0	8.0	5.6	4.5
Imports, Goods and Services	0.9	2.4	-18.0	7.0	5.8	5.0
Real GDP growth, at constant factor prices	1.2	-1.5	-7.3	1.8	1.8	1.5
Agriculture	3.3	-5.7	7.4	1.3	1.3	1.4
Industry	6.3	-3.2	-14.2	2.7	2.5	2.7
Services	-1.2	-0.1	-5.8	1.5	1.6	1.1
Inflation (Consumer Price Index)	4.3	3.7	2.2	3.8	4.5	4.5
Current Account Balance (% of GDP)	-3.4	-1.8	0.6	-5.4	-4.5	-4.5
Net Foreign Direct Investment (% of GDP)	0.8	-1.5	-1.8	0.9	1.5	1.6
Fiscal Balance (% of GDP)^a	-5.2	-5.5	-10.2	-9.0	-8.7	-7.4
Debt (% of GDP)^b	54.4	62.2	74.4	80.4	85.8	89.7
Primary Balance (% of GDP)^a	-1.3	-1.2	-5.7	-4.4	-3.9	-2.0
International poverty rate (\$1.9 in 2011 PPP)^{c,d}	15.6	16.9	20.5	20.5	20.5	20.6
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{c,d}	33.8	36.2	42.9	42.9	42.9	43.1
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{c,d}	54.7	57.2	63.9	63.9	63.9	64.1

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

Notes: e = estimate. f = forecast.

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

(b) Refers to Public and Publicly Guaranteed debt.

(c) Calculations based on 2009-NHIES and 2015-NHIES. Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021 to 2023.

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

NIGER

Key conditions and challenges

Table 1 2020

Population, million	24.2
GDP, current US\$ billion	13.3
GDP per capita, current US\$	549.4
International poverty rate (\$19) ^a	45.4
Lower middle-income poverty rate (\$3.2) ^a	77.2
Upper middle-income poverty rate (\$5.5) ^a	93.6
Gini index ^a	34.3
School enrollment, primary (% gross) ^b	66.4
Life expectancy at birth, years ^b	62.0

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

(a) Most recent value (2014), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Despite Niger's relative isolation from the global economy, the impact of the COVID-19 pandemic pushed the economy to a standstill in 2020, which translated into a 3 percent reduction in per capita income and 1.3 percentage points increase in poverty. While the outlook is fraught with downside risks related to the sanitary, security, and climatic conditions, economic growth is projected to recover in 2021 and the main macroeconomic and poverty indicators to slowly improve over the medium term.

The new government that will take office in April is confronting enormous challenges of creating the conditions for a self-sustaining process of rapid per capita income growth. This requires addressing the challenges and implementing structural reforms that have eluded the country for so long. The challenges include unfavorable geographic and weather conditions, extremely high fertility rates, low human capital (health and education), a large informal sector, underdeveloped private and financial sectors, large infrastructure gaps, poor governance, insecurity and other drivers of fragility, all exacerbated by weak institutions. Over the last decade Niger has consistently ranked at the bottom of the UNDP Human Development Index.

These structural challenges have been compounded by the global effects of the COVID-19 crisis. While the rates of confirmed cases and fatalities due to COVID-19 have been low by international standards and the lowest in the region, the pandemic has derailed the timid economic and social progress registered in recent years, despite Niger being prevalently a rural economy where the role of trade and remittances flows is lower than in the WAEMU average and the touristic sector underdeveloped.

Furthermore, floods across the country in summer 2020 exacerbated the humanitarian

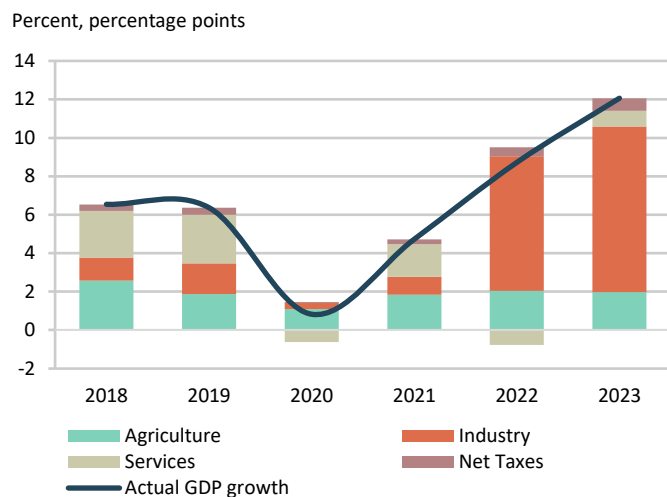
crisis with some 600,000 people adversely affected. Vaccine rollout is expected to begin in May 2021, and to reach a critical mass of the population by end-2021, clearing the way for a gradual recovery in economic and social indicators.

With US\$558 per capita GDP (2010 constant prices, PPP), 42 percent of the population lives on less than US\$1.9 a day. Progress in the fight against poverty, food insecurity, unemployment, and the lack of public service delivery is undermined by a fast-growing population, which is expected to increase by 25 percent by 2025.

Recent developments

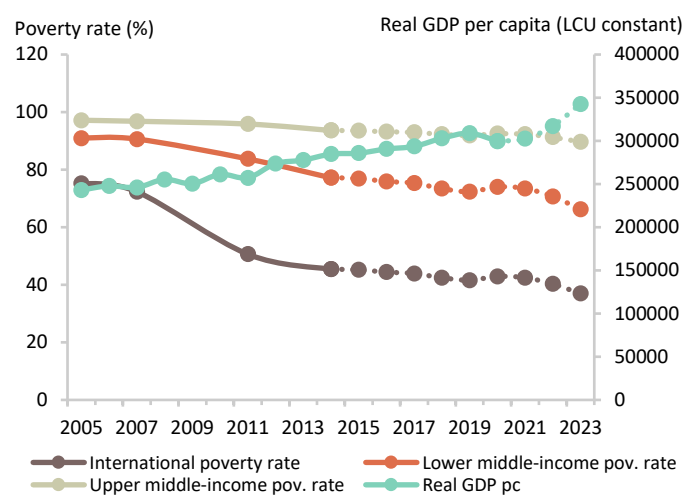
Real growth fell to 0.8 percent in 2020 (-3 percent in per capita terms). Restrictions on movement and business hours, the closure of the border with Nigeria and the halting of some investment projects undermined economic activity. External and internal shocks put pressure on inflation and strained public finances. Food shortages and speculative behaviors have pushed CPI inflation from -2.5 percent in 2019, to 3.4 percent in 2020. The fiscal deficit widened to 5.4 percent of GDP, due to a drop of 1 percent of GDP in tax revenues and the rise on 1.3 point of GDP in current spending to mitigate the effects of the pandemic, mainly through cash transfers. The current account deficit hit 16.7 percent of GDP in 2020, with a sharp drop in exports and higher imports of health products.

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.

WAEMU pooled external reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports. Between March and October, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro vis-à-vis the USD. The BCEAO has implemented a set of monetary and macro-prudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds.

The share of the population living below the international poverty line was on a declining trend and reached an estimated 41.6 percent in 2019. The COVID-19 and related economic and social distancing measures have reversed some of these recent gains. Simulations suggest that poverty has increased by 1.3 percentage point to 42.9 percent in 2020, drawing an additional 685,000 people into extreme poverty. The COVID-19 pandemic is negatively impacting households through income losses due to job layoffs, and a deterioration of human capital endowments; for example, due to school closures that are expected to increase drop-out rates, especially for girls and the most vulnerable.

Outlook

In 2021, economic growth is expected to rebound to 4.7 percent with the reopening of the border with Nigeria and the resumption of large investment projects. The large import content of these projects will cause the current account deficit to further widen. The completion of the oil pipeline by 2023 should boost growth and exports over the medium term. GDP per capita will surpass its 2019 level in 2022. In 2021, the number of extreme poor is expected to increase by an additional 300,000 people, due mainly to population growth. In 2022, thanks to a projected strong economic performance, the poverty headcount will renew with its downward trend. It is important to note that the COVID-19 crisis will have long-lasting effects on the non-monetary dimensions of wellbeing, such as education (particularly of girls), health, and food security. Higher economic growth will lead to an increase in fiscal revenue while the 2021 budget has kept spending constant in nominal terms. As a result, the fiscal deficit should decline to 4.5 percent of GDP with public debt peaking at 42.9 percent of GDP. The risk of external and overall debt

distress is projected to remain moderate, although the space to accommodate further shocks has narrowed considerably.

The successful transfer of power in the recent general elections could increase the country's attractiveness to investors. Yet, overall risks to growth remain tilted on the downside. The duration and depth of the COVID-19 outbreak and availability of vaccines represent key short-term risks. Medium-term risks stem from adverse weather conditions and a further worsening of the security situation while high population growth will continue to pose a key challenge for the medium term. The surge in oil production calls for an adequate governance and fiscal framework to manage these flows in a stable, transparent and accountable manner.

TABLE 2 Niger / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	7.2	5.9	0.8	4.7	8.9	12.1
Private Consumption	7.3	6.7	2.8	6.0	7.0	7.9
Government Consumption	7.2	0.5	8.2	6.5	8.3	10.0
Gross Fixed Capital Investment	11.4	11.4	6.3	7.6	-3.9	-7.2
Exports, Goods and Services	-3.9	5.6	-21.5	15.0	24.0	51.0
Imports, Goods and Services	7.1	10.3	7.1	15.0	-4.2	-4.2
Real GDP growth, at constant factor prices	6.5	6.4	0.8	4.7	8.9	12.1
Agriculture	7.1	5.1	3.0	5.0	5.5	5.5
Industry	6.0	8.0	1.6	4.5	34.0	34.0
Services	6.4	6.7	-1.7	4.6	-1.7	2.6
Inflation (Consumer Price Index)	2.8	-2.5	3.4	1.7	2.0	2.0
Current Account Balance (% of GDP)	-12.6	-12.7	-16.7	-18.5	-13.7	-7.9
Net Foreign Direct Investment (% of GDP)	3.3	3.7	4.8	7.5	3.1	2.7
Fiscal Balance (% of GDP)	-3.0	-3.6	-5.4	-4.5	-3.1	-1.8
Debt (% of GDP)	37.0	39.9	41.8	42.9	42.4	41.7
Primary Balance (% of GDP)	-2.1	-2.6	-4.3	-3.4	-1.9	-0.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	42.5	41.6	42.9	42.5	40.3	37.0
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	73.4	72.3	74.0	73.5	70.7	66.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	92.3	91.9	92.5	92.3	91.3	89.6

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECVMA and 2014-ECVMA. Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021 to 2023.

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

NIGERIA

Table 1 **2020**

Population, million	206.1
GDP, current US\$ billion	440.9
GDP per capita, current US\$	2139.1
International poverty rate (\$ 19) ^a	39.1
Lower middle-income poverty rate (\$3.2) ^a	71.0
Upper middle-income poverty rate (\$5.5) ^a	92.0
Gini index ^a	35.1
School enrollment, primary (% gross) ^b	84.7
Life expectancy at birth, years ^b	54.3

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

(a) Most recent value (2018), 2011 PPPs.

(b) WDI for school enrollment (2016); life expectancy (2018).

In 2020, Nigeria plunged into a recession due to the combined COVID-19 and oil price shocks. The number of people below the international poverty line is projected to rise by 12 million between 2020 and 2023. The economy is expected to recover modestly in 2021. Reforms to enhance exchange rate management, fiscal management and the business climate would position the economy on a stronger and sustainable recovery path.

Key conditions and challenges

In 2020, Nigeria's economy entered into a recession due to COVID-19-related disruptions, notably lower oil prices and remittances, enhanced risk aversion in global capital markets, and mobility restrictions. The crisis is far from being over and a "second wave" has started in Nigeria, with the number of daily cases averaging 407 in the first week of March, although below the 642 daily peak cases recorded in June 2020.

Still recovering from the 2015- 2016 recession, COVID-19 struck the Nigerian economy while the business environment remained inadequate due to double-digit inflation, multiple foreign exchange rates practices, trade restrictions. Nigeria's economy remains highly dependent on sales of crude oil. In 2019, while it only represented about 10 percent of total GDP, oil accounted for more than 80 percent of exports and more than 50 percent of consolidated fiscal revenues. Its performance has a direct effect on job creation and revenues in related manufacturing and services sectors. It also impacts unrelated sectors, mainly through an income effect. Given these macroeconomic vulnerabilities, 4 in 10 Nigerians lived below the poverty line before the COVID-19 crisis struck.

Following the COVID-19 shock, the federal government took important steps to set the foundations for fiscal sustainability:

reducing fuel and electricity subsidies, increasing oil sector and debt transparency, and proceeding with implementation of VAT, business environment, and administrative reforms. Revenue-driven fiscal consolidation remains an urgent priority, as with the mounting debt service costs (including from higher central bank deficit financing) and low and shocked revenues, the interest-to-revenue ratio at the federal government level exceeded 90 percent.

Recent developments

GDP contracted by 1.8 percent in 2020 driven by a decline in oil industry (due to lower oil prices and production disruptions), non-oil industry (as a result of lockdown measures and the contraction of domestic demand), and services (due to a decline in trade, accommodation and food services, and transportation). The contraction of economic activity has stopped in 2020Q4, as recovery in services and agriculture counterbalanced sustained contraction in industrial production. Annual inflation increased from 11.4 percent in 2019 to 13.2 percent in 2020 driven by higher food prices due to pre-COVID border closures and rising FX restrictions, and rapidly increasing broad money growth (32 percent by the end of 2020), partly to finance the fiscal deficit. In the December 2020 round of phone survey data, 83 percent of households reported experiencing an increase in the price of major food items between July 2020 and

FIGURE 1 Nigeria / Oil price shock transmission channels

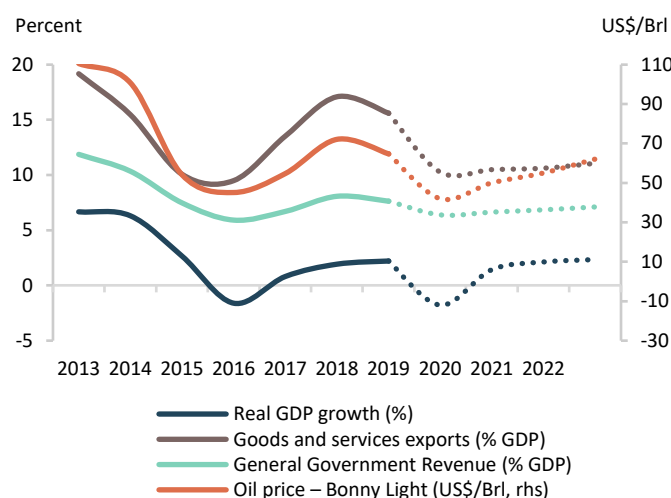
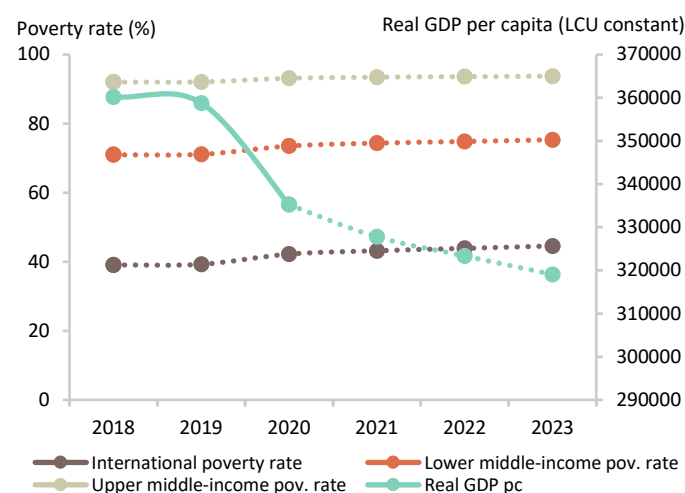


FIGURE 2 Nigeria / Actual and projected poverty rates and real GDP per capita



Sources: Nigeria Authorities and World Bank.

Source: World Bank Notes: Table 2.

December 2020, up from 18 percent of households between January 2017 and January 2019.

The pandemic severely disrupted the labor market. While many workers have subsequently returned to work, income loss vulnerabilities remain and are contributing to food insecurity. During the second half of 2020, 58 percent of households that experienced a shock reported they reduced their food consumption.

The fiscal deficit widened to 5.8 percent of GDP following a sharp revenue fall, but timely passage of the amended budgets at both federal and state government levels helped limit the recourse to central bank financing (which, nevertheless, remained significant at 2.8 percent of GDP).

In the first three quarters of 2020 exports declined by 44 percent due to lower oil prices, while imports declined by 16 percent due to trade disruptions, FX scarcity and lower domestic demand. Resilient during the previous shocks, remittances (5 percent of GDP) have declined by 33 percent in the same period as the Nigerian diaspora experienced income shocks. While the central bank devalued the key FX rate twice during the year in the face of oil and capital inflow shocks (capital inflows declined by 59.6 percent in 2020), the movement was not sufficient to

equilibrate the market. The intensified capital control measures led to FX scarcity, evidenced by the increasing parallel exchange rate premium (22 percent on average in the H2).

Outlook

Nigeria's growth is expected to recover modestly in 2021, averaging 1.4 percent, led by telecommunication services, trade due to the gradual opening of borders, agriculture thanks to an additional influx of labor, and construction, in a context of higher oil prices and fewer mobility restrictions. Yet, growth will remain constrained by low public and private investment.

This baseline scenario assumes that the authorities maintain and strengthen current macroeconomic reform efforts that are essential to managing the shock-induced fiscal and external financing needs. Particular priorities include revenue-based fiscal consolidation, the reprioritization of spending and the strengthening of expenditure and debt management, reforms for financial sector stability, and the adoption of a more flexible and transparent foreign exchange management regime.

Given the combined effects of the COVID-19 crisis and population growth, the number of Nigerians living in poverty could rise by 12 million between 2020 and 2023, and by 2023 the absolute number of poor Nigerians will be close to 100 million with millions more vulnerable to falling below the poverty line if further shocks occur.

Nigeria's economic outlook remains highly uncertain. Uncertainty around the pace of vaccination and duration of the COVID-19 pandemic persists and will continue to impact household consumption and private investment. Moreover, oil sector volatility, including an unexpected shock to oil prices, and weaknesses in the soundness and growth of the financial sector, despite recent forbearance measures by the central bank, could threaten this modest projected recovery. Adequate exchange management reforms could bring portfolio flows back and foster private investment and employment creation. Even in the most favorable global context, the policy response of Nigeria's authorities will be crucial to set the foundations of a robust recovery path.

