Sub-Saharan Africa

Macro Poverty Outlook

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

Spring Meetings 2020

WORLD BANK GROUP
Macroeconomics, Trade & Investment
Poverty & Equity

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

Sub-Saharan Africa

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Foreword

The projections contained in this volume are the joint product of the Macroeconomics, Trade and Investment, and the Poverty and Equity Global Practices of the World Bank. They were produced by a team of macroeconomic and poverty economists spanning the globe. These projections were produced while the COVID-19 pandemic was expanding rapidly, and the physical distancing and economic policy responses to it were in constant flux. As a result, the level of uncertainty over future events was particularly high. While we recognize that these projections will inevitably be revised as new information becomes available, we hope that sharing them at this time will make a positive contribution to policymakers' struggle to respond to this generational challenge.

Marcello Estevão

Global Director
Macroeconomics Trade and Investment
The World Bank

Carolina Sánchez-Páramo

Global Director
Poverty and Equity
The World Bank

ANGOLA

Table 1	2019
Population, million	30.1
GDP, current US$ billion	86.4
GDP per capita, current US$	2866
International poverty rate ($1.9)[a]	47.6
Lower middle-income poverty rate ($3.2)[a]	69.8
Upper middle-income poverty rate ($5.5)[a]	87.2
Gini index[a]	51.3
Life expectancy at birth, years[b]	60.4

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

The Government of Angola (GoA) remains committed to an ambitious reform agenda to ensure macroeconomic stability and to implement a more diversified and inclusive growth model. Government policies are anchored on fiscal consolidation, tight monetary policy, and increasing exchange rate flexibility. The government is also pursuing a new growth model through structural reforms to improve the business environment. Poverty is estimated at 48.7 percent in 2019. The COVID-19 outbreak and low oil prices pose significant risks to the outlook.

Recent developments

Despite significant progress toward macroeconomic stability and adopting much needed structural reforms, estimates suggest that the economy remained in recession in 2019 for the fourth consecutive year. Real GDP growth is estimated at -1.1 percent in 2019. Negative growth was driven by the decline in international oil prices and the maturing of oil fields, leading to a decline in oil production by 5.2 percent. Growth in the non-oil sector slowed to 0.6 percent.

The government's budget surplus is estimated at 1 percent of GDP in 2019, down from 2 percent of GDP in 2018, and the GoA approved a conservative budget for 2020. Fiscal consolidation efforts are focusing on measures to restrain expenditure growth and an increase in non-oil revenues. Despite the fiscal surplus, total public debt increased significantly to an estimated 111 percent of GDP, driven by the depreciation of the currency. The government has made progress on more structural measures such as the approval of the privatization program; the adjustment of electricity and water tariffs; anti-corruption initiatives, and the approval of a new anti-money laundering law.

The central bank continued its efforts to implement a more flexible exchange rate regime. The currency depreciated by 54 percent against the USD in 2019.

The spread between the official and parallel exchange rate narrowed from 140 percent in January 2018 to around 25 percent at end-2019. Notwithstanding the depreciation and the introduction of the Value-Added Tax in October 2019, inflation remained contained at 16.9 percent in December 2019.

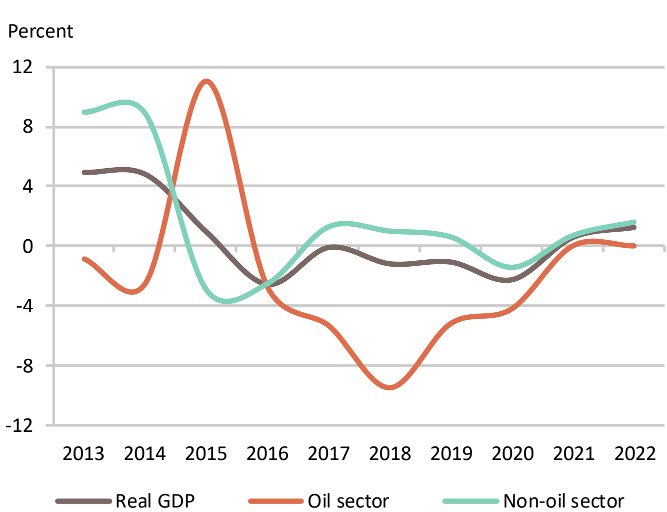
The current account surplus narrowed to an estimated 3.3 percent of GDP in 2019 due to lower oil revenues. Nonetheless, net international reserves increased to US$ 11.7 billion (equivalent to 6 months of imports) owing to the latest Eurobond issuance.

With negative GDP growth and elevated inflation, poverty is estimated to have increased to 48.7 percent in 2019 from 47.6 percent in 2018 based on an international poverty line of $1.90/capita/day, in 2011 PPP.

Outlook

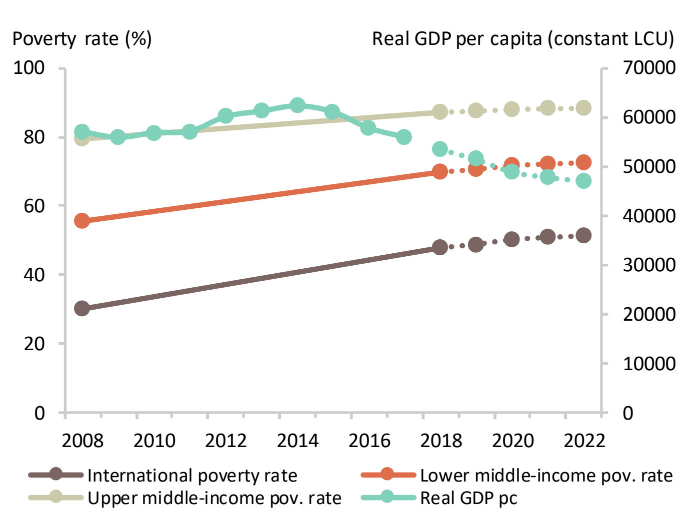
Angola is expected to remain in recession in 2020 due to the recent plunge in oil prices and the global slowdown resulting from the impact of COVID-19. Under the baseline scenario in which global growth drops to -2.2 percent in 2020 and oil prices to US$ 30 per barrel, GDP is projected to contract 2.3 percent in 2020, before recovering gradually in 2021 and 2022. Oil sector growth will be highly affected due to the combined effect of supply and demand shocks. Non-oil sector growth is also projected to decline due to spillover effects from lower oil prices, reduced imports of capital goods, tighter financing conditions, currency depreciation, and restrictions in the movements of goods

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



Source: Ministry of Finance, Angola. World Bank.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

and people. As a result, COVID-19 will negatively impact labor incomes, mostly of the poor who work in vulnerable sectors such as services and tradables. The GoA has already declared a state of emergency and started to implement several measures to contain the outbreak of COVID-19, after the first few cases were reported. Inflation is projected to increase significantly in 2020 given the high dependency on imported food, impact of currency depreciation, increased propensity for hoarding, and lower domestic production. High food prices and limited import of food items will directly affect the poor and may push vulnerable families into poverty. Inflation will revert to a downward trend in the medium term, once these impacts phase out.

Lower international oil prices are expected to affect Angola's fiscal position. The adverse effect of lower oil prices combined with additional health spending related to the COVID-19 pandemic will be only partially offset by the reduced burden of fuel subsidies, leading to a fiscal deficit of 5.0 percent of GDP in 2020. Public debt is expected to increase further to 134.2 percent of GDP. It is expected that the GoA will seek to reprofile its debt, secure additional financing at concessional terms and negotiate new parameters under the IMF program.

External accounts are projected to deteriorate mostly due to lower oil exports in 2020 but will improve in the medium term once oil prices recover and the real effective exchange rate reaches its equilibrium level. As the GoA's short-term focus will be on mitigating the impact of the current crisis, the implementation of the broader reform program may be delayed. Poverty is projected at 50.1 percent in 2020 and will present an upward trend throughout the next three years.

Risks and challenges

Given its high dependence on the oil sector and its large exposure to China (its main trading partner), an even deeper global recession due to the COVID-19 pandemic and even lower oil prices represent a major downside risk. Lower oil prices will translate into lower oil production given high production costs. In addition, lower global economic activity including in China will reduce global demand for oil. In a context of high global uncertainty, reduced international investor appetite may translate into lower foreign direct investment, which could hamper growth in the non-oil sector. Under a downside scenario of a decline in the oil price, from US$ 30 per barrel (baseline scenario) to US $27 per barrel in 2020 and from US $40 to US $31 in 2021, GDP is projected to fall by 5.2 percent in 2020 and 0.6 percent in 2021. A domestic outbreak of COVID-19 may result in a severe human and economic loss due to the limited capacity of the healthcare system.

Angola's high debt level and high gross financing needs, which are increasingly financed externally, represent high and growing FX and refinancing risks for Angola's sovereign debt. A tightening of global financing conditions may also lead to increasing debt vulnerabilities.

On the poverty side, the main challenge is to compensate people for loss of income due to COVID-19 through a wide and fast disbursing cash transfers to existing beneficiaries and expansion of social protection programs to cover vulnerable families. It is also important to mitigate the impact of higher food prices and possible food shortages through targeted meal programs.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-0.1	-1.2	-1.1	-2.3	0.6	1.3
Private Consumption	2.9	2.1	2.8	2.0	2.5	3.0
Government Consumption	0.3	3.2	7.6	-4.9	4.1	5.7
Gross Fixed Capital Investment	3.0	-6.2	2.5	-15.1	0.0	2.6
Exports, Goods and Services	24.5	-10.3	-3.4	-4.0	0.7	1.3
Imports, Goods and Services	11.2	8.7	12.2	-10.2	6.2	8.4
Real GDP growth, at constant factor prices	0.6	-1.2	-1.1	-2.3	0.6	1.3
Agriculture	0.5	-5.0	1.5	1.0	1.5	2.4
Industry	-3.9	-5.4	-3.0	-2.0	0.8	1.1
Services	7.8	5.5	0.9	-3.2	0.2	1.3
Inflation (Consumer Price Index)	29.8	19.6	17.1	28.6	27.7	15.0
Current Account Balance (% of GDP)	-0.5	7.0	3.3	-3.1	-1.2	-0.6
Net Foreign Direct Investment (% of GDP)	-7.2	-6.1	-0.6	4.4	4.6	6.6
Fiscal Balance (% of GDP)	-6.3	2.0	1.0	-5.0	-2.3	-0.8
Debt (% of GDP)	68.5	89.0	110.9	134.2	136.8	137.6
Primary Balance (% of GDP)	-3.0	6.5	6.6	1.2	3.2	4.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	..	47.6	48.7	50.1	50.8	51.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	..	69.8	70.6	71.6	72.0	72.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	..	87.2	87.6	88.1	88.3	88.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2008-IBEP-MICS and 2018-IDREA. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.
(b) Projection using average elasticity (2008-2018) with pass-through = 0.5 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

BENIN

Table 1	**2019**
Population, million	11.8
GDP, current US$ billion	14.0
GDP per capita, current US$	1187
International poverty rate ($1.9)[a]	49.5
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]	126.6
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth remained strong in 2019, supported by agriculture, services and electricity, despite the Nigeria border closure. As a result, poverty declined gradually. The fiscal position improved thanks to the under-execution of capital spending and supported by the good performance of non-customs revenue. The near-term outlook is clouded by COVID-19 global economic effects on trade and capital flows. Risks are high from protracted border closure, local COVID-19 transmission and potential political tensions ahead of the 2021 Presidential elections.

Recent developments

Economic activity remained robust in 2019 as growth reached 6.4 percent in 2019 (3.5 percent per capita), just about the estimated potential of 6.3 percent. The Nigeria border closure shaved off an estimated 0.3 percentage points of the growth rate. On the supply side, growth was driven by agriculture, linked to strong cotton production (+18 percent) in the first half of the year. Industry and services also positively contributed to growth with domestically-produced electricity significantly increasing after the opening of a new power plant. On the demand side, private consumption and investments contributed the most to economic activity. Inflation remained subdued at -0.9 percent in 2019 due to high agriculture production in spite of higher fuel prices.

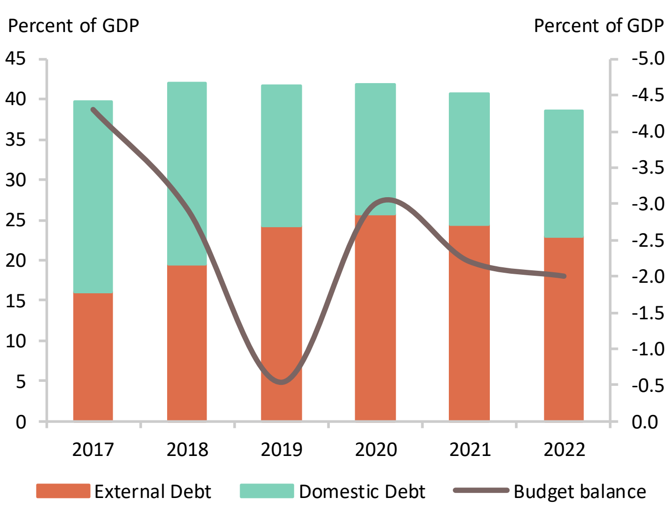
The external current account deficit (including grants) widened from -4.6 percent in 2018 to -5.1 percent of GDP in 2019 due to lower cotton prices and higher imports of construction inputs and energy products. Exported products were mainly cotton and cashew nuts while imports were dominated by energy, machinery and construction materials. The border closure, in effect since August 22, 2019 has limited the smuggling of fuel from Nigeria.

The fiscal deficit (including grants) significantly narrowed from 2.9 percent of GDP in 2018 to 0.5 percent in 2019. This is mostly due to the under-execution of externally -financed projects, which contracted capital expenditure to 4 percent of GDP, while domestic and non-tax revenues overperformed and partly offset the shortfall in customs revenue. The deficit was financed by external borrowing and FDI. The debt-to-GDP ratio stabilized at 41.6 percent of GDP. The risk of overall debt distress remains moderate.

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. BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange rate (REER) depreciated by 5 percent in 2019, due to the Euro nominal depreciation against the US dollar combined with persistently lower inflation of the WAEMU compared with trading partners.

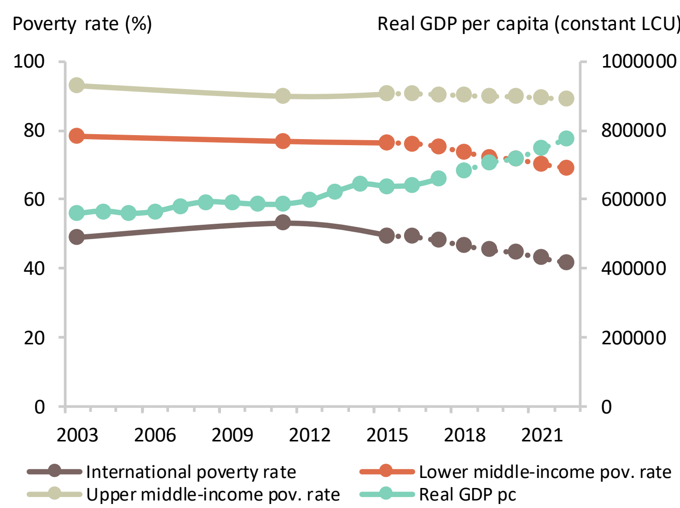
Poverty levels remain substantial with a declining trend. World Bank estimates based on official consumption aggregates suggest that $1.9 a day (2011 PPP) poverty declined from 49.5 percent in 2015 to 45.4 percent in 2019. Non-monetary poverty indicators have improved over this period as well. Inequality is estimated to be moderate based on consumption aggregates, with a Gini index of 48.0 percent in 2015. Recent acceleration in the pace of poverty reduction is explained by continued GDP growth in agriculture, mainly in the cotton sector.

FIGURE 1 Benin / Fiscal deficit and government debt



Sources: Beninese authorities and World Bank projections.

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



Source: World Bank.
Notes: see table 2.

Outlook

The outlook is negative in the near-term as the COVID-19 adverse effect on global economic activity weight down on growth in 2020. Decade-low cotton prices and a recession in Nigeria would severely reduce exports. This could be exacerbated by supply-chain disruptions for Chinese imports for re-export (informal re-export to Nigeria represent half of Benin's exports). These negative shocks are amplified by the border closure. Limited movement of people and goods will be aggravated by a contraction of remittances and FDI that will slow down private-sector financed projects. As a result, growth is expected to drop to 4.1 percent in 2020, but should pick up to 6.4 in 2021 as the global economy bounces back. As the output gaps turns positive, inflation will rise to 2 percent in 2022.

In the short-term, Benin external position will deteriorate. The external current account deficit will widen to 5.4 percent of GDP. The benefits of improved terms of trade from lower oil prices should be contained due to limited domestic supply capacity and high dependency on informal smuggled fuel from Nigeria (85 percent of domestic fuel).

Higher spending linked to the COVID-19 health emergency, and in support of vulnerable households and businesses, coupled with reduced customs and domestic revenue, will push the fiscal deficit (including grants) near the WAEMU threshold of 3.0 percent in 2020. As capital flight reduces FDI and financing in the regional market, the cost of borrowing will increase sharply. Securing grants and concessional borrowing to address financing gaps will be a priority. Public debt should increase in the short-term raising risks of debt distress and stabilize below 40 percent of GDP by 2022. BCEAO will provide liquidity for the banking sector ensuring passthrough to the private sector and supporting PMEs.

Poverty is expected to decrease over the projection period but might suffer from the effects of the ongoing COVID-19, decelerating its pace from previous projections. The $1.9/day PPP poverty headcount rate would decrease from 45.4 percent in 2019 to only 41.8 percent in 2022 (against 38 percent previously expected), while the $3.2/day PPP poverty rate would decrease only slightly from 72.2 percent in 2019 to 69.2 percent by 2022.

Risks and challenges

Risks remain high in the short term. An extended COVID-19 pandemic that spreads in the region, limiting flows of people, goods and capital beyond Q2, would severely disrupt economic activity and affect Benin's external and fiscal positions. A protracted border closure with Nigeria would add to this downside scenario. Local contagion and social-distancing measures would negatively affect private consumption and investment decisions. Additional risks stem from adverse weather conditions, rising socio-political and security fragility in the Sahel region, and uncertainty ahead of Presidential elections in 2021. All these risks could distress household income and disproportionately affect the consumption of the poor, particularly those in informal services linked to tourism and agriculture. Declining remittances in response to the recession in Europe will also negatively affect vulnerable households.

A medium-term challenge remains how to achieve economic diversification and reduce the economic and fiscal dependence from Nigeria. Addressing this challenge would accelerate economic transformation and poverty reduction.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	5.7	6.7	6.4	4.1	6.4	6.7
Private Consumption	3.5	5.8	7.1	5.8	6.9	7.5
Government Consumption	7.0	5.9	0.3	12.7	0.6	2.9
Gross Fixed Capital Investment	40.4	-1.6	16.6	0.6	1.6	12.1
Exports, Goods and Services	1.2	11.0	4.6	1.2	13.9	7.4
Imports, Goods and Services	18.8	0.9	12.0	5.1	7.6	11.4
Real GDP growth, at constant factor prices	6.0	6.7	6.4	4.1	6.4	6.7
Agriculture	7.3	7.3	7.2	3.5	6.1	6.7
Industry	10.5	6.2	6.2	5.0	6.8	6.5
Services	1.6	6.7	5.7	4.0	6.3	6.9
Inflation (Consumer Price Index)	1.8	0.8	-0.9	-0.8	0.6	2.0
Current Account Balance (% of GDP)	-4.2	-4.6	-5.1	-5.5	-3.6	-3.7
Net Foreign Direct Investment (% of GDP)	1.1	1.2	1.3	0.6	0.6	0.5
Fiscal Balance (% of GDP)	-4.3	-2.9	-0.5	-3.0	-2.2	-2.0
Debt (% of GDP)	39.7	42.0	41.6	41.9	40.7	38.6
Primary Balance (% of GDP)	-2.8	-1.4	1.1	-1.4	-0.7	-0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	48.2	46.7	45.4	44.7	43.1	41.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.2	73.6	72.2	71.6	70.3	69.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	90.4	90.1	89.9	89.8	89.5	89.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2015-EMICOV. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was March 31, 2020.

BOTSWANA

Table 1	**2019**
Population, million	2.4
GDP, current US$ billion	18.7
GDP per capita, current US$	7702
International poverty rate ($1.9)[a]	16.1
Lower middle-income poverty rate ($3.2)[a]	38.5
Upper middle-income poverty rate ($5.5)[a]	60.4
Gini index[a]	53.3
Life expectancy at birth, years[b]	68.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Having struggled to maintain its growth momentum in 2019, Botswana is set for a further growth upset in 2020 as global demand shocks rock the diamond and tourism industries. Extreme poverty is expected to increase by 6.5 percent in 2020. Whilst growth will recover towards 4.4 percent in the medium-term, a structural transformation in the growth model is crucial if Botswana is to develop a diversified and robust economy.

Recent developments

Botswana struggled to maintain its growth momentum in 2019. Weakening global demand for diamonds alongside severe droughts affecting the region contributed to the slowdown in growth to 3.5 percent in 2019 (from 4.5 percent in 2018). Decelerating production in the mineral and agriculture sectors outweighed the improvement in services (trade, finance and business activities; which account for a third of output), with increased demand supported by low inflation and accommodative monetary policy. Per capita income is set to have increased by 1.7 percent in 2019, resulting in a small reduction in estimated extreme poverty. However, the estimated poverty reduction in 2019, from 13.9 percent to 13.6 percent, was less than half that in 2018 due to the growth slowdown.

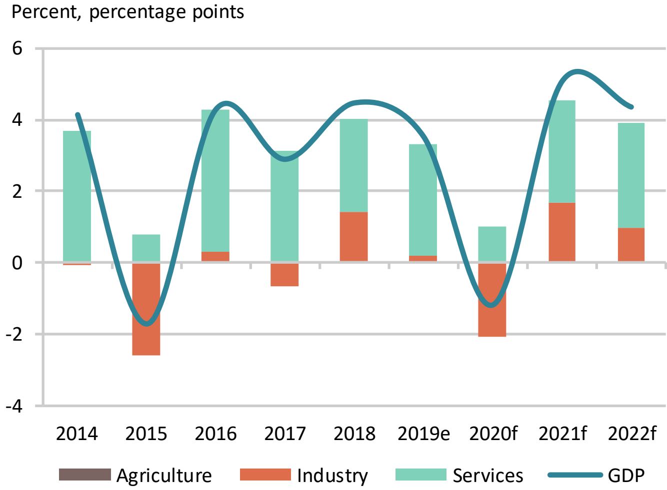
Fiscal outturns were weaker than expected. The overall budget deficit for FY 2019/20 is estimated at 4 percent of GDP, above the 3.5 percent factored into the budget. Supplementary spending approved by Parliament contributed to this, as did faltering revenues due to decelerating activity, lower mineral revenues and receipts from the Southern African Customs Union (SACU). Having entered its 4th consecutive year of budget deficits, the fiscal performance has contributed to an erosion of fiscal buffers. However, the central government debt levels, estimated at 13 percent of GDP in 2019, remain low – largely due to the country's ability tap into the Government Investment Account (GIA) for reserve financing. In November 2019, the GIA stood at USD 1.5 billion, compared to USD 2.6 billion in November 2018, indicating the impact of government spending on reserves.

Struggling mining exports have caused Botswana's current account balance to slip into negative territory - the first time since 2012. Hampered by the downturn in diamond output, due to closure of the Orapa mine in April 2019 and lackluster global demand, merchandise exports contracted by 16 percent in 2019. Export earnings are estimated to have dropped below 2017 levels – when exports were affected by closure of a major copper-nickel mining company – whilst import growth has remained steady. Whilst this negative external balance undermines the growth of the country's foreign exchange reserves, these remained at a comfortable USD 7 billion equivalent to 14 months of import cover.

Outlook

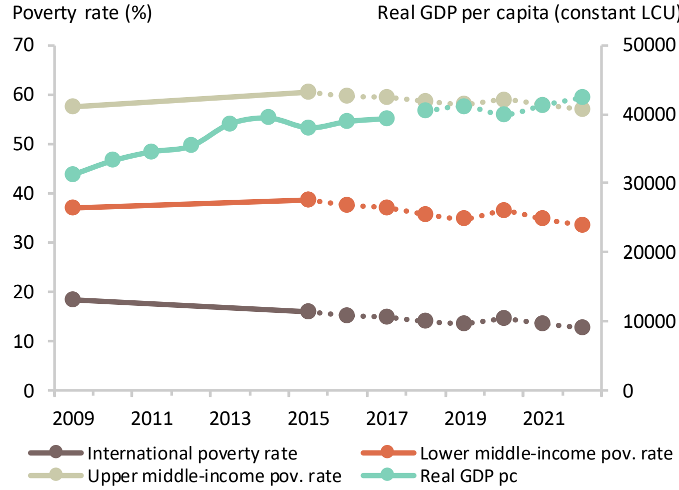
The global slowdown in demand following the COVID-19 pandemic is expected to have a profound impact on Botswana's economy, with the largest hit to the diamond industry and tourism. The global diamond industry, which already faced headwinds in February as weakened demand from China led to a 40 percent reduction in sales (compared to last year), is set to remain constrained. Slowing activity in key markets including the US and India (home to the largest diamond cutting and polishing operation in the world) will keep demand for Botswana's rough diamonds muted, with mining output expected

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



Sources: Statistics Botswana and World Bank staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

to contract by 9 percent in real terms. This global shock, along with muted tourism activity due to travel restrictions and dwindling demand in Europe, provide basis for an expected 1.2 percent contraction in growth this year. Extreme poverty is expected to increase by 6.5 percent in 2020. Growth is predicted to stabilize at 4.4 percent by 2022 as global demand recovers and thus create conditions for a reduction in extreme poverty levels from 14.5 percent in 2020 to 12.6 percent in 2022. Despite this, in the absence of significant structural change, growth will remain low to achieve Botswana's long-term development objectives and create enough jobs to absorb the new entrants into the labor market.

The Government's' recently announced plan to restore the fiscal balance and rebuild buffers that were eroded in recent years is likely to face setbacks this year. With the diamond industry being the largest single contributor to government revenues, measures to diversify revenue sources and improve the revenue outturn – including an adjustment in all fees, charges and levies in April 2020 and tighter controls at the border on imported goods – are unlikely to suffice. This, along with increased spending on health care and efforts to support the private sector, is set to widen the fiscal deficit by 1-2 percent of GDP, before falling towards a more manageable 2 percent of GDP by 2022.

Botswana's external position is set to worsen as a sharp decline in exports due to falling prices and subdued demand overshadow gains from cheaper fuel imports. Recent developments highlight Botswana's exposure to commodity market volatility and underscore the need for further export diversification. Despite this, financing pressures are likely to be manageable given the country's stable deposits, and relatively low debt levels.

Risks and challenges

The outlook is dependent on the how COVID-19 continues to unfold. A downside scenario, where the price of oil continues to fall (and subsequently commodity prices), would result in a greater contraction in mineral production. A slower than expected recovery in key markets such as China, USA and the EU also provides additional downside risks to the outlook. This, in turn, would further dampen the revenue outturn and could result in a larger use of the Pula fund and domestic borrowing to cover the financing gap. The extent at which the authorities can contain the spread of the virus also poses a challenge to their ability to keep expenditures below the cap of 30 percent of GDP, as additional health related expenditures are likely.

Risks underscore the importance of adjusting the current growth model – especially if Botswana is to achieve its Vision 2036 high-income status. A shift away from reliance on diamond exports, to a more diversified export basket is key. Investing in human capital is equally important if Botswana is to become a skills-based economy. Moreover, initiatives to improve the business environment and the implementation of ongoing strategies, as laid out in the National Development Plan 11 Medium-Term Review, to diversify production and exports away from mining and into other growth-enhancing and job-creating sectors will be crucial. Achieving the fiscal target will require improved efficiency in spending as well as the delivery of services to promote the growth of the private sector. Rationalizing the SOE sector and addressing constraints that hinder private sector engagement in trade and investment will also be crucial for a change in the growth model.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	2.9	4.5	3.5	-1.2	5.1	4.4
Private Consumption	6.5	4.1	3.7	-2.1	1.9	3.7
Government Consumption	1.5	3.7	4.7	6.7	0.4	2.8
Gross Fixed Capital Investment	-8.8	8.1	25.5	9.1	10.8	9.2
Exports, Goods and Services	-16.0	8.0	-14.6	-20.0	6.5	5.9
Imports, Goods and Services	-21.4	11.3	3.6	-5.0	6.0	9.2
Real GDP growth, at constant factor prices	2.8	4.5	3.7	-1.2	5.1	4.4
Agriculture	1.9	2.6	0.1	2.0	1.3	1.2
Industry	-2.5	5.5	0.7	-8.5	7.3	4.1
Services	5.1	4.1	5.0	1.6	4.4	4.5
Inflation (Consumer Price Index)	3.2	3.5	2.8	3.2	3.6	4.0
Current Account Balance (% of GDP)	6.0	1.4	-1.4	-5.5	-3.2	-2.3
Net Foreign Direct Investment (% of GDP)	1.0	0.6	0.6	0.4	0.6	0.7
Fiscal Balance (% of GDP)[a]	-1.1	-3.3	-4.4	-5.8	-3.3	-1.3
Debt (% of GDP)	13.6	13.9	13.1	14.5	14.7	15.5
Primary Balance (% of GDP)[a,b]	-0.6	-2.8	-3.7	-5.6	-3.0	-1.1
International poverty rate ($1.9 in 2011 PPP)[c,d]	14.9	13.9	13.6	14.5	13.4	12.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	37.0	35.7	34.9	36.3	34.8	33.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	59.4	58.6	58.0	58.9	57.9	57.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Fiscal year starts from April 1st.
(b) Non-mineral primary balance.
(c) Calculations based on 2015-BMTHS. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(d) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

BURKINA FASO

Table 1	2019
Population, million	20.3
GDP, current US$ billion	15.2
GDP per capita, current US$	746
International poverty rate ($1.9)[a]	43.7
Lower middle-income poverty rate ($3.2)[a]	76.4
Upper middle-income poverty rate ($5.5)[a]	92.3
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	93.7
Life expectancy at birth, years[b]	60.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2017).

Despite a deteriorating security situation, growth was sustained at 5.7 percent in 2019 in a non-inflationary environment supporting a reduction of poverty. The fiscal deficit fell below the WAEMU fiscal convergence criteria of 3 percent of GDP. Growth is projected to drop to 2 percent in 2020 due to COVID-19 and worsening insecurity. Substantial downside risks relate to volatile commodity prices, tensions ahead of elections in 2020 and the COVID-19 outbreak.

Recent developments

Growth declined from 6.8 percent in 2018 to 5.7 percent in 2019 (2.9 percent per capita). GDP rebasing was completed in 2019. The economy benefited from a good cereal production owing to favorable weather conditions. Meanwhile, cotton production contracted due to poor access to inputs, arrears in payment to farmers, and security problems. On the demand side, economic growth was driven by increased private and public consumption. Average inflation decreased from 2 percent in 2018 to -3.2 percent in 2019 because of good food harvest and declining telecommunications prices.

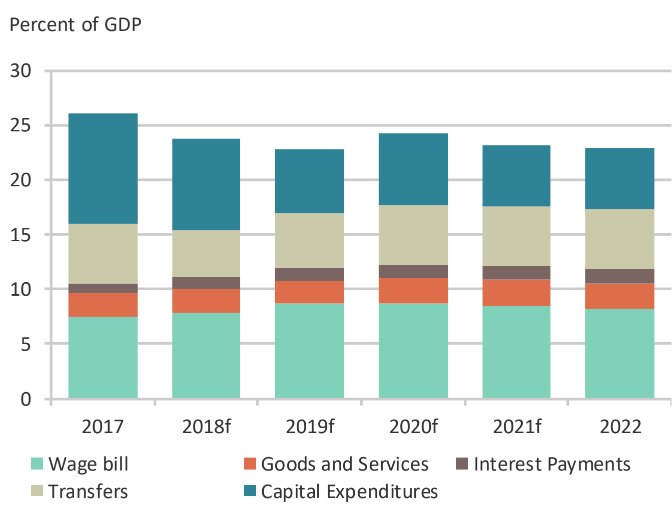
A rising import bill of capital goods widened the current account deficit from 4.1 percent of GDP in 2018 to 4.4 percent in 2019. Higher international prices pushed growth of goods exports to 11.2 percent in 2019. Cotton exports contracted by 26.4 percent in 2019, reflecting the sharp drop in production and lower international prices. FDI inflows, project loans, and other external public borrowing will finance the current account deficit.