TABLE 2 Nigeria / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.9	2.2	-1.8	1.4	2.1	2.3
Private Consumption	5.2	-2.4	1.3	2.7	1.7	0.5
Government Consumption	33.2	15.0	13.6	1.5	0.7	3.4
Gross Fixed Capital Investment	9.7	11.8	19.0	0.2	5.4	5.4
Exports, Goods and Services	-1.4	15.0	-32.2	-0.2	2.1	8.4
Imports, Goods and Services	49.2	27.3	-23.5	3.5	5.0	10.7
Real GDP growth, at constant factor prices	1.9	2.3	-1.9	1.4	2.1	2.3
Agriculture	2.1	2.4	2.2	1.4	2.1	2.3
Industry	1.9	2.3	-5.9	1.0	3.4	3.6
Services	1.8	2.2	-2.2	1.5	1.6	1.8
Inflation (Consumer Price Index)	12.1	11.4	13.2	15.5	13.0	11.0
Current Account Balance (% of GDP)	1.0	-3.8	-2.4	0.4	1.0	0.7
Net Foreign Direct Investment (% of GDP)	0.2	0.4	0.2	0.2	0.2	0.2
Fiscal Balance (% of GDP)	-4.1	-4.6	-5.8	-4.5	-3.7	-4.3
Debt (% of GDP)	19.3	21.7	25.2	25.8	26.2	34.0
Primary Balance (% of GDP)	-2.2	-2.6	-4.1	-2.6	-1.6	-2.5
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	39.1	39.3	42.2	43.2	43.9	44.6
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	71.0	71.1	73.5	74.3	74.8	75.3
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	92.0	92.1	93.1	93.4	93.6	93.7

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

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

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

RWANDA

Key conditions and challenges

Table 1 2020

Population, million	13.0
GDP, current US\$ billion	10.1
GDP per capita, current US\$	780.8
International poverty rate (\$19) ^a	56.5
Lower middle-income poverty rate (\$3.2) ^a	80.2
Upper middle-income poverty rate (\$5.5) ^a	91.9
Gini index ^a	43.7
School enrollment, primary (% gross) ^b	131.3
Life expectancy at birth, years ^b	68.7

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

Notes:

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Rwanda's economy fell into recession in 2020 as the COVID-19-induced crisis severely hit tourism, education, and mining sectors. The twin deficits deteriorated—requiring more external financing—and are expected to remain at above their pre-crisis levels in 2021. The adverse effect of the crisis on output and employment means that poverty is expected to increase between 2019 and 2021. Real per capita GDP is expected to return to its pre-crisis level in 2022.

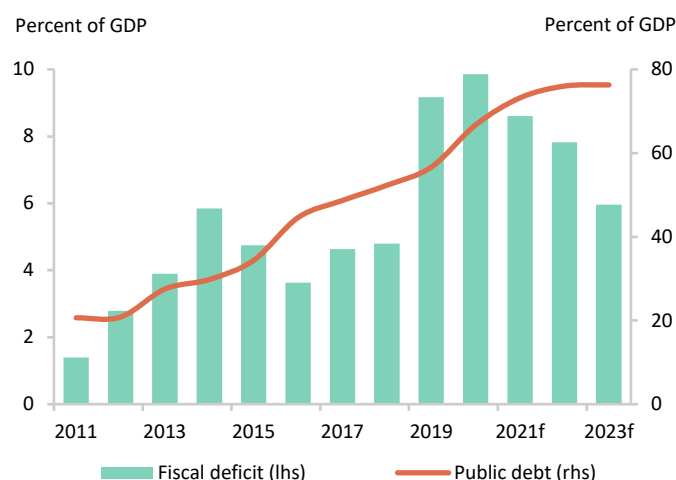
The global pandemic has exposed limitations in Rwanda's growth model. Its heavy emphasis on public investment spending (which increased by 14 percent annually between 2010 and 2020) helped Rwanda become one of the world's fastest-growing economies. But public debt grew rapidly as well—more than tripling relative to GDP since 2010—raising concerns about its long-term sustainability. In June 2020, Rwanda's risk rating of debt distress shifted from "low" to "moderate" as the pandemic severely hit growth, exports, and tax revenues. This underscores the need to adopt a credible fiscal consolidation path, strengthen debt management capacity, and shift from large public investments to growth that is led by the private sector and increased productivity. Inclusive growth remains a challenge, as the responsiveness of poverty reduction to growth has declined since 2010/11. In terms of the international poverty line of US\$1.90 (2011 PPP), poverty rate declined from 69 percent to 55.4 percent over 2005–2019, but due to COVID, poverty is projected to increase in 2021 by almost 4 percentage points with respect to its 2019 value, adding close to 900,000 new poor in 2 years. This uptick in poverty increases the urgency to design a medium-term public investment strategy to achieve a more efficient allocation of resources geared toward projects critical

for broad-based and inclusive economic recovery following the pandemic (e.g., supporting agriculture economy and rural livelihood, etc.).

Recent developments

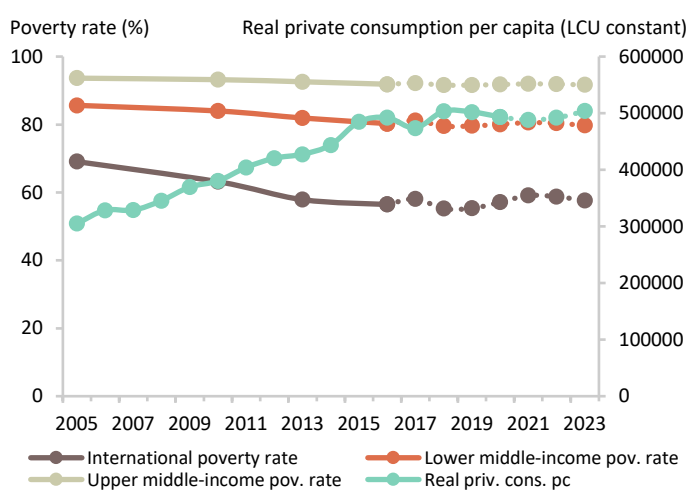
The COVID-19 pandemic has driven Rwanda into its first recession since 1994. Countrywide mobility restrictions and closure of businesses caused almost all sectors to contract in Q2 and Q3 of 2020. GDP is estimated to have declined by about 3.3 percent over the full year. Heightened uncertainty weakened business sentiment, resulting in a large investment decline. Private consumption remained constant due to lower household income. The external position has deteriorated due to collapsed services exports, partially cushioned by the exports from the new gold refinery. Nevertheless, the CAD widened in 2020 and was mainly financed through external borrowing. Containment measures also led to job losses, with the unemployment rate reaching 22 percent in May (from 13 percent before COVID-19). The job market showed some improvements in August, with the unemployment rate declining to 16 percent as economic activities started gaining some momentum. These job losses are expected to result in poverty increases (using the international poverty line of US\$1.90) of 1.8 percentage points in 2020, or more than 400,000 Rwandans falling into poverty. Rwanda reinstated containment policies in early 2021 following renewed

FIGURE 1 Rwanda / Fiscal balance and public debt



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.

waves of infections. The government continues to implement its US\$900 million Economic Recovery Plan (ERP), reflected in the FY21 budget, with policies focusing on increased spending to contain the epidemic and to strengthen the health system, social protection, education, as well as support for the private sector through the recovery fund. The government is relying mainly on support from development partners to finance the ERP. BNR continues to maintain an accommodative monetary policy by keeping the policy rate at 5 percent since April 2020. Credit growth reached 21.8 percent in 2020, mainly driven by loans restructuring granted to borrowers whose activities were negatively affected by the pandemic. The banking sector remained well-capitalized and well-positioned to withstand the pandemic.

Outlook

Rwanda's medium-term outlook is clouded by COVID-19. With the pandemic likely to continue dampening business activity in 2021, GDP is projected to grow by 4.9 percent—below the pre-crisis trajectory of around 8.0 percent per year—with a gradual recovery by 2023. Real per capital GDP

is expected to remain below its 2019 level until 2022. This outlook reflects the heightened uncertainty surrounding the second wave of the coronavirus at global and African levels—mainly fueled by new COVID-19 variants—that weighs on investment decisions and external demand. In addition, the elevated unemployment rate and other weaknesses in the labor market will continue to slow growth in private consumption. The recovery in private consumption will contribute to reducing poverty slightly in 2022 compared to 2021, but still at a higher level than in 2020.

Rwanda's outlook also hinges on how efficiently the government executes its economic recovery plans, as well as on the support of development partners. Government spending is projected to remain relatively high over the next few years. The fiscal deficit is expected to narrow in 2021 and 2022 as domestic revenue recovers but remain above the pre-crisis level. Besides higher financing requirements, the government will reallocate fiscal resources to priorities as defined in the ERP. The CAD is expected to remain elevated in 2021 due to lower trade and tourism activities, as global demand remains subdued. Inflation is expected to remain within the central bank's target range of 5±3 percent.

Even though Rwanda managed the second wave of COVID-19 relatively well and recent vaccine approvals have raised hopes of a turnaround, delays in obtaining a vaccine would imply longer border closures and a slower economic recovery in 2021. A downside scenario could see a 2.5 to 3 percent growth in 2021.

TABLE 2 Rwanda / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	8.6	9.4	-3.3	4.9	6.4	7.5
Private Consumption	9.1	2.4	0.9	1.7	3.5	5.2
Government Consumption	5.1	17.5	2.2	15.7	9.7	1.9
Gross Fixed Capital Investment	6.0	32.1	-11.8	7.3	7.8	10.5
Exports, Goods and Services	10.6	19.9	-6.5	11.0	14.7	16.7
Imports, Goods and Services	8.1	18.0	-1.2	8.5	8.5	8.5
Real GDP growth, at constant factor prices	8.5	8.9	-3.3	5.0	6.5	7.5
Agriculture	6.1	5.0	0.9	3.6	5.5	5.5
Industry	8.7	16.6	-4.0	7.4	10.7	10.7
Services	9.7	8.2	-5.2	4.9	5.3	7.3
Inflation (Consumer Price Index)	1.4	2.4	7.4	2.5	4.1	5.0
Current Account Balance (% of GDP)	-10.2	-11.0	-12.2	-12.5	-11.4	-9.3
Net Foreign Direct Investment (% of GDP)	3.6	3.7	2.4	3.6	3.6	3.8
Fiscal Balance (% of GDP)	-4.8	-9.2	-10.0	-8.6	-7.7	-5.8
Debt (% of GDP)	52.4	56.7	67.5	73.2	75.7	75.6
Primary Balance (% of GDP)	-3.6	-7.7	-8.2	-6.8	-6.0	-4.1
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	55.3	55.4	57.2	59.1	58.8	57.7
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	79.6	79.6	80.1	80.6	80.4	79.8
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	91.6	91.6	91.8	92.0	91.9	91.7

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

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

(b) Projection using microsimulation for 2020 and 2021, and average elasticity (2010-2016)

with pass-through = 0.7 based on private consumption per capita in constant LCU for 2022 and 2023.

SÃO TOMÉ AND PRÍNCIPE

Key conditions and challenges

Table 1 2020

Population, million	0.2
GDP, current US\$ billion	0.5
GDP per capita, current US\$	2159.4
International poverty rate (\$19) ^a	35.6
Lower middle-income poverty rate (\$3.2) ^a	65.4
Upper middle-income poverty rate (\$5.5) ^a	86.4
Gini index ^a	56.3
School enrollment, primary (% gross) ^b	106.8
Life expectancy at birth, years ^b	70.2

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

Notes:

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

(b) WDI for school enrollment (2017); life expectancy (2018).

São Tomé and Príncipe (STP)'s economy has offset recessionary effects of the COVID-19 pandemic through exceptional international support. Public expenditures boosted growth to 3.1 percent but poverty is estimated to have hardly changed in 2020.

Maintaining such levels of public spending will be a challenge in 2021 and growth will need to come from the expansion of commercial agriculture and tourism. STP needs to implement structural reforms to address macro-fiscal vulnerabilities and promote greater private sector development.

STP is a small island country constrained by remoteness, weak private sector, and low human capital. Growth in STP has long been driven by public expenditures, especially grant- and debt-financed public investment. Such public expenditure-driven growth is no longer sustainable due to the structural decline of grants and concessional external financing in recent years, combined with historically-low domestic revenue mobilization. Persistent fiscal and current account deficits have led to debt accumulation that put the country in debt distress and present an ongoing challenge to the fixed exchange rate. Key reforms, especially on energy and taxation, are critical to maintain stability and create conditions for private sector growth. Most São Tomeans work in low-productivity and subsistence self-employment and extreme poverty remains high, with about one-third of the population living on less than \$1.90 per day (in 2011 PPP terms). Malnutrition and deprivations in essential goods and services are prevalent and reduce human capital and productivity growth.

The near-halt in international tourism, a growing industry accounting directly for 2.4 percent of GDP and about 5 percent of employment, and public health measures implemented to curb the spread of disease were the main channels

through which the pandemic affected STP's economy. In July 2020, most workers reported lower earnings due to business closures, reduced demand, and reduced business hours. The ongoing economic and health crisis along with presidential elections expected in 2021, could cause delays to reforms. Additional risks stem from the fragile energy sector that needs urgent investment and governance reforms. Risks to the reform agenda are partially mitigated by the support of the multilateral development partners.

Recent developments

Despite the pandemic-related freeze in tourism and the curfew, the government estimates real GDP growth at 3.1 percent in 2020, driven by the expansion of the industrial and services sectors underpinned by a 36.5 percent increase in government primary spending, much of which on salaries, goods and services, and public investment. This included a four-fold increase in support to vulnerable households. Industrial activity expanded by 4.4 percent boosted by construction, which benefited from an increase of externally-financed public investments. A palm oil mill began production in end-2019, contributing to industrial growth. The services sector grew 2.2 percent sustained by public administration. Consequently, poverty is expected to have remained stable.

The current account deficit widened from an estimated 12.5 percent of GDP in 2019 to 16.5 percent of GDP in 2020. The trade

FIGURE 1 São Tomé and Príncipe / Twin current account and primary fiscal deficits

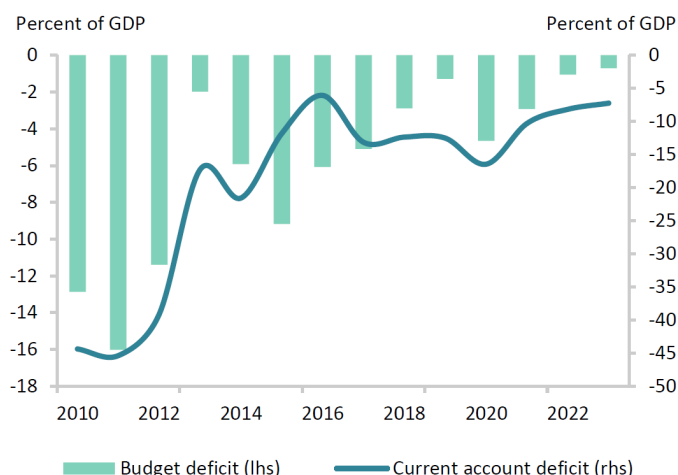
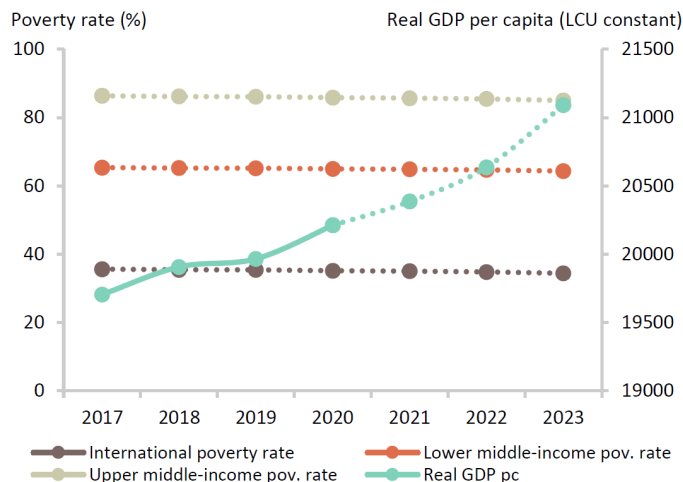


FIGURE 2 São Tomé and Príncipe / Actual and projected poverty rates and real GDP per capita



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

Source: World Bank. Notes: see Table 2.

deficit has improved from 26.5 to 21.7 percent of GDP, explained by increased goods exports (e.g. palm-oil), while imports declined mostly due to lower costs of oil products. Net international reserves increased to US\$37 million in end-2020 from US\$32 million at end-2019, bolstered by emergency lending.

Reflecting the public spending increase and supply constraints, inflation stood at 9.4 percent in 2020. Also, the tight monetary policy stance was relaxed to provide emergency liquidity support to the banking sector, which increased money supply (M2) by 9.4 percent YoY in November 2020.

The pandemic response has widened the budget deficit. Despite the higher domestic revenues, the additional public expenditures to address the pandemic contributed to an estimated primary deficit of 5.5 percent of GDP in 2020, which was financed mostly by grants. Public debt decreased to 90.7 percent of GDP, and STP remains in debt distress due to unsettled long-standing external arrears although debt is deemed sustainable under programmed policies.

Outlook

Growth is expected to moderate to 2.7 percent in 2021 as the public spending

impulse wanes. Agricultural activity is expected to expand due to higher palm oil and cocoa production, while increased public investment and implementation of externally financed projects are expected to support industrial activity. The services sector will benefit from fewer mobility restrictions, which will contribute to increased trade and tourism activity. However, this is conditional on the COVID-19 outbreak being controlled and progress in vaccination.

With a recovery of the tourism sector and gains in palm oil exports, the current account deficit (excluding grants) should decline to below 15.0 percent of GDP in 2021–22. The trade balance is projected to improve, despite higher oil prices. FDI, oil-related and other, is expected to increase as global oil prices recover and the government implements structural reforms to attract private investors.

Inflation is projected to moderate to 9.0 percent in 2021 as the lifting of the pandemic-related disruptions relieves inflationary pressures. Additionally, fiscal consolidation and tighter monetary policy are expected to reduce inflation in the medium-term, although the planned introduction of VAT in 2021 may create additional inflationary pressures. To mitigate the impact on poverty, coverage of the transfer program will increase to 15,000 households.

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

The reintroduction of travel restrictions, and slow progress in vaccination could delay the recovery of tourism in STP. In addition, a weak global recovery could undermine the agricultural sector due to lower exports, while delays in externally-financed projects can subdue industrial activity. Under such a downside scenario, real GDP could contract by around 4.8 percent.

TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.9	2.2	3.1	2.7	3.5	4.0
Real GDP growth, at constant factor prices	2.1	2.5	2.3	2.7	3.5	4.0
Agriculture	-3.3	1.0	-1.1	1.7	2.0	2.8
Industry	0.8	0.7	4.4	3.0	3.3	3.5
Services	3.1	3.2	2.2	2.7	3.7	4.2
Inflation (Consumer Price Index)	7.9	7.8	9.9	9.3	7.8	6.1
Current Account Balance (% of GDP)	-12.4	-12.5	-16.5	-10.3	-8.2	-7.3
Fiscal Balance (% of GDP)	-2.9	-1.3	-4.7	-2.9	-1.1	-0.7
Debt (% of GDP)	96.2	97.7	90.7	89.4	86.3	81.9
Primary Balance (% of GDP)	-2.5	-0.6	-4.3	-2.5	-0.7	-0.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	35.5	35.4	35.2	35.0	34.8	34.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	65.2	65.2	65.0	64.8	64.7	64.3
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	86.2	86.1	85.8	85.7	85.4	85.0

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

Notes: e = estimate, f = forecast.

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

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

SENEGAL

Key conditions and challenges

Table 1 2020

Population, million	16.7
GDP, current US\$ billion	24.2
GDP per capita, current US\$	1447.1
International poverty rate (\$19) ^a	38.5
Lower middle-income poverty rate (\$3.2) ^a	68.4
Upper middle-income poverty rate (\$5.5) ^a	88.4
Gini index ^a	40.3
School enrollment, primary (% gross) ^b	82.1
Life expectancy at birth, years ^b	67.7

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

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

(b) WDI for school enrollment (2019); life expectancy (2018).

Senegal experienced its first contraction since 1990 as COVID-19 induced global and local demand shocks hit the service sector. Growth fell from 4.4 percent in 2019 to -0.7 percent in 2020, resulting in the incidence of extreme poverty increasing from 35.9 to 36.6 percent along with a widening of the twin fiscal and current account deficits. Recovery is expected to be gradual, with downside risks stemming from a sustained pandemic, climatic hazards, terms of trade shocks, and delayed structural reforms.

Over the past decade, Senegal benefited from enhanced international competitiveness, a demographic transition and structural transformation. Average annual growth of 5 percent between 2011-2019 reduced the poverty rate by 5 percentage points (using the national poverty line). However, Senegal's track record falls short of top performing Sub-Saharan African countries, which reduced poverty rates between 1 and 3.4 ppts per year. Worryingly, inequality has stagnated over the same period, with a Gini coefficient stable at 0.35 and persistent spatial and socio-demographic disparities, including gender gaps.

The combination of a COVID-19 induced global recession, disruptions in supply chains and containment measures have taken a heavy toll on the economy. The pandemic also highlighted structural vulnerabilities hampering Senegal's potential for resilient and equitable growth. On the one hand, insufficient and unevenly distributed human capital and structural inequalities constrain labor supply. On the other hand, the private sector has been unable to generate enough productive jobs to keep up with high population growth, stifled by insufficient competition and inadequate financing. The crisis also aggravated emerging fiscal vulnerabilities, underlining the importance of transparent, effective fiscal and debt management as a

foundation of inclusive growth. Finally, Senegal is exposed to coastal erosion and climate shocks (floods, droughts, and associated health hazards), which could affect recovery in key sectors such as tourism and reduce agricultural productivity.

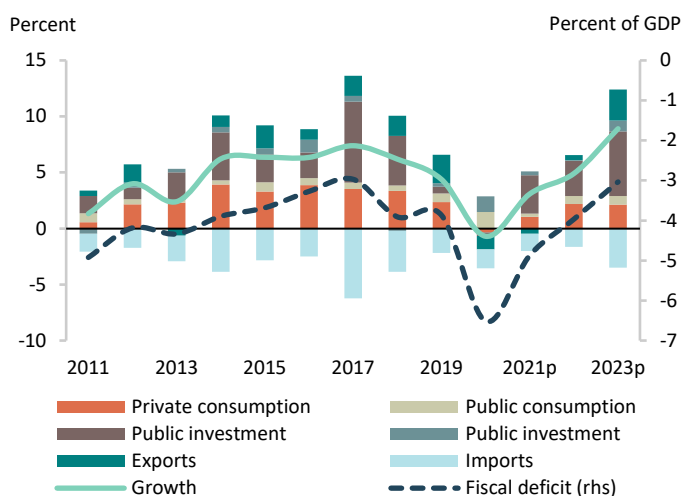
Recent developments

The COVID-19 outbreak halted years of strong economic performance. The economy is estimated to have contracted by 0.7 percent in 2020, from growth of 4.4 percent in 2019. This first recession since 1990 was driven by weak activity in real estate, the hospitality and tourism industry, and ICT. Despite a negative output gap, inflation increased from 1 percent in 2019 to 2 percent in 2020 due to higher transport and food prices stemming from confinement measures and supply chain disruptions.

The Current Account Deficit (CAD) widened from 7.8 percent of GDP in 2019, to 10.7 percent in 2020, as weak demand in key export markets affected export performance, particularly tourism services. The CAD was financed by strong hydrocarbon related FDI and increased development assistance.

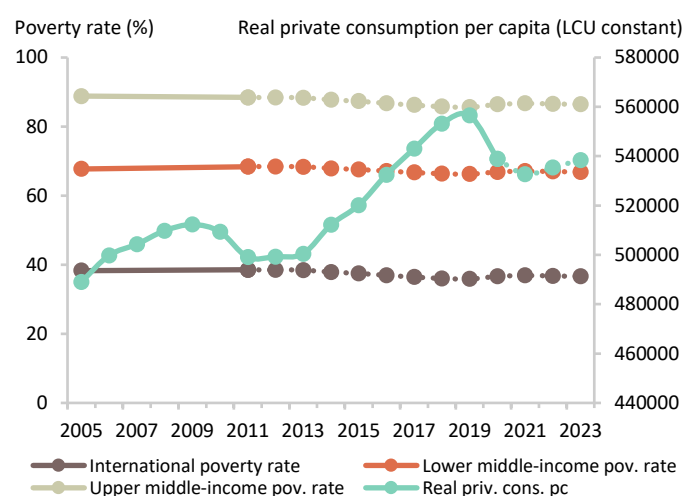
While public debt remains sustainable, the crisis aggravated pre-existing fiscal imbalances. After widening to 3.8 percent of GDP in 2019, the fiscal deficit deteriorated further to 6.5 percent of GDP in 2020. This reflects a combination of lower tax revenues resulting from the slowdown in economic activity and increased spending to mitigate the

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



Sources: Senegalese authorities and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

impact of the crisis. As a result, the debt to GDP ratio maintained its pre-crisis upward trend and increased from 64.5 percent of GDP in 2019, to 67.6 percent in 2020.

Senegal's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD. To support the regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to help governments and businesses.

As a result of COVID-19, and the related household income loss, the poverty rate (US\$ 1.9/day in 2011 PPP) increased from 35.9 percent in 2019, to 36.6 percent in 2020. This increase was more pronounced in urban areas where social distancing measures reduce economic activities in service sectors and informality is widespread.

Outlook

Assuming the pandemic gradually recedes (helped by the roll-out of vaccines in 2021Q2), real GDP growth should recover to 3.1 percent in 2021. This u-shaped recovery would be driven by a rebound in services as households and businesses adapt to operate in the pandemic. Growth is expected to accelerate in 2022-2023 to an average of 6.9 percent, building on stronger exports, a pick-up in private investment and the resumption of major extractive projects with first gas coming onstream by end 2023. Given the high population growth, the current projections indicate that per capita GDP will not return to its 2019 level before 2023. Prudent monetary policy and exchange rate stability should keep inflation around 2 percent.

The CAD is expected to remain elevated at about 10.5 percent of GDP in 2021-2022 fueled by high capital investment imports and worsened terms of trade (for oil and gold). It is then expected to sharply shrink to about 4.5 percent as hydrocarbon exports come on stream in 2023. Financing needs would be met by access to regional and international capital markets increased external (concessional) borrowing

and hydro-carbon related FDI. WAEMU reserves would reach about 5 months of imports by 2021 as member countries digest the COVID-19 crisis, helped by a normalization of fiscal spending and capital inflows.

Fiscal pressures will gradually ease as continued tax revenue mobilization efforts – supported by a medium-term revenue strategy– help to rebuild fiscal space. This will be coupled by the unwinding of COVID-19 spending to pre-crisis levels. As a result, the fiscal deficit will converge to the WAEMU criterion of 3 percent of GDP by 2023, putting the debt-to-GDP ratio on a downward trend starting 2022.

With the expected recovery over 2021-2023, the international extreme poverty rate will start declining slowly to reach 36.7 percent by 2023, however, staying above 2019 levels. At the same time, per capita GDP is set to return to pre-crisis levels by 2023, suggesting deeper scarring among the poor.

TABLE 2 Senegal / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.2	4.4	-0.7	3.1	4.9	8.9
Private Consumption	4.7	3.4	-0.5	1.5	3.2	3.2
Government Consumption	3.5	5.5	10.7	1.9	4.8	5.0
Gross Fixed Capital Investment	13.7	8.4	3.6	11.4	8.7	17.8
Exports, Goods and Services	8.2	11.2	-5.0	-2.0	2.0	13.1
Imports, Goods and Services	9.0	5.3	4.0	3.5	3.7	8.0
Real GDP growth, at constant factor prices	6.1	4.3	-0.7	3.1	4.9	8.9
Agriculture	8.1	4.5	6.3	3.2	2.6	2.0
Industry	6.5	3.7	2.9	3.8	5.2	20.5
Services	5.4	4.6	-4.2	2.8	5.5	5.4
Inflation (Consumer Price Index)	0.5	1.0	2.0	1.7	2.0	2.0
Current Account Balance (% of GDP)	-9.1	-7.8	-10.7	-10.3	-10.1	-6.6
Fiscal Balance (% of GDP)	-3.9	-3.9	-6.5	-4.9	-4.0	-3.0
Debt (% of GDP)	62.4	64.5	67.6	68.9	68.2	67.4
Primary Balance (% of GDP)	-1.9	-1.9	-4.3	-2.9	-1.9	-0.9
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	36.1	35.9	36.6	36.9	36.8	36.7
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	66.4	66.3	66.9	67.1	67.0	66.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	85.8	85.6	86.4	86.7	86.6	86.4

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

Notes: e = estimate. f = forecast.

(a) Calculations based on 2005-ESPS-I and 2011-ESPS-II. Actual data: 2011 Nowcast: 2012-2020. Forecast are from 2021 to 2023.

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

SEYCHELLES

Key conditions and challenges

Table 1 **2020**

Population, million	0.1
GDP, current US\$ billion	1.2
GDP per capita, current US\$	12313.9
International poverty rate (\$ 19) ^a	0.5
Lower middle-income poverty rate (\$3.2) ^a	1.1
Upper middle-income poverty rate (\$5.5) ^a	5.2
Gini index ^a	32.1
School enrollment, primary (% gross) ^b	100.4
Life expectancy at birth, years ^b	72.8

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

Notes:

(a) Most recent value (2018), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Real GDP declined by 13.3 percent in 2020 and is projected to increase to 1.8 percent in 2021 as the tourism industry recovers in the second half of the year. In the medium-term, economic growth is expected to rebound, but the fiscal burden attached to the government's response package is expected to linger and substantially delay the country's ability to reach its debt target. Poverty increased in 2020 due to the impact of COVID-19.

A lack of economic diversification and the high dependence on the tourism and fishing sectors as well as imports, exposes Seychelles to external shocks. These shocks are transmitted through disruptions in international travel and tourism demand; fluctuations in fishing stocks and instabilities in the price of essential commodities such as food and fuel prices. Seychelles is also exposed to fiscal risks emanating from the share of short-term domestic debt in total government debt and fiscal risks from State-owned enterprises (SOEs), particularly Air Seychelles, whose financial difficulties has been exacerbated by the decline in the global travel industry.

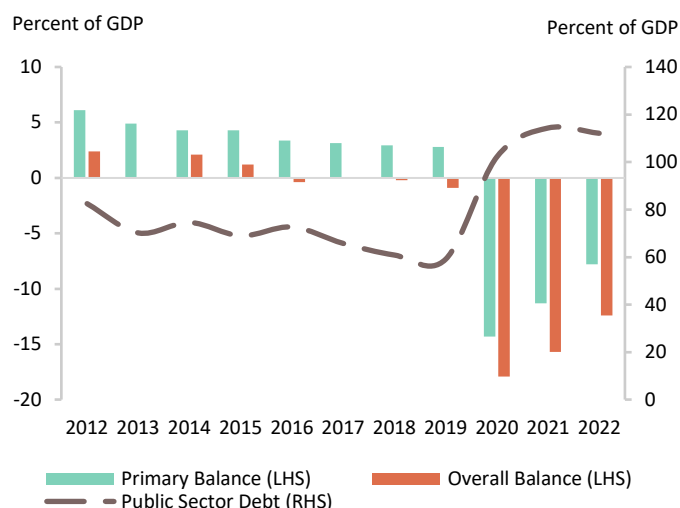
As the pandemic continues to unfold, the Seychelle's economy will continue to feel the effects of the decline in the global travel industry. Also, unemployment may increase as the government winds down the financial assistance for job retention program to the private sector. While the country's attempts to increase the benefits of various social protection programs in the last few years have partly contributed to a decline in poverty between 2013-18, the impact of COVID-19 have tempered the gains made. Majority of low-income workers are employed in accommodation and food service activities, health services, and business support activities. As a result, they have been significantly impacted by COVID-19.

Recent developments

Seychelles economy is still grappling with the negative effects of COVID-19 since its onset in early 2020. The spread of the virus led to a 60 percent decline in the tourism industry and a decline of 13.4 percent in economic activity. In addition to the contraction in economic activity, the year was characterised by financial difficulties in the private sector and frictions in the labour market. Given the significant decline in the performance of the tourism industry, the fisheries and manufacturing sectors are currently the leading drivers of the economy. However, income generated from these two sectors was insufficient to offset the loss in income from the tourism industry.

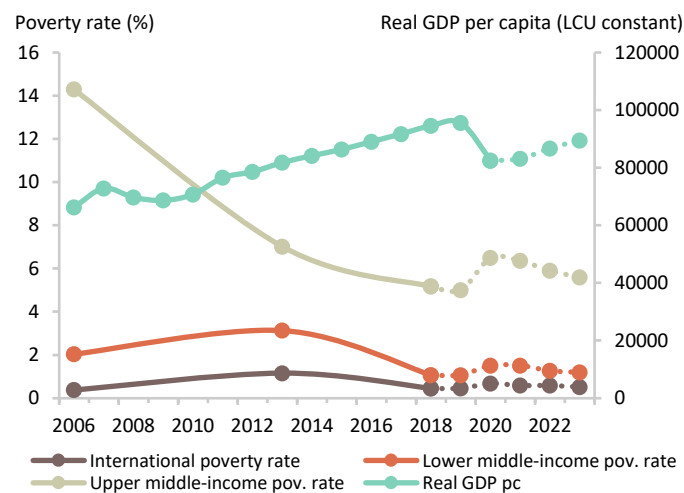
The Government of Seychelles responded to COVID-19 with measures to mitigate the economic fallout on businesses and households. As a result, expenditures increased drastically to 52 percent of GDP in 2020 from 37.7 percent of GDP in 2019. At the same time, revenue declined to 34 percent of GDP from 37.6 percent of GDP in 2019 due to lower aggregate demand as tourism activities declined. Consequently, the fiscal deficit increased to 17.8 percent of GDP in 2020 from 1 percent in 2019. The financing gap that arose was financed with increased borrowing from both the domestic and external markets. This resulted in an increase in the debt to GDP ratio to 102.3 percent of GDP from 58.7 percent in 2019. The shock to GDP and the depreciation in the

FIGURE 1 Seychelles / Fiscal balance and public sector debt



Sources: WDI and staff estimates.

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



Source: World Bank. Notes: see Table 2.

exchange rate also contributed to increasing debt levels.

Vulnerable households linked to economic sectors affected by COVID-19 face a substantially elevated risk of falling into poverty, at least in the short-run. While the full impact of COVID-19 on poverty in 2020 is not yet known, poverty is projected to rise to 6.5 percent in 2020. The unemployment rate jumped to 4 percent in the third quarter of 2020, from 2.3 percent in the last quarter of 2019. This was primarily driven by a decline of 1.7 percent in employment in tourism related industries due to the drastic drop in visitor arrivals. However, the unemployment rate peaked at 4.8 percent in the fourth quarter of 2020 and started to decline since then due to the mitigating impact of the financial assistance for job retention program implemented by the government of Seychelles.

Outlook

Economic growth is projected to recover to 1.8 percent in 2021 contingent on the recovery of the tourism sector which is heavily reliant on external developments such as the revival of the global economy and the rate of vaccination, particularly in key tourism markets. The performance of

the economy in 2021 is also dependent on the government reaching its target of vaccinating 70 percent of the population. In the medium-term, economic growth is expected to recover as global travel resumes. Inflationary pressures are anticipated to be higher in the short to medium term on account of the depreciation of the domestic currency, a trend that is expected to persist if foreign exchange demand continues to exceed supply.

The fiscal deficit is expected to contract over the medium-term, as the increase in spending associated with COVID-19 subsidies. Revenue collection will increase in the medium-term driven by a resumption of economic activities although generous loss-carry forward provisions and gradual recovery in tourism will likely continue to suppress VAT and business tax collection below pre-crisis levels for several years to come. Meanwhile, expenditure is projected to remain higher than pre-crisis levels in 2021 as the spending associated with COVID-19 continues until the end of the first half of the year. The debt to GDP ratio will remain above the debt target <50 percent of GDP in the medium-term (that was to be reached by 2021), by several years. The fiscal position faces risks from interlinked domestic factors such as fiscal and debt sustainability.

Poverty is projected to slowly continue to decline to 5.9 percent by 2022 (\$5.5 a day per capita line), following an increase to 6.5 percent in 2020 due to COVID-19. Nevertheless, this depends on the ability of the tourism and services sectors to bounce back over the next few years. Finally, the high level of social spending undertaken by the GoS is expected to become unsustainable in the wake of a rapidly aging population and in the context of COVID-19 which has led to an increase in fiscal pressures. Thus, a cut in social spending is likely to lead to an increase in both poverty and inequality in the post-COVID stage.

TABLE 2 Seychelles / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.1	2.0	-13.3	1.8	4.3	4.2
Private Consumption	3.3	4.8	-10.8	6.7	5.8	5.3
Government Consumption	8.8	-0.2	4.3	4.1	2.3	-1.5
Gross Fixed Capital Investment	3.8	-2.7	-37.7	22.1	3.1	8.3
Exports, Goods and Services	2.9	2.0	-39.6	30.9	7.5	7.4
Imports, Goods and Services	4.0	0.9	-38.2	38.2	6.5	6.5
Real GDP growth, at constant factor prices	4.1	1.8	-13.4	1.8	4.3	4.2
Agriculture	0.9	1.1	-0.2	1.0	1.1	1.1
Industry	2.4	2.1	0.7	2.0	2.4	2.0
Services	4.4	1.7	-15.4	1.8	4.7	4.6
Inflation (Consumer Price Index)	3.7	2.0	1.2	3.7	2.5	3.0
Current Account Balance (% of GDP)	-19.6	-18.8	-29.7	-36.9	-34.9	-29.2
Net Foreign Direct Investment (% of GDP)	17.2	17.7	10.1	16.3	18.7	22.6
Fiscal Balance (% of GDP)	-0.2	1.0	-17.8	-15.7	-12.4	-9.0
Debt (% of GDP)	59.7	58.7	102.3	114.3	112.1	106.4
Primary Balance (% of GDP)	2.9	3.6	-14.3	-11.3	-7.8	-4.6
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	0.5	0.5	0.7	0.6	0.6	0.5
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	1.1	1.1	1.5	1.5	1.3	1.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	5.2	5.0	6.5	6.4	5.9	5.6

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

Notes: e = estimate, f = forecast.

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

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

SIERRA LEONE

Key conditions and challenges

Table 1 **2020**

Population, million	8.0
GDP, current US\$ billion	3.8
GDP per capita, current US\$	471.8
International poverty rate (\$19) ^a	43.0
Lower middle-income poverty rate (\$3.2) ^a	76.0
Upper middle-income poverty rate (\$5.5) ^a	92.7
Gini index ^a	35.7
School enrollment, primary (% gross) ^b	143.7
Life expectancy at birth, years ^b	54.3

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

(a) Most recent value (2018), 2011 PPPs.

(b) Most recent WDI value (2018).