The fiscal deficit (including grants) improved in 2019 to 2.7 percent of GDP despite security challenges. Tax revenue rose marginally 0.9 percent of GDP with improved tax collection measures. The sale of 4G licenses pushed non-tax revenues by 1.5 percentage points of GDP. Total expenditures remained at 23.7 percent of GDP. Capital spending dropped by 2.3 percentage points of GDP by delaying infrastructure projects. This compensated for higher security spending and subsidies to SOEs. Public debt increased for the third consecutive year to 40 percent of GDP in 2019. Burkina Faso remains at moderate risk of external and overall debt distress.

Burkina Faso's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange rate (REER) depreciated by 5 percent in 2019, due to the Euro nominal depreciation against the US dollar combined with persistently lower inflation of the WAEMU compared with trading partners.

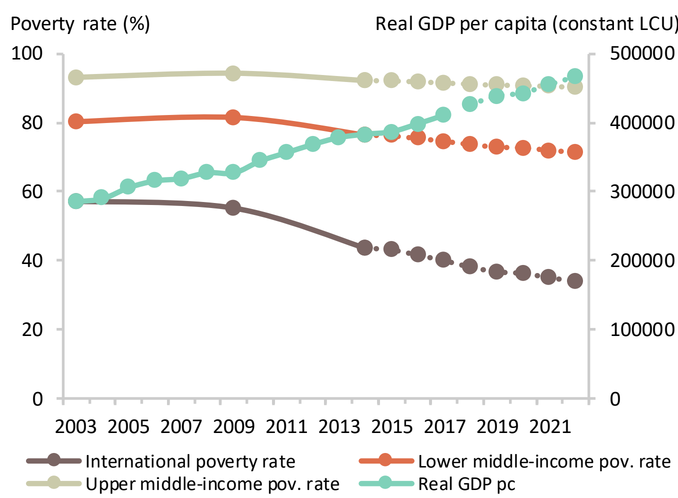
Robust growth is expected to translate into poverty reduction. The share of the population living on less than $1.90 a day in 2011 Purchasing Power Parity (PPP) is estimated to have declined from 38.1 percent in 2018 to 36.7 percent in 2019. However, violence against civilians intensified in 2019, with an average of nearly 30 incidents per month. Insecurity has resulted in serious disruption in livelihood and led to a high number of forced displacements. According to the UHNCR latest report, more than 838,000 people have been displaced by end-March 2020.

FIGURE 1 Burkina Faso / Composition of government spending



Sources: Burkinabè authority and World Bank Staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

Outlook

Economic growth is projected to temporarily decline to 2 percent in 2020 because of the mixed impacts of COVID-19 and insecurity. Lower oil prices would reduce oil imports. Moreover, the economy could benefit from higher gold prices. In contrast, the COVID-19 outbreak may lower regional and global demand for exports, slow down output, and generate fiscal pressures to finance public health and safety net spending. Regional monetary policies are expected to contain inflation under the 3 percent WAEMU target. The external current account deficit will remain broadly stable around 4.4 percent of GDP in 2020-22.

The fiscal deficit (including grants) will temporarily surpass the WAEMU target of 3 percent of GDP in 2020-21 to accommodate higher spending related to the COVID-19 outbreak and the insecurity situation. Higher grants will push total revenue and grants to 20.9 percent of GDP in 2020-22. Lower growth could hurt tax revenue, highlighting the importance of implementing tax administration measures (e.g., e-filing and e-payment and improved registration of taxpayers). On the expenditure side, security spending and transfer to local governments related to COVID-19 are expected to rise, but offset by a mild reduction in the wage bill (in GDP terms), cost-savings in rationalizing social programs, and delayed implementation of financed public investment, resulting in lower than expected capital expenditure to 6.4 percent of GDP in 2021-22.

WAEMU reserves would reach about 5.1 months of imports by 2022 as member countries continue to implement fiscal consolidation measures and external competitiveness improves. In December 2019, the WAEMU authorities announced a currency reform involving changes to the underlying arrangements with France. Market reactions have been muted so far, likely reflecting expectations that the foundations of the currency regime would remain broadly unchanged for the foreseeable future.

Due to social and economic impacts of COVID-19 outbreak, poverty projection for 2020 is revised upward by 0.8 percentage point to 36.7 percent, an equivalence of nearly 170,000 people more falling into poverty. However, poverty is expected to decline to 33.8 percent by 2022 thanks to recovered growth in agricultural sector, artisanal mining and services, and domestic migration and job creation in the service and construction sectors.

Risks and challenges

Risks to the downside are high. The deterioration of the country's security and humanitarian situation have adverse effects on growth and labor supply. Rural-urban displacement of people disrupt agriculture production and increase the number of vulnerable populations. Armed attacks to gold mines generate a detrimental environment for mining production. Land degradation and climate changes pose challenges to agricultural production and food security. The COVID-19 outbreak is a downside risk to growth and poverty and will lead to additional budgetary pressures. The reduction in oil prices and the surge of gold prices will have a positive impact on the real, fiscal and external sector. But a decline in the international demand and prices of agricultural products (e.g., cotton and cashew nuts) will affect agricultural producers. Moreover, COVID-19 will expose people to health shocks with significant effects on household welfare as the poor have limited savings and access to financial services. In the context, the Government needs to accelerate progress on domestic resource mobilization, secure mining sites, and implement health and social protection measures.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	6.2	6.8	5.7	2.0	5.8	5.6
Private Consumption	2.8	1.5	7.2	14.4	3.9	7.0
Government Consumption	-10.1	8.1	19.6	6.1	2.4	1.2
Gross Fixed Capital Investment	15.2	18.0	-6.4	-32.6	23.5	7.6
Exports, Goods and Services	15.9	6.0	-2.3	-7.1	4.6	4.6
Imports, Goods and Services	4.1	3.5	-1.6	-2.4	7.0	7.0
Real GDP growth, at constant factor prices	5.5	6.5	5.7	2.0	5.8	5.6
Agriculture	-1.1	9.9	4.6	0.0	3.6	3.6
Industry	9.3	3.6	1.9	0.1	6.3	6.1
Services	6.7	6.6	8.2	4.0	6.6	6.2
Inflation (Consumer Price Index)	0.4	2.0	-3.2	3.2	2.1	2.5
Current Account Balance (% of GDP)	-5.0	-4.1	-4.4	-4.3	-4.5	-4.6
Fiscal Balance (% of GDP)	-6.8	-4.2	-2.7	-5.0	-3.5	-3.0
Debt (% of GDP)	33.5	37.7	40.0	42.9	43.1	42.8
Primary Balance (% of GDP)	-6.0	-3.2	-1.5	-3.7	-2.1	-1.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	40.0	38.1	36.7	36.2	35.0	33.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.6	73.6	72.8	72.6	71.9	71.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.6	91.2	90.9	90.8	90.5	90.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2009-ECVM and 2014-EMC. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2009-2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

BURUNDI

Table 1	2019
Population, million	11.6
GDP, current US$ billion	3.0
GDP per capita, current US$	260
International poverty rate ($1.9)[a]	71.8
Lower middle-income poverty rate ($3.2)[a]	89.3
Upper middle-income poverty rate ($5.5)[a]	96.8
Gini index[a]	38.6
School enrollment, primary (% gross)[b]	123.9
Life expectancy at birth, years[b]	60.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011 PPPs.
(b) Most recent WDI value (2017).

Evidence suggests that growth increased marginally in 2019 to 1.8 percent from 1.6 percent in 2018. Deflation persisted in 2019, led by a continuous decline in food prices. With negative GDP per capita growth and uncertainty revolving around COVID-19, poverty is expected to continue rising, reaching 84.7 percent in 2022. The medium-term growth outlook is clouded by downside risks. The COVID-19 outbreak is having a growing impact on the global economy and Burundi will be impacted by the spillover effects.

Recent developments

Evidence suggests that real GDP growth improved marginally to 1.8 percent in 2019 from 1.6 percent in 2018. Agriculture benefited from good weather conditions leading to higher food crop harvest. High-frequency indicators suggest that industrial growth was supported by the performance in manufacturing and agro-processing. Growth in services was moderate, hampered by foreign exchange shortages. Deflationary pressures persisted in 2019 as good agricultural harvests continued to keep food prices low.

The latest fiscal data suggest that the overall fiscal deficit remained largely unchanged to an estimated 4.9 percent of GDP in 2019, a rise in domestic revenue mobilization offsetting higher public spending. The fiscal deficit was mostly financed by borrowing from the banking system. The government's fiscal position has led to a sharp rise in the stock of public debt, to an estimated 59.1 percent of GDP in 2019.

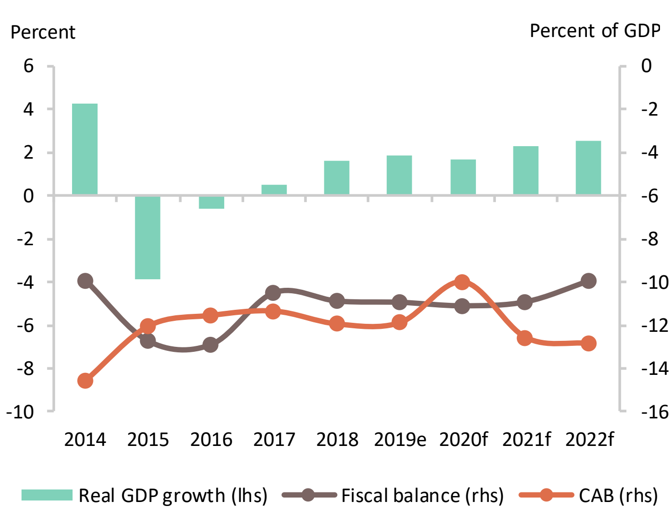
The external position remained unchanged at an estimated 11.9 percent of GDP in 2019 as higher aid flows offset a deteriorated trade balance. The decline of tea and mining exports and an increase in imports were among the main factors driving the deterioration of the trade balance. The gross official reserves continued to decline to represent an estimated 0.7 month of imports as of October 2019 compared to 0.9 month at the end of 2018. Continued central bank interventions limited the depreciation of the official exchange rate to 3.5 percent in 2019 year-on-year while the parallel market premium remained elevated at around 50 percent by end-2019.

GDP growth per capita remained negative, and poverty incidence was estimated at 82.6 percent in 2019 (based on an international poverty line of $1.90/capita/day, in 2011 PPP), up from 71.8 percent in 2013 (last year with data availability). Food insecurity is alarming, with 56 percent of children under 5 stunted across the country. In most provinces, outside of the capital city, malnutrition rates are even higher. This is also mirrored in a low Human Capital Index – with children in Burundi today living up to only 38 percent of their productive potential - compared to the counterfactual if they had enjoyed full health, including adequate nutrition, and education.

Outlook

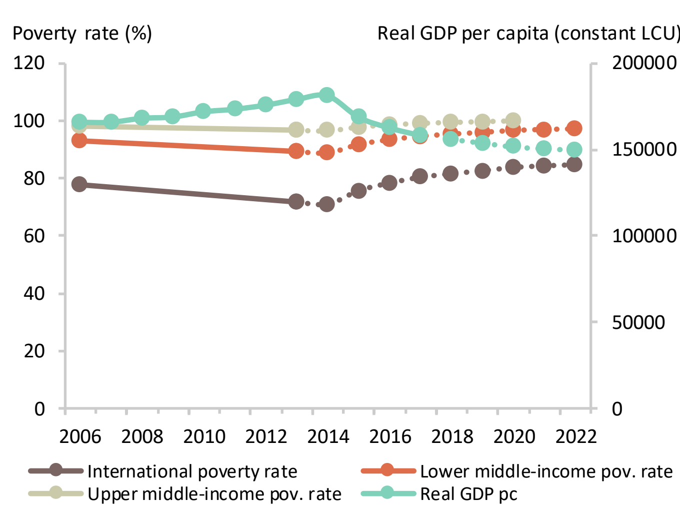
The outlook will be adversely affected by the global economic slowdown resulting from the COVID-19 pandemic. Our baseline scenario assumes no major domestic COVID-19 outbreak, a smooth election period and a gradual revival in international community support. In our baseline scenario in which global growth drops to -2.2 percent in 2020, Burundi's growth is projected to slow down to 1.7 percent before gradually rising to 2.5 percent in 2022. Average inflation is expected to rise steadily to reach 6 percent

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



Sources: Central Bank of Burundi, Ministry of Finance and World Bank calculations.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

by 2022 as domestic demand strengthens and base effects dissipate. The external current account deficit is projected to narrow owing to the sharp decline in oil prices and higher gold prices.

The fiscal deficit is projected to widen to 5.1 percent of GDP in 2020 as the contraction in international trade will impact fiscal revenue and higher spending on health due to COVID-19 combined with electoral related spending will create additional pressures. The fiscal deficit will narrow to 4.9 percent of GDP in 2021 and 4.0 percent in 2022 driven by efforts to bolster tax revenue collection. Total public debt is expected to increase steadily to almost 72 percent of GDP by 2022 and will remain mostly composed of domestic debt.

The indirect effects of COVID-19 could translate into higher unemployment rates and informality in urban areas, especially in the capital city, as tourism and related services are likely to see cutbacks. Moreover, households are likely to experience decreases in remittances as flows appear to be significantly affected worldwide, with major payment services filing for bankruptcy. In the wake of COVID-19, demographic pressures, environmental shocks and degradation, as well as limited diversification and low resource endowments, poverty is expected to continue increasing to 84.7 percent in 2022.

Risks and challenges

Notwithstanding the positive outlook, there are significant downside risks. The main short-term risk is related to the economic fallout of the COVID-19 pandemic that will affect Burundi through trade. Lower global economic activity may translate into lower global demand for commodities, which may lower Burundi´s commodity exports, such as coffee and tea. There is a further effect through commodity prices. On the one hand, lower export prices for tea and coffee due to lower demand would negatively impact real, external and fiscal sectors. Higher import prices of consumer products such as food due to some supply disruptions may also negatively affect Burundi's terms of trade. On the other hand, declining oil prices and higher-than-expected gold prices represent upside risks and would have a positive impact on the economy. Under a downside scenario where global growth slows down to -3.6 percent in 2020 and oil prices drop from $30 (baseline scenario) to $27 per barrel in 2020, Burundi's growth could narrow by an additional 0.1 percentage point in 2020. The fiscal deficit would widen by 0.1 percent of GDP in 2020 and the current account deficit would improve by 0.5 percent of GDP in 2020 compared to the baseline scenario. Additional financing needs may require increasing multilateral concessional budget support.

Another short-term risk is political uncertainty related to the 2020 general elections and the formation of a new government that will take office in August 2020.

Given the inadequate financing of the current account deficit and the extremely low levels of foreign exchange reserves, Burundi may face further pressures on the national currency. Risks to macroeconomic stability also stem from continued monetization of the fiscal deficit, exacerbating financial sector vulnerabilities.

Reliance on rainfed agriculture keeps Burundi's vulnerability to adverse weather conditions and climate change elevated, in particular for subsistence farmers – who make up the largest part of the country's labor force. COVID-19 presents additional risks to livelihoods. An uncontained spread of the virus could impact households across the income distribution but could be particularly severe for the poor who may be forced to sell productive assets or reduce expenditures on education and food, with long-lasting repercussions on human capital.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	0.5	1.6	1.8	1.7	2.3	2.5
Private Consumption	0.2	3.5	3.0	2.9	3.2	3.2
Government Consumption	8.8	6.7	9.1	0.7	1.6	1.6
Gross Fixed Capital Investment	-2.5	24.9	14.9	7.7	7.7	9.7
Exports, Goods and Services	32.2	11.0	-1.2	3.4	4.8	4.7
Imports, Goods and Services	13.0	19.0	12.1	5.6	5.7	5.9
Real GDP growth, at constant factor prices	0.5	1.7	1.8	1.7	2.3	2.5
Agriculture	0.3	3.0	3.1	3.1	3.2	3.2
Industry	0.7	2.4	2.1	1.8	2.0	2.0
Services	0.6	0.7	1.0	0.8	1.9	2.3
Inflation (Consumer Price Index)	16.1	-2.6	-0.8	5.0	5.5	6.0
Current Account Balance (% of GDP)	-11.3	-11.9	-11.9	-10.0	-12.6	-12.8
Net Foreign Direct Investment (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.5	-4.9	-4.9	-5.1	-4.9	-4.0
Debt (% of GDP)	44.2	50.9	59.1	62.8	67.7	71.7
Primary Balance (% of GDP)	-3.5	-4.5	-4.4	-4.6	-4.3	-3.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	80.3	81.6	82.6	83.7	84.3	84.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	94.6	95.3	96.0	96.6	97.0	97.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	99.1	99.4	99.7	99.9	..	..

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.
(b) Projection using point-to-point elasticity (2006-2013) with pass-through = 1based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

CABO VERDE

Table 1	2019
Population, million	0.6
GDP, current US$ billion	2.1
GDP per capita, current US$	3760
International poverty rate ($1.9)[a]	3.2
Lower middle-income poverty rate ($3.2)[a]	14.9
Upper middle-income poverty rate ($5.5)[a]	40.8
Gini index[a]	42.4
School enrollment, primary (% gross)[b]	103.3
Life expectancy at birth, years[b]	72.6

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth accelerated to 5.5 percent in 2019 supporting poverty reduction. A primary fiscal surplus was achieved, and public debt fell for a third year. An economy reversal is in the making, with a projected contraction of 4 percent in 2020 due to the COVID-19 pandemic. Medium-term growth is projected to bounce back to 5 percent. The outlook is subject to substantial downside risks stemming from delays in global recovery and the magnitude of the domestic COVID-19 outbreak.

Recent developments

Economic growth accelerated from 5.1 percent in 2018 to 5.5 percent in 2019 (4.2 in per capita terms) above the potential growth rate of 3.6 percent. On the demand side, growth was driven by high consumption (public and private) and strong export performance. On the supply side, construction, retail, transport, and tourism services contributed to the dynamism of the economy. Agricultural output recovered modestly (0.6 percent) for the first time since the 2017 drought.

The external current account deficit decreased from 5.3 percent of GDP in 2018 to 3.0 percent in 2019 driven by a strong performance in exports of services, notably tourism. The current account deficit was financed largely through Foreign Direct Investment (FDI), which helped international reserves reach 5.5 months of imports, compared to the 3.6 months considered adequate by the IMF.

The primary fiscal balance stood at 0.7 percent of GDP in 2019, turning positive for the first time in a decade. The overall fiscal deficit declined from 2.8 percent of GDP in 2018 to 1.9 percent in 2019. Improved fiscal performance is due to central government consolidation efforts combined with the reforms of state-owned enterprises (SOEs). Tax and non-tax revenue expanded from 28.2 percent of GDP in 2018 to 29.4 percent in 2019. Total expenditure remained relatively stable, moving from 31.0 percent of GDP in 2018 to 31.3 percent in 2019. The stock of public debt fell for a third year in row, from 124 percent of GDP in 2018 to 123 percent in 2019. However, the risk of external debt distress remains high.

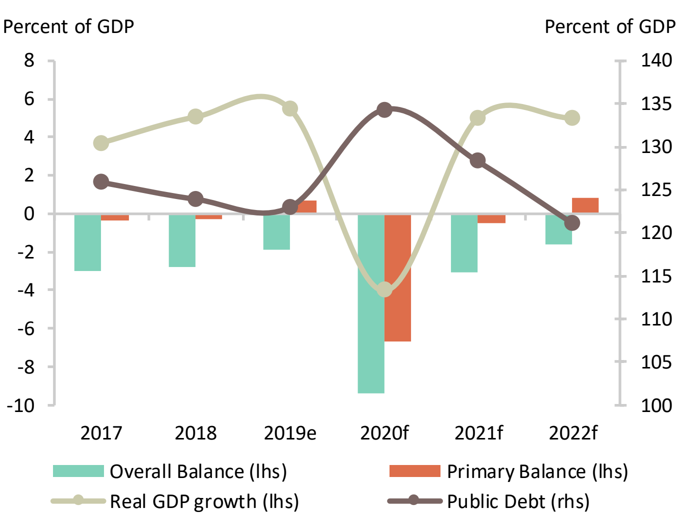
Cabo Verde's monetary policy is closely aligned with Europe, with the local currency pegged to the Euro. With inflation expectations relatively low and limited pressure on the peg, the Central Bank policy rate remained at 1.5 percent, unchanged since June 2017. Inflation remained subdued at 1.1 percent, slightly lower than the 1.3 percent observed in 2018, in the context of a stable and slightly negative output gap.

The share of the population subsisting below the national basic-needs poverty line (US$ PPP 5.4/day) fell from 32.5 percent in 2018 to 31.5 percent in 2019. As the drought that impacted the agricultural sector since 2017 ended, food poverty based on a national poverty line of US$ PPP 2.9/day, fell marginally from 9.6 percent in 2018 to 9.3 percent in 2019. The poor are likely to have benefited from a 2 percent increase in the employment rate in 2019 and from the increased demand for horticultural products following urban consumption growth. The continuing uptick of the construction and the tourism sectors is expected to have benefitted the poor.

Outlook

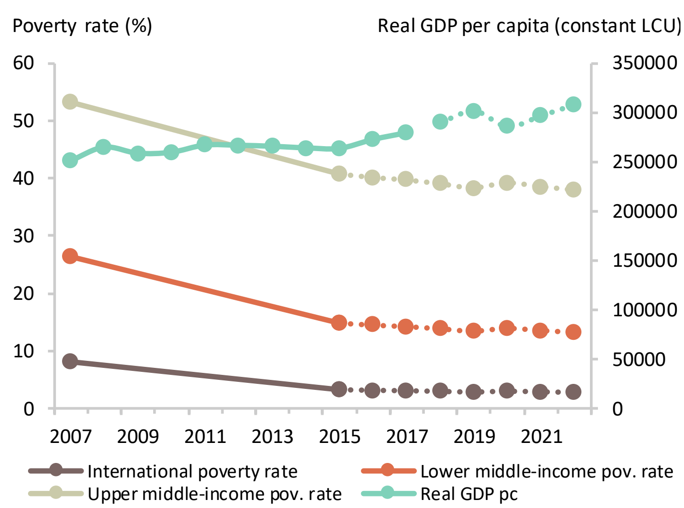
The country is extremely vulnerable to the economic impacts of the global COVID-19 pandemic, given its high reliance on tourism, remittances, and FDI

FIGURE 1 Cabo Verde / Fiscal and growth outlook



Source: World Bank.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was March 30, 2020.

flows. The unfolding global crisis will shut down growth prospects in 2020. In a scenario where Europe starts lifting containment measures in May, followed by a sluggish recovery, the economy is projected to contract by 4 percent in 2020. Economy growth is expected to bounce back to 5 percent over the medium-term.

The key transmission channels of the pandemic crisis are threefold. First, the tourism sector, which represents 25 percent of GDP and drives overall economic performance, would be affected by the pandemic. Currently, the sector is completely closed to international visitors. The services sector is projected to contract by 3.9 percent in 2020. Second, the delay or cancelation of planned investment projects would reduce FDI and further exacerbate the economic downturn. FDI is projected to decline by 3.1 percentage points to 1 percent of GDP in 2020. Finally, on the upside, as a net oil importer, the reduction in international prices would improve the terms of trade. Inflation should remain subdued below 2 percent in the medium-term.

The pandemic will halt fiscal consolidation and public debt reduction in 2020. A reduction on fiscal revenue due to containment measures and unforeseen additional public expenditure to prevent and mitigate the pandemic will increase the fiscal deficit and public debt. The overall fiscal deficit is projected to reach 9.4 percent of GDP. The stock of public debt will reach 134.3 percent of GDP. Over the medium-term fiscal equilibrium will be restored, and public debt is projected to return to its downward trend and reach 121.2 percent of GDP in 2022.

The external current account deficit is projected to reach 10.1 percent of GDP in 2020, driven by the reduction in export of services. Over the medium-term, the current account deficit is expected to narrow driven by a recovery in remittance flows and tourism receipts.

Poverty –using the national poverty line of US$ PPP 5.4/day– is projected to increase by 2.3 percentage points to 33.8 percent in 2020 due to the contraction of the services that employs about half of the poor and a slowdown in construction due to the drop in FDI. Job and income losses will negatively affect the welfare of many, with the poor likely to be hit hardest. Reductions in international remittances due to the economic slowdown in Europe will worsen their situation. Extreme poverty would rise by 0.7 percentage points to 10 percent in 2020.

Risks and challenges

A sharper or more sustained contraction in Europe will weigh more on growth and increase pressure on external and fiscal balances. A widespread domestic outbreak would also call for additional reprioritization of government expenditure towards public health, and further revenue mobilization measures, impacting public debt. This would increase fiscal unbalances and require stronger adjustment efforts in the medium-term to maintain a downward trajectory for public debt.

Fiscal pressures could be further compounded by unforeseen support to SOEs and the possible realization of their contingent liabilities. The country is at a critical juncture to find an adequate balance between responding effectively to the global COVID-19 pandemic, preserving recent social gains, and ensuring a sustainable macro framework routed in fiscal and debt discipline.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.7	5.1	5.5	-4.0	5.0	5.0
Private Consumption	7.1	1.5	3.9	-1.5	5.5	5.5
Government Consumption	7.7	2.2	7.2	1.0	7.6	4.8
Gross Fixed Capital Investment	12.3	7.2	8.9	1.1	2.9	6.3
Exports, Goods and Services	7.5	11.9	8.5	-32.0	11.1	8.7
Imports, Goods and Services	16.4	6.7	7.2	-17.0	8.3	8.5
Real GDP growth, at constant factor prices	2.0	3.0	5.5	-4.0	5.0	5.0
Agriculture	-12.5	-19.0	0.6	4.2	5.0	5.0
Industry	11.9	8.1	5.0	-6.7	3.4	3.4
Services	1.5	4.3	6.2	-3.9	5.5	5.4
Inflation (Consumer Price Index)	0.8	1.3	1.1	1.3	1.4	1.8
Current Account Balance (% of GDP)	-7.9	-5.3	-3.0	-10.1	-8.2	-6.7
Net Foreign Direct Investment (% of GDP)	5.6	4.0	4.1	1.0	5.3	5.7
Fiscal Balance (% of GDP)	-3.0	-2.8	-1.9	-9.4	-3.1	-1.6
Debt (% of GDP)	125.9	124.0	123.0	134.3	128.3	121.2
Primary Balance (% of GDP)	-0.4	-0.3	0.7	-6.7	-0.5	0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	3.0	2.9	2.8	2.9	2.8	2.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	14.2	13.8	13.4	13.9	13.5	13.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	39.7	39.0	38.3	39.2	38.5	37.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2001-IDRF and 2015-IDRF. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using point-to-point elasticity (2001-2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was March 30, 2020.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

CAMEROON

Table 1	2019
Population, million	25.3
GDP, current US$ billion	38.7
GDP per capita, current US$	1530
International poverty rate ($1.9)[a]	23.8
Lower middle-income poverty rate ($3.2)[a]	44.7
Upper middle-income poverty rate ($5.5)[a]	68.9
Gini index[a]	46.6
Life expectancy at birth, years[b]	58.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2017).

Economic activity slowed down in 2019, with GDP growth estimated at 3.9 percent compared to 4.1 percent in 2018. Fiscal policy remains set on fiscal consolidation, mostly driven by improved tax administration, despite security spending pressures. The poverty rate is estimated to have fallen to 22.4 percent in 2019 and is expected to decline marginally to 21.9 percent by 2022. The economic outlook is mostly influenced by the COVID-19 outbreak and the pace of implementation of structural reforms.

Recent developments

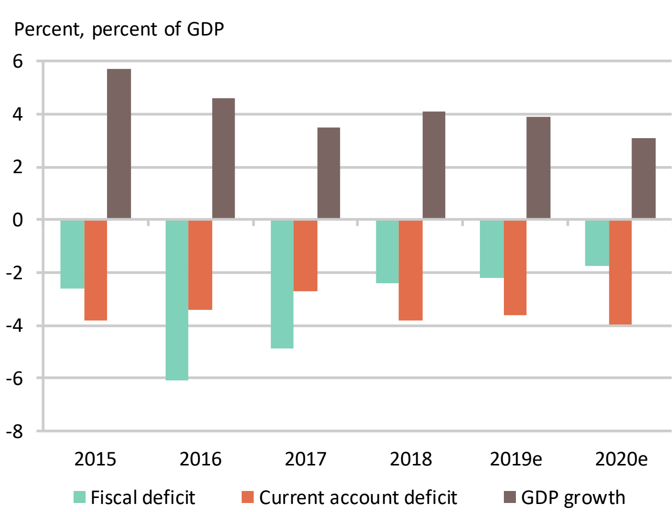
Real GDP growth slowed in 2019 as compared to 2018 (3.9 percent vs 4.1 percent respectively). This is due to the decline in the labor-intensive agriculture and agribusiness sectors affected by continued secessionist conflict in the anglophone regions as well as the adverse impact of the damage after the fire at the national refinery (SONARA) and lower prices for timber and aluminium. Higher than expected oil and gas production partially offset the contraction in non-oil activities. Inflation rose to 2.5 percent from 1.1 percent last year, mostly due to continued disruptions in food production in the anglophone regions. The Government maintained its efforts towards fiscal consolidation in 2019 despite security spending pressures. The overall fiscal deficit narrowed to 2.2 percent of GDP from 2.5 percent of GDP in 2018 as a result of better controls of expenditures in goods and services, cut in nonpriority public investments and better recovery of tax arrears and reduction in tax expenditures. The deficit was financed through budget support from multilateral and bilateral donors, domestic financing and accumulation of domestic arrears. The public debt-to-GDP ratio continued to increase and reached 40.8 percent in 2019. Cameroon remains at high level of debt distress.
The current account deficit stabilized at 3.6 percent of GDP despite increased liquefied natural gas (LNG) exports and recovery in the cocoa sector, primarily due to increased refined oil imports after the fire at SONARA. Following the implementation of BEAC's new foreign exchange regulations, official reserves attributed to Cameroon is estimated to have reached 5.4 months of imports at end-December 2019 from 5.1 months of imports in 2018. The year-on-year growth in credit to the private sector slowed to 3.0 percent reflecting the disappointing performance in the non-oil sector.

The international poverty rate (at $1.9 per person per day, 2011 PPP) is expected to have declined to 22.4 percent in 2019 (from 23.8 percent in 2014 according to the latest available household budget survey). Poverty has, however, increased in the North and Far North regions where growing security risks are making the local population more vulnerable. Diverging regional trends in poverty have contributed to a 3.8 percentage point increase in the Gini coefficient from 2007 to 2014.