Sierra Leone's economy contracted by 2.2 percent in 2020, reversing recent poverty reduction gains. Despite monetary accommodation, inflationary pressures eased as nonfood prices fell. The current account deficit narrowed with increased official transfers to support government's response to the COVID-19 pandemic. But the fiscal deficit widened on revenue shortfalls and health-related spending pressures. Spurred by investments in mining and agriculture, the economy is expected to recover over the medium-term with growth averaging 3.6 percent supporting a gradual decline in poverty.

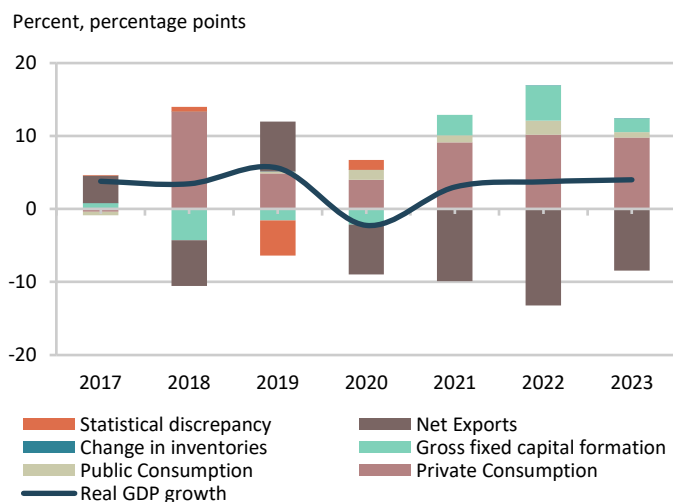
Sierra Leone's long-term growth performance has oscillated due to its vulnerability to both domestic and external shocks. Growth averaged 4.4 percent over the past decade, despite sharp economic contractions in 2015 and 2020 following the 2014 Ebola and COVID-19 pandemics, respectively. The country's reliance on commodity exports has caused economic growth to be highly volatile. The collapse of commodity prices in 2014/15 due to weak global demand resulted in closure of the two largest iron ore mines and a 74.6 percent reduction in mineral exports. Income per capita grew by just 2.8 percent per annum during the last ten years, reflecting low investments in physical and human capital and faster population growth (at 2.2 percent per annum), indicating that the economy is not growing fast enough to significantly reduce poverty. At the current rate it would take a generation to double income to substantially reduce the rate of poverty. Low human and physical capital accumulation due to low national savings and limited access to long-term capital have resulted in negative total factor productivity (TFP) growth. Over the past decade, Sierra Leone made significant progress in reducing extreme poverty (living on less than \$1.9-a-day in 2011 PPP) from over 60 percent in 2009 to 40.5 percent in 2019. However, the global pandemic reversed these gains and in 2020,

poverty increased sharply to 43.4 percent. Economic growth and incomes fell in 2020 following disruptions in supply chains, travel restrictions and border closures, and lower demand in advanced economies and emerging markets. In the first three months of the pandemic, the vast majority of households saw decreases in self-employment, wage, and non-labor income. Between July and November 2020, self-employment and wages saw a rebound, while non-labor income continued to decline. The government developed a Quick Action Economic Response Program (QAERP), which combined monetary and fiscal stimulus measures to maintain macroeconomic stability and help mitigate the COVID-19 impact on businesses and households.

Recent developments

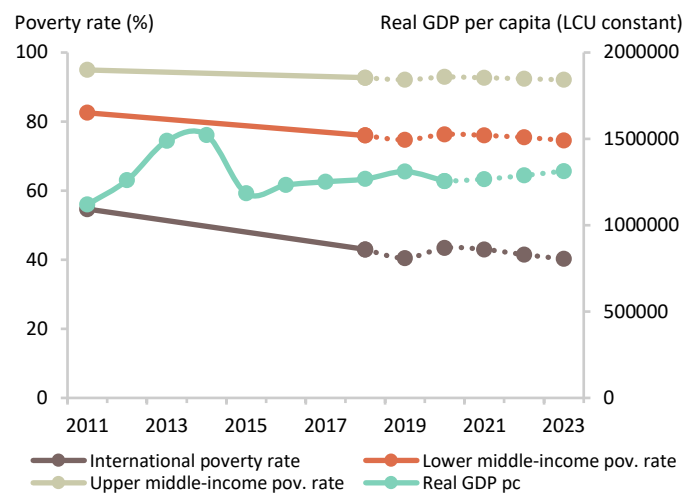
Sierra Leone's economy contracted by 2.2 percent in 2020 – 0.9 percentage point less than the World Bank's October 2020 forecast, reflecting easing of COVID-related restrictions in the second half of the year and the implementation of the QAERP. The contraction was driven mainly by a 10.0 percent decline in services, especially trade, travel and tourism. The pandemic related restrictions and supply chain disruptions also slowed activities in agriculture. Industry also declined by 1.8 percent largely reflecting the deceleration of mining activities due to the pandemic. On the demand side, lower gross fixed investments and net-exports out-weighed the

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



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

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



Source: World Bank. Notes: see table 2.

increase in public consumption attributable to government's COVID-19 response. Average inflation fell to 13.5 percent in 2020 from 14.8 percent in 2019, as nonfood prices declined, reflecting lower demand during the pandemic. Food inflation increased to 13.8 percent from 8.8 percent in 2019, indicative of the prolonged impact of COVID-19 on domestic food supply. The Bank of Sierra Leone (BSL) lowered its policy rate by 100 basis points to 14.0 percent in December 2020 to support aggregate demand. This followed the 150 basis points cut in March 2020 and the roll out of a US\$50 million Special Credit Facility to ease supply chain problems. Interest rate fell as monetary conditions eased with the interbank rate falling below the policy rate for the first time since December 2018. Money supply (M3) grew by 35.8 percent (yoy), reflecting a sharp increase in net foreign asset (NFA) as gross external reserves rose sharply with increased budgetary and balance of payment support from development partners. The current account deficit narrowed to 14.9 percent of GDP in 2020 from 22.3 percent in 2019, driven mainly by increased official transfers, as the trade deficit widened on account of lower exports. The Leone depreciated by 5.9 percent against the US dollar compared to the 15.2 percent depreciation in 2019, reflecting the central bank's intervention to provide

forex for the importation of essential commodities (food and fuel). However, forex restrictions imposed by the BSL early in 2020 helped push transactions to the parallel market, widening the premium between the official and parallel exchange rates. On the fiscal front, the budget deficit increased to 5.5 percent of GDP in 2020 from 3.1 percent in 2019, reflecting shortfalls in tax and nontax revenues as the economy contracted and increased spending on health to respond to the crisis and support households and businesses under the QAERP. Public debt increased to 72.0 percent of GDP from 70.0 percent in 2019 reflecting borrowings to finance the larger fiscal deficit. A recent joint World Bank and IMF Debt Sustainability Analysis assessed the risks of external and overall debt distress to be "high" while public debt was deemed sustainable over the medium-term.

Outlook

Sierra Leone's economy is expected to recover over the medium-term with an anticipated uptick in domestic and external demand as the COVID-19 pandemic recedes. Economic growth is projected to reach 4.0 percent by 2023, driven mainly by investments in mining (gold and iron

ore) and agriculture. The outlook assumes the resumption of iron ore production in 2021 along with large-scale investments in agriculture following government's policy to promote private sector participation. The COVID-19 pandemic will continue to affect Sierra Leone's growth outlook. New COVID-19 strains have caused a resurgence of the pandemic, which could hinder recovery of external demand and prolong the disruptions in supply chains, increasing domestic food prices. An outbreak of the Ebola Virus Disease (EVD) in Guinea in February, 2021 poses additional risks to the economic outlook. Inflation is expected to decline gradually to single digits by 2023, supported by increased domestic food production. The current account deficit is expected to remain large, declining slightly to 13.0 percent of GDP by 2023, as higher mineral exports are offset by increased demand for imports of capital goods and fuel. Restoring fiscal consolidation in 2021 could prove challenging with depressed revenues, but the fiscal deficit is expected to decline gradually to 2.4 percent of GDP by 2023 as COVID-19 related spending is reduced and revenue mobilization improves as the economic recovery gains momentum. Against this improved backdrop, the poverty rate is expected to gradually decline over the medium term.

TABLE 2 Sierra Leone / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.4	5.6	-2.2	3.0	3.7	4.0
Private Consumption	13.5	4.5	4.1	8.0	8.5	7.8
Government Consumption	-1.3	2.7	14.9	9.5	18.3	6.2
Gross Fixed Capital Investment	-22.0	-10.9	-8.5	24.9	34.8	10.8
Exports, Goods and Services	-34.9	64.6	-21.8	19.8	12.1	23.2
Imports, Goods and Services	-11.5	16.5	-3.0	24.6	22.2	19.0
Real GDP growth, at constant factor prices	3.3	5.4	-2.2	3.0	3.7	4.0
Agriculture	3.9	5.6	3.2	3.2	3.4	3.6
Industry	-2.5	10.9	-1.8	4.1	4.5	4.7
Services	4.1	3.8	-10.0	2.4	4.0	4.5
Inflation (Consumer Price Index)	16.0	14.8	13.5	11.8	10.2	9.6
Current Account Balance (% of GDP)	-18.5	-22.3	-14.9	-14.2	-13.6	-13.0
Fiscal Balance (% of GDP)	-5.6	-3.1	-5.5	-4.3	-2.8	-2.4
Debt (% of GDP)	69.0	70.0	72.0	71.6	70.6	69.0
Primary Balance (% of GDP)	-4.7	1.1	-1.5	0.3	1.4	1.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	43.0	40.5	43.4	43.0	41.5	40.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	76.0	74.7	76.3	76.0	75.4	74.6
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	92.7	92.1	92.9	92.7	92.4	92.1

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

Notes: e = estimate, f = forecast.

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

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

SOMALIA

Key conditions and challenges

Table 1 2020

Population, million ^a	15.0
GDP, current US\$ billion	4.9
GDP per capita, current US\$	327
International poverty rate (\$ 19) ^b	69
Gini coefficient ^b	37.0
School enrollment, primary (% gross) ^c	33.0
Life expectancy at birth, years ^d	57.1

Sources: World Development Indicators (WDI), IMF, UNFPA
Notes:

(a) Estimates based on 2013 population estimates by UNFPA and assumes an average annual population growth of 2.9%

(b) Most recent value (2017).

(c) Somali Poverty and Vulnerability Assessment Report (World Bank, 2019).

(d) Life expectancy for 2018 from WDI.

The Somali economy was affected by a triple crisis of COVID-19, locust's infestation and floods, which caused an economic contraction to the tune of 1.5 percent in 2020, pushing more people into poverty. The economy in 2021 is showing signs of a tenuous recovery, with growth projected at around 2.9 percent, supported by the continuous flow of remittances and official development assistance. However, the prolonged preparation of elections may have implications for external grant financing and broader stability.

Somalia is continuing to rebuild economic governance institutions amidst challenging circumstances. Continuous reform implementation enabled Somalia to reach the Decision Point of the Heavily Indebted Poor Countries (HIPC) Initiative in March 2020, facilitating full reengagement with the international community. The federal structure created under the 2012 Provisional Constitution remains incomplete, with discussions on resource and power sharing ongoing. As Somalia prepares for elections, the strength of institutions and intergovernmental cooperation is being tested in a context of rising security tensions.

Not with standing progress, economic growth has been persistently low. Between 2012 and 2019, Somalia only reached average growth levels of around 2 percent, insufficient to keep up with population growth. A projected growth rate of 3.2 percent in 2020 was interrupted by a combination of floods, locust's infestation and COVID-19—a 'triple crisis' that caused the economy to contract by an estimated 1.5 percent. The economic downturn has placed further pressure on joblessness and poverty, in a country where healthcare and education systems are weak. In 2020, 21 percent of Somalis had to stop their work activity following the outbreak of COVID-19 and 78 percent of households reported some reduction in

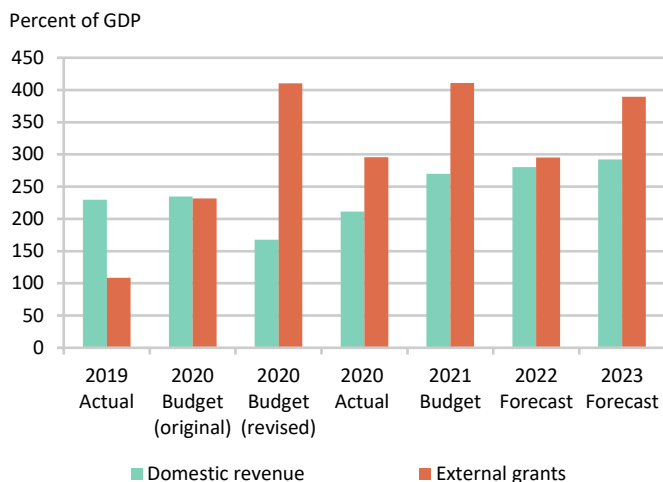
their income from wages. The slower pace of growth in 2019 and contraction in 2020 has pushed more people in to poverty. The international poverty estimate (measured using the \$1.90/person/day poverty line) was 71 percent in 2020, 2 percentage points higher the latest actual data in 2017.

The latest shocks in an election context expose Somalia's dependence on volatile external financial flows to support the recovery from fragility. With limited exports and only nascent investment plans, Somalia's economy is driven by consumption financed largely by remittances and official grants—which together average more than 75 percent of GDP (Table 2). Limited revenue mobilization constrains the government from financing more than basic security and administration from its own resources. This leaves Somalia dependent on external grants for responding to shocks as well as long-term investments in human capital and public infrastructure.

Recent developments

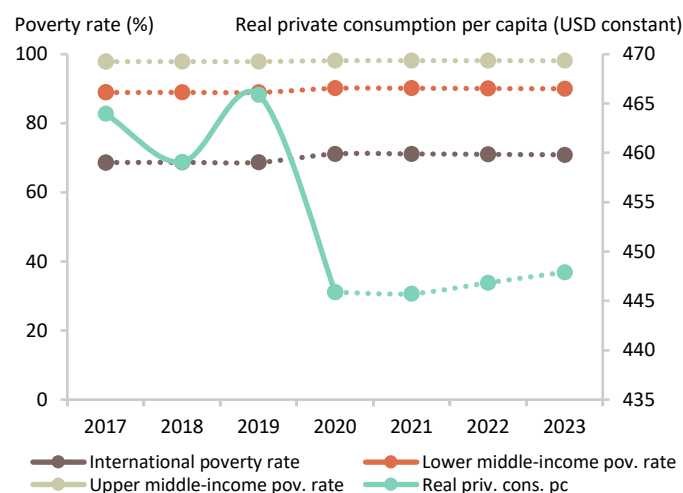
The Somali economy is tenuously rebounding from the crisis, supported by the easing of mobility restrictions in August 2020 and rising credit to the private sector. While official remittance inflows have risen y-o-y by an estimated 18 percent in 2020 largely due to improvements in the recording of official flows, it is likely that informal remittances have declined. With limited domestic production

FIGURE 1 Somalia / Domestic revenue performance



Sources: FGS (2021) and World Bank & IMF (2020).

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



Source: World Bank. Notes: see Table 2.

capabilities, overall import values were estimated to have risen 3.8 percent y-o-y in 2020, although food imports fell by 25 percent, signaling lower household consumption. With the added effects of the floods and locust infestation, approximately 2.7 million people are experiencing rising food insecurity.

While import spending has risen, Somalia's export receipts have declined, as demand fell for Somalia's major export commodity—livestock. The trade balance is estimated to have reached 91 percent of GDP in 2020, which is financed by remittances and grants. However, it may be possible that a reversal of a Saudi import ban of Somali livestock could provide a boost to livestock exports. These data remain subject to change in a context of continuous efforts to improve the quality and reliability of statistics.

The government responded to the crisis through approving a budget which estimated lower tax revenues (partly reflecting tax exemptions introduced on basic staples) and higher grants. Domestic revenue mobilization surpassed expectations, reaching around 90 percent of original 2020 budget targets, as trade-related taxes were boosted by imports. External grants increased to support the crisis, coming close to 60 percent of total revenue, compared to 32 percent in 2019. Higher grants

have supported the roll-out of pro-poor programs, including the “Baxnaano” cash transfer scheme and the “Gargara” lending facility to small and medium enterprises. However, the central bank has limited monetary policy instruments to respond to shocks, as widespread dollarization supports price stability.

Outlook

A moderate economic recovery is projected over the medium term with growth anticipated to reach 3.2 percent in 2022 and 3.4 percent in 2023. This outlook is based on the continuous flows of remittances and official development assistance. Planned investments in sectors such as energy, ports, and the financial sector are expected to gradually shift the drivers of growth from consumption to investment, to harness Somalia's potential in sectors such as fisheries, agriculture and renewable power generation, which can help to diversify the export base. The outlook assumes that a vaccine will be rolled-out in mid-2021.

With a modest recovery, per capita private consumption is projected to stagnate in 2021. The international poverty rate is projected to remain at 71 percent; a trend

expected to continue in 2022 and 2023. Accelerating the pace of poverty reduction will require policy interventions to raise productivity, create jobs, and expand pro-poor programs.

However, there are risks to the growth outlook, which are largely related to political developments. If agreements on electoral modalities are further protracted there may be waning support from the international community to provide official development assistance at comparable levels, especially in the absence of improvements to the security situation. If the COVID-19 crisis further affects diaspora communities, remittance flows could start to decline, while further delays to the rollout of the vaccine may undermine planned investment activities. In this downside scenario, the economy could be in a low growth scenario of around 0.5 to 1 percent. However, if election-related challenges are overcome, there is an upside scenario of greater stability, which could increase trade and cooperation in the region.

TABLE 2 Somalia / Macro poverty outlook indicators

(percent of GDP unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.8	2.9	-1.5	2.9	3.2	3.4
CPI Inflation, annual percentage change	3.2	3.1	3.0	2.5	2.2	2.2
Current account balance	-7.5	-10.5	-12.8	-12.9	-12.9	-13.2
Trade balance	-84.8	-83.0	-91.4	-86.8	-88.2	-85.0
Private remittances	31.4	31.9	31.4	31.0	31.4	30.8
Official grants	46.6	41.3	47.9	43.7	44.6	41.6
Fiscal balance^a	0.1	0.5	0.2	0.3	-0.2	-0.2
Domestic revenue	3.9	4.6	4.3	5.0	5.0	4.9
External grants	1.8	2.2	6.0	7.7	5.2	6.5
Total expenditure	5.7	6.3	10.1	12.4	10.3	11.6
Compensation of employees	3.0	3.3	4.6	4.7	4.0	3.8
External debt	112.8	108.8	40.7	38.0	36.7	30.5
International poverty rate (\$1.9 in 2011 PPP)^{b,c}	69.2	68.4	70.8	70.9	70.7	70.6
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{b,c}	89.2	88.8	90.0	90.0	90.0	89.9
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{b,c}	97.9	97.8	98.1	98.1	98.1	98.1

Source: World Bank and IMF (2020) and FGS (2021).

Notes: e = estimate. f = forecast. (a) Federal Government of Somalia (FGS).

(b) Calculations based on 2017 SHFS-wave 2. Actual data: 2017. Nowcast: 2018-20. Forecast are from 2021-23.

(c) Projection using neutral distribution (2017) with pass-through = 1 based on private consumption per capita in constant US\$.