Outlook

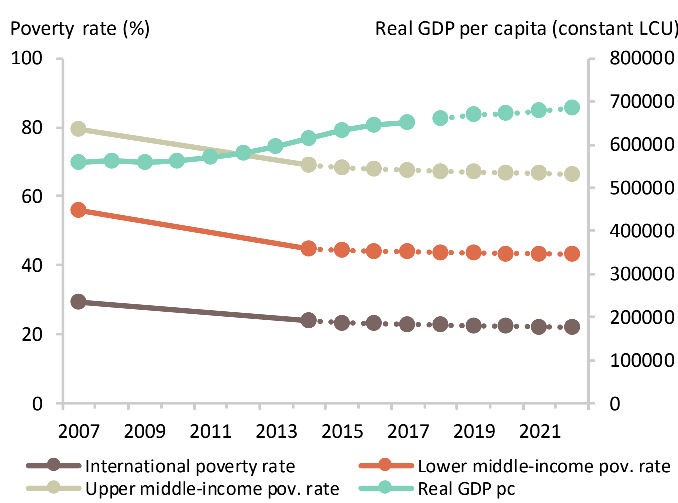
GDP growth is projected to ease to 3.1 percent in 2020 from 3.9 percent in 2019 mostly following the global slowdown that is expected to reduce demand for Cameroon's exports of oil and non-oil commodities (cocoa, timber, aluminium). Government's measures to prevent the spread of the COVID-19 pandemic, including social distancing and avoidance behavior, are expected to affect the domestic demand for services (restaurants, hotels, transportation). GDP per capita

FIGURE 1 Cameroon / Twin deficit and annual GDP Growth



Sources: National Authorities and World bank.

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



Source: World bank.
Notes: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

growth is projected to decline to 0.5 percent in 2020 and then expected to gain momentum (around 0.9 - 1.2 percent) in 2021-2022. GDP growth is expected to recover gradually to 3.5 percent in 2021 and 3.7 percent in 2022 driven by global recovery, improved electricity supply with the entry into service of new hydroelectric dams; but would remain 3 percent below potential over 2020-2022.

Lower international oil prices are expected to affect Cameroon's fiscal position through lower fiscal revenues in 2020-2021. The adverse effect of lower oil prices combined with continued pressures on security expenditure and the fiscal impact of the Government's response to the COVID-19 pandemic would be only partially offset by the reduced burden on fuel subsidies, widening the overall fiscal deficit to 2.4 percent of GDP in 2020 from 2.2 percent of GDP in 2019. Continued tightened tax controls, improved recovery of arrears and reduction of tax expenditures are expected to drive down the fiscal deficit to 1.8 percent of GDP in 2022. The deficit is expected to be financed by domestic debt issuance, bilateral and external borrowing. Inflation is expected to be contained below the regional criteria of 3 percent over 2020-2022.

The current account deficit is projected to deteriorate to 4 percent in 2020 from 3.6 percent of GDP in 2020; driven by falling oil and non-oil commodities (cotton, timber, aluminium) prices. The current account is projected to stabilize in 2021 -2022 driven by improved terms of trade resulting from a rebound in non -oil commodity exports (especially cocoa sector exports the prices of which are forecasted to increase annually by 2.8 percent in 2021-2022). Limited achievements in human development and slower than potential economic growth lead to a projection of very limited progress in poverty reduction. The modest rebound of economic growth expected in 2021 and 2022 would lead to a marginal decline in poverty with the share of the population living under $1.9/day reaching around 21.9 percent by 2022.

Risks and challenges

Domestically, the violent conflict in the South-West and North-West regions remains the major source of social and economic risk. On the external side, delay in the recovery or further deterioration of economic activity in the Euro Area and China economies (first and second trading partners, representing 49.1 percent and 13.1 percent of total exports, respectively in 2014-2018) would further affect Cameroon's external position. Under a downside scenario of a drop of oil price, from US$ 30 per barrel (baseline scenario for this MPO) to US $ 27 per barrel in 2020 and from US $ 39.8 to US $ 31 in 2021, the current account deficit would widen by 0.2-0.6 percent of GDP in 2020 and 2021. The regional central bank's current concerns about rebuilding its foreign exchange reserves and the possible adverse effects of the virus on the region's external position will limit the room for an easing in the monetary stance. Additional financing needs may require increasing bilateral and multilateral concessional budget support. To mitigate risks, further structural reforms are vital to improve the business environment, diversify the economy, and build resilience to external shocks as well as continued efforts in implementing the CEMAC regional strategy including, by complying with CEMAC's convergence criteria and FX regulations to rebuild fiscal and external buffers.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.5	4.1	3.9	3.1	3.5	3.7
Private Consumption	3.3	5.7	5.3	3.5	4.0	5.3
Government Consumption	2.5	-0.2	0.5	7.4	5.7	-1.8
Gross Fixed Capital Investment	4.2	7.9	4.6	3.7	4.4	5.4
Exports, Goods and Services	-1.6	1.8	2.0	-0.4	0.4	0.5
Imports, Goods and Services	-0.6	8.1	5.0	4.1	4.5	4.6
Real GDP growth, at constant factor prices	3.3	4.1	3.9	3.1	3.5	3.7
Agriculture	3.2	5.1	4.2	3.5	4.1	4.2
Industry	1.3	3.1	3.0	2.4	3.4	3.5
Services	4.3	4.4	4.3	3.3	3.4	3.6
Inflation (Consumer Price Index)	0.6	1.1	2.5	2.5	2.5	2.5
Current Account Balance (% of GDP)	-2.7	-3.8	-3.6	-4.0	-3.9	-3.9
Fiscal Balance (% of GDP)	-4.9	-2.5	-2.2	-2.4	-2.2	-1.8
Debt (% of GDP)	37.6	39.3	40.8	41.5	40.8	40.6
Primary Balance (% of GDP)	-4.0	-1.6	-1.3	-1.4	-1.1	-0.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	22.8	22.6	22.4	22.3	22.1	21.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	43.9	43.6	43.5	43.4	43.2	43.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	67.6	67.2	66.9	66.8	66.6	66.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-, 2017-, and 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 1 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

CENTRAL AFRICAN REP.

Table 1	2019
Population, million	4.8
GDP, current US$ billion	2.1
GDP per capita, current US$	442
International poverty rate ($1.9)[a]	66.3
Gini index[a]	56.2
Life expectancy at birth, years[b]	52.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2008), 2011PPPs.
(b) Most recent WDI value (2017).

The Central African Republic (CAR)'s economy grew at 3.9 percent in 2019 as the security environment improved with the peace accord. The economic outlook is positive as the economic impacts of COVID-19 fade away and security conditions improve. Downside risks arise from uncertainty about the implementation of the peace accord, especially with the upcoming elections. CAR's authorities must maintain efforts toward consolidating the peacebuilding process and speed up reforms to sustain economic growth and reduce poverty.

Recent developments

As the implementation of the peace agreement is materializing, the security and humanitarian situation in CAR is improving. As of December 2019, 600,000 people were internally displaced – 6.4 percent below its end-of-2018 level – reflecting an improvement in the security situation with the signing of the peace agreement.

CAR's economic growth is estimated at 3.9 percent in 2019, up from 3.7 percent in 2018. The economic performance is lower-than-expected and reflects the collapse by 30 percent in the production of coffee and cotton because of persistent structural issues. On the supply side, economic activity was supported by a dynamic services sector, which grew at 4.3 percent, while the agricultural sector grew at 2.7 percent. On the demand side, private consumption drove economic activities. Public investments increased from 6.1 percent of GDP in 2018 to 6.7 percent of GDP in 2019, while private investments reached 10.6 percent of GDP compared to 9.1 percent of GDP in 2018.

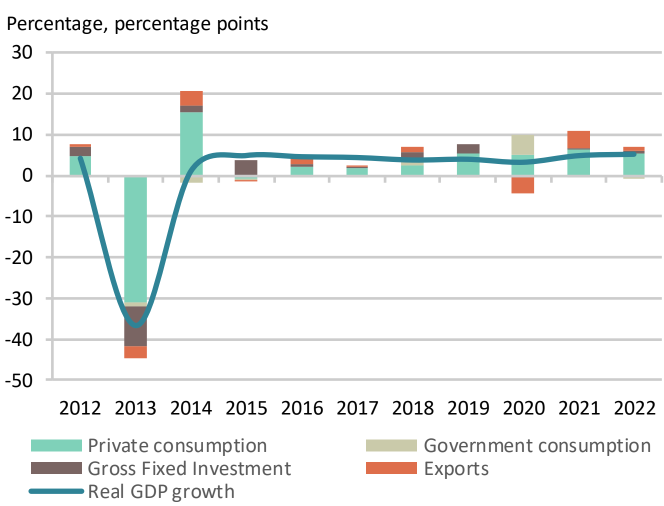
The fiscal position has improved, although CAR remains at risk of debt distress. The ratio of debt-to-GDP dropped from 69.5 percent in 2014 to 48 percent in 2019 as the government continued to clear domestic arrears. The fiscal position turned into an overall surplus of 1.2 percent of GDP in 2019, thanks to the surge in official grants. Tax revenues declined from 8.3 percent of GDP in 2018 to 7.4 percent in 2019 primarily because of delays in the implementation of tax reforms. Public spending increased by 5.7 percent with the redeployment of civil servants and the peace accord. Official grants picked up at 10.3 percent of GDP in 2019 reaching its highest level since the 2013-crisis.

The inflationary pressures that resulted from the blockade of the Bangui-Douala corridor in March 2019 have abated. The consumer price index is estimated to have increased by 2.5 percent in 2019, compared to 1.6 percent in 2018.

The current account deficit narrowed to 7.3 percent of GDP in 2019 from 7.7 percent of GDP in 2018. Imports of goods and services increased by 8 percent as imports of oil and food products rise, while exports declined by 3.3 percent because of lower international demand for wood products. On the financing side, official grants increased by about 40 percent, reflecting the support of the international community to the peace agreement. Consequently, the country's contribution to the regional official reserves are estimated to be 18.6 percent higher than their 2018 level – about 3.3 months of imports.

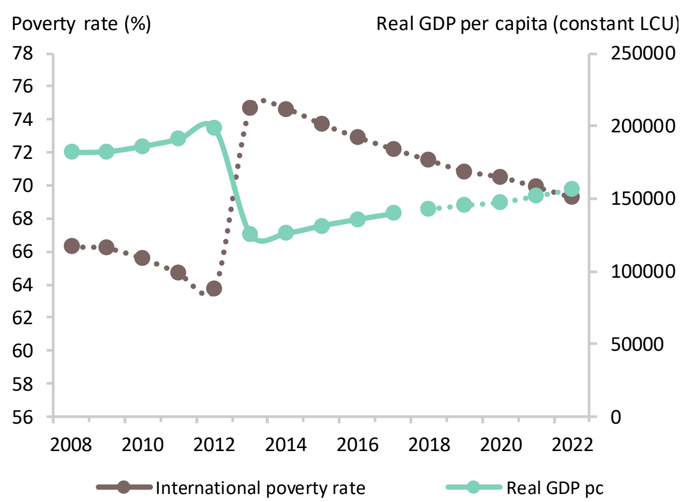
Poverty remains pervasive and elevated. Projections based on GDP per capita growth suggest that an estimated 71 percent of the population lived below the international poverty line (US$ 1.90 per day, 2011 PPP) in 2019. This equates to nearly 3.4 million people living in extreme poverty. Non-monetary poverty also remains high. Access to adequate education and health care services is limited, and CAR ranks 188th out of 189 countries on the 2019 Human Development Index. Nearly half the population

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



Sources: CAR Authorities and World Bank.

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



Source: World Bank.
Notes: see table 2.

requires humanitarian assistance, and acute food insecurity affects about 35 percent of the population in the 2019 post-harvest season.

Outlook

GDP growth is projected to ease to 3.2 percent in 2020 following the global slowdown that is expected to reduce demand for CAR's exports. Government measures to contain the spread of COVID-19, including restriction of movements, travel bans, lockdowns, and border closures, will slowdown economic activities, disrupt local businesses, reduce tax revenues collection. With neighboring countries restricting access to their territories and portal gateways and disruptions in the supply chain, CAR is likely to face inflationary pressures, especially on imported foods products. Inflation is expected at 3.5 percent in 2020 but should fall below the regional criteria over 2021-2022. The average current account balance is estimated at 3 percent of GDP in the medium term as the collapse in oil prices reduce the import bill. Global uncertainty and depressed international demand caused by COVID-19 are expected to lead to a sharp decline in the demand of wood products and commodity prices, leading to a drop in exports.

As the economic impacts of COVID-19 hopefully fade away in 2021, the peace agreement is likely to support economic recovery. The peace accord is restoring security, supporting the deployment of public services in provinces. With a gradual economic recovery, poverty is projected to decrease by 1.5 percentage points by 2022.

Risks and challenges

The main medium-term risks for CAR are the possible escalation of violence, uncertainty in the implementation of the peace agreement, and any lingering socioeconomic impacts of COVID-19.

Externally, CAR is vulnerable to the volatility of commodity prices and impacts of the COVID-19. The outbreak and spread of COVID-19 have generated a downward revision of CAR's economic growth by 0.7 percentage point in 2020. The pandemic is likely to slow global economic growth and lower the international demand for wood products, especially from Asia. COVID-19 is projected to lead to a deterioration of the fiscal position as tax revenues are weaker. The impact could be even more significant if the Cameroonian authorities restrict the movement of goods and people on the Bangui-Douala corridor – the main road corridor to its coastal port gateways. Also, CAR's external position is projected to deteriorate in the medium-term with a combination of lower exports and volatile commodity prices. Uncertainty on the global market could affect the exports of cotton, coffee, diamond, and timber, which represent more than two-thirds of CAR' exports. With about one health specialist for 20,534 people, a weak health system and a lack of fiscal buffers, CAR's already precarious humanitarian situation could further deteriorate under COVID-19, especially if international financing fails to mitigate the economic impacts of the pandemic.

Internally, losing the momentum in tax mobilization would affect the authorities' ability to invest in basic critical services and mitigate conflicts. Renewed insecurity is likely to cause new episodes of the blockade of the main road corridors, which will increase inflation and negatively affect economic activities and halt the pace of recovery.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.3	3.7	3.9	3.2	4.8	5.1
Private Consumption	1.9	2.7	5.5	5.4	6.6	5.3
Government Consumption	-0.9	13.5	1.7	61.9	-0.9	-6.9
Gross Fixed Capital Investment	3.3	16.2	14.8	-1.8	1.2	3.6
Exports, Goods and Services	1.2	7.4	-3.3	-26.1	38.1	7.6
Imports, Goods and Services	-2.1	4.4	8.1	6.1	14.3	2.4
Real GDP growth, at constant factor prices	4.3	3.6	3.4	3.2	4.8	5.1
Agriculture	3.2	3.4	2.7	5.5	7.1	6.5
Industry	1.7	1.5	1.7	4.4	5.0	4.1
Services	6.0	4.4	4.3	1.4	3.1	4.4
Inflation (Consumer Price Index)	4.1	1.6	2.5	3.5	2.8	2.8
Current Account Balance (% of GDP)	-7.7	-7.7	-7.3	4.5	-1.2	-12.7
Fiscal Balance (% of GDP)	-1.3	-0.3	1.2	-2.8	-3.2	-3.0
Debt (% of GDP)	49.4	48.8	48.0	42.4	41.0	39.0
Primary Balance (% of GDP)	-1.0	0.2	1.8	-2.4	-2.8	-2.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	72.2	71.5	70.8	70.5	69.9	69.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2008) with pass-through = 0,7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

CHAD

Table 1	**2019**
Population, million	15.8
GDP, current US$ billion	11.3
GDP per capita, current US$	715
International poverty rate ($1.9)[a]	38.4
Lower middle-income poverty rate ($3.2)[a]	66.5
Upper middle-income poverty rate ($5.5)[a]	86.2
Gini index[a]	43.3
Life expectancy at birth, years[b]	53.7

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

Growth recovered to 3.2 percent in 2019, driven by oil and agriculture. However, the COVID-19 global economic shock, including lower oil prices, hit Chad just when the economy was about to move towards a sustainable growth path. The outlook is clouded with uncertainty and risk related to a domestic COVID-19 outbreak and a prolonged oil price slump.

Recent developments

Growth recovered to 3.2 percent (0.2 percent per capita) in 2019, mainly due to higher oil production and agricultural output (especially cotton). Although the negative output gap was closing, inflation declined from 4.0 percent in 2018 to -1.0 percent in 2019, reflecting subdued transportation and food prices. The primary sector (mainly agriculture and the oil sector) remained the main driving force contributing about two-third of the 2019 growth rate. Contributions of the secondary and tertiary sectors stood at 0.1 and 0.9 percentage points, respectively. The slight improvement in industry indicates a slow rise in capital investment while services benefit from strong primary sector activity (including related transport services) and the clearance of domestic arrears.

The external current account deficit widened from 4.7 percent in 2018 to 4.9 percent in 2019, due to an increase in Foreign Direct Investment (FDI)-related imports for several oil fields under development. In real terms, export growth reached 6 percent, while imports accelerated to 4 percent. The deficit was financed by project grants and FDI, which increased to 6.2 percent of GDP in 2019.

Chad's monetary and exchange rate policies are managed by the regional Bank of Central African States (BEAC). In 2019, BEAC maintained tighter monetary policy to rebuild its reserves and to ensure financial sector stability. Policy interest rate remained at 3.50 percent while regional reserves reached 3.3 months in 2019, up from 2.7 months in 2018.

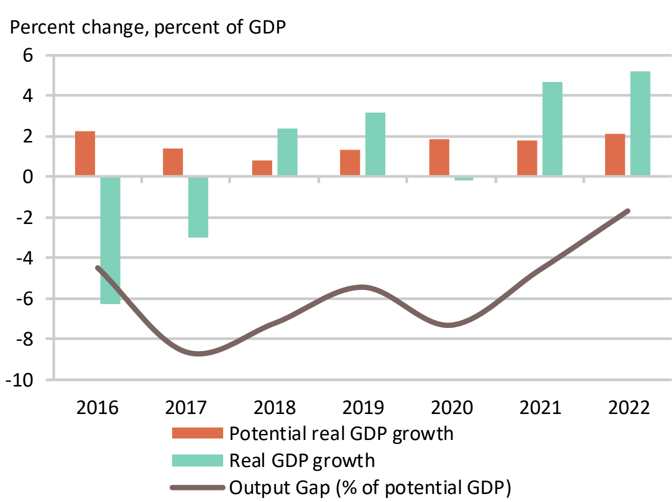
The overall fiscal balance (including grants) deteriorated from a surplus of 1.5 percent of GDP in 2018 to a deficit of 0.6 percent in 2019. There was no significant improvement in total revenues due to lesser budget support grant and lower oil revenues. However, total expenditure, increased by almost 2 percent of GDP owing to a 12 percent growth in the wage bill and higher security spending. Also, public debt declined from 48.3 percent in 2018 to 44.4 percent in 2019. Chad remains at high risk of overall and external debt distress.

Poverty remains pervasive in Chad. In 2019, about 40.2 percent of Chadians were below the national poverty line, representing an absolute number of 6.4 million individuals. Besides, Chad experience high income inequality with a Gini Index of 43.3. While poverty remained stable between 2018 and 2019, the share of the population below the international poverty line of US$1.9 a day increased in 2020.

Outlook

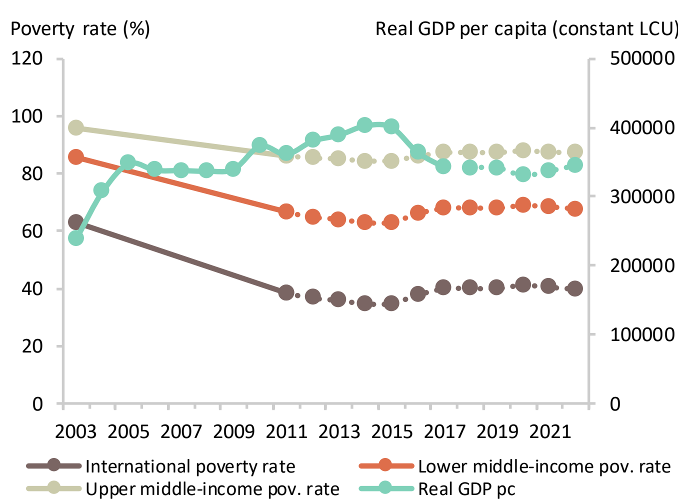
The COVID-19 global pandemic and oil price plunge will push Chad back into a recession in 2020 with the economy projected to contract slightly by 0.2 percent. Border closures and growth contraction in major economies will reduce FDI-inflows. The current account balance will widen as export growth contracts. Fiscal revenues and public spending will fall, while arrears accumulation increase.

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



Source: World Bank.

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



Source: World Bank.
Notes: see Table 2.

Nonetheless, growth is projected to average 3.2 percent over the medium term as new oil fields accelerate production, oil prices recover, and the COVID-19 pandemic subsides. In addition, non-oil growth would recover due to increase in transport services and strong performance from the cotton sub-sector. Inflation would remain below 3 percent in line with regional targets as GDP growth converges towards its potential.

Driven mainly by the trade balance, the current account deficit would widen to 13.9 percent of GDP in 2020 as exports slow down due to the impact of COVID-19, the oil price shock, and border closures. This impact is expected to diminish in 2021, with export growth reaching about 9 percent. Also, import growth would reach 4 percent due to pick up in private consumption and investment. Budget support from donors will provide reliable source of financing. CEMAC regional reserves are projected to remain below 5 months of imports by 2022

The fiscal deficit will stabilize at about 1.2 percent of GDP in 2020 before widening to 3.3 percent in 2021 due to lower oil revenues from Chad's main oil producer (CNPC). As the government strengthens revenue mobilization efforts, with oil revenue reaching about 6 percent of GDP, the fiscal deficit will reduce to a surplus of 0.6 percent in 2022. Public debt will increase from 44.4 percent of GDP in 2019 to 45.3 percent in 2022 due to accumulation of domestic arrears.

The poverty rate (using the international poverty line of US$1.9 a day, PPP terms) over the medium term will increase by nearly 1 percentage points from 40.2 percent in 2019 to 41.3 in 2020. This is essentially due to the COVID-19 crisis that will hurt economic growth and poverty reduction. Nevertheless, poverty rate is expected to decrease to 40.0 percent in 2022. The absolute number of the poor will increase to about 6.9 million in 2022, up from 6.2 million in 2018.

Risks and challenges

Chad's economic situation is fragile and subject to significant risks. First, regional conflicts may strain government budget as more refugees arrive from neighboring countries. Second, legislative and presidential elections tentatively scheduled for 2020q4 and 2021q2, respectively, could stretch public finances. Lastly, persistence in the COVID-19 outbreak and the recent plunge in oil prices could cause a severe recession over the medium term, widening fiscal and current account deficits. It could also lead to more accumulation of domestic arrears which increases financial sector vulnerability. The resulting financing gap would be difficult to close as Chad is financially constrained in the capital market and mainly rely on multilateral financial institutions for its financing.

Prolonged border closures will disrupt trade activities, especially FDI-related imports. Besides, it could lead to decrease in the supply of essential goods resulting in high prices that impact the poorest and most vulnerable population. Moreover, the disruption in private sector activities may generate destruction of jobs that will have negative impact on population labor-income.

Chad could mitigate these risks by improving the screening of people at its borders and by channeling resources to the health sector to prevent a potential the COVID-19 outbreak. Besides, non-oil mobilization efforts should be strengthened to offset the fall in oil revenues from persistently low oil prices. In the medium term, the government should implement business-friendly policies to foster economic diversification and sustainable growth.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-3.0	2.4	3.2	-0.2	4.7	5.2
Private Consumption	0.2	0.7	1.4	0.5	1.7	2.0
Government Consumption	9.5	-11.8	1.7	4.6	5.4	6.1
Gross Fixed Capital Investment	-24.7	5.4	6.6	-8.1	6.8	4.8
Exports, Goods and Services	1.3	4.6	6.0	3.0	8.5	9.4
Imports, Goods and Services	-1.3	1.4	4.0	2.5	4.0	4.1
Real GDP growth, at constant factor prices	-3.0	2.3	3.3	-0.2	4.7	5.2
Agriculture	3.1	4.0	4.6	5.0	7.2	7.6
Industry	-1.7	0.6	0.9	-0.2	0.8	1.6
Services	-9.7	1.0	2.5	-6.6	2.8	3.1
Inflation (Consumer Price Index)	-0.9	4.0	-1.0	2.2	2.9	3.0
Current Account Balance (% of GDP)	-6.6	-4.7	-4.9	-13.9	-12.6	-10.5
Fiscal Balance (% of GDP)	-0.8	1.5	-0.6	-1.2	-3.3	0.6
Debt (% of GDP)	49.8	48.3	44.4	47.8	47.1	45.3
Primary Balance (% of GDP)	0.8	3.0	1.0	0.7	-1.7	1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	40.1	40.2	40.2	41.3	40.6	40.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	68.0	68.1	68.0	69.0	68.6	67.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.4	87.5	87.5	88.1	87.6	87.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-ECOSIT-III. Actual data: 2011. Nowcast: 2012-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2011) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

COMOROS

Table 1	2019
Population, million	0.9
GDP, current US$ billion	1.2
GDP per capita, current US$	1354
International poverty rate ($1.9)[a]	17.6
Lower middle-income poverty rate ($3.2)[a]	36.9
Upper middle-income poverty rate ($5.5)[a]	62.3
Gini index[a]	45.3
School enrollment, primary (% gross)[b]	99.4
Life expectancy at birth, years[b]	63.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth slowed to 1.9 percent in 2019, reflecting the impact of cyclone Kenneth that caused damages to the agricultural sector, with higher fiscal spending and private remittances attenuating adverse effects. Growth is expected to fall to 0.6 percent in 2020 following the novel COVID-19 global health crisis. The outlook remains subject to a further escalation of the health crisis. COVID-19 will slow down progress in poverty reduction, with over 1 out of 3 Comorians projected to be below the $3.2 a day poverty line in 2020.

Recent developments

In 2019 economic growth moderated to an estimated 1.9 percent, from 3.4 percent in 2018, mostly due to the cyclone Kenneth hitting the country in April. The economy suffered from supply disruptions due to damages to the agricultural sector and to a lesser extent to damages on electricity, water, education and health facilities, as well as telecommunications. These disruptions were partially offset by higher public and private spending (mainly external aid and private remittances) for reconstruction and social transfers. Spending on affected populations, State-Owned-Enterprises (SOEs), infrastructure and building reparations Supply constraints raised inflation, which reached 3.3 percent in 2019, from 1.7 percent in 2018.

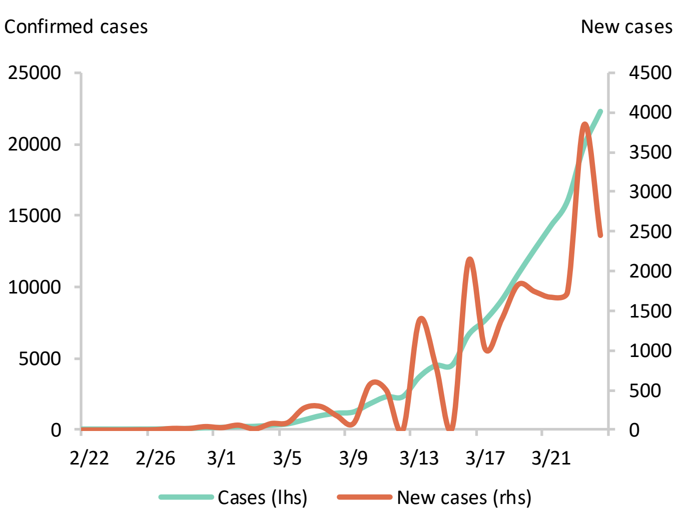
Budget and current account deficits increased in 2019. Government revenues fell strongly in 2019 (8.7 percent of GDP compared to 11.3 percent in 2018) following the slowdown in economic activity and struggling SOEs, particularly of Comores Telecom facing fierce competition and deteriorating profitability. The budget deficit deteriorated slightly, to reach 1.9 percent of GDP. As development partners offered only limited budget support, liquidity was tight, and the authorities resorted to credit from domestic commercial banks to be able to meet payment commitments to civil servants. In 2019, the current account deficit increased sharply to reach [3.9] percent of GDP, as exports stagnated (due to the damage to export crops) and imports rose due to cyclone-related needs and a large investment in telecom infrastructure by Comoros Telecom.

The slowdown in economic growth after cyclone Kenneth is expected to have taken a moderate toll on the poverty rate. Measured at the $3.2 a day per capita threshold (2011 PPP), the poverty rate is indeed estimated to have increased marginally to 36.3 percent in 2019, from 36.2 percent in 2018. The agricultural sector, which is the main source of income for most rural Comorians, has been hardly hit. However, such negative effects were partially mitigated by higher fiscal spending and additional income from remittances.

Outlook

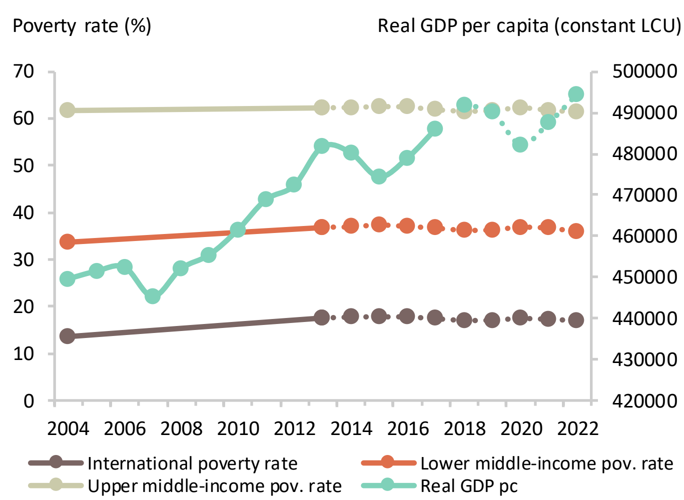
The positive impact on economic activity from reconstruction efforts after cyclone Kenneth are now expected to be more than offset by the dampening effect of COVID-19, lowering growth projections for 2020 to 0.6 percent. The expected large drop in remittances and tourism, both heavily affected by the impact of the health crisis in France (Figure 1) would have a wide negative effect on domestic demand and exports, respectively. The shock would affect most economic sectors, with trade and tourism-related sectors among the ones expected to be hit the hardest. Growth is expected to recover relatively quickly after the end of the health crisis, reaching an average of 3.4 percent over 2021-22.

FIGURE 1 Comoros / COVID-19 cases in France



Sources: World Bank and John Hopkins database as of March 25, 2020.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

This year, the expected large drop in economic activity would affect negatively fiscal revenues. However, public expenditures are also expected to decrease, mainly because of slower public investment execution, which will limit the deterioration of the fiscal deficit (from -1.9 to -3 percent of GDP between 2019 and 2020). Exports of goods and services would struggle because of the decrease in global demand and in international tourist arrivals. The heavy decline in remittances would further deteriorate the current account balance, which is expected to reach -5.9 percent of GDP in 2020. As the health crisis is resolved, the twin deficits would be reduced (-2.3 percent and -4.9 percent of GDP on average over 2021-2022, for the fiscal and current account balances, respectively).

The sizable slowdown in economic growth in 2020 is expected to lead to an increase in poverty to 36.9 percent (measured at $ 3.2 a day per capita), which is equivalent to the level estimated in 2013. The increase in poverty will be likely driven by the expected drop in remittances on which the Comorian poor heavily depends. Thereafter, poverty is projected to decline to 35.9 percent by 2022 (Figure 2). Inequality, which has been on the rise, is expected to continue to rise due to the very rapid increase in consumption among the rich. Reversing this trend would require that the main drivers of inequality be addressed, including gaps in educational attainments, job opportunities between urban and rural areas and across islands, and access to basic services. In addition, expected high fertility rates (4.2 births per woman in 2014) pose a significant burden on poor households.

Risks and challenges

If Comoros experience a large COVID-19 outbreak, dramatic fiscal and financial consequences could be expected. Although the last debt sustainability assessment classifies Comoros as being at medium risk of debt sustainability, it also shows that it has limited fiscal space to absorb shocks, which would limit the fiscal response in the case of an outbreak. Government and SOEs revenues could strongly fall due to much lower economic activity. In particular, a further deterioration of Comores Telecom financial situation could push the State firm into debt distress, with the State being forced to bail-out the public enterprise (the SOE's debt is guaranteed by the State and represents about 40 percent of the total government's stock of debt and guarantee debt). The financial sector could experience serious solvency issues in case of an outbreak, with the Société Nationale des Postes et des Services Financiers (SNPSF), a postal bank, currently facing severe liquidity and solvency problems.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.8	3.4	1.9	0.6	3.2	3.6
Private Consumption	4.2	1.8	2.0	-0.9	2.9	3.4
Government Consumption	5.9	0.0	-7.2	44.6	-18.4	4.2
Gross Fixed Capital Investment	6.9	19.0	11.9	-19.3	18.8	6.2
Exports, Goods and Services	11.8	19.2	0.5	-5.0	2.0	3.1
Imports, Goods and Services	10.8	10.9	5.2	-6.5	2.0	4.8
Real GDP growth, at constant factor prices	3.4	3.0	1.9	0.6	3.2	3.5
Agriculture	3.8	2.7	-0.9	1.0	1.8	2.0
Industry	-2.7	1.7	1.4	2.8	2.9	2.8
Services	4.5	3.3	3.3	0.0	3.9	4.3
Inflation (Consumer Price Index)	1.8	1.7	1.7	1.8	2.0	2.0
Current Account Balance (% of GDP)	-2.1	-2.4	-3.9	-5.9	-4.9	-4.9
Fiscal Balance (% of GDP)	0.4	-1.7	-1.9	-3.0	-2.5	-2.3
Debt (% of GDP)	18.4	17.4	17.6	17.6	18.0	32.2
Primary Balance (% of GDP)	0.4	-1.5	-1.7	-2.7	-2.3	-1.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	17.4	17.0	17.0	17.4	17.2	16.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	36.7	36.2	36.3	36.9	36.7	35.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	61.9	61.5	61.6	62.3	61.7	61.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2013-EESIC. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2013) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

DEMOCRATIC REP. OF CONGO

Table 1	2019
Population, million	86.7
GDP, current US$ billion	48.9
GDP per capita, current US$	564
International poverty rate ($1.9)[a]	76.6
Lower middle-income poverty rate ($3.2)[a]	91.0
Upper middle-income poverty rate ($5.5)[a]	97.7
Gini index[a]	42.1
Life expectancy at birth, years[b]	60.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011PPPs.
(b) Most recent WDI value (2017).

Growth slowed in 2019 because of mining. The President's fiscal stimulus led to the fiscal deficit that was monetized, owing to limited access to the domestic capital market. The current account deficit widened, but FDIs and IMF assistance contributed to an increase in official reserves. The economic outlook is subject to substantial downside risks stemming from the contraction in global demand related to the COVID-19 pandemic. Achieving inclusive growth remains a major challenge due to high poverty and inequality.

Recent developments

Following the decline in prices of major commodities exported by DRC, real GDP growth decelerated to 4.4 percent in 2019, compared to 5.8 percent in 2018. This slower economic expansion was mainly driven by the mining sector, the production of which only increased by 5.4 percent in 2019 (compared to 16.9 percent in 2018). On the demand side, this slowdown was driven by lower cobalt exports. This weaker mining activity could not be fully offset by a pick-up in the non-extractive sector on the supply side, nor by the fiscal stimulus related to the President's 100-day program on the demand side.

The expenditure-led fiscal stimulus, combined with stagnating domestic revenues, led to a deterioration of the fiscal position. The fiscal balance shifted from an almost balance in 2018 to a deficit of 2.0 percent of GDP in 2019. The additional public spending supported salary increases, including for the free basic education program, and infrastructure projects.

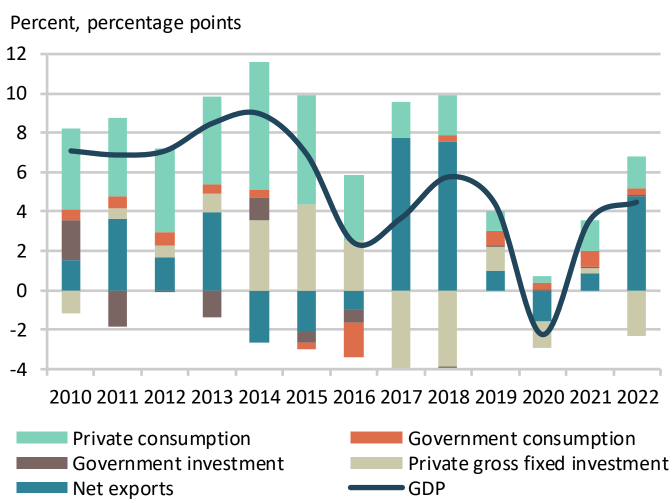
The current account deficit widened to 4.2 percent of GDP, from 3.6 percent of GDP in 2018, reflecting the deterioration in the terms of trade over 10 percent, and a drop in volume of exports by 2.5 percent. Capital and financial inflows, including foreign direct investment (FDI) and IMF financing under the Rapid Credit Facility (RCF) of $368 million, helped to avoid an erosion of official reserves, increasing marginally to 3.3 weeks of imports in 2019 (from 2.5 weeks in 2018). Against this backdrop, the depreciation of the Congolese Franc was contained to 2.3 percent by end-2019, compared to 9.7 percent in 2018, and inflation reached 4.6 percent in 2019, down from 7.2 percent in 2018.

In 2012, when the last household survey was last conducted, nearly 77 percent of the population lived with less than $1.9 per day. The latest World Bank projections put poverty at around 72 percent in 2019. Apart from Nigeria, DRC remains the country with the largest number of extreme poor in sub-Saharan Africa. There are large geographical disparities between provinces, with extreme poverty concentrated in the central and northwestern provinces. There is a strong correlation between poverty and the collapse in mining employment, especially in artisanal mining. Despite some improvement, social and human indicators are weak: in 2018, the infant mortality of 68.2 per 1000 live births is higher than the Sub- Saharan average of 52.7, while the country is ranked 146th out of 157 countries in terms of the Human Capital Index (HCI).

Outlook

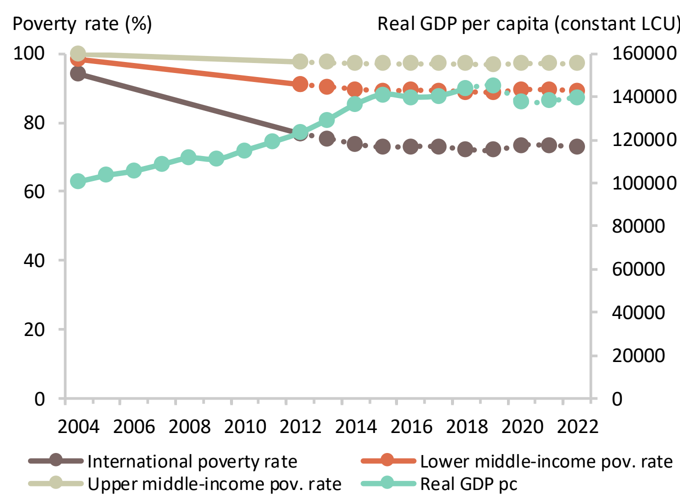
DRC's economy is expected to be severely affected by the COVID-19 outbreak and its related contraction in global demand. Accordingly, economic output is expected to contract by 2.2 percent in 2020 on the back of lower external demand due to the COVID-19 and a decline in output due to the closure of the major

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



Source: World Bank based on data from national authorities.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

copper and cobalt mines in Mutanda. Real GDP growth is projected to rebound to 4.5 percent in 2022, with the launch of the mining production at the Kamoa-Kakula mine and an anticipated global economic recovery.

The fiscal deficit is projected to 1.2 percent of GDP in 2020, following the higher budget allocation to support free basic education and socio-economic spending for responses to COVID-19 impact, before declining to less than 0.1 percent in 2022. Support from international financial institutions (IFIs) and plans to increase the issuance of Treasury securities should limit the monetization of the public deficit. The current account deficit is projected to deteriorate to 5.4 percent of GDP in 2020 and slightly narrow to 3.7 percent in 2022. FDI inflows in the mining sector and public capital inflows from IFIs will support the increase of international reserves from 4.3 weeks of imports in 2019 to around 2.0 months in 2022; providing thus enhanced external buffers but remaining below the required level for resource-rich countries.

Extreme poverty rate is projected to increase by 1.0 percentage point by 2022, the high population growth being expected to offset partially economic growth, which would be also adversely affected by the ongoing COVID-19 pandemic.

Risks and challenges

Economic prospects remain fragile and subject to heightened external and internal risks. Mining products accounted for more than 90 percent of total exports, of which over 40 percent go to China. The COVID-19 spread in major economies and a stronger slowdown in demand for mining products, with adverse consequences on commodity prices, could weigh on the country's economic outlook. Should the disease spread widely, the economy could contract by 3.8 percent and the current account deficit could reach 6.5 percent of GDP in 2020. With limited fiscal space, there is little scope for fiscal policy to absorb shocks, while an expenditure-led fiscal adjustment could further jeopardize long-term growth prospects and pro-poor spending. There is also a risk of a monetization of the public deficit that would increase inflationary pressures.

Strengthening the health system is an immediate challenge. While new patients affected by Ebola have not been reported during the past few days, Ebola remains a major internal risk weighing on growth prospects as outbreaks occur frequently. Moreover, the World Health organization (WHO) listed DRC among 14 countries being particularly vulnerable to the COVID-19 outbreak because of strong economic ties with China. COVID-19, like Ebola, could result in behavioral changes from economic actors and a contraction in the aggregate demand.

There is also a need to reduce political uncertainty, and to implement reforms that would reduce the occurrence of macroeconomic imbalances. However, structural reforms may be delayed by a weak consensus on social and economic priorities between the coalition of political parties supporting the President and the coalition of majority political parties in parliament. Furthermore, to reduce the risk for macroeconomic imbalances, the country's economy should be more diversified by improving the business environment and reducing the infrastructure gap (the country ranks 183th of 190 economies in the Doing Business 2020).

TABLE 2 Democratic Rep. of Congo / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.7	5.8	4.4	-2.2	3.5	4.5
Private Consumption	2.4	2.7	1.4	0.4	2.1	2.3
Government Consumption	-16.4	8.4	20.2	8.6	16.1	6.0
Gross Fixed Capital Investment	-27.2	-29.5	14.4	-13.9	3.9	-26.4
Exports, Goods and Services	34.2	25.7	-2.5	-7.2	3.6	18.8
Imports, Goods and Services	6.3	5.9	-7.6	-5.3	2.0	10.0
Real GDP growth, at constant factor prices	4.7	5.9	4.3	-2.3	3.4	4.5
Agriculture	1.6	1.5	2.8	3.4	3.4	4.7
Industry	7.7	12.1	6.8	-3.7	3.5	4.4
Services	3.0	1.3	2.1	-2.8	3.3	4.5
Inflation (Consumer Price Index)	54.8	7.2	4.6	11.0	10.5	7.0
Current Account Balance (% of GDP)	-2.9	-3.6	-4.2	-5.4	-4.1	-3.7
Fiscal Balance (% of GDP)	1.3	0.1	-2.0	-1.2	-0.2	0.0
Debt (% of GDP)	12.2	10.4	10.2	10.8	10.3	9.6
Primary Balance (% of GDP)	1.6	0.4	-1.6	-0.8	-0.1	0.2
International poverty rate ($1.9 in 2011 PPP)[a,b,c]	73.0	72.2	71.9	73.5	73.3	73.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b,c]	89.2	88.9	88.7	89.5	89.5	89.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b,c]	97.2	97.1	97.0	97.3	97.3	97.2

Source: World Bank based on data from national authorities.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2012-E123.
(b) Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.
(c) Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.

The cut-off date for information in this MPO was April 02, 2020.

REPUBLIC OF CONGO

Table 1	2019
Population, million	5.1
GDP, current US$ billion	11.2
GDP per capita, current US$	2182
International poverty rate ($1.9)[a]	37.0
Lower middle-income poverty rate ($3.2)[a]	61.3
Upper middle-income poverty rate ($5.5)[a]	82.4
Gini index[a]	48.9
Life expectancy at birth, years[b]	64.0

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

Following a slight recovery in 2018, GDP contracted by 0.3 percent in 2019 owing to a sluggish increase in oil production. With the fiscal adjustment, Congo recorded fiscal and current account surpluses, though remaining in debt distress. The spread of COVID-19 and the sharp decline in oil prices weigh on the country's economic outlook. Growth should average 0.6 percent over 2020-2022 while headwinds exist and the poverty rate would increase to 43.0 percent by 2022 (from 39.3 percent in 2019).

Recent developments

Real GDP growth was revised downwards from 2.2 percent to -0.3 percent in 2019. This contraction is explained by the crisis in the non-oil sector which shrank by 0.7 percent, and lower than expected oil production. Due to technical difficulties in some oil fields, oil GDP growth only reached 1.7 percent in 2019 against an initially estimated 15.8 percent. On the supply side, growth was hampered by the decline in the construction, public works and the communication sectors as domestic demand contracted. On the demand side, the decline in real consumption could not be fully offset by sluggish increases in real exports and investment. Inflation increased to 2.2 percent in 2019 from 1.2 percent in 2018 but remained subdued following a continued tightening of monetary policy and a compressed demand.

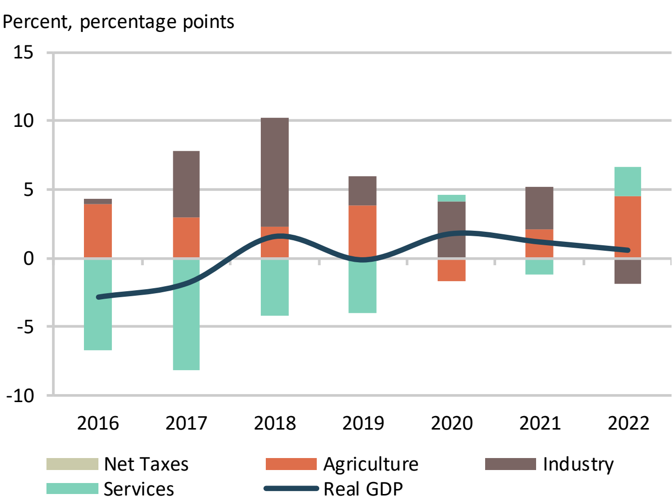
Despite difficult economic conditions, the country recorded both current account and fiscal surpluses. With adverse developments in the oil sector and import compression associated with weaker growth and fiscal adjustment, the current account surplus has weakened from 6.7 percent of GDP in 2018 to 4.0 percent of GDP in 2019. In addition, the fiscal consolidation that relies on non-oil revenue mobilization posted an overall surplus including grants of 6.0 percent of GDP in 2019. Yet, the authorities must continue their efforts to curb exemptions, collect tax arrears and improve tax administration, including the interconnection among customs, tax and treasury administrations. Despite these developments, public debt-to-GDP remained unsustainable, above the regional threshold (70 percent) though decreasing from 87.8 percent in 2018 to 77.5 percent 2019.

The oil price crisis of 2014 continued to affect the poor. In 2011, nearly 37.3 percent of the population lived below the international poverty line of $1.90 PPP per day. According to the latest World Bank projections, after a reduction to 35.6 percent in 2015, this proportion increased to 39.3 percent in 2019 as a result of the crisis. Compared to its peers, the social and human capital indicators of the country appear weak. The Human Capital Index stood at 0.42 in 2017, ranking the country at 120 out of 157 countries. In 2018, infant mortality was 36.2 per 1000 live births compared to 27.4 for the Middle-Income Countries.

Outlook

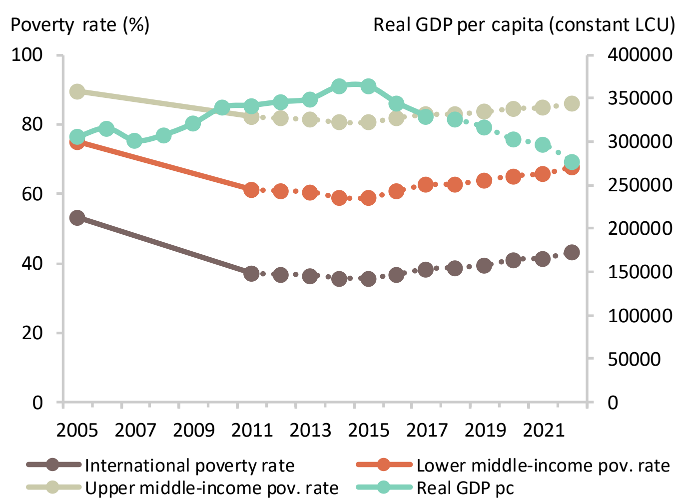
Congo's economic outlook remains challenging as the country is being hit by the potential spread of COVID-19 and the sharp decline in oil prices (from $58 per barrel to about US30 per barrel in 2020). Real growth is projected to range from -2.1 percent in 2020 to 3.3 percent in 2022, because of COVID-19, developments in the hydrocarbon sector and the recovery in the non-oil sector over 2020-2022. This outlook is based on an oil sector growth

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



Sources: Congolese Authorities and World Bank staff estimates.

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



Source: World Bank.
Notes: see table 2.

rate of 1.4 percent on average combined with a progressive recovery in the non-oil sector growth which is estimated to recover at 0.6 percent on average, mainly driven by success in reforms programs, a pick-up in gross investment, and restoration of business confidence. Implementation of the government strategy to clear its domestic arrears for boosting the non-oil sector should, however, experience delays due to the expected drop in revenue mobilization.

Under the above-mentioned scenario, the fiscal deficit is projected to fluctuate from 10.4 percent of GDP in 2020 to 7.3 percent of GDP in 2022. Fiscal domestic revenue is expected to decline by half, to around 16.0 percent of GDP over 2020-2022 compared to 30 percent of GDP in 2017-2019. A strong fiscal consolidation would be needed to ensure commercial and social debt payments. Public debt is likely to fall to 64.0 percent of GDP in 2022 after the debt restructuring. For managing the COVID-19 and lower oil prices response, donor support is urgently needed to cover the financing gap amounting to 9.4 percent of GDP over 2020-2022.

Driven by a decrease in exports and a collapse in commodities prices, the current account deficit is projected to reach 3.1 percent of GDP over 2020-2022 from a surplus of 4.4 percent over 2017-2019. As weaker global demand could have marked impacts on prices, exports/imports are expected to decrease by more than 3 percentage of points of GDP. In the same vein, the BEAC Monetary Policy Committee decided on March 27, 2020 to cut its benchmark interest rate by 25 basis points, to 3.25 percent.

The proportion of people living below the international poverty line is expected to increase from 40.0 percent to 43.0 percent over 2020-2022, not only because the expected growth will be driven by the hydrocarbon sector, but any weak growth will be offset by population growth.

Risks and challenges

The main risks to the country's economic stability stem from the persistence of COVID-19 and a further decline in oil prices to around USD 27 per barrel between 2020 and 2021. This second scenario could lead GDP growth to worsen between -3.8 percent in 2020 to 1.5 percent in 2022. Its main characteristics are a decline in oil prices, trade and supply disruptions and slowdown in tourism and transport. Oil GDP growth could average less than 1 percent over 2020-2022 while non-oil GDP growth could decline by 0.4 percent on average because of low expectations from private firms. Negative impacts from external and domestic sectors could result in a huge fiscal deficit, deteriorating from 13.7 percent of GDP in 2020 to 9.2 percent of GDP in 2022 while the current account deficit is projected to be higher by 4 percent on average.

Greater coordination of efforts against COVID-19, including the revised 2020 budget, is required to address the emergency needs while keeping the implementation of ongoing reforms on track. The Government could reconsider removing tax exemptions on non-oil imports of oil companies to improve domestic revenue and issuing guaranteed treasury bills in the CEMAC market while requesting budget support from donors. Applying structural measures and targeting pro-poor service delivery should help contain risks to poverty reduction.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-1.8	1.6	-0.3	-2.1	0.7	3.3
Private Consumption	-27.7	-19.5	-6.9	-2.0	-0.1	2.9
Government Consumption	-5.0	3.0	-1.7	-1.7	-2.6	-3.1
Gross Fixed Capital Investment	-52.9	-10.3	1.9	9.0	12.3	14.7
Exports, Goods and Services	12.2	24.8	3.5	-5.0	-1.3	2.5
Imports, Goods and Services	-41.6	5.6	-0.7	-2.4	-1.2	1.8
Real GDP growth, at constant factor prices	-1.8	1.6	-0.3	-2.1	0.7	3.3
Agriculture	3.0	2.3	3.8	1.4	1.6	2.0
Industry	4.8	8.0	2.2	-2.4	1.7	2.8
Services	-8.2	-4.2	-4.0	-2.9	-0.7	4.3
Inflation (Consumer Price Index)	0.5	1.2	2.2	1.8	2.7	2.9
Current Account Balance (% of GDP)	-5.9	6.7	4.0	-4.9	-4.5	0.2
Fiscal Balance (% of GDP)	-7.6	6.6	6.0	-10.4	-10.5	-7.3
Debt (% of GDP)	117.5	87.8	77.5	70.0	66.9	64.0
Primary Balance (% of GDP)	-5.2	8.7	7.1	-9.5	-9.6	-6.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	38.3	38.7	39.3	41.1	41.5	43.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	62.6	62.9	64.0	65.2	65.8	67.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	82.9	83.1	83.7	84.7	84.9	86.2

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

The cut-off date for information in this MPO was April 02, 2020.

CÔTE D'IVOIRE

Table 1	**2019**
Population, million	25.5
GDP, current US$ billion	43.9
GDP per capita, current US$	1721
International poverty rate ($1.9)[a]	28.2
Lower middle-income poverty rate ($3.2)[a]	57.4
Upper middle-income poverty rate ($5.5)[a]	82.3
Gini index[a]	41.5
School enrollment, primary (% gross)[b]	98.4
Life expectancy at birth, years[b]	57.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth remained strong at 7.3 percent in 2019, supported by private investment and services. In 2020, the economy will be impacted by effects of the COVID-19 pandemic, driven primarily by domestic containment measures that will impact supply and demand, as well as spillovers from global demand slowing down. Poverty may rise in 2020 but would gradually decrease in 2021-22. Downside risks predominate including more severe COVID-19 effects, a decline in cocoa prices, higher borrowing cost, and fiscal risks.

Recent developments

Growth remained strong at 7.3 percent in 2019 (4.7 percent in per capita terms). Buoyant economic activity was supported by agro-processing, construction, and services while agriculture slowed down reflecting lower cashew production. On the demand side, activity has benefited from the growth of private consumption and investment, fueled by higher farm-gate cocoa prices and private sector credit growth. Inflation increased marginally but remained subdued at 0.8 percent, well below the WAEMU regional target of 3 percent, reflecting lower energy prices and moderate food inflation.

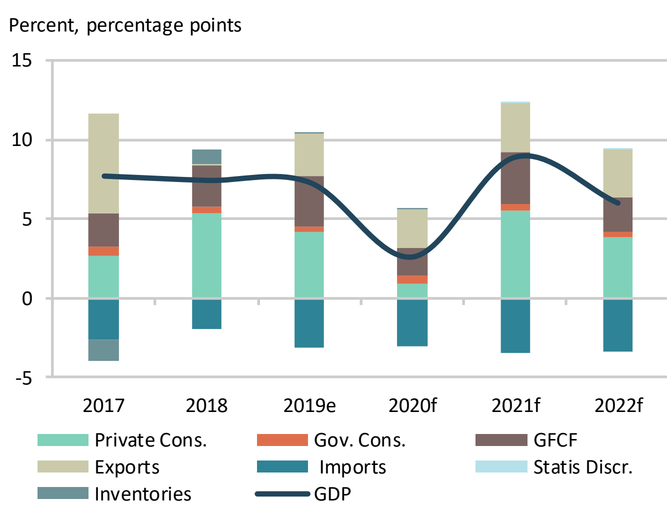
The external current account deficit narrowed from 4.7 percent of GDP in 2018 to 4.5 percent in 2019 as the trade balance improved. The increase in exports reflects a rebound in global cocoa prices and increased export volumes of gold, banana, and cotton. The deficit was financed through a combination of foreign direct investment, concessional borrowing and bond issuances in regional markets.

The fiscal deficit declined from 4.0 percent of GDP in 2018 to 3.0 percent in 2019 in line with the WAEMU target of 3.0 percent of GDP. Tax revenues improved from 16.2 percent of GDP in 2018 to 16.5 percent in 2019. The improvement was supported by enhanced digitalization through the Integrated Tax Management System, which boosted VAT collection. Total expenditures declined by 0.5 percent of GDP to reach 23.3 percent of GDP in 2019 reflecting both lower current and capital expenditures. The government policy to limit recruitment in the public sector (except education and health) helped lower the wage bill while the under-execution of foreign-financed projects reduced capital expenditure. The risk of overall and external debt distress remained moderate, with public debt decreasing from 53.2 percent of GDP in 2018 to 51.7 percent in 2019.

Côte d'Ivoire's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower de-mand for refinancing from banks. The real effective exchange rate (REER) depreciated by 5 percent in 2019, due to the Euro nominal depreciation against the US dollar combined with persistently lower inflation of the WAEMU compared with trading partners.

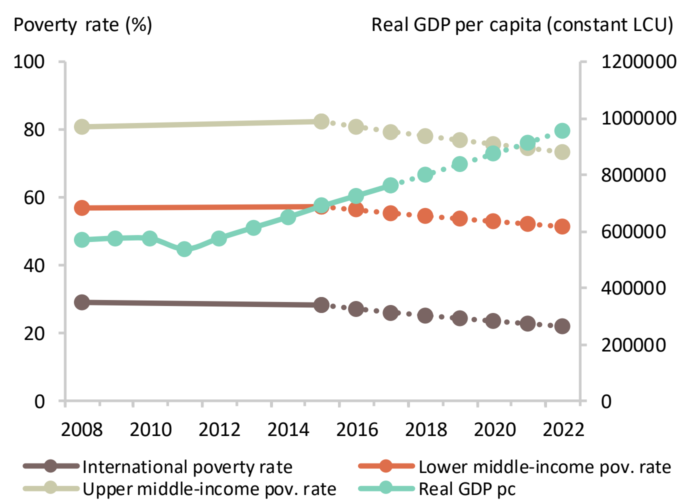
The poverty rate has declined to an estimated 24.4 percent (international poverty line US$1.90 PPP) in 2019, down from an estimated 25.2 percent in 2018. Notwithstanding strong overall economic growth, the benefits have not been equally distributed as growth has been concentrated in the services and industry sector.

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



Source: World Bank.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

Outlook

The medium-term economic outlook remains uncertain due to the COVID-19 pandemic. The severe global slowdown coupled with the negative impact of domestic containment measures will affect Cote d'Ivoire's performance. Measures restricting social activities and interactions are likely to affect domestic demand (closure of bars, shops, restrictions on transport) and investment may also be affected by these restrictions and a domestic outbreak. In addition, global slowing demand may affect exports so overall growth is projected to drop to 2.6 percent in 2020. Key sectors driving growth will include services (telecommunications and transportation), manufacturing (agro-processing) and construction. On the demand side, though the contribution is declining, private consumption and investment will continue to support economic activity. Government consumption is expected to compensate partly for weak private consumption in supporting economic activity. Inflation is likely to increase to 2.0 percent in the medium term but remain well below WAEMU's 3 percent target.

The external current account deficit would deteriorate in 2020 before gradually narrowing to 3.5 percent by 2022 over the medium term. Despite the impact of COVID-19, in the longer run the trade balance would benefit from higher exports of transformed primary products and new mining products, and lower imports as growth marginally slows down.

Over the medium-term, the fiscal deficit is projected to meet the 3.0 percent of GDP WAEMU target. However, in 2020, given the unusual spending pressures a deficit of 3.5 percent is projected. Current expenditure is projected to slightly increase from 16.6 percent of GDP in 2019 to 16.7 percent in 2020 as the government increases spending to mitigate the COVID-19 impact, and then decline progressively to 16.3 percent in 2022. Without substantial tax policy reforms, tax revenue is expected to stabilize at about 16.5 percent of GDP by 2022 after a significant drop induced by the crisis in 2020 (15.7 percent). This would also be reflected in debt amounting to 52.1 percent of GDP in 2020 followed by a gradual decline to 48.3 percent by 2022.

The poverty rate is projected to fall from 25.2 percent in 2018 to 23.2 percent in 2021, based on solid GDP per capita growth (6.2 percent in 2021). The increase of farmgate cocoa prices is favorable to poor cocoa farmers. Likewise, the expansion of cash transfer program to support poor households is expected to reduce the number of those living in poverty. However, lower production and lower international prices of cashew and the expected elimination of some VAT exemptions might have negative distributional impacts.

Risks and challenges

The outlook is subject to downside risks, mostly arising from the negative impact of a possible large-scale domestic outbreak, the uncertain extent and consequences if the local economy came to a stand-still, and the government's containment measures. In addition, further worsened terms of trade could reduce export revenues and adversely affect the income of the poor. Depending on the developing situation in international debt markets, financing conditions could worsen. Finally, rising election-related fiscal pressures will challenge Cote d'Ivoire's ability to sustain robust and inclusive growth while maintaining the pace of fiscal consolidation.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	7.7	7.4	7.3	2.6	8.9	6.0
Private Consumption	3.8	7.8	6.0	1.3	8.2	5.7
Government Consumption	5.3	3.4	3.7	4.7	3.7	3.6
Gross Fixed Capital Investment	11.9	14.4	16.6	8.8	14.7	9.3
Exports, Goods and Services	17.6	0.3	7.3	6.7	8.3	8.0
Imports, Goods and Services	7.5	5.7	9.1	8.8	9.3	9.1
Real GDP growth, at constant factor prices	19.4	7.4	7.3	2.6	8.9	6.0
Agriculture	11.2	4.2	1.4	1.9	4.2	3.5
Industry	3.0	7.1	10.1	4.0	10.5	8.1
Services	33.2	8.9	8.4	2.2	9.9	5.9
Inflation (Consumer Price Index)	0.7	0.4	0.8	2.0	2.0	2.0
Current Account Balance (% of GDP)	-2.7	-4.7	-4.5	-5.9	-4.6	-3.5
Net Foreign Direct Investment (% of GDP)	1.9	1.6	1.7	1.6	1.8	1.6
Fiscal Balance (% of GDP)	-4.5	-4.0	-3.0	-3.5	-3.0	-3.0
Debt (% of GDP)	49.8	53.2	51.7	52.1	49.1	48.3
Primary Balance (% of GDP)	-2.8	-2.1	-0.7	-1.4	-1.1	-1.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	26.1	25.2	24.3	23.6	22.8	22.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	55.5	54.6	53.7	53.0	52.2	51.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	79.5	78.2	77.0	75.8	74.7	73.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2008-ENV and 2015-ENV. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 1based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

EQUATORIAL GUINEA

Table 1	2019
Population, million	1.4
GDP, current US$ billion	11.3
GDP per capita, current US$	8356
Life expectancy at birth, years[a]	58.1

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

Equatorial Guinea experienced its fifth consecutive year of economic contraction as lower hydrocarbon exports and fiscal consolidation dampened growth. Tightened fiscal and monetary policies improved the fiscal and external positions. The economy is expected to remain in recession in the medium term. Downside risks include declining oil prices, COVID-19, delays in the implementation of the structural reforms that are needed to improve competitiveness, fiscal outturns and the quality of public spending. Such reforms would support the achievement of shared prosperity.

Recent developments

The economy is estimated to have contracted by 6.2 percent in 2019, after declining by 6.6 percent in 2018, as hydrocarbon output continued to decline on the back of aging oil wells. Lower hydrocarbon exports and public expenditures contributed to the contraction on the demand side. Lower oil prices and hydrocarbon export volume resulted in the increase of the current account deficit to 7.4 percent of GDP in 2019 up from 5.6 percent of GDP in 2018. Economic activity was also negatively affected by large government arrears (25.9 percent of GDP at end-2019) to private construction companies, and high non-performing bank loans (about 40 percent of total loans in 2019) that weakened financial stability. The overall fiscal surplus improved from 0.7 percent of GDP in 2018 to 1.6 percent in 2019 as the government rationalized capital expenditures and started implementing new excise taxes on beverages, tobacco and vehicles, and raising withholding taxes for non-resident firms. Equatorial Guinea (GNQ) pursued its expenditure-led fiscal consolidation throughout the year, completed an IMF Staff Monitored Program in September 2019, and will be supported for the next three years by a US$ 282.8 million IMF Extended Fund Facility (EFF) program approved in December 2019.