SOUTH AFRICA

Key conditions and challenges

Table 1 **2020**

Population, million	59.3
GDP, current US\$ billion	301.9
GDP per capita, current US\$	5090.7
International poverty rate (\$19) ^a	18.7
Lower middle-income poverty rate (\$3.2) ^a	37.3
Upper middle-income poverty rate (\$5.5) ^a	56.9
Gini index ^a	63.0
School enrollment, primary (% gross) ^b	98.5
Life expectancy at birth, years ^b	63.9

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

(a) Most recent value (2014), 2011 PPPs.

(b) Most recent WDI value (2018).

South Africa has started to recover but momentum remains fragile as uncertainty about the pace of vaccination and vaccine effectiveness to the local COVID-19 variant persist. Pre-existing structural constraints also weigh on the recovery. GDP contracted by 7 percent in 2020 and is projected to rebound by 3.0 percent this year. Public finances deteriorated significantly, and fiscal consolidation will be critical to preserve macroeconomic stability. An additional 1.9 million people fell into poverty in 2020 and poverty risks increasing further.

South Africa's economy has started to recover from the crisis, but growth will remain hampered by pre-existing structural constraints. GDP growth averaged 0.8 percent annually over 2015-19. Business confidence has been low for several years, driven by a deteriorating fiscal outlook and a weakening business environment, and recurrent electricity shortages. This and high uncertainty around the evolution of the pandemic are likely to result in persistently weak private investment. Long-term damage from the pandemic could also limit South Africa's growth potential as the future of sectors like tourism remains highly uncertain. Inequalities in terms of access to quality education and health services, jobs and decent living conditions have been further exposed by the pandemic.

The COVID-19 crisis has put additional pressure on public finances which have been on a deteriorating trajectory for several years and has made restoring fiscal sustainability more urgent. Revenue collection – which is relatively high as a share of GDP – has suffered from weak economic growth. At the same time, government's expenditures have increased, leading to growing deficits and debt. Interest payments have been the fastest growing budget expenditure. Political consensus on expenditure consolidation has proved difficult to achieve, especially

on public sector compensation and transfers to SOEs.

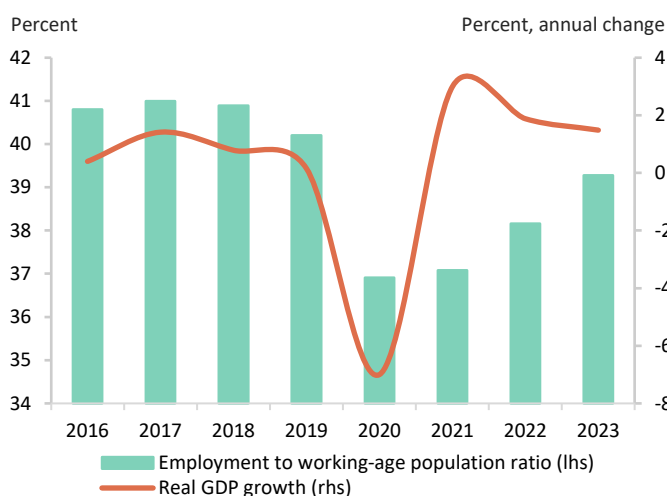
South Africa witnessed a second wave of infections over December-January 2020/21. Daily cases were brought under control rapidly allowing the government to ease restrictions to their lowest level since the start of the pandemic end-February. However, the death toll of the second wave was significant: more than half of total COVID-19-related deaths have happened since early-December.

There is uncertainty around the outlook. Repeated infection waves and longer than expected vaccination timelines globally and domestically will weigh negatively on the global and domestic recovery. The strength and sustainability of the recovery will depend on these evolutions as well as domestic policies and their implementation.

Recent developments

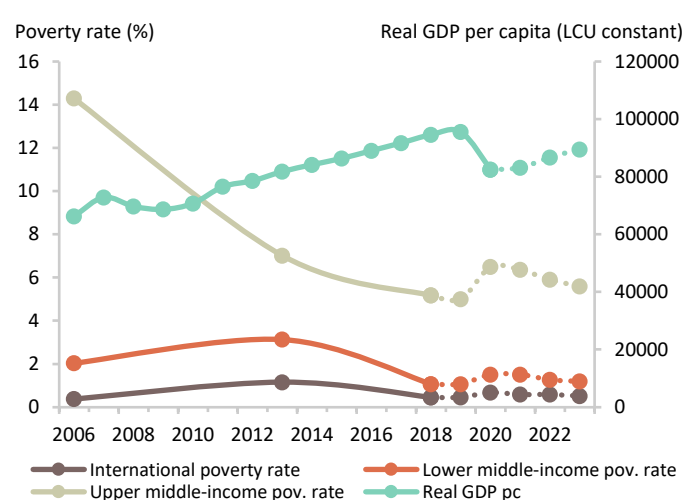
The economy contracted by 7 percent in 2020. All sectors contracted except agriculture and government services. Manufacturing, trade and hospitality, and transportation services sectors had the largest negative contributions to growth (-1.4, -1.3 and -1.3 percent respectively). PMI releases early-2021 have stayed above but close to 50, signaling that the recovery continues but is moderate. Although fiscal outcomes are set to outperform mid-year forecasts on the back of higher revenue, the fiscal situation remains very weak. The deficit is expected to reach 14 percent

FIGURE 1 South Africa / Real GDP growth and employment to working-age population ratio



Sources: Stats SA and World Bank staff.

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



Source: World Bank. Notes: see table 2.

of GDP and public debt 80.5 percent of GDP at the end of 2020/21.

Inflation slowed to 3.3 percent last year allowing the Reserve Bank to adopt an accommodative monetary policy stance, lowering the key repo rate to a historical low of 3.5 percent last July. Amid unprecedented global liquidity and decreasing risk aversion, the rand has been resilient and government bond yields have been hovering close to pre-pandemic levels. However, after having recorded portfolio outflows throughout 2020, South African financial markets have remained volatile and affected by shifts in risk sentiment at the global level. In a context of depressed domestic demand and favorable export prices (gold, platinum), the current account registered a surplus – the first since 2002 – at 2.2 percent of GDP.

The economic and social impacts of the pandemic are high. The unemployment rate reached 32.5 percent in 2020. Real GDP per capita is back to its 2005 level and 60.2 percent of the population is estimated to live in poverty, with less than \$5.5 daily (2011 PPP). The number of poor in the past year increased by 1.9 million people. In response to the severe social impact of the crisis and the persistence of the global pandemic, the government extended the Special COVID-19

grant and the Temporary Employer-Employee Relief Scheme benefit until April.

Outlook

The persistence of the pandemic at the global and domestic levels will continue to constrain economic recovery during the first half of 2021. In addition, as economic activity restarts, pre-existing structural constraints, such as electricity shortages, are becoming binding again. GDP growth is expected to rebound to 3.0 percent in 2021 driven by the easing of restrictions on economic activity and favorable base effects. This moderate recovery will be insufficient to counter the social impact of the crisis as job creation is likely to remain muted.

South Africa does not have a lot of room for maneuver to provide additional stimulus to the economy. While monetary policy is likely to remain accommodative as long as inflationary pressures are contained, the overall policy mix will be constrained by the deteriorated fiscal position. The government will continue to face spending pressures related to the persistence of the pandemic, the public service compensation triennial agreement negotiation and financially weak SOEs. With some

containment of these pressures, the deficit is expected to reach 9.6 percent of GDP in 2021/22 and public debt is projected to increase to 83.4 percent of GDP. Interest payments are estimated to rise to 5.4 percent of GDP this year.

Accumulated cash balances and favorable global liquidity conditions, if they persist, will reduce the pressure on the government's high financing requirement. However, sound implementation of planned reforms – in particular much-needed reforms to boost growth – will be key to maintain investors' confidence in the government's ability to restore debt sustainability. In addition, given the social toll of the pandemic, preserving social spending and improving its effectiveness in the context of a constrained budget envelope will be necessary to mitigate the risk of additional increases in poverty and inequalities.

TABLE 2 South Africa / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	0.8	0.2	-7.0	3.0	1.9	1.5
Private Consumption	1.8	1.0	-5.4	2.5	3.5	3.0
Government Consumption	1.9	1.5	0.5	-0.5	-2.2	-1.8
Gross Fixed Capital Investment	-1.4	-0.9	-17.5	5.5	5.0	4.1
Exports, Goods and Services	2.6	-2.5	-10.3	5.0	1.0	1.0
Imports, Goods and Services	3.3	-0.5	-16.6	13.2	3.5	3.5
Real GDP growth, at constant factor prices	0.7	0.2	-6.8	3.0	1.9	1.5
Agriculture	-4.8	-6.9	13.1	3.3	3.0	3.0
Industry	-0.1	-1.5	-12.0	3.0	1.5	1.0
Services	1.3	1.2	-5.4	2.9	2.0	1.6
Inflation (Consumer Price Index)	4.5	4.1	3.3	4.0	4.5	4.5
Current Account Balance (% of GDP)	-3.5	-3.0	2.2	-1.0	-2.0	-2.5
Net Foreign Direct Investment (% of GDP)	0.4	0.4	0.2	0.2	0.3	0.4
Fiscal Balance (% of GDP)	-4.0	-6.4	-14.0	-9.6	-7.8	-6.8
Debt (% of GDP)	56.7	63.5	80.5	83.4	87.3	90.2
Primary Balance (% of GDP)	-0.1	-2.4	-9.3	-4.2	-2.2	-1.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	19.3	19.7	21.9	21.4	21.3	21.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	38.1	38.5	41.3	40.7	40.5	40.4
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	57.6	57.8	60.2	59.8	59.6	59.4

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

Notes: e = estimate, f = forecast.

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

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

SOUTH SUDAN

Key conditions and challenges

Table 1 2020

Population, million	11.2
GDP, current US\$ billion	5.1
GDP per capita, current US\$	459.8
International poverty rate (\$ 19) ^a	76.4
Lower middle-income poverty rate (\$3.2) ^a	91.6
Upper middle-income poverty rate (\$5.5) ^a	97.8
Gini index ^a	44.2
School enrollment, primary (% gross) ^b	73.0
Life expectancy at birth, years ^b	57.6

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

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for school enrollment (2015); life expectancy (2018).

South Sudan's economy is set to contract by 3.4 percent in FY2020/21 as concurrent shocks including COVID-19, floods, and subnational conflict have constrained economic activity. Low oil prices have led to large fiscal and external imbalances. Living standards have deteriorated. More than 6 million people are facing crisis-level food insecurity, with 1.4 million children under 5 years expected to be acutely malnourished in 2021. Long term economic growth prospects critically depend on sustainability of peace and commitments to reform.

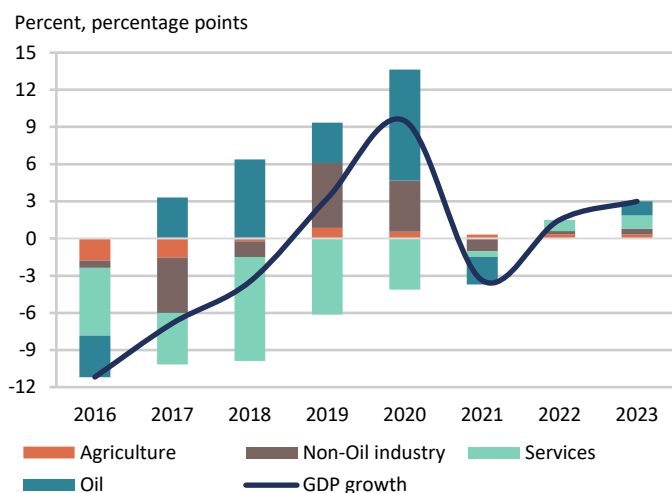
A decade after independence, South Sudan remains caught in a web of fragility, economic stagnation, and instability. Poverty is ubiquitous and has been reinforced by a history of conflict, displacement, and shocks. The signing of the latest truce in September 2018 and subsequent formation of a unity government in February 2020 had provided hope for recovery and peace building. Conflict events decreased significantly in 2019, allowing some refugees previously dispersed in the region to return. At the same time, a resumption of oil production in oil fields previously shutdown due to conflict had raised hopes for an oil-led recovery. However, the country faces the risk of reversal of these gains, with increasing incidents of subnational violence in 2020 and COVID-19 pandemic exacerbating an already dire situation. Legacy of economic mismanagement and resistance to reform have resulted in a distorted macroeconomic environment. Monetization of the fiscal deficit led to soaring inflation and widening exchange rate premium. At the same time, recurring cycles of internal conflict and violence have eroded the economic base, with output contracting for consecutive years during 2015 - 2018. Consequently, real household disposable income declined, contributing to an increase in poverty headcount ratio from 44 percent in 2009 to about 76 percent in 2016.

The authorities have accelerated dialogue on key economic and public financial management reforms amidst a double health and economic crisis. Discussions with the IMF have included the possibility of a Staff Monitored Program with a focus on macroeconomic stabilization, exchange rate and monetary policy reform, and public financial management support. Coupled with economic diversification, strengthening service delivery institutions will be critical as the country seeks to build resilience to future shocks, providing building blocks for an inclusive and sustainable growth path.

Recent developments

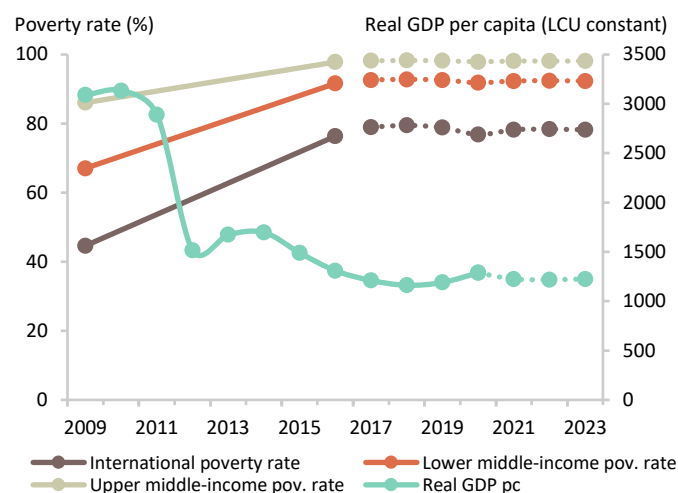
The economy had picked up strongly before the COVID-19 pandemic, with GDP real growth reaching 9.5 percent in FY2019/20. The oil sector has continued to be the primary driver of growth, with estimated oil production of 62.1 million barrels in FY2019/20, representing a 26.5 percent increase on the 49.1 million barrels realized in FY2018/19. In the agricultural sector, cultivated area increased by 6 percent in 2020 compared to the previous year, but it is still far from reaching the pre-conflict levels. However, living standards deteriorated as the pandemic disrupted livelihoods. High-frequency surveys conducted in June 2020 showed that 51.2 percent of respondents reported reduced earnings from their main income source. The situ-

FIGURE 1 South Sudan / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

ation has since improved somewhat, with 50.7 percent of the respondents reporting reduced incomes by October 2020.

The FY2019/20 budget deficit is estimated to have widened to 6.8 percent of GDP compared to 3.2 percent of GDP that was budgeted, driven by large shortfalls for oil revenue. Budget planning and execution challenges have led to persistence of expenditure arrears. The authorities estimate cumulative outstanding obligations at the end of FY2019/20 amounting to SSP 896 billion (108 percent of GDP) and salary arrears estimated at SSP 18.45 billion (2.2 percent of GDP). The current account deficit is estimated to have increased to 6.1 percent in FY2019/20 from 5.0 percent in FY2018/19 as export growth weakened relative to imports.

Monetization of the fiscal deficit resulted in significant pressure on prices and the exchange rate. Inflation rose to an average of 72.2 percent during FY2019/20 from 63.6 during FY2018/19. The parallel exchange rate depreciated by 36 percent from an average of SSP 297 during 2019 to SSP 404 during 2020. By December 2020, the spread between the official and parallel rates had widened to 242 percent from 100 percent in December 2019.

Outlook

South Sudan's economy is set to contract by 3.4 percent in FY2020/21 primarily due to a decline in oil production and slower recovery of the non-oil economy. The Covid-19 pandemic has delayed new investments in the oil sector, with oil production expected to decline by 5.8 percent to 58.4 million barrels in FY2020/21. The non-oil economy is expected to contract by 1.9 percent owing to a combination of conflict and Covid-19, with new lockdown measures imposed in early February 2021.

A gradual recovery is expected in the near term, assuming a rebound in the global economy and domestic containment of the pandemic. In addition, commitment to a credible reform process, sustainability of peace, and resilience to climatic shocks will play a critical role. Inflation is expected to decline in the medium term as economic and public financial management reforms mature and government commits to a credible fiscal consolidation plan. Given the large economic fallout from Covid-19 and other concurrent shocks, poverty at \$1.90 per person per day is projected to increase to 78.2 percent in FY2020/21 from 76.8 percent in FY2019/20.

The budget process has been significantly delayed and complete fiscal data are not available. Nevertheless, fiscal revenue is projected to decline to 25.8 percent of GDP in FY2020/21 relative to the pre-pandemic projection of 34.8 percent. However, the fiscal deficit is expected to reduce to about 2.4 percent of GDP in FY2020/21 from 6.8 percent in FY2020 as the authorities commit to fiscal prudence. Fiscal consolidation will benefit from cuts to investment expenditures, which are expected to decline from 3.0 percent of GDP in FY2019/20 to 1.8 percent of GDP in FY2020/21. The current account balance is expected to widen to 6.3 percent of GDP from 6.1 percent in FY2019/20 reflecting lower oil export performance.

TABLE 2 South Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-3.5	3.2	9.5	-3.4	1.5	3.0
Real GDP growth, at constant factor prices	-3.5	3.2	9.5	-3.4	1.5	3.0
Agriculture	-2.5	9.9	6.0	3.5	3.5	3.5
Industry	15.0	20.9	27.5	-5.8	0.5	2.9
Services	-14.6	-12.1	-9.6	-1.3	2.5	3.0
Inflation (Consumer Price Index)	121.6	63.6	72.2	32.2	24.4	18.7
Current Account Balance (% of GDP)	-9.6	-5.0	-6.1	-6.3	-5.8	-3.5
Net Foreign Direct Investment (% of GDP)	-0.5	-1.6	-0.3	1.0	1.0	0.9
Fiscal Balance (% of GDP)	-3.3	-0.9	-6.8	-2.4	-1.1	2.9
Debt (% of GDP)	44.7	29.9	42.9	40.8	33.1	30.0
Primary Balance (% of GDP)	-3.0	-0.4	-4.8	-1.3	0.3	3.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	79.5	78.9	76.8	78.2	78.4	78.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	92.8	92.6	91.8	92.3	92.4	92.3
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	98.3	98.2	97.9	98.1	98.1	98.1

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2020. Forecast are from 2021 to 2023.

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

SUDAN

Table 1 **2020**

Population, million	43.8
GDP, current US\$ billion	21.2
GDP per capita, current US\$	482.5
International poverty rate (\$ 19) ^a	12.2
Lower middle-income poverty rate (\$3.2) ^a	44.0
Upper middle-income poverty rate (\$5.5) ^a	79.3
Gini index ^a	34.2
School enrollment, primary (% gross) ^b	76.8
Life expectancy at birth, years ^b	65.1

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

(a) Most recent value (2014), 2011 PPPs.