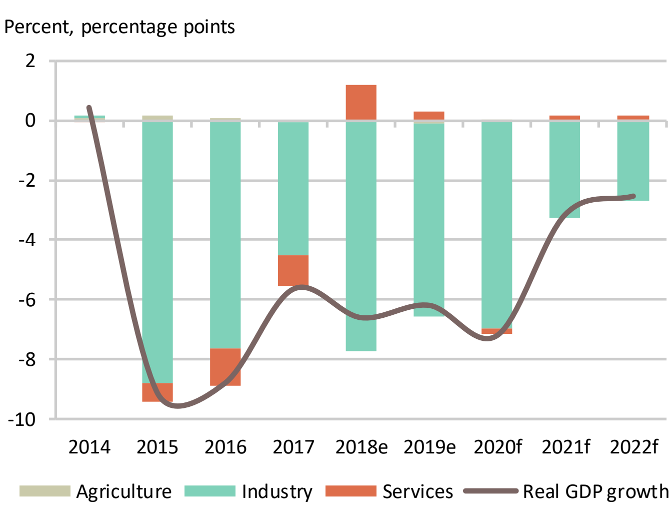
Despite a decline in nominal GDP, this tighter fiscal policy helped to keep the level of public debt at about 48.2 percent of GDP in 2019 (including domestic arrears), up from 44.6 percent in 2018.

Despite the tighter monetary and fiscal policy stances, and the strict implementation of the new foreign exchange regulation, external stability weakened because of lower hydrocarbon exports and capital inflows. The proportion of the population living below the poverty line is expected to have increased as Equatorial Guinea has very limited social safety nets. Only formal employees, which make up a small share of the workforce, have pensions or health benefits. The situation is particularly challenging and is reflected in an increase in unemployment rate. Unemployment has steadily been growing from 5.5 percent during the last decade to 9.2 percent in 2019.

Outlook

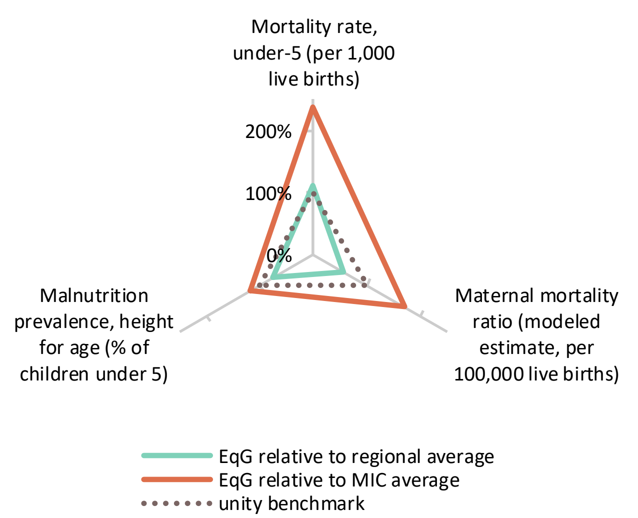
GNQ will be affected by the COVID-19 outbreak and the current oil supply shock through lower: oil prices, hydrocarbon exports and government revenues. Output is expected to contract by 7.2 percent in 2020 as hydrocarbon output declines because oil prices will be below breakeven prices to operate some fields and some investment will be delayed. With lower hydrocarbon revenues, GNQ is expected to record a fiscal deficit of 6.3 percent of GDP in 2020 and public debt will increase to about 64.2 percent of GDP. The economy will contract by an average of 2.9 percent in 2021-2022 despite the potential increase in gas production in 2021-2022 that will result from the connection of the Alen gas field to the main gas processing

FIGURE 1 Equatorial Guinea / GDP growth and contributions to real GDP growth



Sources: World Bank staff estimates and INEGE.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Development Indicators (WDI).

The cut-off date for information in this MPO was April 02, 2020.

plant (Punta Europa). The securitization of domestic arrears, planned in 2020, could strengthen the banking system but will marginally affect private sector confidence in the non-hydrocarbon sector as outlooks remain uncertain. However, the fishing sector could expand as the country acquired fishing boats and recently signed a project with BDEAC. The current account deficit is projected to widen to 16.8 percent of GDP in 2020 from 7.4 percent of GDP in 2019 as hydrocarbon exports decline.

Measures to mobilize non-resource tax revenues and cuts in public expenditures could help contain the fiscal deficit at 1.8 percent of GDP in 2021-2022. The EFF program-supported revenue measures include a full implementation of excise taxes, tax and custom administration reforms, the amendment of the 2017 tax amnesty law and the continued rationalization of tax exemptions. Additional cuts in capital expenditures would free fiscal space for new pro-poor social spending.

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

Risks and challenges

A further decline in oil price represents a major external downside risk as COVID-19 weighs on growth prospects in major global economies. The current oil supply shock is creating additional downward pressures on oil prices. Both events would weaken the country's fiscal and external positions. A procyclical fiscal stance would exacerbate the negative effects of shocks on growth and poverty outcomes. Under a downside scenario, the economy could contract by at least 8.4 percent in 2020 if oil prices were to decline further to $27 per barrel. This scenario assumes that (i) there is disagreement on oil output at the international level; (ii) the epidemic results in a sharp economic contraction in China before it fades; and (iii) the disease spreads in several countries with adverse consequences on health systems and travel restrictions. In fact, lower oil prices would trigger a substantial fiscal adjustment, and diminish hydrocarbon investment profitability; prompting investors to postpone some hydrocarbon investments. Delays in the implementation of tax and public and financial management reforms are domestic risks that could erode the country's capacity to rebuild fiscal and external buffers and improve human capital.

With the current debt path that assumed external borrowing to finance the expected financing gaps, sustained political support to economic governance reforms and a stronger fiscal adjustment would be required to restore fiscal sustainability. Improving human capital and the business environment remains critical to diversify the economy. Implementing the recently adopted business environment roadmap is a major challenge as reforms are needed across sectors; GNQ ranking 178th out of 190 in the Doing Business 2020. With GNQ ranking 144th out of 189 in the 2018 Human Development Index, the design of adequate policy actions to improve human capital is critical and will depend on a timely completion of the 2020 household survey. The timely organization of the LSMS type survey will be essential for the implementation of the interim national development strategy adopted in April 2019 and design of the National Economic and Social Development Plan.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-5.7	-6.6	-6.2	-7.2	-3.2	-2.6
Private Consumption	3.4	3.5	4.4	1.9	2.0	2.8
Government Consumption	0.4	4.0	-0.7	2.1	-6.1	-8.2
Gross Fixed Capital Investment	-11.2	-1.3	-27.8	-28.5	-20.6	-17.9
Exports, Goods and Services	-3.8	-10.6	-3.2	-9.8	-3.0	-2.7
Imports, Goods and Services	8.3	2.3	5.6	-2.0	-1.8	-1.7
Real GDP growth, at constant factor prices	-5.6	-6.6	-6.3	-7.2	-3.2	-2.5
Agriculture	-2.7	-0.6	-4.7	0.2	0.5	1.4
Industry	-6.6	-11.6	-10.2	-11.5	-5.7	-4.8
Services	-3.5	4.0	0.9	-0.4	0.4	0.3
Inflation (Consumer Price Index)	1.1	1.3	1.2	2.5	1.8	1.3
Current Account Balance (% of GDP)	-5.8	-5.6	-7.4	-16.8	-12.6	-13.0
Net Foreign Direct Investment (% of GDP)	4.4	4.2	3.8	4.3	6.2	5.8
Fiscal Balance (% of GDP)	-1.3	0.7	1.6	-6.3	-3.0	-0.6
Debt (% of GDP)	43.2	44.6	48.2	64.2	65.7	66.0
Primary Balance (% of GDP)	-0.9	1.3	2.3	-4.9	-0.7	1.9

Source: World Bank estimates based on data from national authorities.
Notes: e = estimate, f = forecast.

The cut-off date for information in this MPO was April 02, 2020.

ERITREA

Table 1	2019
Population, million	5.4
GDP, current US$ billion	2.1
GDP per capita, current US$	393
School enrollment, primary (% gross)[a]	68.5
Life expectancy at birth, years[a]	65.5

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

Real GDP growth in 2019 is estimated at 3.7 percent after another good harvest. Nevertheless, wage bill increases narrowed the fiscal surplus to 2.7 percent of GDP in 2019, from 6.3 in 2018. Real GDP is expected to contract 0.7 percent in 2020 amid the COVID-19 pandemic, rebounding to around 5.7 percent in 2021. Downside risks persist due to the government's hiatus in re-engaging with IFIs, preventing much needed concessional financing. Latest data from 1996/97 suggests poverty is widespread.

Recent developments

Real GDP growth is estimated at 3.7 percent in 2019, supported by higher crop and mining output. Growth in 2019 follows a rebound of 13 percent in 2018, driven by a recovery in agriculture amounting to 24 percent. In 2019, continued good weather raised agriculture output further by 3 percent.

Deflation deepened to 17 percent during April-June 2019 (year-on-year) compared to 5.8 percent during the same period the year before. Deflationary pressures followed the opening of borders with Ethiopia after the peace agreement signing in July 2018. The ensuing unchecked inflow of Ethiopian products depressed domestic prices, with those of food and non-alcoholic beverages dropping to -37 percent in the Asmara region during the first half of 2019 (year-on-year), as traders stocked up before the borders closed again.

The current account surplus is estimated at 12.2 percent of GDP in 2019, while foreign exchange reserves stood at USD100 million or 2.2 months of imports. Eritrea receives significant remittances, mostly through informal channels, which together with the trade surplus, contribute to a large current account surplus. The latter has not led to an increase in foreign exchange reserves due to sizable informal imports.

In 2019, the fiscal surplus narrowed to 2.7 percent of GDP from 6.3 percent in 2018. Since the inception of the new salary structure for government employees with more than 12 years of education, the total wage bill approximately tripled from 5.1 percent of GDP in 2014 to an estimated 15 percent of GDP in 2019. While capital spending remains limited, public investments in dams and roads take place off-budget, possibly representing a sizable contingent liability and contributing to fiscal risks.

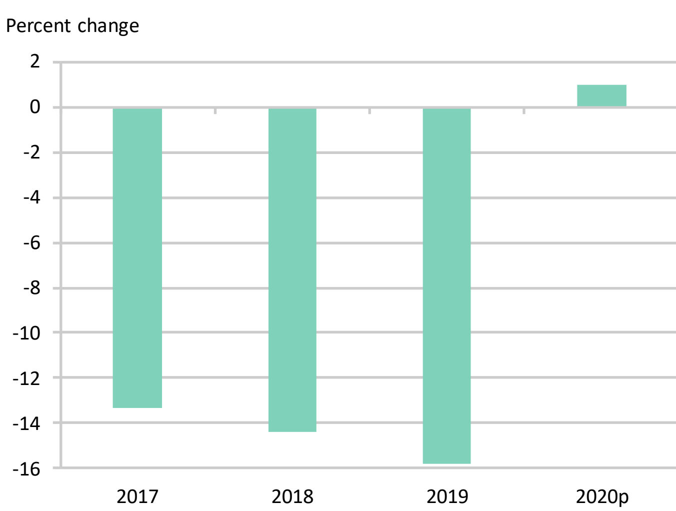
Driven by persistent primary surpluses and debt relief, total public debt, including external arrears, shrunk to an estimated 232 percent of GDP in 2019 from 291 percent of GDP in 2017. External public debt declined by 10 percentage points to 52 percent of GDP (or USD1.1 billion) since 2018 mainly due to debt relief by the Abu Dhabi Development Fund. Meanwhile, domestic debt dropped to 179 percent of GDP in 2019 (or USD3.8 billion) from 208 percent of GDP the year before due to net repayments of Treasury bonds to banks and of central bank advances used to pay part of the public sector wages.

Poverty is widespread in Eritrea, but lack of data limits evidence. Data on poverty are outdated and cover urban areas only. The latest Household Income and Expenditure Survey, from 1996/1997, suggests poverty is widespread, affecting 70 percent of the urban population. Meanwhile, almost 60 percent of employed Eritreans were in vulnerable employment in the large rain-fed agricultural base.

Outlook

The international re-integration of the country could provide for a promising

FIGURE 1 Eritrea / Evolution of inflation



Sources: Minsitry of Finance and WB staff estimates.

FIGURE 2 Eritrea / Evolution of external and domestic debt

Sources: Ministry of Finance and WB and IMF staff estimates.

The cut-off date for information in this MPO was April 02, 2020.

growth outlook, coupled with two large mines expected to become operational between 2022 and 2025; however, in the short run, a contraction of real GDP by 0.7 percent is expected in 2020 due to the COVID-19 pandemic. The pandemic will not only reduce exports and remittances, but also value added from services and industry as a consequence of the partial lockdown and social distancing measures implemented in late March. Growth is expected to rebound to around 5.7 percent in 2021 due to a recovery in private consumption, before moderating to 3.2 percent in 2022. Once the Asmara and Colluli mines become operational around 2023 and after, growth could reach 5½ percent. Deflationary pressures should taper off in 2020, with inflation picking up to 2 percent by 2021. Despite initial moves towards international re-integration, the economy remains isolated.

A decline in non-tax revenues together with recurrent spending pressures, and few opportunities for external borrowing, imply limited resources for capital spending and welfare-enhancing programs. As accumulated revenues at the Eritrean Petroleum Corporation are depleted, non-tax revenues will decline sizably. The latter will shift public finances from surpluses to deficits. If the government re-engages with the international community, additional financing would boost reserves in the shorter term, providing foreign exchange for imports to build infrastructure, and enhance revenues to introduce welfare-enhancing programs to boost resilience and increase access to services. Beyond 2023, mining revenues should increase significantly, easing foreign exchange pressures. Nevertheless, resolving the government's domestic debt stock and resuscitating the financial sector will impose a substantial financial burden.

Risks and challenges

Significant risks cloud the outlook. In the short term, the size of the growth contraction will depend on the domestic containment of COVID-19 and on global developments impacting Eritrean remittances and mining exports to China. Economic growth will also depend on the authorities' response to the locust outbreak, which does not seem to have affected agriculture yet, but could reduce yields in the upcoming harvest. Furthermore, the rain-fed agriculture sector is subject to frequent droughts as Eritrea is one of the most water-stressed African countries. A decline in crop production due to locusts, bad weather or both would severely aggravate poverty and lead to a deterioration in fiscal balances due to emergency food imports, in addition to emergency medical imports. Other transmission channels are likely to have a small or no impact since Eritrea is not fully integrated into trade or financial systems, and tourism revenues are insignificant.

Finally, the recent hiatus in the government's re-engagement with IFIs risks slowing considerably the full expected benefits for the country. The lack of concessional financing and knowledge transfer that would support programs to improve macro management and household livelihoods will limit opportunities for poverty reduction. Additionally, delays in addressing capacity constraints will adversely affect institutional development and slow the adoption of reforms needed for private sector takeoff and inclusive growth-enhancing policies.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-10.0	13.0	3.7	-0.7	5.7	3.2
Private Consumption	-11.2	13.2	5.6	-1.0	8.6	4.7
Government Consumption	9.2	0.8	39.3	7.5	9.5	10.7
Gross Fixed Capital Investment	12.0	-62.8	67.5	-45.9	213.1	27.6
Exports, Goods and Services	29.8	8.9	-5.2	-8.8	7.8	3.0
Imports, Goods and Services	-4.6	18.7	6.8	-6.2	5.9	2.2
Real GDP growth, at constant factor prices	-10.2	12.8	3.7	-0.8	5.8	3.3
Agriculture	-18.2	24.0	27.0	12.0	-6.2	6.0
Industry	-14.4	11.1	13.0	-7.0	8.7	9.0
Services	1.6	4.9	-26.0	-14.3	27.6	-7.5
Inflation (Consumer Price Index)	-13.3	-14.4	-15.8	1.0	2.0	2.2
Current Account Balance (% of GDP)	25.6	23.6	12.2	10.2	6.4	4.8
Net Foreign Direct Investment (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.0	6.3	2.7	0.7	-0.9	-0.6
Debt (% of GDP)	290.7	269.6	231.6	242.9	215.8	212.3
Primary Balance (% of GDP)	-1.9	7.8	4.7	2.8	1.0	1.0

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

The cut-off date for information in this MPO was April 02, 2020.

ESWATINI

Table 1	2019
Population, million	1.4
GDP, current US$ billion	4.5
GDP per capita, current US$	3198
International poverty rate ($1.9)[a]	28.4
Lower middle-income poverty rate ($3.2)[a]	51.8
Upper middle-income poverty rate ($5.5)[a]	71.4
Gini index[a]	54.6
School enrollment, primary (% gross)[b]	115.2
Life expectancy at birth, years[b]	58.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2017).

Real GDP growth slowed to 1.3 percent in 2019, partly due to a drag from a deteriorated fiscal situation. Fiscal challenges were reflected in an accumulation of domestic expenditure arrears, depletion of international reserves and rising debt levels. Given challenges triggered by the COVID-19 outbreak, the economy is expected to contract in 2020, contributing to an increase in poverty. The risks to the outlook include a further escalation of the global pandemic, intensified fiscal pressures, and weaker-than-expected growth in South Africa.

Recent developments

Economic growth slowed significantly to 1.3 percent in 2019 from 2.4 percent in 2018 on the back of a deteriorated fiscal situation and low agricultural output. Government financing constraints led to the accumulation of domestic expenditure arrears that severely impaired economic activity. Nonpayment by government to different suppliers of goods and services impaired companies' ability to service their bank loans, leading to a rise of non-performing loans and reduced banks' lending ability to the private sector. Construction-related activities were also delayed or deferred due to fiscal challenges. Furthermore, the growth of services sector, especially public administration and, wholesale and retail trade were constrained by fiscal challenges. The wage freeze continued in 2019, partly contributing to reduced domestic demand. The poor performance of the agriculture sector emanated from lower sugarcane production, which also negatively affected the sugar manufacturing industry.

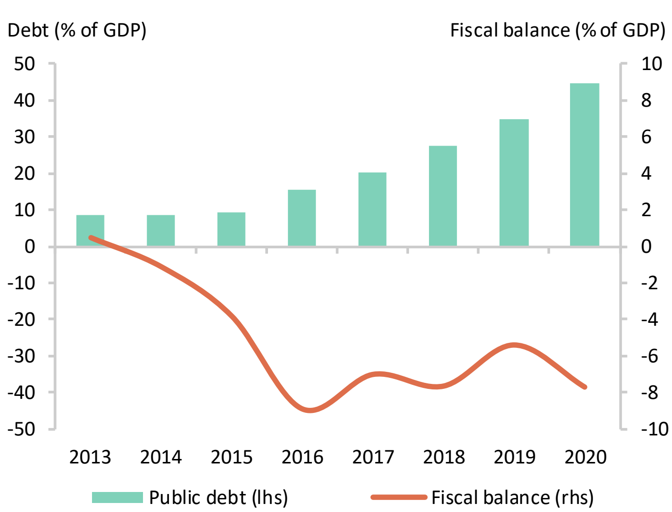
The fiscal deficit remained elevated in 2019 at 5.4 percent of GDP, but declined from 6.7 percent in 2018, supported by improved Southern African Customs Revenues (SACU) and deferment of capital projects. The deficit was financed by accumulation of domestic arrears, a drawdown on reserves and domestic borrowing. Domestic arrears rose to 6.7 percent of GDP as at end-2019, up from 5.9 percent of GDP reported in January 2018. The government has committed to clear these arrears and preliminary verification suggests that they fell to 3 percent of GDP as in February 2020. Total public debt increased by over 5 percent of GDP (y/y) to 35 of GDP in 2019 largely driven by high primary deficit. Domestic debt was the major driver of the rise in total public debt as it increased (y/y) by over 3 percent of GDP, to around 20 percent of GDP in December 2019.

The current account surplus increased to about 4 percent of GDP in 2019 from 2 percent in 2018, driven by a trade surplus and improved SACU revenue. However, the gross official reserves cover declined from 2.6 months in 2018 to 2.0 months in 2019, the lowest level since 2010/11 crisis, reflecting a drawdown to finance the fiscal deficit.

Despite an elevated fiscal deficit, inflation reached record low levels in 2019, partly due to government's freeze of electricity and water tariffs. Average annual inflation declined to 2.6 percent in 2019 from 4.8 in 2018 – the lowest in the Common Monetary Area and below its 3 percent lower target band. Low inflation prompted the central bank to maintain an accommodative monetary policy stance.

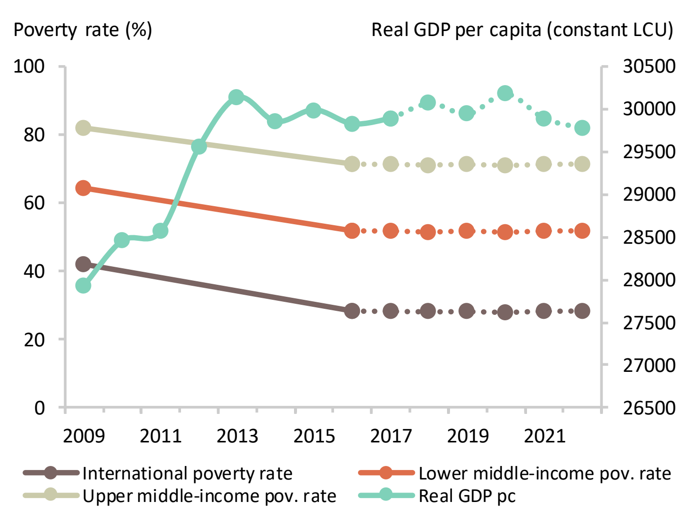
Amid slowing growth, poverty rates are estimated to have levelled off in 2019, with 28.3 percent of people living below the $1.90/person/day threshold (2011 PPP). Food insecurity remained high in 2019, with the Vulnerability Assessment Committee identifying about a quarter of the rural population as food insecure and in need of humanitarian assistance during the October 2019-March 2020 period.

FIGURE 1 Eswatini / Fiscal Balance and Public debt



Source: Ministry of Finance, Eswatini.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

Outlook

Real GDP is projected to contract by 1.1 percent in 2020, mainly due the negative economic impacts associated with COVID-19 on key sectors. Exports and imports are expected to contract as countries including South Africa (Eswatini's largest trading partner) have partially closed their borders to contain the outbreak. The Government's plan to clear all domestic arrears in 2020 which was envisaged to support both industrial production and domestic demand might be delayed as government responds to emerging needs arising from COVID-19. Furthermore, the clearance plan is premised on a negotiated commercial loan, which might worsen the debt levels putting the country at a high risk of debt distress in the short-to medium term. Agriculture production is however, projected to increase, helping to boost both agro-processing and other manufacturing activities, but with weak export demand-the growth impacts will be minimal. The government intends to award a cost of living adjustment (about 1 percent of total expenditure) for the first time in 3 years. This would boost aggregate demand but worsen the fiscal situation.

The fiscal situation is expected to remain challenging, as government approves supplementary budget to deal with COVID-19, amid declining revenues. The fiscal deficit is projected to increase to 7.7 percent of GDP in 2020 and remain above 6 percent in 2021 and 2022. The 33 percent nominal increase in SACU revenues, which was anticipated in 2020, will unlikely materialize as SACU trade and growth prospects dissipate due to COVID-19. Persistent high primary fiscal deficits are projected to increase public debt above 35 percent of GDP government target in 2020 and over the medium term. The current account surplus is projected to decline due to reduced demand for exports by the major trading partners, in particular South Africa reflecting weak economic activity arising from the impact of COVID-19.

Inflation is projected to remain within the 3-6 percent target band, but will increase in 2020, reflecting a gradual relaxation in administered prices and the impact of the COVID-19 pandemic. The economic recession is expected to increase poverty levels. However, this will be moderated by better agricultural output, which supports the majority of the poor. The proportion of people living below the extreme poverty line is expected to increase to 29.3 percent in 2020, reaching 29.6 percent in 2022.

Risks and challenges

Delayed clearance of domestic arrears would undermine economic recovery and strain banks' balance sheets and lending to the private sector. Weaker economic growth in South Africa (reflecting weak structural bottlenecks and the impact of COVID-19) would dampen SACU revenues, leading to a high fiscal deficit and further accumulation of domestic spending arrears. This would also weaken the external balance, leading to a further depletion of international reserves. Lower than anticipated rains would lead to lower agricultural production raising food insecurity and slowing poverty reduction, especially in eastern Lubombo and southern Shiselweni regions where crop production continues to be threatened by erratic rains and higher maize meal prices than in the rest of the country. Further, cushioning poor and vulnerable groups against adverse impacts of COVID-19 on livelihoods will be key to containing a rise in poverty levels.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	2.0	2.4	1.3	-1.1	0.7	1.1
Private Consumption	5.6	2.7	2.6	-1.3	2.0	2.3
Government Consumption	2.9	-4.7	-3.5	-0.1	1.2	-0.5
Gross Fixed Capital Investment	-1.0	34.3	-2.1	-3.0	-7.6	8.7
Exports, Goods and Services	4.6	10.9	8.0	-1.5	5.9	3.7
Imports, Goods and Services	7.9	-8.7	6.0	-2.1	5.0	7.1
Real GDP growth, at constant factor prices	1.8	2.3	1.3	-1.1	0.7	1.1
Agriculture	-4.3	8.0	-4.4	5.9	2.5	5.5
Industry	1.8	-0.2	1.0	-0.1	1.0	1.3
Services	2.9	3.1	2.5	-2.9	0.2	0.2
Inflation (Consumer Price Index)	6.2	4.8	2.6	3.8	4.5	5.8
Current Account Balance (% of GDP)	6.9	1.9	4.3	2.4	5.9	7.2
Net Foreign Direct Investment (% of GDP)	-2.8	0.5	0.5	0.6	0.5	0.5
Fiscal Balance (% of GDP)	-8.7	-6.7	-5.4	-7.7	-5.7	-5.7
Debt (% of GDP)	27.8	27.6	35.0	44.9	48.4	54.4
Primary Balance (% of GDP)	-7.5	-5.3	-2.4	-4.6	-3.2	-3.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	28.4	28.2	28.3	29.3	29.5	29.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	51.8	51.5	51.7	52.2	52.6	52.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	71.3	71.2	71.3	72.0	72.3	72.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

ETHIOPIA

Table 1	2019
Population, million	110.1
GDP, current US$ billion	86.6
GDP per capita, current US$	786
International poverty rate ($1.9)[a]	30.8
Lower middle-income poverty rate ($3.2)[a]	68.9
Upper middle-income poverty rate ($5.5)[a]	90.2
Gini index[a]	35.0
Life expectancy at birth, years[b]	65.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011PPPs.
(b) Most recent WDI value (2017).

Growth in Ethiopia remained robust in FY19 thanks to a strong service sector performance. A Homegrown Reform Agenda was launched to address the buildup in inflation and persistent foreign exchange shortages. Escalating impacts of COVID-19 is expected to result in a significant slowdown in growth in FY20. While poverty is expected to continue its steady decline, the rate of reduction is likely to slow down in the short term in light of the high inflation and increased unemployment.

Recent developments

Real GDP growth rebounded to 9 percent in FY19, according to official estimates, while intermediate indicators for the first few months of FY20 paint a mixed picture. While growth in agriculture production eased and electricity production was affected by low water levels, growth picked up in FY19 thanks to a strong service sector performance. During the first quarter of FY20 there was an exceptional increase in electricity production, but a slowdown in cement sales (-11.7 percent in Q1) and a 28 percent decline in FDI inflows point to a slowdown in investment.

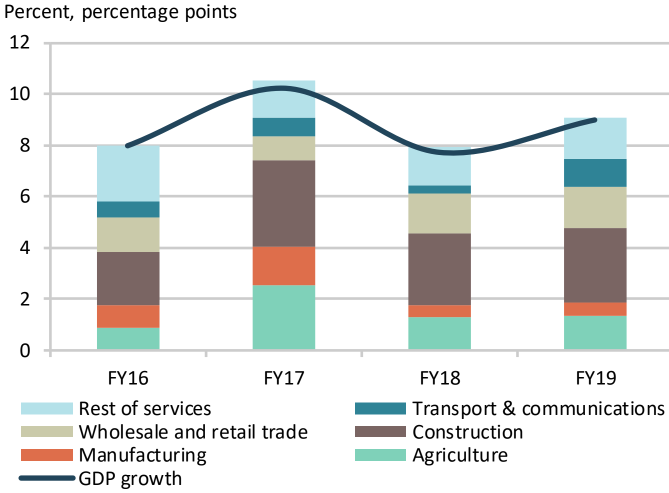
While merchandise export performance disappointed in FY19, preliminary estimates for the first half of FY20 point to a rebound. In the first half of FY20, exports revenue increased by 10 percent compared to the same period last fiscal year, largely owing to a strong increase in the volume of coffee exports. The performance of the other major export commodities including oilseeds and pulses remained weak, while textile exports grew by more than 45 percent. Imports of goods continued to contract declining by about 7 percent during the first half of FY20 as foreign exchange shortages persist and public investment remains restrained. Gross international reserves went down to about US$ 3 billion in December 2019, compared to US$ 3.4 billion in June.

Faster depreciation and tighter monetary policy have been implemented, while inflation remains high. Between mid-November and mid-December, the birr depreciated as much as during the entire FY19. The pace of depreciation eased in January and February. The parallel market premium has declined from 40.5 percent in October 2019 to about 33 percent in February 2020. The average monthly increase in reserve money was just 8.6 percent during July – December 2019, compared to 16 percent during the same period last fiscal year. Inflation eased to 19.5 in December and 18.7 percent in January, but peaked again in February, reaching 21.8 percent, with a jump in both food and non-food prices.

Despite continuing poor revenue performance, the fiscal deficit was reduced to 2.5 percent of GDP in FY19, as authorities curbed expenditure. Tax revenue collection declined to 10 percent of GDP, compared to 10.7 percent in FY18. This poor performance can be explained by weak tax administration and a drop in foreign trade tax revenue related to lower imports. Contained expenditures as a share of GDP and an increase in grant receipts compensated for the lower-than-expected revenue collection.

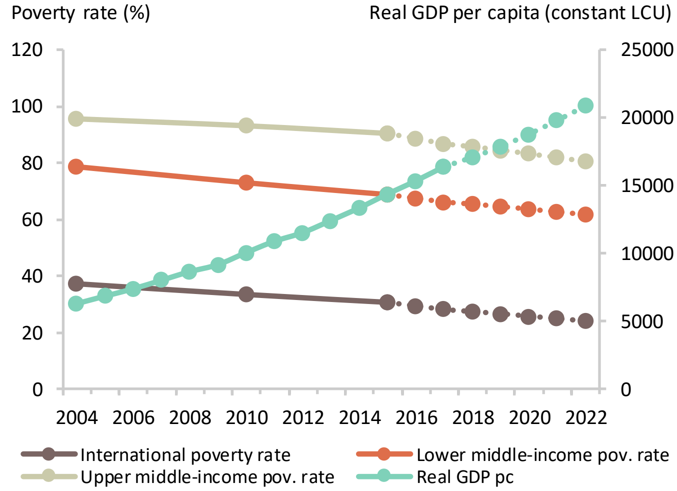
While official data is not yet available, sectors with international linkages showed already a drop in economic activity in March due to the COVID-19 pandemic. Amid the unfolding global pandemic, which is likely to bring the world economy into recession, the CEO of Ethiopian Airlines estimated revenue losses in February and March amount about USD 190 million; on March 20 the airline suspended flights to 30 countries.

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



Source: Ethiopian authorities.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

Hotel occupancy has reportedly declined by 80 percent. Meanwhile, Ethiopia's cut flower industry, the second-largest exporter to Europe (about 10 percent of Ethiopia's merchandise export), incurred in losses amounting USD 11 million during the first weeks of March.