(b) WDI for school enrollment (2017); life expectancy (2018).

External shocks, including massive flooding and the COVID-19 pandemic, hindered stabilization efforts by the Government. The economy contracted by 3.6 percent in 2020. The monetization of the large fiscal deficit drove inflation into triple digits. Living conditions continued to deteriorate. A combination of key reforms, stabilization efforts, and external support give hope for 2021.

Key conditions and challenges

Following the popular revolt in 2019, a new Government has been pursuing stabilization and structural reforms under exceedingly difficult circumstances. Over US\$ 50 billion in accumulated external arrears continues to severely limit access to external finance at a time when the country is struggling to correct major macroeconomic imbalances. By 2019, the cost of fuel subsidies alone reached the equivalent of 100 percent of all government revenues. The monetary financing of large public sector deficits has pushed inflation into triple digits. The Government took important measures to reduce fuel subsidies in 2020, and pursued fiscal consolidation to slow the pace of monetary expansion, but these efforts were offset by the impact of the COVID-19 pandemic and massive flooding in parts of the country. The economic recession in Sudan deepened in 2020, government revenues plummeted, and inflationary pressures mounted. While the current government has enjoyed a significant level of political legitimacy in the eyes of the population, the patience of the Sudanese people is being tested, and social protests became widespread in early 2021.

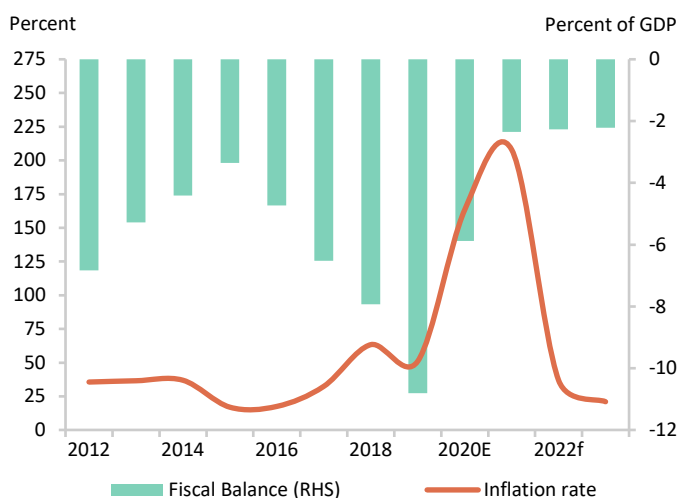
Since July 2020, Sudan's reform program has been supported by an IMF staff-monitored program (SMP) and more recently by a World Bank Development Policy Financing Operation. These programs

can support Sudan toward a path to stabilization, resolution of the country's external debt problems and restoration of access to development financing. Economic stabilization, together with measures to mitigate the impact of the current economic crisis on the welfare of the population, remain the highest priorities in 2021. Given the current level of distortions in the Sudanese economy, there is a potential for a strong revival of economic growth provided that initial stabilization efforts will be successful. Major risks to economic outlook include the recent socio-political turmoil, uncertainty around COVID-19, external shocks (bad weather, flooding), and potential instability of money demand in the context of exceptionally high inflation.

Recent developments

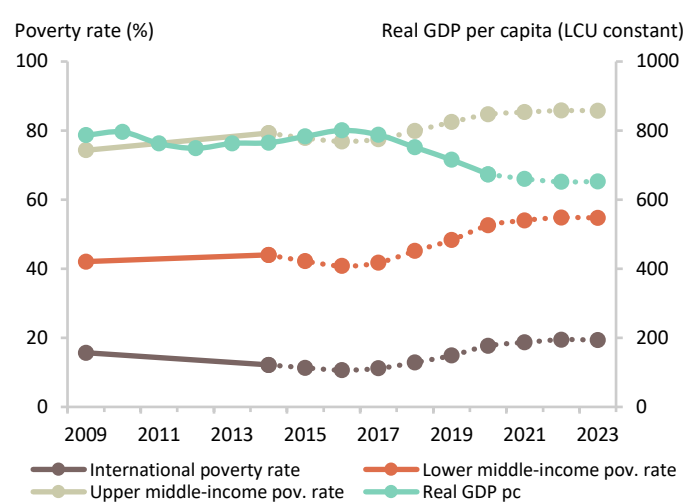
GDP growth declined from -2.5 in 2019 to -3.6 percent in 2020 in the context of the COVID-19 crisis and severe flooding that disrupted economic activity. Despite some efforts to rein in excessive public expenditures, particularly on fuel subsidies, the economic downturn, COVID-19 crisis, and increasingly overvalued exchange rate had a very negative fiscal impact in 2020. Delayed exchange rate adjustment pushed foreign inflows, including grants, to record low levels, while the economic downturn also depressed tax revenues. At the same time, additional emergency spending was needed in health care due to the COVID-19 crisis. Given the current virtual absence of debt markets and con-

FIGURE 1 Sudan / Fiscal Balance and inflation rate



Sources: WDI, IMF and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

strained access to external finances, the fiscal and quasi-fiscal deficit was monetized, adding to inflation pressures that increasingly threatened destabilization. The pace of annual CPI inflation accelerated to 269 percent in December 2020.

The current poverty level is unknown because data from the latest household survey (2014/15) do not reflect the impact of the recent economic decline, high inflation, and the impact of COVID-19 in Sudan. Poverty projections based on GDP growth suggests that poverty rates may have increased consistently in recent years, to reach in 2020 an estimated 17.7 percent at \$1.90/day PPP and 52.6 percent at \$3.20/day PPP. A new household survey, under preparation, would provide a more accurate estimate of poverty.

Outlook

Sudan has conducted major reforms, including exchange rate adjustment and fuel subsidy reduction, that put the country on a potential path toward recovery and restoration of access to external financing in 2021. In this context, the decline in GDP of the past three years is projected to stabilize in 2021, leading into a period of positive economic growth. The

2021 budget envisions a reduction in the fiscal deficit to around 2 percent of GDP, thus allowing for a significant slowdown in the monetary expansion that has been fueling inflation. Sudan aims to accomplish arrears clearance with IFIs in 2021 and obtain access to over US\$ 2 billion in external support from development partners.

The risks to economic outlook in 2021 are high. As the country borders hyperinflation and the patience of the population is being tested, the success of Sudan's bold efforts to achieve stabilization in 2021 is far from guaranteed. The COVID-19 pandemic is still raging in the country and negative external shocks, such as the flooding experienced in 2020, could compound what is already an exceedingly difficult situation. 2021 should be decisive year for the future of the country.

Poverty outlook remains negative. Poverty rates are projected to increase to 19.5 percent by 2022 at \$1.90/day PPP, and 54.8 percent at \$3.20/day PPP. The continued rise in inflation, shortage of fuel and other basic commodities and COVID-19 are expected to continue adversely affecting living conditions. Results from the Bank's ongoing high frequency survey on COVID-19, suggest that about one-third of respondents had stopped working in September 2020 mainly due to the

COVID-19 pandemic; and that over 20 percent of households were unable to buy bread and cereals as well as milk and milk products as price increases were felt by most households. The recent economic stabilization reforms are expected to take time to deliver positive results on poverty. The Government has launched a family support program that aims to reach a significant proportion of households with cash transfers to cushion the impact of the reform.

TABLE 2 Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-2.3	-2.5	-3.6	0.5	1.1	2.6
Private Consumption	-3.2	-2.5	-3.5	0.5	2.0	2.4
Government Consumption	-4.9	-15.3	1.2	8.6	3.2	1.4
Gross Fixed Capital Investment	3.8	11.4	-13.1	8.4	3.3	1.8
Exports, Goods and Services	10.7	11.9	5.2	15.4	29.0	21.8
Imports, Goods and Services	11.9	23.8	-13.8	26.6	21.3	11.0
Real GDP growth, at constant factor prices	-2.3	-2.5	-3.6	0.4	1.1	2.6
Agriculture	-1.5	-1.0	-2.5	0.4	1.2	2.7
Industry	-1.7	-0.7	-5.7	0.7	2.1	3.4
Services	-3.2	-4.8	-2.9	0.2	0.4	2.0
Inflation (Consumer Price Index)	63.3	51.0	163.3	207.9	36.8	21.0
Current Account Balance (% of GDP)	-8.7	-11.5	-13.2	-7.2	-9.8	-7.5
Net Foreign Direct Investment (% of GDP)	1.4	3.0	4.7	6.7	4.2	1.9
Fiscal Balance (% of GDP)	-7.9	-10.8	-5.9	-2.4	-2.3	-2.2
Debt (% of GDP)^a	186.6	200.3	249.1	205.2	197.9	189.9
Primary Balance (% of GDP)	-7.8	-10.6	-5.9	-2.1	-2.1	-2.1
International poverty rate (\$1.9 in 2011 PPP)^{b,c}	12.9	14.9	17.7	18.7	19.5	19.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{b,c}	45.2	48.3	52.6	54.0	54.8	54.7
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{b,c}	79.9	82.5	84.7	85.4	85.8	85.8

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

Notes: e = estimate. f = forecast.

(a) Debt projections do not include any restructuring achieved during the HIPC process.

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

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

TANZANIA

Table 1 **2020**

Population, million	59.7
GDP, current US\$ billion	61.8
GDP per capita, current US\$	1035.6
International poverty rate (\$19) ^a	49.4
Lower middle-income poverty rate (\$3.2) ^a	76.8
Upper middle-income poverty rate (\$5.5) ^a	91.8
Gini index ^a	40.5
School enrollment, primary (% gross) ^b	98.8
Life expectancy at birth, years ^b	65.0

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

Notes:

(a) Most recent value (2018), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Shocks from the global pandemic slowed Tanzania's growth to 2.0 percent in 2020. Tanzania's growth outlook is highly uncertain with risks tilted to downside. The major risks are primarily external, though delayed policy response and reform slippages could negatively impact the recovery. The international poverty headcount ratio is estimated to have increased by 1.2 percentage points to 50.5 percent in 2020. The pandemic has underscored the need to accelerate inclusive private investment-driven growth for achieving Tanzania's development vision.

Key conditions and challenges

Tanzania became a lower middle-income country (LMIC) in July 2020 thanks to the solid income growth over two decades, averaging 6.5 percent per year, and macroeconomic stability. Inflation rates have been low, and fiscal and current-account deficits have remained manageable. Investment has been a key driver of growth, consistently contributing two-thirds to it. About three quarters of total investment was from private sources, but lately this ratio has shifted with waning extractives FDI and a more challenging business environment.

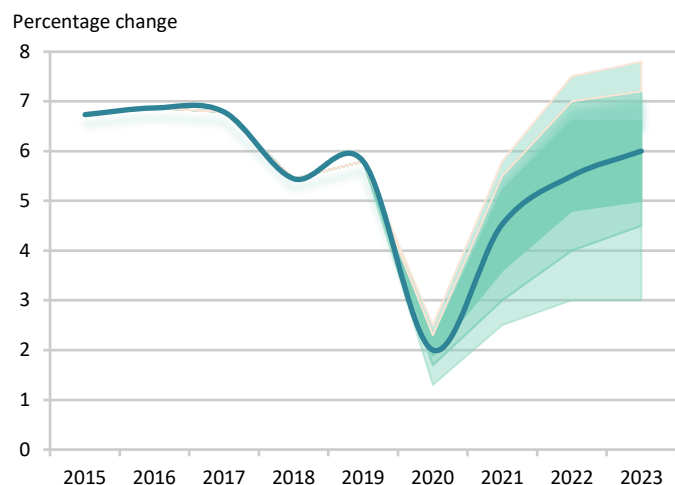
Poverty response to rapid economic growth was moderate and has slowed in recent years, and growth became less inclusive. Half of Tanzanians live below the international extreme poverty line of US\$1.90/day in 2011 PPP as compared to 30 percent average for the first-year LMICs. Since 2012, income and consumption growth among the wealthiest households has outpaced growth among the poorest. High population growth, insufficient level of education, low agricultural productivity, and slow and uneven creation of more productive income earning opportunities have hindered the inclusiveness of growth. The COVID-19 pandemic has further exacerbated existing challenges, reversing some of the gains in poverty reduction achieved over the last decade.

National aspirations laid out in the Tanzania Development Vision 2025 are to become a middle-income country with well-developed human capital, an ample supply of high-quality livelihood opportunities, and broad-based gains in living standards. Realizing the vision will require concerted efforts to restore the economy's growth momentum while expanding access to economic opportunities for low-income households. Policy priorities include accelerating productive investments, prioritizing human capital development, enabling agricultural transformation, leveraging digital technologies, and building public sector institutions and capabilities. As the pandemic continues to depress global economic activity, Tanzania will need to endure a slump in external demand regardless of the effectiveness of its domestic health response.

Recent developments

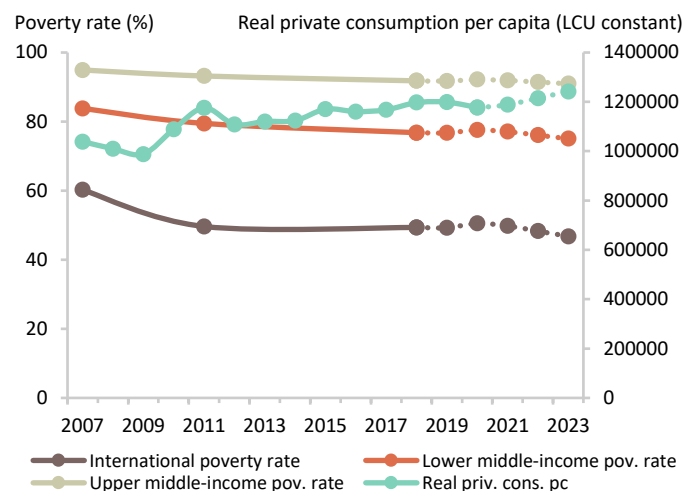
Although Tanzania avoided a recession in 2020, real GDP growth decelerated to an estimated 2.0 percent from 5.8 percent in 2019. Tourism, a major contributor to GDP growth, declined significantly despite the country reopening for tourism in June, and exports of tourism-related services fell by 44.4 percent in 2020. Private sector credit growth plunged to 3 percent in December 2020 from 11.1 percent a year earlier. Imports of capital goods dropped by 14.8 percent in 2020 due to diminished orders for construction materials and machinery. Demand

FIGURE 1 Tanzania / Real GDP growth rate forecasts under alternative scenarios



Source: WB staff estimates based on NBS data.

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



Source: World Bank. Notes: see Table 2.

for durable goods weakened significantly, and imports of services declined on the back of lower demand for travel and transportation. The current-account deficit narrowed to an estimated 1.6 percent of GDP in 2020 due to the offsetting effects of the pandemic-induced shocks on Tanzania's balance of payments. Higher gold prices partially alleviated the decline in other exports and falling oil prices reduced the import bill. Official gross reserves dropped by 20 percent to US\$4.8 billion but remained at a relatively healthy level of 5.6 months of projected imports. Tanzania's policy response to COVID-19 in the first half of 2020 was moderate and relatively short-lived. In the context of low inflation and slowing economic activities, the Bank of Tanzania pursued an accommodative monetary policy to boost liquidity in the financial sector. However, average commercial lending rates declined only marginally. Fiscal policy response included expediting clearance of domestic arrears and expanding the coverage of social security schemes. In the wake of spending pressure and declining revenues, the government has tightened control over expenditures. Real per capita GDP declined for the first time in over 25 years. The poverty rate based on the international extreme poverty line is estimated to rise from 49.3

percent in 2019 to 50.5 percent in 2020. The most affected households are those relying on self-employment and informal microenterprises in urban areas.

Outlook

Tanzania's real GDP growth rate is projected to rebound to 4.5 percent in 2021 conditional on successful global rollout of a COVID-19 vaccine and improvement in the business environment and prudent fiscal management to foster a swift recovery. The global economic recovery is expected to bolster demand for Tanzanian exports and financing of the infrastructure projects. The current account is expected to improve but remain at about 1.5 percent of GDP, as the growth of capital-goods imports will outpace export growth. The financing of capital projects is expected to widen the fiscal deficit to about 2.9 percent of GDP, while recurrent expenditures are expected to remain controlled.

The current outlook is highly uncertain with risks are tilted to the downside. GDP is projected to grow by between 3.0 and 5.3 percent in 2021, below its long-run potential growth rate of about 6 percent. Even without an uncontrolled domestic

outbreak, an ongoing global health crisis would continue to undermine external demand, especially for tourism. A persistently weak global economy would also limit the availability of capital inflows, including to private and financial sectors. The international poverty rate is projected to fall to 49.8 percent in 2021 but remain above the pre-crisis level. To sustainably reduce poverty, the recovery must create jobs, including for the low-skilled workers, enable growth of small and medium enterprises, and foster productivity of agriculture, on which three-quarters of poor households depend. To bolster household consumption and accelerate poverty reduction, the government must further strengthen the implementation of social assistance programs such as Productive Social Safety Nets Program and ensure adequate coverage in urban areas. The government will need to maintain prudent macroeconomic and fiscal management to ensure that adequate fiscal space is available to finance major investments in physical, human, and institutional capital.

TABLE 2 Tanzania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	5.4	5.8	2.0	4.5	5.5	6.0
Private Consumption	5.6	3.1	1.0	3.3	3.8	4.1
Government Consumption	2.0	2.3	7.4	8.1	8.0	7.8
Gross Fixed Capital Investment	7.7	8.0	2.4	4.2	9.5	10.0
Exports, Goods and Services	-1.7	19.0	-8.6	8.2	8.5	8.7
Imports, Goods and Services	16.7	-1.4	-7.6	5.1	14.2	13.3
Real GDP growth, at constant factor prices	5.4	5.8	2.0	4.5	5.5	6.0
Agriculture	3.4	3.5	3.1	3.6	3.5	3.5
Industry	9.7	10.3	2.5	7.4	8.2	9.4
Services	3.8	4.2	0.9	2.9	4.6	4.7
Inflation (Consumer Price Index)	3.5	3.5	3.4	3.5	3.7	4.0
Current Account Balance (% of GDP)	-3.7	-2.3	-1.6	-1.5	-2.4	-3.3
Net Foreign Direct Investment (% of GDP)	1.7	1.6	1.0	1.2	1.4	1.6
Fiscal Balance (% of GDP)	-2.5	-1.4	-2.0	-2.9	-3.2	-3.5
Debt (% of GDP)	39.7	38.1	38.1	37.3	36.9	36.5
Primary Balance (% of GDP)	-0.9	0.4	0.2	-0.8	-1.0	-1.2
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	49.4	49.3	50.5	49.8	48.3	46.8
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	76.8	76.7	77.6	77.1	76.1	75.0
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	91.8	91.8	92.2	92.0	91.5	91.0

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

(a) Calculations based on 2007-HBS and 2018-HBS. Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021 to 2023.

(b) Projection using annualized elasticity (2007-2018) with pass-through = 1 based on private consumption per capita in constant LCU.

TOGO

Key conditions and challenges

Table 1 **2020**

Population, million	8.3
GDP, current US\$ billion	7.4
GDP per capita, current US\$	888.2
International poverty rate (\$ 19) ^a	51.1
Lower middle-income poverty rate (\$3.2) ^a	74.2
Upper middle-income poverty rate (\$5.5) ^a	90.8
Gini index ^a	43.1
School enrollment, primary (% gross) ^b	124.3
Life expectancy at birth, years ^b	60.8

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

Notes:

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2019); life expectancy (2018).