Increased unemployment and inflation presumably translate into slower poverty reduction in urban areas. Urban unemployment increased in 2018 to 19 percent from 17 percent in 2016. Food price inflation in excess of 20 percent has also put pressure on lower-income urban dwellers. In rural areas, which have experienced slow poverty reduction between 2011 and 2016, agricultural production levels have rebounded from the lows of the 2015/16 drought. Rural producers have likely benefited from high food prices.

Outlook

Growth is expected to slow down significantly in FY20 due to the impacts of COVID-19. Macroeconomic measures under the Homegrown Reform Agenda are expected to reduce imbalances and improve growth over the medium term. Growth projections have been revised down in FY20 and FY21 to reflect the severe impacts of the COVID-19 pandemics, which is likely to place global growth in recession. The main transmission channel to Ethiopia will be through declines in services exports (air transport), the lodging industry, and cut flower and other merchandise exports. While growth is expected to be slower in the near term, economic measures under the Homegrown Reform Program are expected to set the foundations for a more balanced and stronger economy in the future. Particularly, as real exchange rate overvaluation is addressed and logistics and business environment reforms are introduced, private sector investment is expected to accelerate in FY21 and FY22. Inflation is projected to remain in double digits in FY20, prior to easing in the medium term.

Poverty is expected to continue its steady decline in the medium run on the back of reforms. The increasing industrial park development and economic reforms being under taken are expected to generate more employment opportunities, especially for the youth.

Risks and challenges

Domestic risks include a more severe impact of the COVID-19 virus, locust infestation and political instability ahead of elections. As in other countries, the situation in Ethiopia could quickly shift from the current handful of COVID-19 imported cases to a scenario of widespread community transmission that could require a lockdown. In addition to the prolonged external demand impacts discussed above, this would depress domestic economic activity and demand sharply. The desert locust invasion which Ethiopia is currently experiencing is the worst in 25 years and could have an adverse impact on crop production in FY21. Finally, there is risk that uncertainty and tensions raise ahead of the national elections, planned for end-August, potentially hampering the prospects for FDI inflows and delaying some of the planned privatizations.

The outlook for poverty reduction, while positive, also faces significant downside risks. COVID-19 will impact the livelihoods of households dependent on remittances or linked to exporting sectors. In addition, lay-offs are expected to be disproportionally concentrated among low-income urban households. Currency depreciation and energy price increases are also expected to have some negative welfare effects across the distribution, especially in urban areas.

TABLE 2 **Ethiopia** / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	10.0	7.9	9.0	4.0	6.0	8.0
Private Consumption	5.6	5.3	5.1	3.2	4.5	5.0
Government Consumption	8.3	3.6	6.1	4.6	4.6	6.3
Gross Fixed Capital Investment	18.5	6.5	11.7	4.2	6.2	9.8
Exports, Goods and Services	7.7	8.3	7.4	-3.5	6.0	8.0
Imports, Goods and Services	-7.5	0.2	0.5	-0.5	1.2	1.5
Real GDP growth, at constant factor prices	10.1	7.7	9.0	4.0	6.0	8.0
Agriculture	6.7	3.5	3.8	3.5	3.6	4.0
Industry	18.7	12.2	11.5	7.0	9.0	9.0
Services	8.3	8.7	12.0	2.3	5.8	10.6
Inflation (Consumer Price Index)	9.8	13.0	12.5	19.4	11.1	8.1
Current Account Balance (% of GDP)	-8.2	-6.5	-4.5	-6.3	-4.7	-4.0
Fiscal Balance (% of GDP)	-3.3	-2.8	-2.5	-3.0	-2.6	-2.2
Debt (% of GDP)	58.1	59.2	57.2	54.6	53.9	53.3
Primary Balance (% of GDP)	-2.8	-2.3	-1.9	-2.4	-1.9	-1.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	28.2	27.4	26.6	25.8	24.9	24.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	66.2	65.4	64.5	63.5	62.5	61.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	86.7	85.6	84.5	83.2	81.9	80.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-, 2017-, and 2015-HICES. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.

GABON

Table 1	**2019**
Population, million	1.9
GDP, current US$ billion	16.5
GDP per capita, current US$	8797
International poverty rate ($1.9)[a]	3.4
Lower middle-income poverty rate ($3.2)[a]	11.2
Upper middle-income poverty rate ($5.5)[a]	32.2
Gini index[a]	38.0
Life expectancy at birth, years[b]	65.8

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

Gabon's macro-fiscal situation is estimated to have consolidated further in 2019. Growth is expected to have picked up in 2019 to an estimated 3.3 percent, while internal and external balances further improved thanks to higher oil production and exports. Growth outlook is expected to be downgraded in 2020 because of the COVID-19 crisis, with growth expected to remain too slow over the medium term to reduce poverty, projected to reach 32.3 percent by 2022, compared to 31.9 percent before the COVID-19.

Recent developments

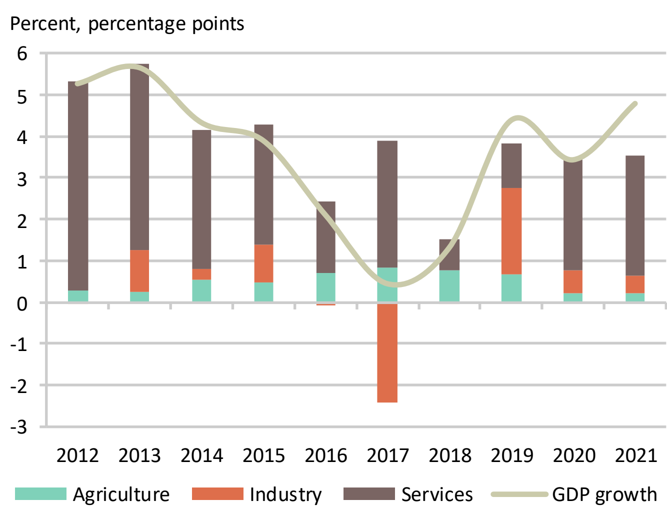
According to the latest data available, growth is expected to have accelerated to 3.3 percent in 2019 (after reaching 0.8 percent in 2018) supported by a sharp increase in oil production and dynamic mining and agribusiness sectors. Inflation is estimated to have slowed from 4.7 percent in 2018 to 3.7 percent in 2019 owing to lower food prices. On the demand side, exports have remained the main drivers of growth. While increasing from 6.2 percent in 2018 to 9.7 percent in 2019, credit growth has remained modest because of low credit to Government. The fiscal balance (commitment basis) is estimated to have shifted from a deficit of 1.3 percent of GDP in 2018 to a surplus of 1.8 percent of GDP in 2019 thanks to robust oil revenues stemming from higher production and a stronger US dollar, and rising non-oil revenues from greater activity in mining and higher imports. Efforts to restrain non-priority spending have also contributed to the fiscal surplus. The gradual clearance of all external arrears is expected to have resulted in a decline of public debt from 60.6 percent of GDP in 2018 to 58.0 percent of GDP in 2019.

Increased commodity exports are estimated to have narrowed the current account deficit from 1.8 percent of GDP in 2018 to 0.9 percent of GDP in 2019, more than offsetting higher investment-related imports, mainly in the extractive sectors. The new exchange regulation in CEMAC has increased Gabon's imputed reserves at the BEAC to 2.5 months of imports in 2019 (compared to 1.6 months in 2018) while the robustness of banks improved in 2019 despite still significant non-performing loans. Despite the gradual economic recovery, poverty and welfare disparities remained high, with the poverty rate ($5.5/day, 2011 PPP) having only slightly decreased to 32.2 percent in 2019 (-0.1 bp from 2018) as a result of cuts in social spending following the 2014 oil crisis. Inequality, measured by the Gini coefficient, is at a moderate level, but wide geographic disparities exist in living conditions and access to basic services. Gabon's current social protection system is inefficient, underfinanced, and covers only a small fraction of the poor what explains the persistent high level of poverty.

Outlook

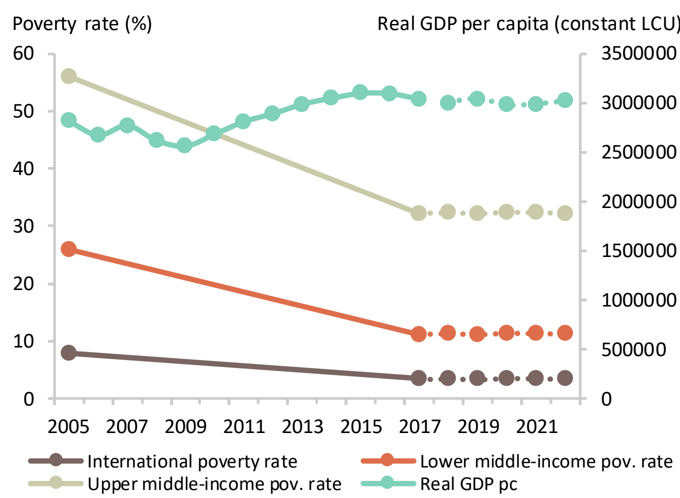
With oil prices expected to stand at USD 30 in 2020 and contracted activity in China and Europe as a result of the COVID-19 pandemics, growth is projected to sharply decrease to -0.2 percent in 2020, against 3.6 percent anticipated before the pandemic. As China and Europe are Gabon' s main trading partners, an economic slowdown in these countries would translate into a sharp drop in Gabon's exports. In such a context, some private investments are expected to be postponed, further reducing growth prospects in 2020. Growth would recover to 3.0 percent in 2022, supported by sustained private investments in agribusiness, wood processing and

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



Sources: Ministry of Economy and World Bank.

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



Source: World Bank.
Note: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

mining expected to be relaunched in 2021. Inflation would remain under 3 percent in the medium term owing to the projected decline in food prices.

Lower than expected oil prices would result in a sharp decrease in fiscal revenue in 2020, oil revenues representing about 40 percent of total fiscal revenues. Travel restrictions, lowering customs revenues, would further impact revenues. Combined with expected fiscal slippages in 2020 as a result of unanticipated expenditures, the fiscal deficit is projected to widen to 2.0 percent of GDP in 2020, against a pre-COVID-19 anticipated surplus of 1.3 percent of GDP. The fiscal deficit would decline gradually to 0.8 percent of GDP in 2022 supported by the projected pick-up in tax revenue, combined with efforts to limit tax exemptions. Expected cuts in current spending, following the fiscal slippages made in 2020, would contribute to improve the fiscal balance. Because of the budget support required to face the COVID-19 crisis, public debt would increase to 64.5 percent of GDP in 2020 and then decline gradually to 53.7 percent of GDP in 2022. With oil representing more than 70 percent of total exports, contracted exports would only be partly offset by reduced imports, resulting in a wider current account deficit at 5.2 percent of GDP. The current account deficit would gradually narrow to 0.1 percent of GDP in 2022 supported by higher oil prices and ongoing investments in wood and agribusiness. Because of limited achievements in human development, the inefficiency of Gabon's current social protection system combined with depressed fiscal space would further reduce the funds available for social spending, resulting in an anticipated increase in the poverty rate ($5.5/day, 2011 PPP) to 32.4 percent in 2020, compared to 32.1 percent initially projected. Delays in the boost in economic activity and job creations expected to lift more Gabonese out of poverty would keep the poverty rate at 32.3 percent in 2022 despite the expected rebound in economic growth.

Risks and challenges

Gabon will remain highly dependent on the oil sector and vulnerable to a further decline in oil prices. Simulation results show that a fall in oil prices to USD 27 in 2020 would reduce real growth by 1.5 percentage point because of the combined fall in oil prices and production as many mature fields would become unprofitable with an oil price below USD 30. Internal and external balances would deteriorate, and international reserves would decline. A downward revision of public and private investments would further impact growth prospects. Depressed fiscal space would further reduce the funds available for social spending and needed to lift the most vulnerable out of poverty, with the current financing gap already standing around USD 500 million. Persistent travel restrictions could increase inflation in 2020 because of food shortages.

A significant tightening of global financial conditions would increase investors' risk perception towards Gabon, making external funding more expensive. Since the end of February, Gabon's sovereign spreads (JPSSGGA index) have widened from 493 bp on February 28, 2020 to 768 bp on March 9, 2020.

To mitigate risks, additional financing to preserve public investment and implement the domestic arrear clearance plan would be necessary. Structural reforms aiming at reducing fiscal expenditure, avoiding arrears accumulation, improving the management of SOEs would also be crucial as well as reforms to improve the business environment and public investment management.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	0.5	0.8	3.3	-0.2	2.4	3.0
Private Consumption	0.4	-0.4	1.2	0.5	0.1	0.4
Government Consumption	-1.3	-18.2	-13.2	-6.4	1.3	-3.5
Gross Fixed Capital Investment	-11.5	8.0	4.3	5.7	0.7	9.0
Exports, Goods and Services	3.4	4.2	13.3	-0.1	8.1	2.0
Imports, Goods and Services	-7.3	-0.6	6.2	3.6	4.5	2.0
Real GDP growth, at constant factor prices	1.5	0.9	3.3	-0.2	2.4	3.0
Agriculture	12.2	9.5	7.5	7.1	7.3	7.9
Industry	-6.6	-0.7	8.6	1.4	2.9	3.9
Services	5.4	0.7	-0.2	-2.3	1.2	1.6
Inflation (Consumer Price Index)	2.7	4.7	3.7	-0.5	2.8	2.4
Current Account Balance (% of GDP)	-4.0	-1.8	-0.9	-5.2	-3.6	-0.1
Fiscal Balance (% of GDP)	-2.6	-1.3	1.8	-2.0	-1.5	-0.8
Debt (% of GDP)	62.9	60.6	58.0	64.5	61.7	53.7
Primary Balance (% of GDP)	-0.1	1.1	4.4	0.8	1.2	1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	3.4	3.4	3.4	3.4	3.4	3.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	11.2	11.3	11.2	11.3	11.3	11.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	32.2	32.3	32.2	32.4	32.4	32.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011- and 2017-EGEP. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 1based on GDP per capita in constant LCU.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

THE GAMBIA

Table 1	2019
Population, million	2.3
GDP, current US$ billion	1.7
GDP per capita, current US$	723
International poverty rate ($1.9)[a]	10.1
Lower middle-income poverty rate ($3.2)[a]	37.8
Gini index[a]	35.9
School enrollment, primary (% gross)[b]	95.2
Life expectancy at birth, years[b]	61.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth continued to accelerate in 2019, supported by tourism, trade and construction, leading to poverty reduction. Fiscal and external deficits improved. Sound macro policies and external debt restructuring facilitated the approval of an IMF ECF program. The outlook is clouded by COVID-19 which is expected to hit the tourism sector hard.

Recent developments

GDP grew by 6 percent in 2019 against 6.5 percent in 2018, well above the potential rate of 3.3 percent. Services grew by 10 percent, supported by wholesale and retail trade, despite the Thomas Cook UK bankruptcy. Agriculture contracted by 10 percent due to erratic rainfall. On the demand side, growth was driven by high public and private investment. Externally financed projects (9.8 percent of GDP) supported public investment while private sector credit expanded rapidly (y-o-y growth of 35.8 percent).

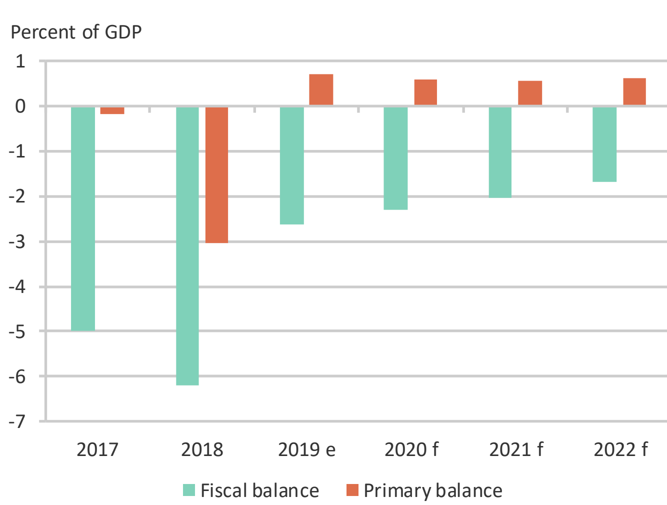
The external current account deficit (including grants) declined substantially from 9.8 percent of GDP in 2018 to 5.4 percent in 2019, driven by remittances rising by 34 percent. Strong tourism receipts and budget grants also helped. FDI (mainly in real estate) financed the deficit. The exchange rate remained stable and foreign reserves rose to 3.8 months of imports. The fiscal deficit declined from 6.2 percent of GDP in 2018 to 2.6 percent in 2019 (primary surplus of 0.7 percent). Domestic revenues increased from 12.1 percent of GDP in 2018 to 14.4 percent in 2019. Tax revenues contributed 0.9 percent of GDP while 1.4 percent came from nontax sources. Strengthened audit capacity, stepped-up enforcement efforts and legal actions on tax arrears bolstered tax collection.

A 50 percent increase in civil service salaries, and higher outlays for social sectors and transitional justice initiatives raised current expenditure. Interest payments declined from 26.1 percent of domestic revenues in 2018 to 22.3 percent in 2019. SOE subsidies were contained at 0.6 percent of GDP. Public debt declined from 86.7 percent of GDP in 2018 to 82.5 percent in 2019. The risk of external debt distress improved from 'in distress' to 'high' following debt service deferrals from external creditors.

Inflation increased from 6.5 percent in 2018 to 7.1 percent in 2019, reflecting rising positive output gap. The underlying trend appears benign and core inflation remains subdued. The central bank continued with cautious monetary easing stance and lowered the policy rate from 15 percent in end-2017 to 12.5 percent by November 2019. As domestic financial conditions tightened marginally, the central bank reduced policy rate to 12 percent in February 2020. Broad money continued to grow (27 percent by end-2019).

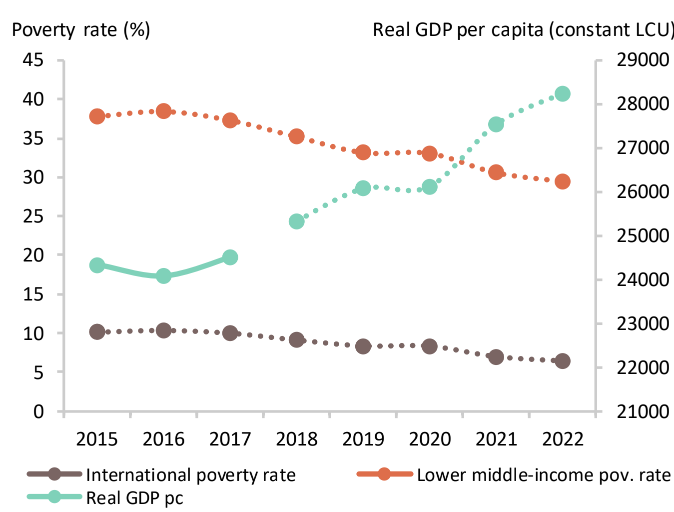
Poverty incidence measured at the international poverty line (US$1.9/day PPP) has marginally decreased from 9.1 percent in 2018 to 8.4 percent in 2019. Strong remittances supported household incomes directly and through increased construction activity. The continued inflow of tourists and higher value-added through upscaled tourism contributed to employment generation. However, poverty reduction was spatially imbalanced as rural areas saw a drop in agricultural output. Moreover, higher food prices, including of staples such as imported rice, negatively impacted real purchasing power.

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



Sources: The Gambian authorities and World Bank estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was March 30, 2020.

Outlook

As the COVID-19 outbreak deepens, and travel restrictions persist, tourist arrivals (especially from Europe) are expected to drop by half. This will drag down tourism-related services and industries. Trade disruptions and lower remittances will delay project implementation and construction. Lower oil prices, however, would improve terms of trade as The Gambia is a net oil importer.

As a result, growth is expected to temporarily decline to 3.1 percent in 2020. However, it would rebound to 8.5 percent in 2021 as global economy starts to recover. Inflation is expected to remain elevated in 2020 and will moderate to 5.5 percent in 2022, close to the central bank target of 5 percent.

The external current account deficit is expected to remain high as trade balance widens owing to lower tourism receipts and trade disruptions despite lower oil prices, and remittances decline. The deficit is to be financed by slightly plummeting FDI. Foreign exchange reserves would hover around 4 months of import.

The macro policy framework will be anchored by the IMF ECF program approved in March 2020. Medium term fiscal consolidation is supported by sustained revenue as well as improved expenditure prioritization and public financial management. For 2020, domestic revenues would decline by 0.9 percent of GDP as tourism-related and oil revenues weaken.

The debt service deferrals will reduce amortization by over 1 percent of GDP per year. Moreover, SOE subsidies are expected to reduce as they strengthen corporate governance and improve balance sheets, aided by lower oil prices. This together with containment measures (travel ban on public officials, cancellation of conferences/workshops, etc.) would create space to cover part of the COVID-19 preparedness cost and for priority social spending needed in the face of declining household incomes. This is likely to strengthen resilience among poor and vulnerable households. Starting 2021, revenues are projected to recover as taxable activity reinvigorates while expenditures would shift towards accelerated externally-financed project execution. Fiscal deficit is expected to decline to 1.7 percent by 2022, while primary surplus would average around 0.6 percent of GDP. Net domestic borrowing should be curtailed from 2021.

As growth declines in 2020 and trigger job losses, labor income will drop. Lower remittances, higher health spending and rising food prices would also impose a burden on household welfare. The poverty rate is expected to remain constant at 8.4 percent in 2020 while the number of poor will increase given rapid population growth.

Risks and challenges

The Gambia has limited fiscal and monetary policy buffers to respond counter-cyclically to a downturn, given high risk of debt distress, elevated inflation levels and modest foreign reserves. If oil prices decrease further, major economies contract sharply, and widespread epidemic hits home, a substantial disruption in economic activity is expected given poor quality of health services. Adverse weather could also pose risks to growth through lower agriculture output. This downturn would affect household incomes and raise poverty. The Gambia needs to reprioritize expenditures toward social services, move fast with the implementation of the preparedness plan and mobilize donor grants to mitigate adverse economic impacts. Great care would be needed to preserve debt sustainability and to avoid contracting any new non-concessional debt to address rising financing needs. Moreover, slow implementation of critical reforms on SOEs, PFM, security sector, and civil service could undermine the macro framework as authorities shift to addressing the pandemic fallout.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.8	6.5	6.0	3.1	8.5	5.5
Private Consumption	4.0	10.0	6.5	0.5	5.0	2.6
Government Consumption	8.5	10.1	12.9	41.2	14.1	22.5
Gross Fixed Capital Investment	14.4	5.5	45.3	0.4	11.2	-6.9
Exports, Goods and Services	42.1	3.0	46.3	-22.0	29.8	5.3
Imports, Goods and Services	27.9	12.9	46.4	-6.6	15.0	1.6
Real GDP growth, at constant factor prices	4.8	6.5	6.0	3.1	8.5	5.5
Agriculture	-4.4	0.9	-10.0	6.4	2.7	2.8
Industry	-3.5	2.5	11.5	5.2	8.3	5.1
Services	11.7	9.9	9.9	1.6	10.3	6.3
Inflation (Consumer Price Index)	8.0	6.5	7.1	6.7	6.0	5.5
Current Account Balance (% of GDP)	-7.4	-9.8	-5.4	-9.4	-9.7	-9.2
Fiscal Balance (% of GDP)	-5.0	-6.2	-2.6	-2.3	-2.0	-1.7
Debt (% of GDP)	87.0	86.7	82.5	80.8	73.8	69.6
Primary Balance (% of GDP)	-0.2	-3.1	0.7	0.6	0.6	0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	10.0	9.1	8.4	8.4	7.0	6.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	37.3	35.2	33.2	33.1	30.6	29.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2015-IHS. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.

GHANA

Table 1	**2019**
Population, million	30.1
GDP, current US$ billion	71.4
GDP per capita, current US$	2372
International poverty rate ($1.9)[a]	13.3
Lower middle-income poverty rate ($3.2)[a]	30.5
Upper middle-income poverty rate ($5.5)[a]	56.9
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	105.5
Life expectancy at birth, years[b]	63.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2017).

Ghana's economy grew by 6.1 percent in 2019, with single digit inflation; and stable fiscal and external balances. Growth is expected to slow to 2.5 percent in 2020 due to the COVID-19 crisis. The medium-term outlook is favorable, despite additional maintenance-related reductions in oil production. Downside risks relate to contingent and actual liabilities in the financial and energy sectors; and spending pressures in the run-up to the 2020 election. Stagnant poverty reduction and persistent regional disparities will remain a challenge.

Recent developments

Real GDP growth slowed to 6.1 percent in 2019 from 6.3 percent in 2018. The slowdown reflected the sluggish growth in the third quarter, with a substantial slowdown in industry due to lower mining and quarrying output. The uptick in agriculture, due to favorable weather and higher farmgate prices for cocoa, could not offset the slowdowns in other sectors. The growth rate for January-September 2019 was 6 percent, compared to 6.7 percent in 2018.

Ghana's inflation remained below 10 percent in 2019. A moratorium on central bank financing of the fiscal deficit, and lower non-food prices, helped to keep inflation in check at 7.9 percent at end-December 2019. Lower inflation allowed the central bank to cut its policy rate to 16 percent. Commercial bank lending rates, while declining, remained at a high 23.6 percent in 2019. The large spreads suggest ongoing inefficiencies in the banking system.

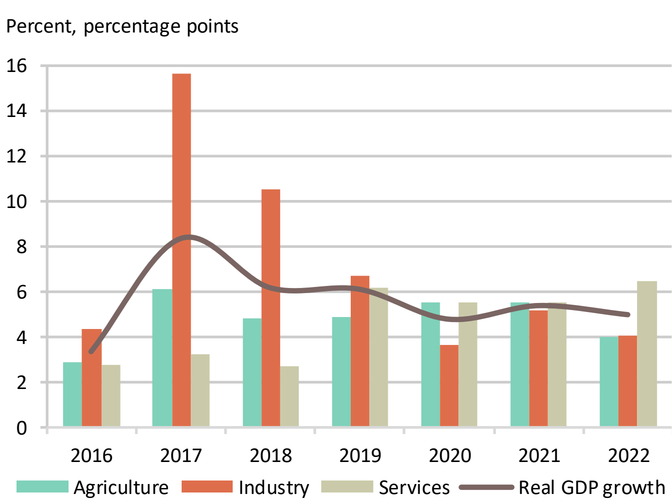
Financial sector reforms have begun paying off, as indicators improved. The growth of credit to the private sector reached 18.3 percent in December 2019, up from 10.6 percent in December 2018. Asset quality also improved significantly and the NPL ratio declined to 13.9 percent in December 2019 from 18.2 percent in December 2018, driven by increased loan recoveries and write-offs.

The headline fiscal deficit was 4.7 percent of GDP in 2019, while the overall fiscal deficit, including financial and energy sector costs, reached 7 percent of GDP, the same level as in 2018. Total revenues at 14.8 percent of GDP were 0.3 percent of GDP higher in 2019 than in 2018. The commitment to close the financing gap for the Energy Sector Recovery Program (ESRP), which began in May 2019, added an estimated 1 percent of GDP to the budget. The financial sector clean-up, which progressed into 2019 with a broader mandate to resolve insolvent banks and reform Special Deposit-taking Institutions, resulted in an additional cost of 1.3 percent of GDP to the budget; the overall fiscal deficit reached 7 percent of GDP in 2019, same as 2018.

The current account deficit remained at 3.1 percent of GDP in 2019, the same as 2018. Improved export earnings for gold and oil resulted in a trade surplus equivalent to 3.8 percent of GDP, up from 2.8 percent in 2018. The current account deficit was financed by both higher FDI and improved portfolio inflows, which were large enough to compensate for outflows on the financial account related to Government amortization and "other" private net outflows. Net international reserves stood at US$3.9 billion (1.9 months of import cover) at the end-2019, while gross reserves totaled US$ 5.1 billion (2.4 months of import cover). Reserves have improved further with the US$3 billion Eurobonds issued in February 2020.

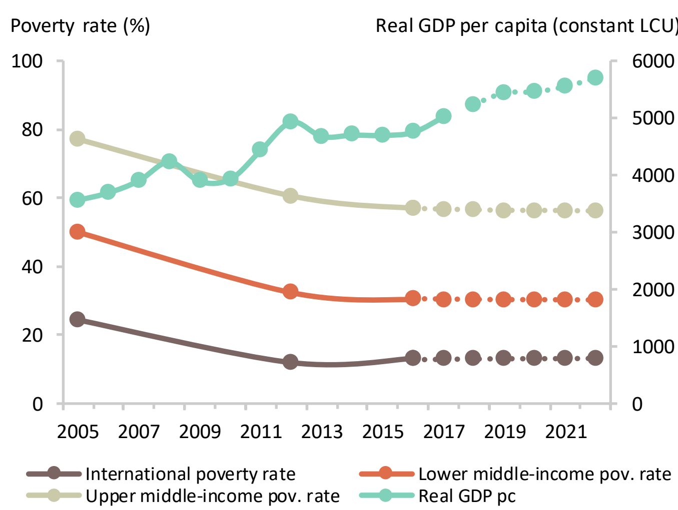
The Ghanaian cedi depreciated by 16.6 percent in 2019 as the BoG discontinued its market interventions to halt the depletion of international reserves. The depreciation path was reversed initially in early

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



Sources: Ghana Statistical Service and World Bank.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

2020 with an appreciation of 5.3 percent against the USD by February 2020, aided by the successful Eurobond placement; as the COVID-19 crisis intensified in March 2020, depreciation set in again and nullified all initial gains in 2020.

The pace of poverty reduction has slowed since 2012 and the incidence of extreme poverty increased to 13.36 percent in 2019 – up from 12.1 percent in 2012 (using the international poverty line of $1.9 a day-PPP). The overall increase in poverty at national level is driven by rising poverty in the poorest, predominantly agricultural regions with low access to electricity, roads, and markets. Wealthy regions, including Greater Accra and Ashanti continued to experience poverty reduction since 2012, thereby reinforcing regional inequalities.

Outlook

Economic growth is projected at 2.5 percent in 2020 due to the COVID-19 crisis which triggered an external demand shock and a terms-of-trade shock through a reduction in Ghana's trade, investment, and tourism activities. Rapidly falling domestic economic activity as a consequence of social distancing measures will add to the impact as the virus spreads locally. Over the medium-term, non-oil activities will continue to support overall growth by improved agriculture and agribusiness and a rebound in the post-reform financial sector. Yet, growth is expected to remain subdued even after the COVID-19 crisis, as oil production slows further due to maintenance and lower oil prices.

Inflation is expected to remain in single digits in 2020 and over the medium term. Ghana's current account deficit is expected to widen to 4.3 percent of GDP in 2020 due to the COVID-19 and lower prices but narrow to 4.1 percent by 2022. The trade surplus will be offset by higher net outflows on the services and income accounts.

The overall fiscal deficit is expected to increase to 9 percent of GDP (compared to the pre-COVID-19 crisis projection of 6.4 percent of GDP) on account of lower oil-related revenues (the crisis related revenue gap is 2 percent of GDP) and higher health-related spending in 2020 (estimated to increase expenditure by 0.6 percent of GDP). The deficit will gradually narrow to 5.9 percent of GDP by 2022 as the economy recovers from the COVID -19 crisis and financial sector-related costs decline after 2020.

Ghana's poverty rate is projected to remain broadly unchanged over the medium term. In the current capital-intensive, resource-dominated economy, few job opportunities are available for the bottom 40 percent of the population. Based on the international poverty line ($1.9 a day-PPP), the poverty rate will fall marginally from 13.36 percent in 2019 to 13.39 percent in 2022.