Growth decelerated in 2020 as the containment and mitigations measures to curb the spread of COVID-19 negatively affected private consumption, tourism and economic activity at Togo's main port. External and fiscal balances also worsened, while poverty rose. Growth and poverty reduction are expected to gradually recover over the medium term. Downside risks to the outlook include larger-than-expected COVID-19 effects, political uncertainty, heightened insecurity in neighboring countries, and banking sector vulnerability.

COVID-19 halted Togo's strong growth momentum and exacerbated structural constraints that hinder economic growth and economic transformation. Between 2017 and 2019, growth was robust, averaging 5 percent (2.4 percent in per capita terms), supported by stable macroeconomic conditions and significant improvements in the business climate. However, the country has yet to take full advantage of its potential, as GDP growth was lower than WAEMU peers and did not lead to improvements in living standards. While critical Doing Business reforms have been achieved, efforts to shift the development model towards private sector led growth are constrained by poor infrastructure, notably in energy and telecommunications and weak governance. Burdensome custom procedures and logistics weaknesses also prevent Togo from fully harnessing its potential as a transport and logistics platform. Finally, the potential of digital technology remains untapped and prevents innovation in key economic sectors.

These constraints have been worsened by COVID-19, which brought the economy to a near halt, reversing gains made in poverty reduction. The path to an inclusive and sustained post-COVID recovery remains uncertain and depends on the depth and the duration of the pandemic. While the rollout of vaccines and a

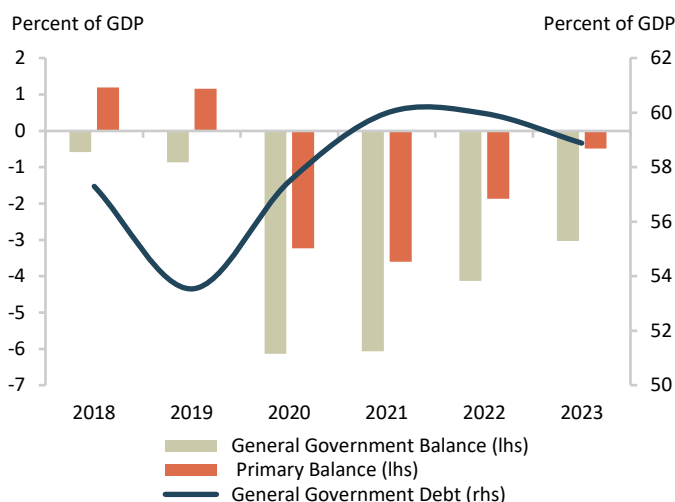
recovering global economy could help GDP expand, several downside risks remain (including virus mutation and rising security risks in neighboring countries), which could weigh on investment, trade, and public finances. Also, unfavorable weather conditions and the unavailability of inputs could negatively affect agricultural productivity, while the relative weakness of administrative capacity could limit the implementation of reforms and private investment. Finally, contingent liabilities associated with a delay in restructuring two state-owned banks could pose a risk to financial stability and fiscal sustainability.

Recent developments

Growth decelerated sharply to 0.7 percent in 2020 (-1.7 percent in per capita terms), as private consumption fell from a decline in household incomes and business activity as social-distancing measures were implemented. Also, travel restrictions negatively impacted tourism, while the agriculture sector remained resilient, as the Government provided subsidized agriculture inputs. Inflation rose to 1.8 percent in 2020, driven by higher food prices from supply chain disruptions.

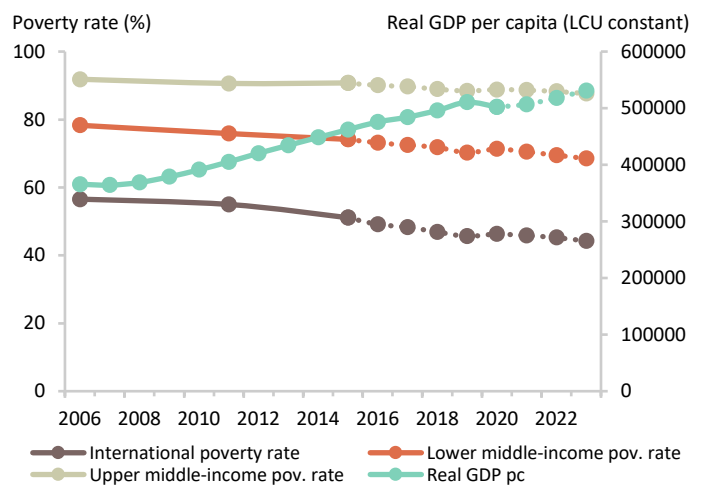
The current account deficit widened to 3.7 percent in 2020 from lower exports and higher imports of health products to combat COVID-19. Lower demand from key trading partners, combined with a significant drop in the prices of Togo's main

FIGURE 1 Togo / Evolution of fiscal indicators



Sources: INSEED and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

commodities (including phosphate and coffee) lowered exports.

The fiscal deficit widened to 6.1 percent of GDP in 2020, reflecting a significant contraction of government revenues, as economic activity declined and due to tax breaks for firms, and a sharp increase in expenditures to address the COVID-19 crisis and promote economic recovery. Public debt as a percent of GDP increased to 57.5 percent in 2020.

External reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to support governments and businesses.

Poverty remain high and concentrated in rural area. Although poverty has declined in recent years, more than two fifths of the population still live in poverty. The poverty rate (using the national poverty line of 743.2 CFAF per day) was 45.5 percent in 2018-19, suggesting a continued

decrease. Because of the COVID-19 pandemic, the extreme poverty rate is estimated to have increased to 46.3 percent in 2020. Poverty worsened mainly in urban areas from job losses and increases in prices of basic consumption goods.

Outlook

Real GDP is projected to grow by 3.4 percent (1 percent in per capita terms) in 2021, rising to 5.0 percent in 2023. Growth will be supported by higher exports, as economic activity gradually resumes in key trading partners and by the continuous improvements in public infrastructure and the business climate. Also, plans to build or rehabilitate rural roads will boost activity in the construction sector, while the re-opening of borders will improve access to agricultural inputs, thereby increasing productivity.

The current account deficit will improve slightly in 2021, from 3.7 percent of GDP in 2020 to 3.6 percent of GDP in 2021, as recovering export growth outstrips rising import demand. In the medium-term, the external deficit is expected to stabilize at around 3.6 percent of GDP, balancing a continual recovery of exports with increases in imports as investments and private

consumption rebounds. The current account deficit will be financed by grants, savings from the Debt Suspension Initiative and concessional loans.

The fiscal deficit is projected at 6.1 percent of GDP in 2021, before gradually declining to reach the WAEMU convergence criteria of 3 percent in 2023. Revenues are expected to rise in line with GDP growth and from an end of the tax holidays to support firms in 2020. Total expenditure as a percent of GDP will remain unchanged, as the decrease in current expenditures is fully offset by the rise in capital expenditures. Public debt will increase to 60 percent of GDP in 2021, before declining over the medium-term as the primary fiscal deficit is gradually reduced. The risk of external debt distress is moderate, while the risk of overall debt distress is high due to increases in regional debt.

Extreme poverty will remain high at 45.9 percent in 2021, as food prices remain high, reflecting a rebound in consumption demand and persisting supply chain disruptions. Extreme poverty is projected to return to the pre-COVID trajectory in 2022 and follow a downward trend in the medium-term supported by the scaling-up of Government cash transfer programs to the poorest and most vulnerable.

TABLE 2 Togo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	5.0	5.5	0.7	3.4	4.6	5.0
Private Consumption	2.8	3.0	-4.9	3.7	3.6	3.6
Government Consumption	23.1	-2.9	21.1	-26.3	19.0	1.1
Gross Fixed Capital Investment	16.8	20.2	8.6	36.2	12.3	20.4
Exports, Goods and Services	2.0	1.0	3.6	5.0	3.6	3.6
Imports, Goods and Services	5.3	1.2	4.1	13.0	13.0	13.0
Real GDP growth, at constant factor prices	5.2	4.4	0.7	3.4	4.6	5.0
Agriculture	3.2	1.9	4.0	6.0	5.9	5.9
Industry	3.9	6.5	0.8	6.5	7.5	8.1
Services	6.6	4.5	-0.7	0.9	2.7	3.1
Inflation (Consumer Price Index)	0.9	0.7	1.8	2.0	2.2	2.0
Current Account Balance (% of GDP)	-1.9	-2.5	-3.7	-3.6	-3.6	-3.8
Net Foreign Direct Investment (% of GDP)	3.5	4.0	2.2	2.7	2.0	1.9
Fiscal Balance (% of GDP)	-0.6	-0.9	-6.1	-6.1	-4.1	-3.0
Debt (% of GDP)	57.3	53.5	57.5	60.0	60.0	58.9
Primary Balance (% of GDP)	1.2	1.2	-3.2	-3.6	-1.9	-0.5
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	47.0	45.7	46.3	45.9	45.3	44.3
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	71.9	70.3	71.3	70.5	69.5	68.5
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	89.0	88.5	88.8	88.7	88.3	87.7

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

Notes: e = estimate, f = forecast.

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

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

UGANDA

Table 1 **2020**

Population, million	45.7
GDP, current US\$ billion	30.7
GDP per capita, current US\$	671.8
International poverty rate (\$ 19) ^a	41.3
Gini index ^a	42.8
School enrollment, primary (% gross) ^b	102.7
Life expectancy at birth, years ^b	63.0

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

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for school enrollment (2017); life expectancy (2018).

The COVID-19 crisis pushed the economy into three consecutive quarters of GDP contraction and revealed weaknesses in Uganda's path towards industrialization. Consequently, revenue shortfalls deepened, while current spending rose compared to last fiscal year, and inflationary pressures abated. Growth is expected to worsen in FY21 before recovering in FY22–23 with the rollout of COVID-19 vaccines. Extreme poverty is also expected to rise, especially in urban areas.

Key conditions and challenges

Prior to the COVID-19 outbreak, structural transformation was driving a decline in poverty, despite a slowdown in trend economic growth over the last decade. The transformation was characterized by a sizable reduction in the workforce employed in agriculture to between 60–65 percent from 75 percent a decade ago, and a take-off in industrial production, largely in agro-processing. Notwithstanding shifts to higher productivity jobs, per capita real GDP growth decelerated to 1.3 percent in the five years prior to the COVID-19 crisis, from 2.2 percent between 2010 and 2015, as population growth climbed to 3.7 percent per year. Nevertheless, poverty is projected to have declined from 41.3 to 40.2 percent between 2016 and 2019. However, the poor remain highly vulnerable to shocks, as seen in the temporary rise in poverty following the 2016/17 drought.

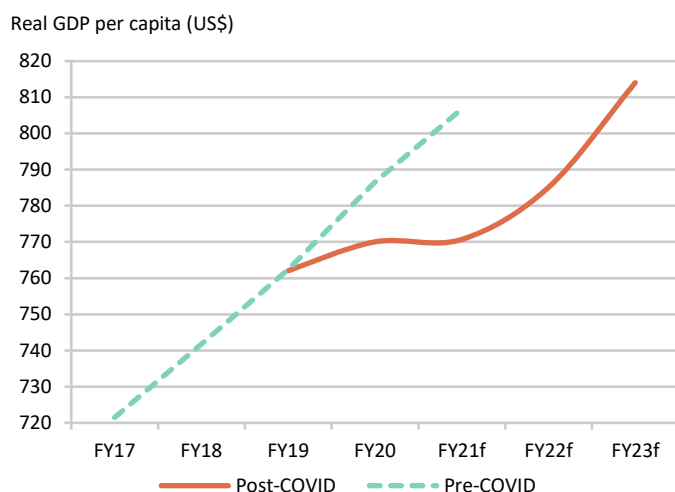
COVID-19 may reverse the declining poverty trend from the past decade, with widespread closures of firms, permanent layoffs in industry and services, and a rapid slowdown of economic activity, especially in the urban informal sector. The economic scarring is likely to persist over the long run as real per capita income will struggle to catch up with levels expected before the crisis (Figure 1). The lack of social safety nets has resulted in the displacement of labor from urban

employment back to low-productivity farming. Meanwhile, rising debt vulnerabilities curtail fiscal measures to accelerate growth and improve the quality of public investment in human and physical capital that is needed to enhance productivity. The government could use the crisis to replace inefficient spending programs such as, for example, Operation Wealth Creation, with better approaches to boost productivity. Furthermore, the agricultural supply chain would benefit from investments in post-harvest storage facilities that would improve the quality and reliability of supply for the domestic manufacturing sector.

Recent developments

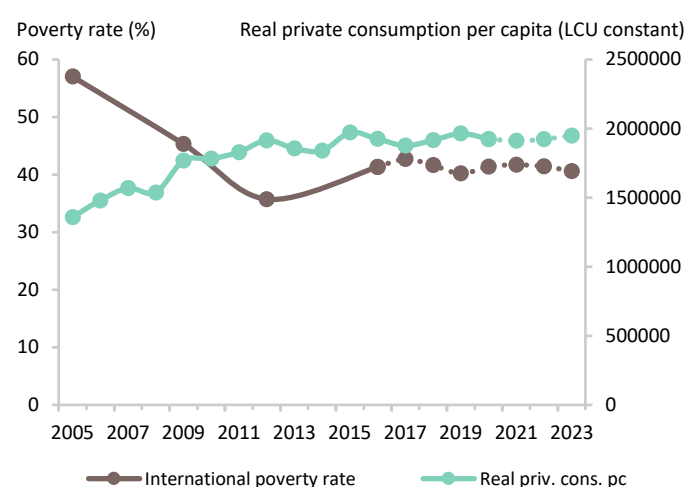
With the full impact of the COVID-19 shock in FY21, real GDP growth is expected to decline to 1–2 percent compared to 2.9 percent in FY20. Growth contracted in the first quarter of FY21 (July–September 2020) by 2.2 percent (yoy)—the third consecutive quarter of negative growth—driven by a sharp decline in services, mostly tourism, and was offset in part by a mild recovery in industrial production. Meanwhile, inflationary pressures have abated, despite expansionary monetary policy and financial policies aimed at easing liquidity for banks and businesses. Lower growth narrowed the current account deficit by 1 percentage point to 5.9 percent of GDP in FY20, as both exports and imports declined by US\$3.3 billion and outflows of investment

FIGURE 1 Uganda / Evolution of real GDP per capita (US\$) as projected pre- and post-COVID



Sources: UBOS and UN, WB staff calculations through MFMOD.

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



Source: World Bank. Notes: see Table 2.

income and employee compensation decelerated.

Despite a near full recovery of employment after lockdown measures were lifted by August 2020, household incomes have not returned to their pre-pandemic levels. Private consumption per capita is projected to shrink 2.7 percent between 2019 and 2021, resulting in a 1.5 percentage point increase in poverty by end-2021 (Figure 2). The transmission channel for the impact on household incomes is largely employment and income losses in service and industry sectors.

The fiscal deficit is estimated to have widened to 9 percent of GDP in the first half of FY21 from 6.6 percent during the same period of FY20. The decline in direct taxes reflects tax deferments and business closures, while the drop in VAT and excise duties mirrors the slowdown in private consumption and imports. The government's spending response to the crisis has included an acceleration in military expenditures, which rose 45 percent since the start of the crisis (March to November) compared to the same period the year before. Spending on health and education, meanwhile, increased 30 and 15 percent, respectively, which included the hiring of temporary workers to help manage the pandemic.

Outlook

The displacement of labor and an uncertain post-election period will slow the recovery from the ongoing COVID-19 crisis, with real GDP growth expected to pick up in FY22–23. This rebound, averaging 5.6 percent in FY22–23, is predicated on a pick-up in private consumption and investment, supported by higher growth in exports as the global economy recovers. The latter is assumed to benefit from the global rollout of COVID-19 vaccines in 2021. A more prolonged downturn in tourism revenues, further subdued inflows of remittances, and delays in the final investment decision by companies in the oil sector could result in growth dropping to 4.5 percent over FY22–23.

Accompanied by rising debt vulnerabilities over the medium term, the fiscal deficit is projected to remain above 5 percent on average in FY22–23. Despite an expected correction in the primary deficit to 2 percent of GDP by 2023, public debt is likely to exceed 51 percent of GDP by 2023. Debt risks will become more pronounced if there is a bigger than expected reliance on domestic borrowing, where 1-year treasury bill yields have averaged

around 13 percent since July 2020. On the upside, oil prices have recovered more than expected, with Brent crude above US\$60 in February 2021. This increases the likelihood of oil companies taking the final investment decision, which would unlock large FDI inflows and an investment boom.

The expected slow recovery in private consumption means the poverty rate is unlikely to return to pre-COVID levels before 2023. According to the World Bank's projections, poverty will be 40.6 percent in 2023, still 0.4 percentage points higher than in 2019. The size of the increase in poverty may change given that the full impact of the pandemic is still unknown and will also depend on government's handling of the ongoing crisis.

TABLE 2 Uganda / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.2	6.8	2.9	2.0	4.7	6.4
Private Consumption	6.0	6.2	1.2	2.3	3.4	4.0
Government Consumption	11.6	6.9	6.0	11.2	-1.6	5.6
Gross Fixed Capital Investment	5.5	9.9	0.7	2.0	8.9	10.1
Exports, Goods and Services	9.3	6.8	0.4	3.2	14.6	14.2
Imports, Goods and Services	8.8	8.1	-6.2	8.3	10.2	9.1
Real GDP growth, at constant factor prices	6.2	6.8	2.9	2.0	4.7	6.4
Agriculture	4.4	5.3	4.8	3.5	4.1	4.2
Industry	6.5	10.1	2.2	2.8	5.3	7.6
Services	7.1	5.7	2.3	0.7	4.6	6.9
Inflation (Consumer Price Index)	3.4	3.1	3.0	4.0	4.5	5.0
Current Account Balance (% of GDP)	-5.3	-6.8	-6.1	-8.3	-7.7	-7.0
Net Foreign Direct Investment (% of GDP)	2.8	3.5	2.6	2.3	2.8	3.1
Fiscal Balance (% of GDP)	-4.1	-4.9	-7.2	-8.3	-5.6	-4.9
Debt (% of GDP)	36.2	37.3	41.1	47.5	50.6	51.4
Primary Balance (% of GDP)	-2.1	-2.8	-4.5	-5.5	-2.8	-2.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	41.6	40.2	41.4	41.7	41.4	40.6

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

Notes: e = estimate. f = forecast.

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

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

ZAMBIA

Key conditions and challenges

Table 1 **2020**

Population, million	18.4
GDP, current US\$ billion	19.4
GDP per capita, current US\$	1055.9
International poverty rate (\$ 19) ^a	58.7
Lower middle-income poverty rate (\$3.2) ^a	75.4
Upper middle-income poverty rate (\$5.5) ^a	88.1
Gini index ^a	57.1
School enrollment, primary (% gross) ^b	98.7
Life expectancy at birth, years ^b	63.5

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

(a) Most recent value (2015), 2011 PPPs.

(b) WDI for school enrollment (2017); life expectancy (2018).