Risks and challenges

Ghana's economic outlook is positive but faces several risks and challenges. Growth could fall below 2 percent in 2020 in a widespread COVID-19 scenario (compared to the baseline growth rate of 2.5 percent). The risks of fiscal slippage, beyond the need to accommodate the COVID-19 impact, are high despite the 2018 fiscal responsibility law. Fiscal performance is burdened by additional liabilities from the financial and energy sectors and higher debt service as deficit financing shifts from concessional to non-concessional borrowing. Adverse weather and climatic shocks could precipitate lower agricultural output and consequently lower growth, exports and fiscal revenues.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	8.1	6.3	6.1	2.5	3.9	4.8
Private Consumption	11.3	-0.3	6.0	5.0	5.2	5.4
Government Consumption	-35.9	73.7	4.4	8.8	-7.6	-7.7
Gross Fixed Capital Investment	-1.8	-5.0	21.8	-6.6	4.7	0.2
Exports, Goods and Services	16.5	10.3	13.8	2.8	3.0	9.0
Imports, Goods and Services	7.9	4.6	3.8	3.0	3.1	3.8
Real GDP growth, at constant factor prices	8.4	6.2	6.1	2.5	3.9	4.8
Agriculture	6.1	4.8	4.9	2.6	3.8	4.0
Industry	15.7	10.6	6.7	1.6	3.4	3.5
Services	3.3	2.7	6.2	3.3	4.3	6.4
Inflation (Consumer Price Index)	12.4	9.8	7.9	7.6	7.3	6.9
Current Account Balance (% of GDP)	-3.4	-3.1	-3.1	-4.3	-4.7	-4.1
Fiscal Balance (% of GDP)	-4.7	-7.0	-7.0	-9.0	-7.1	-5.9
Debt (% of GDP)	57.3	59.0	63.1	73.3	72.4	71.0
Primary Balance (% of GDP)	0.5	-1.4	-1.4	-2.7	0.2	0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	13.3	13.3	13.4	13.4	13.4	13.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	30.4	30.3	30.2	30.2	30.2	30.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	56.7	56.6	56.5	56.5	56.4	56.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-, 2017-, and 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using average elasticity (2011-2017) with pass-through = 0.07 based on GDP per capita in constant LCU.

GUINEA

Table 1	2019
Population, million	13.6
GDP, current US$ billion	13.6
GDP per capita, current US$	999
International poverty rate ($1.9)[a]	35.3
Lower middle-income poverty rate ($3.2)[a]	70.3
Upper middle-income poverty rate ($5.5)[a]	92.3
Gini index[a]	33.7
Life expectancy at birth, years[b]	60.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth slowed to 5.6 percent in 2019 as the mining boom cooled down. The fiscal deficit improved owing to declining public investment. Growth is projected to decline to 3.1 percent in 2020 due to COVID-19 outbreak impacts slowing down poverty reduction. Downside risks include economic implications of the COVID-19 outbreak and social instability ahead of presidential election.

Recent developments

Growth slowed down in 2019 to 5.6 percent (3.0 percent in per capita terms), following a reduction of non-mining and mining growth. This is below the estimated potential growth rate of 7.5 percent. Mining sector growth decelerated to 8 percent while non-mining growth slowed down to 5.1 percent, due to subdued agriculture growth. Inflation is estimated at 9.5 percent in 2019, a decrease from 2018 (9.8 percent), owing to tighter monetary policy, including contained central bank financing of the government. The positive output gap tightened putting upward pressure on inflation.

The external current account deficit fell from 17.9 percent of GDP in 2018 to 13.9 percent in 2019. Exports contracted by 0.6 percent, reflecting a relative moderate performance of mining sector exports. Imports growth decreased by 9.5 percent, notably due to lower imports of intermediate and capital goods. Mining- related FDI continued to be the main source of external financing and remained unchanged at 12.9 percent of GDP. International reserves improved to reach 4.2 months of imports in 2019.

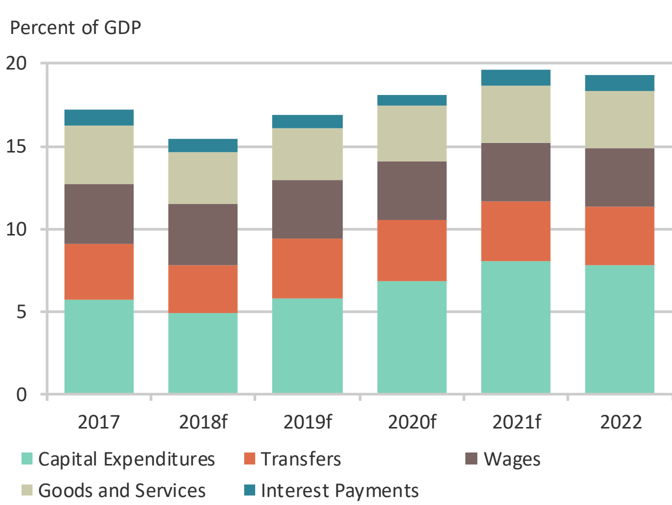
The overall fiscal deficit (including grants) improved from 1.1 percent of GDP in 2018 to 0.9 percent in 2019. Tax revenues were 0.6 percentage points lower than expected in the revised budget and in the IMF program, barely increasing to 12.5 percent of GDP in 2019. Mining fiscal revenues decreased from 2.6 percent of GDP in 2018 to 1.9 percent in 2019 due to lower mining production in the second half of 2019. At the same time, subsidies to the public electricity utility increased from 0.8 percent of GDP in 2018 to 1.7 percent in 2019 due to the payment of the electricity from the Kaleta project. To keep the fiscal deficit in check, capital expenditures were under executed (3.1 percentage points of GDP lower than budgeted).

Public debt declined from 37.3 percent of GDP in 2018 to 34.4 percent in 2019, owing to delayed implementation of externally financed projects. Although the share of non-concessional borrowing increased, it remained within the IMF ECF ceiling to support debt sustainability. The risk of public debt distress remains moderate.

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

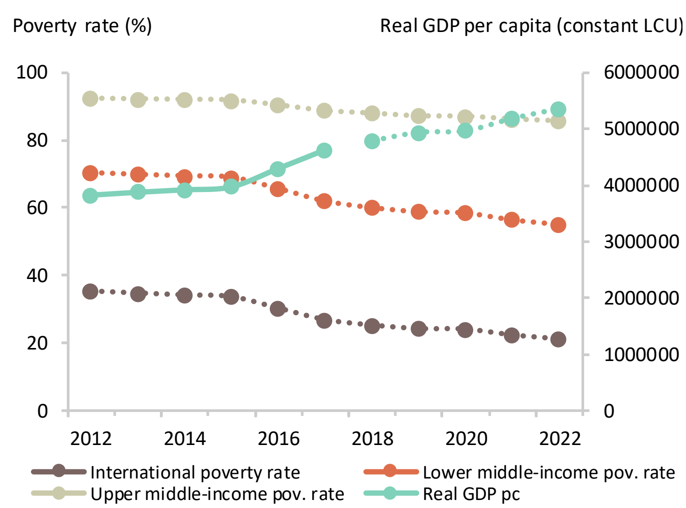
Projections based on GDP per capita growth suggest that the extreme poverty rate, the percentage of the population living below the international poverty line (US$1.90 per day, 2011 PPP), has declined from 25.3 percent in 2018 to 24.3 percent in 2019. However, given the sharp decline in agricultural GDP growth in 2019, the extent of poverty reduction is likely to be muted. This amounts to over 3.3 million people living in extreme poverty. Inflation continues to put downward pressure on household purchasing power. Non-monetary poverty remains high.

FIGURE 1 Guinea / Composition of government expenditure



Sources: Guinean Authorities and World Bank staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

Outlook

The COVID-19 outbreak will deteriorate growth in the short-term to an estimated 3.1 percent in 2020. China's weaker growth will reduce bauxite demand and investment in Guinea. The impact of lower aluminum prices will be offset by rising gold prices and declining oil prices (Guinea is a net importer) and terms of trade (TOT) will increase slightly by 0.17 percent, but will not affect much the GDP growth. On the demand side, social distancing measures will reduce labor supply and contract private consumption. Over the medium term, mining, particularly gold, and mining-related infrastructure investment would continue to drive growth. Public and private investment for infrastructure (energy and transport) will boost construction. Better provisioning of agriculture inputs and infrastructure investments will improve agricultural productivity. The implementation of structural reforms on governance and business climate, as well as higher electricity provision thanks to the completion of the Souapiti dam, will support private sector development over the medium-term.

Inflation is expected to remain high but decline gradually to 8.0 percent in 2022 as the output gap turns negative. The external current account deficit is projected to increase only to 15.0 percent of GDP in 2020, due to import of capital good for infrastructure, notably construction of Souapiti dam, but also to favorable TOT. The deficit is projected to decline thereafter to 12.8 percent of GDP by 2022, with exports projected to grow faster than imports. FDI inflows will meet over 70 percent of financing requirements between 2020 and 2022, with long-term loans meeting the rest.

The fiscal deficit (including grants) is expected to rise to 4.0 percent of GDP in 2020-2021, before declining to 3.3 percent in 2022 to accommodate for budgetary pressures due to COVID-19. Planned implementation of revenue mobilization measures (including rationalization of adhoc tax exonerations and tax code simplification) could compensate for a potential decline in tax collection steaming from lower growth. Meanwhile, efforts to reduce electricity subsidies will help keep expenditure under control. However, capital expenditures are projected to be subdued at 5.4 percent of GDP.

The extreme poverty rate is projected to remain nearly unchanged at 24.1 percent in 2020 in line with lower expected growth and decrease to 21.3 percent by 2022 based on a recovery to 5.8 percent annual real GDP growth. Agricultural productivity improvements and structural reforms for more inclusive growth will need to be attained for this level of poverty reduction.

Risks and challenges

Downside risks to the economic outlook prevail. Social unrest and political instability in the run-up to the legislative and presidential elections could weaken near-term growth, policy discipline, and reform implementation. Increased spending during the upcoming election or in response to popular protests and union activity poses additional risks. The COVID-19 outbreak will expose people to health and economic shocks with significant effects on household welfare. The informal sector and small businesses hard hit by the outbreak may seriously undermine the livelihoods of the poor and stop earnings. Furthermore, the poor have limited savings and access to financial services to cope. In this context, the Government needs to accelerate progress on domestic resource mobilization, deepen electricity sector reform, and implement health and social protection measures.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	10.3	6.2	5.6	3.1	6.9	5.8
Private Consumption	2.9	3.8	5.4	2.5	3.0	3.5
Government Consumption	31.9	-7.2	5.2	4.4	7.9	5.6
Gross Fixed Capital Investment	-43.0	46.4	-16.6	3.4	10.9	5.6
Exports, Goods and Services	67.5	7.2	-0.6	8.3	9.6	3.7
Imports, Goods and Services	-6.4	19.7	-9.5	6.0	7.0	2.0
Real GDP growth, at constant factor prices	12.5	6.7	6.4	3.1	6.9	5.8
Agriculture	8.6	9.0	3.4	3.3	3.5	3.6
Industry	15.2	10.0	6.1	3.5	8.0	7.0
Services	12.2	3.8	7.7	2.7	7.3	5.7
Inflation (Consumer Price Index)	8.9	9.8	9.5	9.3	8.5	8.0
Current Account Balance (% of GDP)	-6.7	-17.9	-13.9	-14.9	-14.0	-12.8
Net Foreign Direct Investment (% of GDP)	12.6	12.9	12.9	10.0	8.8	9.5
Fiscal Balance (% of GDP)	-2.1	-1.1	-0.9	-4.0	-3.9	-3.3
Debt (% of GDP)	39.5	37.3	34.3	43.7	44.8	44.7
Primary Balance (% of GDP)	-1.1	-0.3	-0.4	-3.4	-3.0	-2.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	26.9	25.3	24.3	24.1	22.4	21.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	62.0	60.1	58.9	58.5	56.6	55.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	88.7	88.0	87.2	87.1	86.3	85.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2012-ELEP. Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

GUINEA-BISSAU

Table 1	**2019**
Population, million	2.0
GDP, current US$ billion	1.6
GDP per capita, current US$	794
International poverty rate ($1.9)[a]	67.1
Lower middle-income poverty rate ($3.2)[a]	84.5
Upper middle-income poverty rate ($5.5)[a]	93.4
Gini index[a]	50.7
Life expectancy at birth, years[b]	57.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2010), 2011PPPs.
(b) Most recent WDI value (2017).

Growth recovered in 2019 supported by higher cashew production. The external current account deficit increased slightly owing to a deterioration in the terms-of-trade. The fiscal deficit increased, driven by higher recurrent spending. Growth is projected to decline to 3 percent in 2020, due mainly to economic disruptions caused by COVID-19 containment measures and the ongoing political crisis. Poverty would remain high, but gradually decrease in the medium-term. Risks to the outlook remain significant, including COVID-19 effects and political crisis.

Recent developments

Growth increased from 3.8 percent in 2018 to an estimated 4.7 percent (2.2 percent in per capita terms) in 2019. The recovery was underpinned by higher cashew output and higher electricity production due to newly installed power generation capacity. However, growth remained below the potential rate of 5 percent as pre-election political uncertainty weighed on economic activity. The negative output gap exerted a downward pressure on inflation, which remained low at 0.5 percent. The external current account deficit is estimated to have slightly increased from 4.5 percent of GDP in 2018 to 4.7 percent in 2019, largely due to a decline in cashew prices. While cashew export volume increased by about 30 percent, cashew prices decreased by 33 percent. The latter, combined with higher prices for imported food and oil products, reduced the terms-of-trade by 20 percent. Donor project grants increased, while budget support remains suspended amid political instability and concerns over the adequacy of the macro framework. The deficit was financed through FDI, aid, and external concessional borrowing.

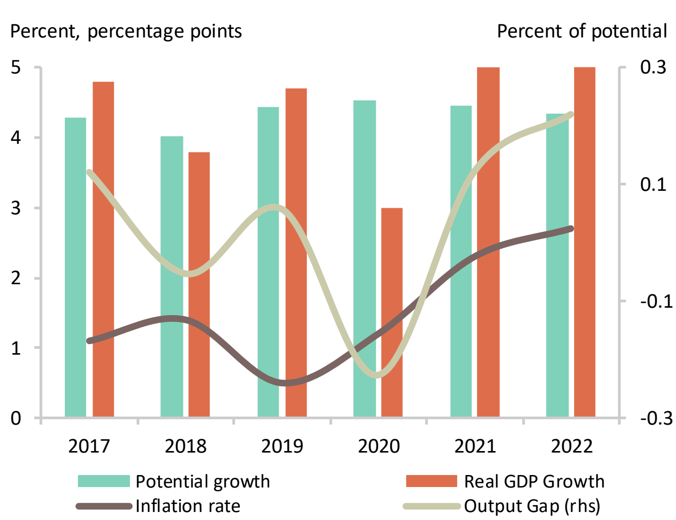
The overall fiscal deficit increased from 4.8 percent of GDP in 2018 to 5.1 percent in 2019, mainly owing to higher recurrent spending. Tax revenue increased marginally from 8.8 percent of GDP in 2018 to 9.1 percent in 2019, due to the pickup in economic activity. However, this was largely offset by weaknesses in customs and non-tax revenue. On the expenditure side, total government spending increased from 19.5 percent of GDP in 2018 to 23 percent in 2019. Recurrent spending rose substantially due to higher wage bill following salary adjustments in 2018, transfers to the public utility company, and interest payments. The deficit was financed by treasury securities and foreign-currency project loans.

Public debt increased to 63.3 percent of GDP in 2019, from 58.5 percent in 2018, driven by external loans financing public infrastructure projects. The risk of external debt distress remains moderate.

Guinea-Bissau's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite continued tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange rate depreciated by 5 percent in 2019, due to nominal depreciation of the Euro against the US dollar combined with persistently lower inflation of the WAEMU compared to trading partners.

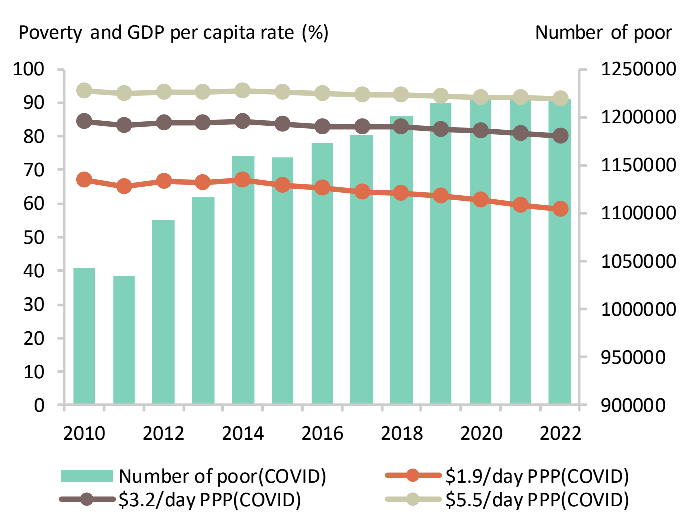
Estimates indicate that poverty (using the US$1.9 international poverty line) continued its downward trend, declining from 67 percent in 2010 to 61 percent in 2019. However, over the same period, the number of poor people increased by around 18,000 annually due to faster population growth amongst the poor. Lower poverty rate was supported by good cashew production, despite lower cashew prices.

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



Sources: Ministry of Finance and World Bank.

FIGURE 2 Guinea-Bissau / Actual and estimated poverty rates and number of poor



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was March 31, 2020.

Outlook

Growth is projected to decline to 3 percent in 2020, reflecting disruptions in economic activity caused by strict measures to contain the spread of COVID-19. The Government has closed borders and imposed several social distancing measures, including closing schools and banning large public gatherings. These were further reinforced by the state of emergency that restricts movements and market opening. These measures will have a negative impact on consumer spending and domestic investment, though this would be partly offset by gains from lower oil prices as Guinea-Bissau is a net oil importer. Growth would recover beginning 2021, supported by higher cashew production and a more stable business environment. Inflation would rise gradually, reflecting higher prices for imported food products. The external current account deficit is projected to remain high at 5.1 percent of GDP in 2020, reflecting lower cashew prices and higher prices of imported food products. The deficit would gradually decline to 3.7 percent of GDP by 2022 supported by an increase in cashew export volume and donor budget support.

The fiscal deficit is expected to increase further to 5.7 percent of GDP in 2020 and gradually decline to 3.4 percent by 2022. A steadfast commitment to reforms would be needed to significantly reduce the deficit. On the revenue side, it is crucial to recover tax arrears, reduce tax exemptions, and strengthen customs controls. Strict budget discipline will also be needed, including on transfers to the state-owned utility company, EAGB, and non-wage employee compensations.

WAEMU reserves would reach about 5.1 months of imports by 2022 as member countries continue to implement fiscal consolidation measures and external competitiveness improves. In December 2019, the Union announced a currency reform involving changes to the underlying arrangements with France. Market reactions have been muted so far, likely reflecting expectations that the foundations of the currency regime would remain broadly unchanged for the foreseeable future.

Projections including the expected effects of COVID-19 imply high poverty rate of 60.9 percent in 2020, reflecting lower farmer income and social vulnerabilities to the spread of the pandemic. The number of poor people would remain largely unchanged. Poverty would gradually decline to about 58 percent by 2022, supported by increased cashew income and higher economic growth.

Risks and challenges

The outlook is subject to substantial downside risks. Renewed political instability could cause fiscal slippages and exacerbate the already difficult business environment. Substantially lower cashew prices and adverse weather would also pose a risk given the high export concentration in cashew. The persistence of the COVID-19 crisis could adversely affect household income and increases their risk of falling into poverty. Risks associated with banking instability also remain a threat to macro-financial stability. Further, although Guinea-Bissau is not highly exposed to the economic impacts of COVID-19 prolonged containment measures and a faster spread of the disease within local communities could cause a sharper growth deceleration. Guinea-Bissau has very limited fiscal space to respond counter-cyclically to an economic downturn. The ongoing political instability would further exacerbate the impact of external shocks. Guinea-Bissau needs to reprioritize expenditures toward critical public health services and mobilize donor grants to address adverse economic and social impacts.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.8	3.8	4.7	3.0	5.0	5.3
Private Consumption	16.7	2.5	3.8	2.0	6.0	6.5
Government Consumption	4.9	-1.4	4.3	6.9	3.9	4.2
Gross Fixed Capital Investment	-9.5	17.4	11.6	-3.5	9.0	13.2
Exports, Goods and Services	-17.8	13.0	8.1	3.9	9.9	10.8
Imports, Goods and Services	18.6	-3.1	5.5	0.5	10.5	12.5
Real GDP growth, at constant factor prices	3.8	2.9	4.7	3.0	5.0	5.3
Agriculture	-0.3	0.7	3.5	4.4	4.5	4.7
Industry	11.9	5.0	4.6	4.7	4.8	4.9
Services	4.8	4.0	5.7	1.4	5.4	5.9
Inflation (Consumer Price Index)	1.1	1.4	0.5	1.5	2.3	2.5
Current Account Balance (% of GDP)	0.3	-4.5	-4.6	-5.1	-4.2	-3.7
Fiscal Balance (% of GDP)	-1.1	-4.8	-5.1	-5.7	-4.7	-3.5
Debt (% of GDP)	58.1	58.5	63.3	65.6	63.4	62.9
Primary Balance (% of GDP)	-0.6	-3.7	-3.9	-5.5	-4.2	-2.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	63.0	62.5	61.4	60.0	58.3	56.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	82.7	82.2	82.0	81.1	80.2	79.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.2	92.1	91.8	91.5	91.2	90.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2010-ILAP-II. Actual data: 2010. Nowcast: 2011-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2010) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was March 31, 2020.

KENYA

Table 1	**2019**
Population, million	52.2
GDP, current US$ billion	101.4
GDP per capita, current US$	1943
International poverty rate ($1.9)[a]	36.8
Lower middle-income poverty rate ($3.2)[a]	66.2
Upper middle-income poverty rate ($5.5)[a]	86.5
Gini index[a]	40.8
Life expectancy at birth, years[b]	65.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Kenya's real GDP growth in 2019 decelerated to 5.6 percent due to underperformance in agriculture and weak private sector investment. With the COVID-19 global pandemic, growth is projected to slow down to 1.5 percent in 2020 and recover to 4.0 percent over the medium term. Despite a drop in economic growth, poverty is expected to decline, but only at a moderate rate. More severe economic impacts from the COVID-19 outbreak, fiscal slippages, or adverse weather constitute key downside risks.

Recent developments

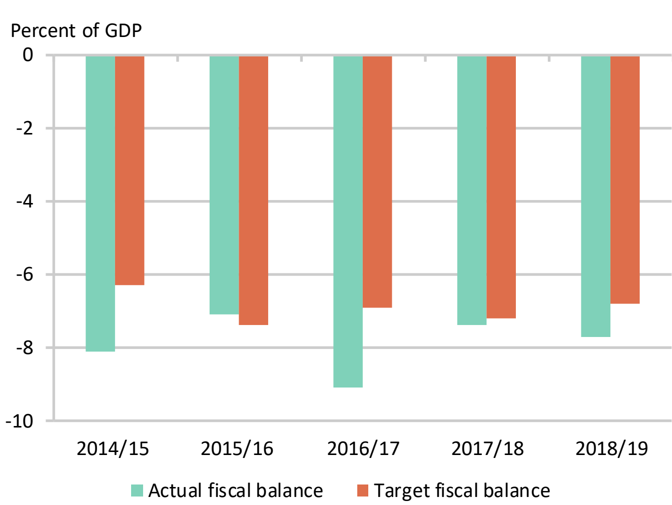
Kenya is facing a significant economic slowdown owing to the COVID-19 global pandemic. Even before being affected by the COVID-19 shock, Kenya's economy had decelerated. In the first three quarters of 2019 the economy grew by 5.4 percent, a drop from 6.0 percent over the same period in 2018. The slowdown in growth was associated with underperformance in agriculture and weak private sector investment. As a result, the World Bank's GDP growth estimate for 2019 is about 5.6 percent. The COVID-19 shock is expected to further reduce growth in 2020 with large impacts on services (travel, tourism, events), agricultural exports, and slowdown in remittances.

Headline inflation has been within the government target range of 5±2.5 percent, before the shock, but with disrupted global supply chain, we expect a slight uptick in 2020. The average headline inflation stood at 5.3 percent in 2019, up from 4.7 percent in 2018, as food prices increased slightly. In February 2020, inflationary pressures picked up to 6.4 percent (from 4.1 percent in February 2019) as a result of increased prices for foods. Nonetheless, core inflation that excludes food and energy to capture underlying inflation trends, decreased to 1.9 percent in February 2020, from 3.1 percent in February 2019. Low core inflation is consistent with an economy where demand pressures are benign, and where the output gap remains negative.

The COVID-19 shock has led to urgent balance of payment financing needs and a widened fiscal deficit. The external current account deficit remains narrow at about 4.4 percent of GDP over the period 2020-2022 due to lower imports, which more than offset a decline in goods exports. Remittances inflows and tourism receipts have been sizeable (at 2.9 percent of GDP and 1.8 percent of GDP, respectively in 2019), but with the outbreak of COVID-19, tourism arrivals have crashed while remittances will be affected by rising job losses in advanced economies. Pressure to finance this current account deficit is mounting because international financial markets are virtually shut to frontier issuers such as Kenya. As a result, the BoP financing gap is estimated at about 1.4 percent of GDP in 2020. Some of this gap is expected to be filled through a Rapid Credit Facility by the IMF with the balance covered through a rundown in official foreign reserves.

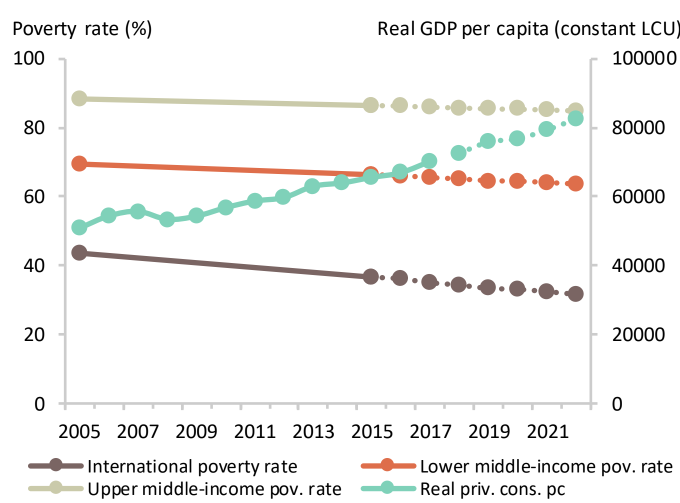
The government has introduced a fiscal stimulus to address economic fallout associated with COVID-19, effectively pausing the planned fiscal consolidation. The stimulus included on the expenditure front, additional spending to strengthen the health systems to handle COVID-19 infections, measures to provide relief to households (through cash transfers) and protect businesses (through expediting VAT refunds and payment of pending bills). On the revenue side a reduction in income tax, VAT, and turnover rates has been proposed. In addition, the general slowdown in economic activity (due to social distancing) will affect revenue collection

FIGURE 1 Kenya / Actual fiscal balance against target



Source: National Treasury (Quarterly Economic and Budgetary Review).

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

in the fourth quarter of FY2019/20. As a result, the fiscal deficit is expected to expand by about 1.7 percent of GDP from a target of 6.3 percent in FY2019/20 to about 8.0 percent of GDP. The public debt is also projected to increase from 62.7 percent of GDP in 2019 to about 66.5 percent of GDP over the medium term. Most tax cuts are expected to be offset by removal of tax expenditures and exemptions, once the crisis abates and recovery in economic activity begin.

The national poverty rate has decreased to 36.1 percent in 2015/16 from 46.8 percent in 2005/06. Most of this is due to progress observed in rural areas, where poverty declined to 38.8 percent from around 50 percent in 2005/06. Meanwhile, poverty reduction stagnated in urban areas and north-northeastern counties. The international poverty rate is expected to have decreased further to 33.4 percent in 2019 from 34.4 percent in 2018, based on simulations using empirical relationship between real GDP growth and poverty.

Outlook

Kenya's medium-term growth prospects will be impacted by the COVID-19 shock and much remains uncertain about the magnitude. As a result, the World Bank's estimate for GDP growth in 2020 is about 1.5 percent, before rebounding to about 4.0 percent over the medium term, on assumption that investor confidence will be restored soon after the COVID-19 pandemic is contained. Growth is also predicated on normal weather that should be supportive of agricultural output, and that a swift and well targeted policy response to COVID-19, will support the economy's resilience. Inflation could pick-up slightly on the back of supply disruptions associated with COVID-19, while the current account deficit is expected to widen, and external financing needs are growing.

Despite a drop in the growth rate, the international poverty headcount ratio in Kenya is expected to continue its decline, but only at a moderate rate of below a percentage point per year during 2020–21. Accelerating the pace of poverty reduction will require policy interventions to raise agricultural productivity, create jobs, and sustain safety net programs.

Risks and challenges

The risks to the growth outlook remain on the downside. Unanticipated large-scale community transmission of COVID-19 could disrupt domestic economic activity more severely, add excess fiscal pressures resulting into another round of fiscal slippage, and more negative growth remains possible. Drought and a second-round of locust invasion (in mid-year), if they materialized, could reduce agricultural output and rural incomes. A recession in the global economy due to COVID-19 pose additional downside risks.

Several policy options could be deployed to support firms and households to navigate through the COVID-19 pandemic. First, fiscal and monetary policies could focus as a priority, at strengthening the health systems to withstand a potential spike in the COVID-19 infections. Second, increasing support to poor and vulnerable households and ensuring that the funds are effectively used to reach those most affected by the pandemic. Lastly, the government could further enhance support to firms through a mix of short-term measures such as credit guarantee scheme and payment guarantees, and liquidity support for the hard-hit sectors (travel, tourism, events etc.).

TABLE 2 Kenya / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.9	6.3	5.6	1.5	3.0	4.8
Private Consumption	7.6	5.9	7.1	1.5	4.1	5.5
Government Consumption	5.1	1.0	10.9	4.0	3.5	2.9
Gross Fixed Capital Investment	6.4	4.6	10.5	0.3	2.1	7.1
Exports, Goods and Services	-6.8	4.0	4.5	0.1	1.5	4.8
Imports, Goods and Services	8.7	2.6	4.8	1.2	4.8	7.2
Real GDP growth, at constant factor prices	4.6	6.3	5.6	1.5	3.0	4.8
Agriculture	1.9	6.4	4.3	2.8	3.2	4.2
Industry	3.8	5.3	4.2	1.1	2.2	4.7
Services	6.0	6.7	6.7	1.1	3.3	5.1
Inflation (Consumer Price Index)	8.0	4.7	5.2	5.6	5.9	6.1
Current Account Balance (% of GDP)	-6.2	-5.0	-4.6	-4.5	-4.4	-4.3
Net Foreign Direct Investment (% of GDP)	1.3	1.7	1.1	0.9	1.6	1.6
Fiscal Balance (% of GDP)	-8.2	-7.6	-7.9	-7.7	-6.9	-5.9
Debt (% of GDP)	55.2	60.7	62.7	64.6	66.4	66.7
Primary Balance (% of GDP)	-4.6	-3.0	-3.8	-3.5	-2.8	-1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	35.2	34.4	33.4	33.1	32.4	31.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.5	65.1	64.6	64.5	64.1	63.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	86.0	85.8	85.5	85.4	85.2	85.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2005-IHBS and 2015-IHBS. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2005-2015) with pass-through = 1based on private consumption per capita in constant LCU.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

LESOTHO

Table 1	2019
Population, million	2.3
GDP, current US$ billion	2.8
GDP per capita, current US$	1208
International poverty rate ($1.9)[a]	26.9
Lower middle-income poverty rate ($3.2)[a]	49.7
Upper middle-income poverty rate ($5.5)[a]	73.1
Gini index[a]	44.9
School enrollment, primary (% gross)[b]	120.9
Life expectancy at birth, years[b]	52.9

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

Economic growth remained sluggish in 2019 reflecting the impact of persistent droughts on agricultural output, slow mining activity and delayed investment programs. Major infrastructure work is expected to help support a sporadic recovery, with real economic growth projected to reach 3.2 percent in 2022. Risks to the outlook are on the downside, driven largely by the impact of COVID-19 Extreme poverty is expected to increase by 0.5 percentage points in 2020 due to the adverse impact of the global crisis.