The COVID-19 crisis exacerbated Zambia's fragile macroeconomic situation in 2020. The economy contracted by 1.2 percent, reflecting the impact of lockdown measures and external shocks due to the pandemic. Poverty is estimated to have increased by just over 1 percentage point to 59.7 percent. A weak rebound is expected in 2021, but prospects for a stronger and sustainable recovery hinge on progress on debt restructuring and fiscal consolidation, the COVID-19 pandemic outlook, and reforming the current growth model.

Zambia's economic challenges in recent years have highlighted the need to diversify away from a mining-led development model. Zambia experienced a period of unprecedented growth averaging at 7.4 percent per annum over 2004-2014. This raised GDP per capita levels by nearly 53 percent, with the country becoming a lower middle-income country in 2011. These successes followed debt relief under HIPC in 2005, increased production in agriculture and mining along with rising global copper prices and investment in the social sectors. However, delays to unwind expansionary fiscal policies over the past decade in the face of copper price fluctuations and weather vagaries led to increasing macroeconomic and debt vulnerabilities. Debt to GDP increased from 23.8 percent in 2014 to 141.3 percent by 2020.

The Zambian economy was already at its weakest point at the onset of the COVID-19 pandemic. Growth in 2019 slumped to the lowest in two decades (1.4 percent), with drought conditions impacting agriculture, electricity and copper production. Expansionary fiscal outturn in 2019— an overall deficit of 11.4 percent of GDP, further constricted the country's fiscal space. Inflation started rising above the authorities' target band of 6-8 percent beginning June 2019 and the Kwacha depreciated by 18.3 for the year, leading to a tightening of monetary policy. By 2019, Zambia's debt

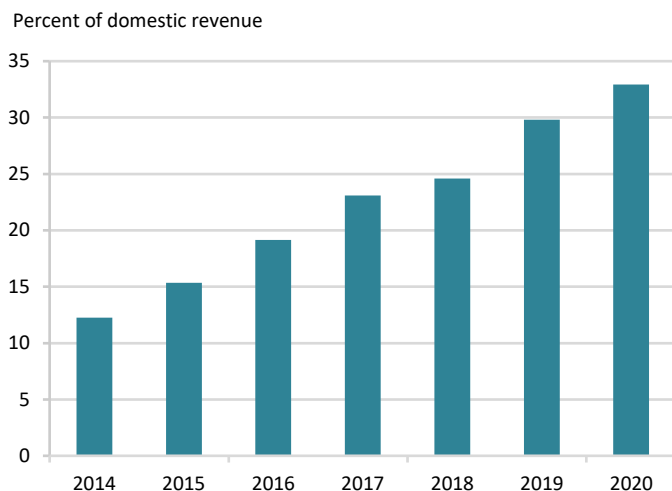
was assessed to be at high risk of debt distress and unsustainable. Combined, these macroeconomic pressures led to a liquidity crisis by the end of 2019 and underlined the need for significant fiscal consolidation and diversification beyond mining.

Recent developments

The COVID-19 pandemic pushed into contraction an economy that was already weakened by recent persistent droughts, falling copper prices and unsustainable fiscal policies. Economic activity through Q3 of 2020 contracted by 1.7 percent, as declines in industry and services outweighed growth in agriculture. Mining and services suffered from lower global demand and social distancing measures earlier in the year, respectively. However, relaxation of the lockdown measures in second half and a global pick-up of copper prices helped activity to recover. Overall, the economy is estimated to have contracted by 1.2 percent in 2020 - the first recession for Zambia since 1998. Inflation remained in double digits throughout 2020— averaging 15.7 percent —and reached a high of 21.5 percent in January 2021.

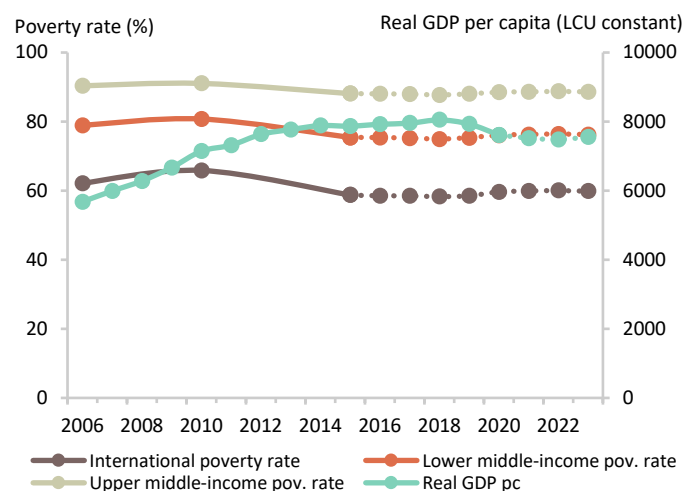
The COVID-19 pandemic has also deepened Zambia's fiscal and debt vulnerabilities. Falling revenues and COVID-related expenditures saw the fiscal deficit increase to 10.3 percent of GDP compared to an approved budget of 6.5 percent. The Kwacha depreciated by over 50 percent while reserves declined to \$1.2bn even as the

FIGURE 1 Zambia / Interest payments on debt as a share of domestic revenues



Sources: Zambian authorities and World Bank Staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

government accumulated over US\$840mn in external arrears through December 2020—a clear reflection of increasing debt service pressures (figure 1). By September 2020, the government stopped servicing all external debt except for multilaterals and some priority projects; this was followed by a default on the Eurobond repayments in November. As debt became unsustainable, the authorities embarked on a debt restructuring process in early 2020 and in May hired legal and financial advisors to help them with the negotiations. The country's participation in the Debt Service Suspension Initiative (DSSI) has helped free up resources for the COVID-19 response. The government has also requested debt treatment under the G-20 Common Framework, agreement of which could help frame and support the debt restructuring process with all creditors. Restoring Zambia's external debt to sustainable levels will require significant debt restructuring, including debt reduction to reduce the present value of debt, and fiscal consolidation.

Poverty and vulnerability have increased due to the pandemic. The national poverty headcount rate is expected to increase by around 1.1 percentage points from 58.6 percent in 2019 to 59.9 percent by 2021. This is largely driven by increases in poverty in urban areas, and among those

relying on employment income from the informal sector. A World Bank Household Monitoring phone survey found that 4 in 5 households reported a drop-in income from nonfarm business, and that 1 in 3 reported a reduction or disappearance of wages. Core recurrent spending, including social benefits, has suffered in recent years, with only about one third percent of the government's budget on social cash transfers (SCT) disbursed in FY20. While the government has budgeted for a higher amount in SCT in FY21, this could be further affected by the increasing fiscal pressures due to the crisis, with a substantial impact on the most vulnerable households in the population.

Outlook

A gradual recovery is expected, with GDP growth projected at 1.8 percent in 2021 and averaging 2.8 percent over 2021-23. Higher copper prices, the commissioning of a new hydro power station, and a return to normal rainfall patterns are expected to support growth in agriculture and electricity production, key contributors to Zambia's industry and service sectors. However, the impact of COVID-19 will continue to dampen activity, especially in tourism

(about 7 percent of GDP) and retail and wholesale trade (20 percent of GDP). While the recent uptick in copper prices could help in ramping up mining activity in the short-term, a stable fiscal regime and clarity on the role of the state will be critical for regaining and increasing investment in the sector for longer-term benefits. Absent decisive policy interventions and in the face of fiscal pressures, poverty is expected to peak in 2022 at 60.0 percent.

The risks to this outlook are balanced. Timely achievement of macroeconomic stability will largely depend on progress on debt restructuring and to fiscal consolidation and the availability of the COVID-19 vaccines. However, a prolonged fallout from COVID-19 could amplify fiscal and domestic liquidity challenges, deepen exchange rate pressures, further weaken the base on which the Zambian economy is expected to recover, and lengthen the time for Zambia to embark on key macroeconomic and structural reforms. Rainfall variability remains a key structural risk to Zambia's sustainable growth, affecting key sectors like agriculture and electricity, and highlights the need to incorporate climate-smart solutions in the country's long-term growth strategy.

TABLE 2 Zambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.2	1.4	-1.2	1.8	2.9	3.8
Private Consumption	1.2	2.3	3.1	3.6	4.5	4.5
Government Consumption	-14.9	-10.1	10.8	-15.8	-11.4	-4.4
Gross Fixed Capital Investment	9.9	-14.3	-29.9	8.9	6.1	12.6
Exports, Goods and Services	8.7	-7.2	10.8	8.6	9.8	6.9
Imports, Goods and Services	4.9	-13.7	-9.8	16.1	14.3	13.1
Real GDP growth, at constant factor prices	4.0	1.5	-1.2	1.8	2.9	3.8
Agriculture	-21.2	7.7	18.2	4.5	4.0	4.0
Industry	4.6	-3.3	-1.5	1.0	1.8	3.6
Services	7.3	3.5	-3.1	1.8	3.3	3.9
Inflation (Consumer Price Index)	7.5	9.1	15.7	21.0	19.0	10.0
Current Account Balance (% of GDP)	-1.3	1.1	8.4	6.5	5.9	3.5
Net Foreign Direct Investment (% of GDP)	1.4	-1.0	2.0	2.0	3.1	3.0
Fiscal Balance (% of GDP)	-10.1	-9.5	-10.1	-8.1	-5.6	-2.2
Debt (% of GDP)	77.8	88.4	84.2	76.0	73.1	100.3
Primary Balance (% of GDP)	-5.5	-5.6	-7.0	-3.7	-2.2	0.4
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	58.3	58.6	59.7	59.9	60.0	59.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	74.9	75.3	76.0	76.2	76.4	76.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	87.7	88.0	88.5	88.6	88.8	88.6

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

Notes: e = estimate, f = forecast.

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

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

ZIMBABWE

Key conditions and challenges

Table 1 **2020**

Population, million	14.9
GDP, current US\$ billion	17.0
GDP per capita, current US\$	1145.1
International poverty rate (\$19) ^a	39.5
Lower middle-income poverty rate (\$3.2) ^a	63.8
Upper middle-income poverty rate (\$5.5) ^a	82.8
Gini index ^a	50.4
School enrollment, primary (% gross) ^b	109.9
Life expectancy at birth, years ^b	61.2

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

(a) Most recent value (2019), 2011 PPPs.

(b) Most recent WDI value (2018).

The economy is projected to rebound in 2021, driven by recovery in agriculture, although output per capita will not reach pre-pandemic levels until after 2023. Inflation though declining is projected to remain high in 2021, responding to rising international oil and food prices. Fiscal deficit is projected to be within sustainable limits, as revenue continues to recover while non-wage expenditure is constrained by implementation challenges. Poverty levels will remain high, amid continued elevated prices, and a slow recovery of jobs and wages.

Macroeconomic challenges and natural disasters have kept Zimbabwe's growth volatile. High inflation, unstable exchange rates, and unsustainable debt have constrained macroeconomic stability and productivity growth. Trade integration has declined and foreign direct investment (FDI) remained low, limiting transfer of new technologies and investment in modernizing the economy. Increased frequency of unfavorable weather events, including a drought persisting for almost three years and the devastating Cyclone Idai, downsized rain-fed agriculture, electricity and water production with ripple effects to other economic sectors and social conditions. As a result, after growing at 6.8 percent in 2010–14, Zimbabwe's economy contracted by 1.3 percent in 2015–20.

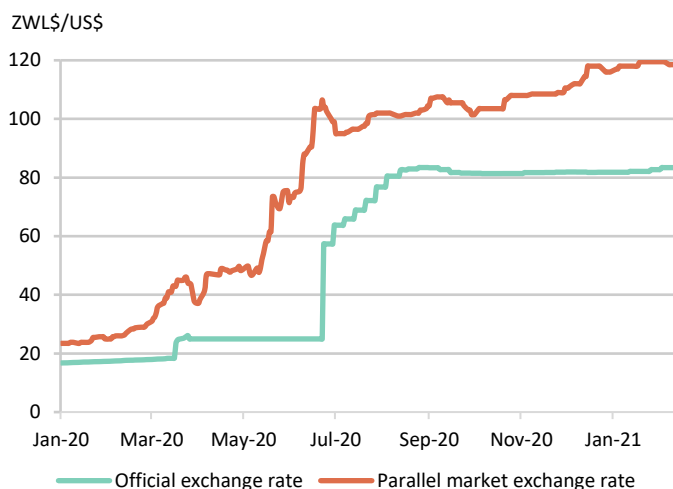
With no access to concessional external financing, Zimbabwe has relied on mobilizing domestic resources, donor assistance, and expensive external loans to mitigate the impact of natural disasters and the pandemic. To contain inflation, fiscal policy remained tight which has weakened delivery of basic social services. As a result of low or negative economic growth and natural disasters, extreme poverty has steadily increased over the last decade, rising from 21 percent in 2011 to 39.5 percent in 2019 (based on \$1.90 poverty line). With the onset of the

COVID-19 pandemic, the number of extreme poor is estimated to have reached 42.3 percent in 2020 (based on \$1.90 poverty line) of the population in 2020. Bringing the pandemic under control so that economic activity can resume as normal remains the priority in the near term. Zimbabwe's recovery needs to be underpinned by policies promoting productivity growth, such as reducing state intervention in the economy; lessening the regulatory burden; strengthening governance and anti-corruption efforts; lowering barriers to regional trade integration; and removing forex retention requirements. Service delivery needs to be strengthened and household vulnerability reduced through robust social safety net programs.

Recent developments

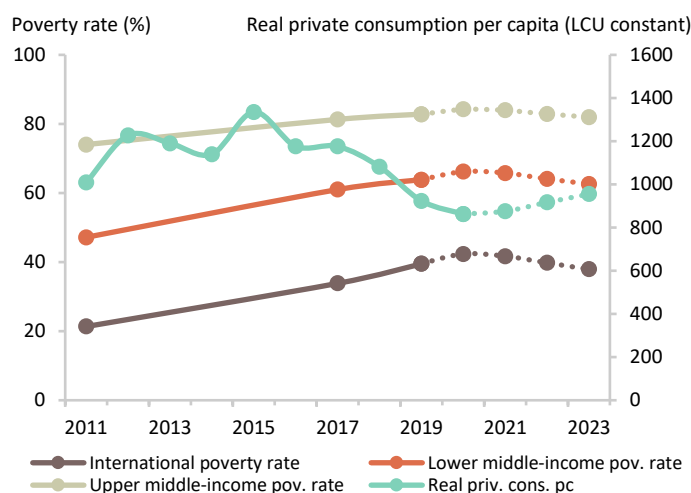
GDP is estimated to have contracted by 8 percent for a second year in a row as the pandemic halted economic recovery. Containment measures depressed manufacturing, non-mineral exports, and the hospitality, trade, and transport sectors. Sales of manufacturing and services firms in July 2020 were about half the level of the previous year. Supply-side shocks subsided after mobility restrictions were eased, but domestic demand was weak in an environment of triple-digit inflation, loss of productive jobs and income losses. Several years of drought necessitated increased imports of maize and electricity, while the pandemic presented new demands for lab equipment and medical

FIGURE 1 Zimbabwe / Official and parallel-market exchange rates



Sources: Reserve Bank of Zimbabwe and World Bank Staff estimates.

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



Source: World Bank. Notes: see Table 2.

supplies. High inflows of remittances and a positive trade balance kept the current account in surplus.

The need to contain inflation limited fiscal and monetary policy responses to the pandemic. Fiscal policy remained tight—with a small deficit of 1.2 percent of GDP—despite wage pressures and additional spending needs to respond to the pandemic and growing number of poor. In June 2020, the Reserve Bank of Zimbabwe operationalized the reserve money targeting framework, floated the exchange rate, and introduced a foreign currency auction. These measures helped to stabilize the parallel market exchange rate and reduce the parallel market premium (see Figure 1), although the auction exchange rate system remained distortionary. As a result, inflation slowed to 322 percent in February 2021 from its peak of 838 percent in July 2020.

The economic disruption continues to undermine household welfare. More than a quarter of households were severely food insecure in July 2020, while the coverage of the social assistance program remains low, and 28 percent of agricultural households are unable to sell their farm products. Nationally, 16 percent of non-farm business owners reported temporary or permanent closure of businesses in July 2020, and 58 percent

had no, or lower revenue compared to the previous month.

Outlook

After two difficult years, Zimbabwe's economy is set to return to positive growth in 2021 amid downside risks. GDP is projected to grow by 2.9 percent in 2021, led by a recovery in agriculture, and due to base effects. The impact of a second wave of the pandemic and uncertainty about the roll out of vaccines are expected to weigh on recovery of domestic and external demand. Domestic demand is projected to remain weak on the back of continuing high inflation, limited fiscal space for expansion, and weak labor market due to the pandemic. Economic recovery is expected to strengthen in 2022 with GDP growing at around 5 percent as the deployment of vaccines intensifies and consistent implementation of the recently approved National Development Strategy reforms start bearing fruit. However, a more prolonged pandemic, weaker global demand, and heightened macroeconomic instability could delay economic recovery, increase poverty, and worsen human capital development outcomes. If risks materialize,

economic growth could be lower than 2 percent in 2021. Recovery of tourism, trade, and transport is unlikely to occur until 2022.

Despite renewed economic activity, poverty is likely to remain high as the scars from two years of recession, food insecurity, natural events, and the economic dislocations of the pandemic linger. The number of extreme poor is expected to remain at 6.3 million in 2021 amid elevated prices, risk of more surges in coronavirus cases, and a slow recovery of jobs and wages in the formal and informal sectors. Given limited social safety nets for protecting the growing number of poor, household vulnerability will likely remain high with continuing negative coping strategies such as depleting assets, compromising on quantity and quality of food, forgoing precautionary health care, and keeping children out school. Delayed economic recovery will further deepen poverty and social exclusion.

TABLE 2 Zimbabwe / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.8	-8.1	-8.0	2.9	5.1	5.0
Private Consumption	-6.7	-13.4	-5.2	3.0	6.4	5.9
Government Consumption	9.2	-19.2	15.9	4.7	22.2	22.6
Gross Fixed Capital Investment	25.8	-4.3	-18.9	3.2	-35.3	-70.4
Exports, Goods and Services	-29.3	-5.1	-1.4	3.0	5.3	5.5
Imports, Goods and Services	-25.3	-21.0	3.0	4.5	6.1	5.8
Real GDP growth, at constant factor prices	5.1	-8.1	-8.0	2.9	5.1	5.0
Agriculture	18.3	-21.1	-5.2	6.8	8.1	9.3
Industry	3.2	-10.2	-2.7	6.7	10.2	11.8
Services	4.0	-5.1	-10.4	0.8	2.4	1.2
Inflation (Consumer Price Index)	10.6	255.1	556.6	150.0	30.0	20.0
Current Account Balance (% of GDP)	-5.7	6.3	6.2	4.2	2.0	0.9
Net Foreign Direct Investment (% of GDP)	-3.0	-1.5	-0.9	-2.1	-2.7	-2.9
Fiscal Balance (% of GDP)	-6.0	0.3	-1.2	-2.2	-2.5	-3.0
Debt (% of GDP)	72.4	88.5	88.6	87.2	85.6	81.7
Primary Balance (% of GDP)	-4.6	1.3	-0.2	-0.6	-0.5	-1.0
International poverty rate (\$1.9 in 2011 PPP)^{a,b}		39.5	42.3	41.7	39.8	37.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}		63.8	66.2	65.8	64.0	62.6
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}		82.8	84.2	83.9	82.9	82.0

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

Notes: e = estimate, f = forecast.

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

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

Macro Poverty Outlook

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