Recent developments

Growth continued to be held back in 2019 by weak activity in the primary and secondary sectors. The continued poor performance of the agricultural sector reflected a decline in agricultural production following persistent droughts, as well as depressed rough diamond prices dampening mining and exploration activity. In addition, the industry sub-sector is estimated to have been negatively affected by weakening global demand. Economic performance was also affected by slow execution of planned construction projects associated with the Phase II of the Lesotho Highlands Water Project (LHWP-II). Services sector performed better, supported in part by government initiatives to reinforce financial inclusion. Overall, growth is estimated at 1.4 percent in 2019, marginally down from 1.5 percent in 2018.

Fiscal consolidation helped reduce the budget deficit in 2019. The budget deficit is estimated to have narrowed to 4.5 percent of GDP in 2019, from 6.9 percent in 2018, due to improved revenue mobilization as well as reduced government expenditures. The increase in government revenue reflects improved collection of income tax, excise duties, higher capital grants from foreign governments and increased mining royalties. Decelerating government expenditure was driven by reduced spending on operating expenses and slow implementation of development projects. The deficit was financed by drawing down government deposits in the banking sector, issuance of new domestic debt as well as external financing. Public debt is estimated to have reached 49.7 percent of GDP in 2019, and the overall risk of debt distress remained moderate in the 2019 debt sustainability analysis (DSA).

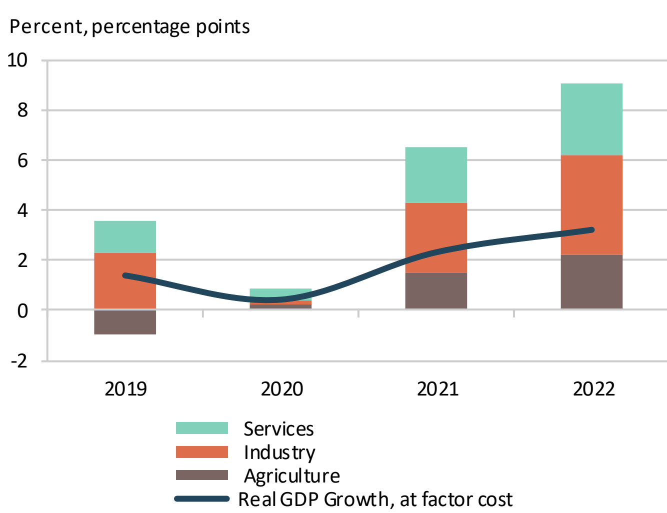
The current account deficit continued to deteriorate. The current account deficit is estimated at 7.6 percent of GDP in 2019, with the trade balance deteriorating against the backdrop of falling diamond export revenues. The financial account balance, excluding reserves, is expected to register a surplus of 2.1 percent of GDP in 2019, mainly due to foreign direct investment inflows. Reserves are projected to fall marginally to 4.1 months of import in 2019 from 4.2 months of imports in 2018.

Poverty rates are estimated to have stabilized in 2019. Results of the 2018 HBS survey recently released updated poverty estimates for Lesotho. Based on the new baseline survey extreme poverty US$ 1.90 (in 2011 PPP terms) was 26.9 percent in 2018 slightly decreasing to 26.8 percent in 2019.

Outlook

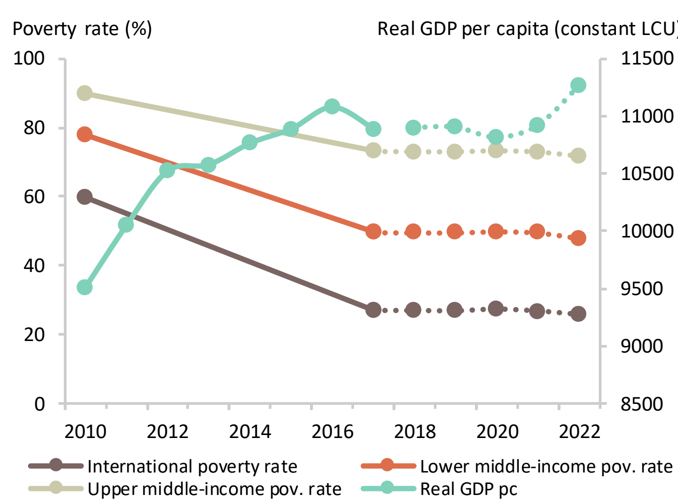
Growth is predicted to weaken in 2020. The slowdown will be due to the impact of the COVID-19 pandemic. The virus is expected to affect the Lesotho's economy through two major channels: trade and tourism. As an open economy, the supply chains of most textiles and apparel firms will be affected, as these firms source raw materials from China. Also, due to subdued global demand from Lesotho's main

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.

The cut-off date for information in this MPO was April 02, 2020.

trading partners such as the US, Euro Area and South Africa would negatively affect Lesotho's exports. Although cargo will be allowed between Lesotho and South Africa, supplies of goods and services are likely to decline. As there are many people from Lesotho working in South Africa, the deterioration of South Africa's economy is likely to lead to the decline in the remittances from South Africa. Tourism sector, which contributes approximately 1.2 percent of GDP is expected to be affected detrimentally as more countries impose international travel bans.

Agriculture output is expected to remain subdued, albeit recovering somewhat from previous year's contraction. Overall, economic growth is projected to reach 0.4 percent in 2020. However, an upturn is expected in 2021 due to government's investment projects, before accelerating further in 2022 as work on the new Polihali dam gets underway.

Public debt remains on an upward trajectory. The fiscal deficit is expected to narrow to 3.3 per cent of GDP in 2020-21. Public debt is expected to increase to 52.7 percent and 53.1 percent in 2020 and 2021, respectively, mainly driven by government investment projects.

The current account deficit will remain elevated. The current account deficit is expected to reach an average of 7.6 percent of GDP in 2020-21, as imports are boosted by the LHWP-II and energy projects. The deficit is expected to be covered by capital transfers from the South African government as part of the LHWP-II and World Bank's–financed Lesotho Renewable Energy and Energy Access Project.

Extreme poverty is expected to increase by 0.5 percentage points in 2020 due to the adverse impact of the global COVID-19 crisis. The international US$ 1.90 (in 2011 PPP terms) poverty rate is projected to increase from 26.8 percent in 2019 to 27.3 percent in 2020, and subsequently fall to 25.9 in 2022.

Risks and challenges

The balance of risk remains titled to the downside, reflecting the possibility of escalating external and domestic headwinds. Lesotho is vulnerable to external demand shocks. The risk of deteriorating prospects in South Africa, where policy uncertainty remains elevated, as well as in other major trading partners such as the US, China and Europe amid risks of an escalating outbreak of COVID-19, could significantly affect the outlook. The main risk is an increase in unemployment for the poor and the socially vulnerable groups. Geo-political risks, especially in the Middle East, may also have implications on Lesotho as most of the grants and external debt is contracted from such countries. The high level of government arrears also poses significant risk to Lesotho's economic prospects in the medium term. In addition, slow implementation of capital projects by the Government poses some risks to economic growth in the medium-term. Finally, despite the anticipated recovery in SACU revenues for 2020/21, historical pattern of spending by the government during episodes of windfalls suggests risk of significant fiscal slippages.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-0.4	1.5	1.4	0.4	2.5	3.2
Private Consumption	1.1	0.8	5.2	-1.9	4.6	4.8
Government Consumption	0.1	-1.9	7.8	8.4	4.8	5.4
Gross Fixed Capital Investment	-0.6	17.1	1.5	5.0	7.9	13.9
Exports, Goods and Services	8.2	13.1	8.8	-5.8	8.2	6.2
Imports, Goods and Services	13.5	5.9	9.8	0.2	8.7	9.4
Real GDP growth, at constant factor prices	-2.5	1.7	1.4	0.1	2.6	3.2
Agriculture	3.1	-6.1	-1.0	0.3	1.3	2.2
Industry	-3.7	3.5	2.3	0.4	2.9	4.0
Services	-2.7	1.9	1.3	-0.1	2.6	2.9
Inflation (Consumer Price Index)	5.3	4.0	5.3	4.7	4.8	4.8
Current Account Balance (% of GDP)	-4.8	-4.2	-7.6	-6.4	-8.8	-13.3
Net Foreign Direct Investment (% of GDP)	1.7	1.6	1.6	1.0	1.2	1.1
Fiscal Balance (% of GDP)	-1.6	-6.9	-4.5	-1.2	-5.4	-4.8
Debt (% of GDP)	36.6	42.7	49.7	52.7	53.1	54.0
Primary Balance (% of GDP)	-0.8	-5.9	-3.9	-0.9	-4.9	-4.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	26.9	26.9	26.8	27.3	26.8	25.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	49.7	49.6	49.6	49.9	49.6	48.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	73.1	73.0	73.0	73.3	73.0	71.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2017-CMSHBS. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2017) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

LIBERIA

Table 1	2019
Population, million	5.0
GDP, current US$ billion	3.1
GDP per capita, current US$	611
International poverty rate ($1.9)[a]	40.9
Lower middle-income poverty rate ($3.2)[a]	72.6
Upper middle-income poverty rate ($5.5)[a]	92.2
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	85.1
Life expectancy at birth, years[b]	63.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2017).

The economy contracted by 2.3 percent in 2019 on the back of weak consumption and output. High inflation, at 27 percent, eroded purchasing power and consequently welfare. Real GDP is projected to contract by 2.2 percent in 2020 due to the COVID-19 outbreak before recovering to 4.1 percent in 2022. Poverty is projected to increase from 44.5 percent in 2019 to 45.4 percent in 2020. The outlook is subject to downside risks stemming from deteriorating global conditions and delayed policy implementation.

Recent developments

Following modest growth of 1.2 percent in 2018, the economy contracted by an estimated 2.3 percent in 2019, on the back of falling demand and output. On the production side, the contraction was driven by output fall in forestry, manufacturing and services, along with sluggish agricultural output growth and slower mining sector expansion. High inflation eroded real incomes with adverse impact on private consumption. Fiscal consolidation and monetary tightening weakened domestic demand further during H2'2019.

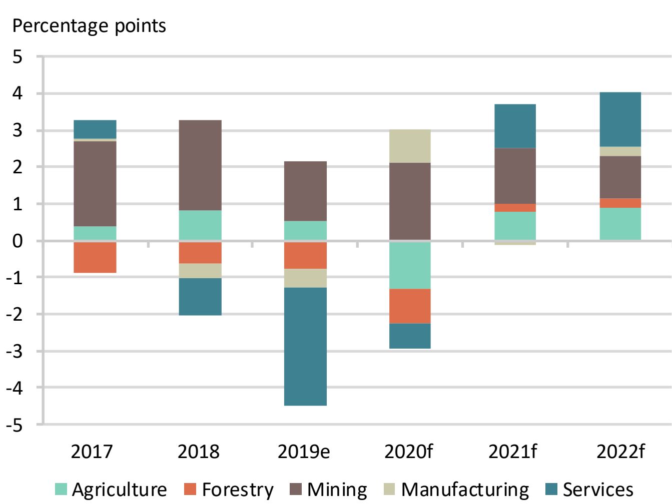
Inflation pressures remained elevated during most of 2019 but moderated towards the end of the year. Headline inflation reached 27 percent in 2019 from 23.4 percent in 2018, largely due to the currency depreciation (by 29.4 percent y/y) combined with supply-side constraints, the monetization of the fiscal deficit and financing of the Central Bank of Liberia's (CBL) large deficit. Domestic food prices increased by 35.9 percent as a result of poor harvest. Poverty headcount ratio, measured as percentage of population below the international poverty line of US$1.9/day (2011 PPP), increased from 42.4 percent in 2018 to 44.5 percent in 2019 on the back of economic contraction and high inflation.

The CBL announced its transition from de-facto exchange rate targeting to interest-based monetary policy framework in July 2019 and tightened its monetary policy stance in November 2019.The Government has committed to zero CBL deficit financing starting in FY2020. The growth rate of private sector credit plunged by 11.3 percent in 2019 from a modest 4.1 percent growth in 2018, reflecting weakening economic activity and challenges in the banking sector. The share of non-performing loans in total loans increased to 17.2 percent at end-December 2019 from 13.8 percent a year earlier. With support from the IMF, the CBL has started implementation of an action plan to address financial sector risks, which prioritizes measures to strengthen banking supervision, bolster the resolution framework, improve data quality, and enforce reporting requirements.

The fiscal deficit widened from 4.8 percent of GDP in FY2018 to 6.1 percent in FY2019, reflecting low domestic revenue mobilization and increased spending. The deficit was financed by external loans, borrowing from the CBL, and the accumulation of payment arrears. To address these challenges, the Government approved a credible budget for FY2020 that consolidates the public finances, rationalizes the wage bill, and improves domestic revenue mobilization while protecting social spending. The Government has also started to implement its domestic arrears clearance strategy. Revenues underperformed in the first half of FY2020 due to the higher than anticipated contraction, but the government has maintained expenditures within the available resources to avoid a widening of fiscal deficit or a further buildup of arrears.

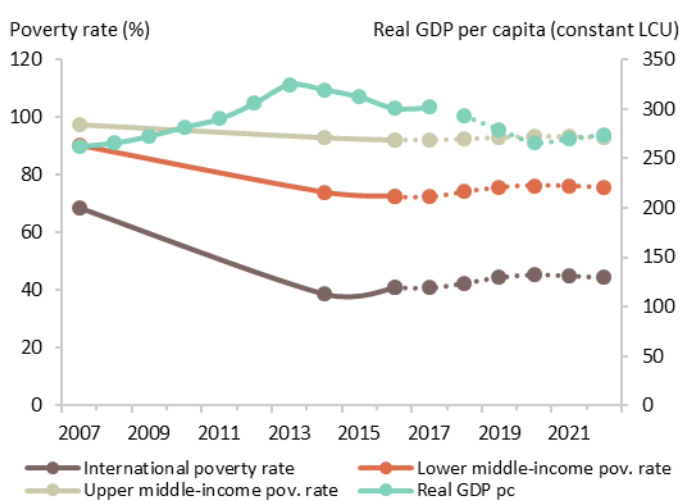
The current account deficit narrowed to 22.1 percent from 23.5 percent of GDP in 2018, supported by improved trade balance, buoyed by rising exports (particularly gold and iron ore) and declining imports

FIGURE 1 Liberia / Sectoral contributions to real GDP growth



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

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

due to weak economic activity and currency depreciation. Gross international reserves fell to US$293 million at end-December 2019, equivalent to 2.2 months of imports from US$297 million (2.3 months of import coverage) a year earlier.

Outlook

Real GDP is projected to contract by 2.2 percent in 2020 due to the adverse effects of COVID-19 on output in various sectors amid falling global demand and travel disruptions. A sharp rebound is expected over the medium-term, supported by improved performance of the non-mining sectors, underpinned by post-COVID-19 recovery and structural reforms designed to alleviate constraints on productivity growth and enhance economic diversification. Growth is projected to recover to 4.0 percent on average during 2021-22. The inflation rate is expected to moderate to 11 percent by 2022, as CBL maintains its tight monetary policy stance, under the new monetary policy framework, and fiscal consolidation continues.

The overall fiscal deficit is expected to narrow to 3.5 percent of GDP in FY2022, supported by fiscal consolidation as government continues to implement public sector pay reform and other public financial management reforms aimed at revenue mobilization and expenditure management. As a result, the primary deficit is projected to narrow from 5.4 percent of GDP in FY2019 to 1.1 percent in FY2022.

The current account deficit is projected to narrow to 19.7 percent of GDP by 2022, due to the anticipated increase in mining and agricultural exports. The current account deficit will be primarily financed by capital inflows, especially FDI in agriculture, mining, and infrastructure.

The proportion of poor households living below the international poverty line of US$1.9/day (2011 PPP) is projected to increase further to 45.4 percent in 2020 in line with continued negative per capita income growth before marginally decreasing to 44.4 percent in 2022. While it is difficult to gauge precisely the welfare impact of the COVID-19 pandemic, households are expected to be affected negatively due to potential impact on employment, particularly the non-farm self-employed in urban areas, high prices of imported goods, restrictions on trade, and losses either in terms of the sale of productive assets or consumption of working capital as they try to cope.

Risks and challenges

Risks are tilted to the downside. The deteriorating global conditions (including global supply, demand, and terms-of-trade shocks) resulting from the pandemic could further weaken Liberia's fiscal and external balances while inhibiting growth and poverty reduction. Given the country's strong trade links with affected regions, the continued spread of COVID-19 will adversely impact Liberia's trade, hospitality and investment activities, posing substantial risks to the outlook. As COVID-19 spreads locally, stringent containment measures would disrupt economic activity further and lead to sharper contraction in 2020, followed by slower recovery in 2021.

An erosion of fiscal and monetary discipline would negatively affect the medium-term growth outlook. Failure to execute clear recovery plan, backed by credible budget and stringent fiscal measures, could lead to a return to monetary financing, with negative consequences for inflation, reserves and debt sustainability. Low confidence in financial sector and financial sector vulnerabilities could undermine the efficiency of the newly adopted monetary policy framework, jeopardize macroeconomic stability, and worsen growth prospects. Insufficient progress on structural reforms— including improvements in domestic revenue mobilization, the business climate, and public investment efficiency—could undermine medium-term growth and slow economic diversification.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	2.5	1.2	-2.3	-2.2	3.8	4.1
Private Consumption	-1.7	6.0	-2.8	-1.9	1.1	8.6
Government Consumption	1.9	-4.3	4.0	-12.0	-1.3	-4.1
Gross Fixed Capital Investment	-4.1	-13.6	-4.3	2.2	9.8	1.0
Exports, Goods and Services	6.4	-0.3	1.6	-10.2	1.0	1.6
Imports, Goods and Services	-10.9	-13.8	0.4	-7.4	1.3	3.1
Real GDP growth, at constant factor prices	2.5	1.2	-2.3	-2.2	3.8	4.1
Agriculture	-1.1	-0.2	0.4	6.2	3.1	2.8
Industry	16.4	20.0	5.2	1.6	5.6	5.4
Services	1.1	-4.6	-7.9	-11.8	3.6	4.8
Inflation (Consumer Price Index)	13.2	20.4	27.0	21.3	13.5	11.0
Current Account Balance (% of GDP)	-23.4	-23.5	-22.1	-19.4	-20.3	-19.7
Fiscal Balance (% of GDP)	-4.8	-4.8	-6.1	-4.6	-4.5	-3.5
Debt (% of GDP)	34.9	40.3	52.5	60.9	68.3	68.0
Primary Balance (% of GDP)	-4.5	-4.2	-5.4	-3.2	-3.2	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	40.8	42.4	44.5	45.4	45.0	44.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	72.5	74.2	75.6	76.2	76.1	75.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.2	92.6	93.2	93.5	93.4	93.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

MADAGASCAR

Table 1	2019
Population, million	26.4
GDP, current US$ billion	14.3
GDP per capita, current US$	543
International poverty rate ($1.9)[a]	77.6
Lower middle-income poverty rate ($3.2)[a]	91.0
Upper middle-income poverty rate ($5.5)[a]	97.3
Gini index[a]	42.6
Life expectancy at birth, years[b]	66.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011 PPPs.
(b) Most recent WDI value (2017).

Madagascar is severely impacted by the COVID-19 pandemic. Projected growth for 2020 has been downgraded to 1.2 percent, reflecting a sharp drop in tourism arrivals, contracting external demand, and disruptions to activity associated with domestic containment measures. Growth is predicted to rebound to 5.6 percent in 2021, which should help deliver a slight decline in the poverty rate, following a significant increase in 2020. Downside risks predominate, including the possibility of a more prolonged pandemic, severe cyclones or other natural disasters.

Recent developments

After a weak start of the year, economic activity regained momentum during 2019. The improvement was supported by an acceleration in public investment, renewed private-sector confidence, and moderating inflation. However, subdued global demand and weakening prices of key export products, including vanilla and cloves, led to decelerating export revenues. A good rice harvest contributed to rising income for farmers, while also moderating inflation and rice imports relative to 2018. On balance, growth is estimated at 4.8 percent in 2019, broadly unchanged from 2018.

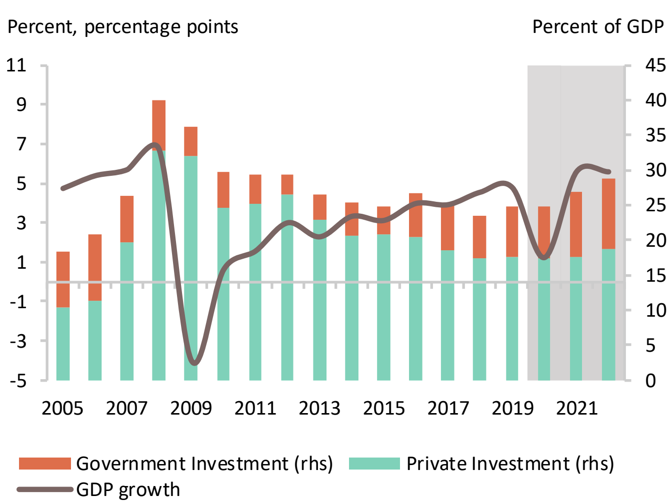
Job creation accelerated in 2019. Rising activity in industry and services led to significant gains in formal employment, with newly registered employees at the main social security fund, CNaPs, reaching 61,000 in 2019, about 50 percent above the average over the last five years. The percentage of the population living below the international poverty line of US$1.90 (2011 purchasing power parity) per day is estimated to have fallen to 74.5 percent in 2019 but remains significantly higher than the regional average of 41 percent.

Fiscal and current account deficits remained low. The budget deficit is estimated at 1.4 percent of GDP in 2019, only slightly up from 1.3 percent in 2018, while public debt crept marginally up to 40.6 percent of GDP. Public spending was dampened by low budget execution, reaching only 77.1 percent for capital expenditures. In contrast, tax revenues were on par with government's target, albeit remaining low by international and regional standards, at an estimated 10.8 percent of GDP. As investment-related imports increased and export revenues declined following the drop in vanilla prices, the current account deficit shifted from a positive balance in 2018 to a deficit of 2.4 percent of GDP in 2019.

Outlook

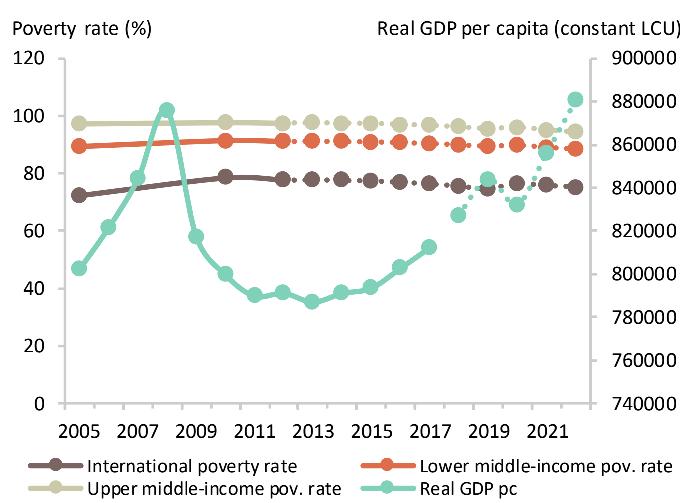
Growth projections for 2020 have been significantly downgraded due to disruptions associated with the coronavirus outbreak. Global trade and travel disruptions are expected to result in a sharp slowdown in Madagascar this year, with growth predicted to average 1.2 percent in 2020, compared to an estimate of 5.3 percent just prior to the coronavirus outbreak. The baseline scenario assumes that the suspension of all international flights extends until May, resulting in a drop in tourism activity by 50 percent on average in 2020, whereas collapsing demand from trading partners like the Euro Area and the United States will lead to a sharp downturn in manufacturing activity. Domestic containment measures are also expected to have a dampening effect in the short term. Under the baseline scenario, conditions stabilize in the second half of the year, with exports and investment bouncing back in 2021. Growth would recover to 5.6 percent in 2021, which is 0.3 ppt above previous projections.

FIGURE 1 Madagascar / Real GDP growth and investment rates



Sources: National Institute of Statistics and World Bank staff calculation.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

However, this would leave a cumulative effect of the coronavirus outbreak after 2 years of about -3.7 ppt of GDP.

Lower tax revenues are projected to widen the budget deficit, but a sharp drop in oil prices will help to slightly improve the current account balance. Tax revenues will be severely hampered this year by the impact of weakening activity and tax relief measures for companies and households. In this context, the fiscal deficit is projected to widen to 3.9 percent of GDP in 2020 and 4.6 percent in 2021, with public debt increasing to an estimated 46.9 percent in 2021, a level still below the risk threshold for a medium debt-carrying capacity country like Madagascar. Sharply lower oil prices and import volumes in 2020 is expected to broadly offset weaker export revenues, leading to a broadly stable current account deficit, at 2.5 percent of GDP in 2020. The external deficit is projected to rise to 3.3 percent in 2021 as oil prices and investment-related imports recover some of their lost ground.

Job losses in manufacturing and services sectors will likely push vulnerable workers into poverty, while incomes in key agricultural export sectors decline. As a result, poverty rates are projected to tick up in 2020 to 76.5 percent and then return to a declining trend with the resumption of moderate growth in 2021 and 2022, reaching 75.2 percent at the end of the projection period. Madagascar's progress in alleviating extreme poverty after the crisis will largely be determined by the speed and strength of the global recovery, the ability to maintain export market and employer-employee relationships, essential infrastructure, and productive assets. On an ongoing basis, the keys to more rapid poverty reduction will be the speed of the structural transformation into off-farm employment, improved access to markets and productivity increases in agriculture, as well as resilience to climatic and further economic shocks.

Risks and challenges

The balance of risks to the outlook remains on the downside. Under a scenario of further COVID-19 escalation, outbreaks in advanced economies linger so that containment measures can only be lifted after four months and the number of cases in Madagascar increases at a faster pace than is assumed in the baseline, leading to stricter confinement measures. In this context, activity in Madagascar would contract by an estimated -0.9 percent in 2020, about -6.1 ppt below the pre-outbreak projections. Growth would still bounce back to 6 percent in 2021, driven by a significant recovery in exports and investment, but the cumulative effect on GDP levels would amount to -5.4 ppt after two years, which would be larger than the impact of the 2009 crisis. In addition, Madagascar's poor remain highly vulnerable to the risks of cyclones and floods due to the dependence on rain-fed agriculture, poor infrastructure and the absence of affordable insurance mechanisms.

Fiscal sustainability risks remain under control so far. Although external debt distress risks are currently assessed to be low and public debt distress risks moderate, maintaining debt sustainability in current circumstances will require that (i) borrowing remains sufficiently concessional in its financing terms, (ii) spending and investment projects be selected on the basis of an objective prioritization framework; (iii) contingent liabilities be kept under control, and (iv) the country preserve its debt-carrying capacity and implement key public finance reforms.

Other risks include severe natural disasters and large terms of trade shocks. Rural communities are highly vulnerable to the risks of cyclones and floods due to the dependence on rain-fed agriculture, poor infrastructure and the absence of affordable insurance mechanisms.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.9	4.6	4.8	1.2	5.6	5.6
Private Consumption	1.2	3.0	3.6	3.0	3.2	3.4
Government Consumption	13.9	-6.2	5.2	2.9	4.8	4.9
Gross Fixed Capital Investment	-1.8	-2.3	10.3	1.7	14.2	13.2
Exports, Goods and Services	45.4	4.6	4.2	-7.3	5.6	5.8
Imports, Goods and Services	23.7	-4.1	5.3	-3.2	6.4	6.8
Real GDP growth, at constant factor prices	3.9	3.7	4.7	1.1	5.6	5.7
Agriculture	1.3	3.7	2.8	2.4	3.2	3.4
Industry	5.8	8.1	7.2	2.2	6.4	6.6
Services	4.6	2.4	4.8	0.2	6.5	6.4
Inflation (Consumer Price Index)	8.3	7.3	5.6	4.4	5.9	6.0
Current Account Balance (% of GDP)	-0.4	0.7	-2.4	-2.5	-3.3	-3.8
Fiscal Balance (% of GDP)	-2.1	-1.3	-1.4	-3.9	-4.6	-4.5
Debt (% of GDP)	40.0	39.9	40.6	44.1	46.9	49.3
Primary Balance (% of GDP)	-1.4	-0.6	-0.7	-3.1	-3.6	-3.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	76.3	75.5	74.5	76.5	75.7	75.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	90.3	89.8	89.3	89.7	88.9	88.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	96.6	96.1	95.5	95.9	95.1	94.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2005-EPM and 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.
Poverty projections for 2020-2022 are adjusted upward to reflect the asymmetric impacts of crises on the poor, as demonstrated in the post 2009 period.

The cut-off date for information in this MPO was April 02, 2020.

MALAWI

Table 1	2019
Population, million	18.6
GDP, current US$ billion	7.7
GDP per capita, current US$	412
International poverty rate ($1.9)[a]	70.3
Lower middle-income poverty rate ($3.2)[a]	89.4
Upper middle-income poverty rate ($5.5)[a]	96.7
Gini index[a]	44.7
School enrollment, primary (% gross)[b]	145.5
Life expectancy at birth, years[b]	63.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011 PPPs.
(b) Most recent WDI value (2017).

Economic growth is estimated at 4.4 percent in 2019, due to a rebound in agricultural output offset by a slowdown in business activity due to political uncertainty. Growth is projected to decline to about 3.2 percent in 2020 due to the COVID-19 outbreak, before picking up to around 5.0 to 5.5 percent in the medium term, as consumption and investment rebound. Considerable downside risks to growth include a widespread domestic outbreak of COVID-19, political uncertainty, weather shocks, and fiscal slippages.

Recent developments

Real GDP is estimated to have grown by 4.4 percent in 2019, an increase from 3.5 percent in 2018, supported by a rebound in agricultural output, despite the adverse effects of Cyclone Idai. Increased electricity generation in the first half of the year also supported higher industrial sector growth. However, the political impasse and related demonstrations following the May 2019 elections weighed on business activity and investment.

The share of the population below the international poverty line of $1.90 per day has decreased only slightly from 69.6 percent in 2017 to 68.3 percent in 2019. Rural poverty remains elevated and actually increased between 2011 and 2017, even as national poverty stagnated. This was mostly due to frequent natural disasters that hindered agriculture production, while post-drought food security response and social safety nets helped reduce inequality. However, Cyclone Idai's damage to crops and physical infrastructure in early 2019 has likely contributed to elevated food insecurity during 2020's lean season in affected districts.

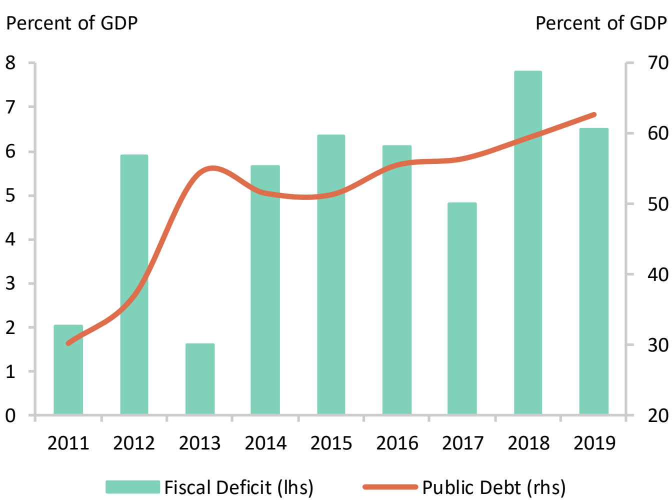
Headline inflation increased to 11.5 percent y.o.y. in December 2019, due to a rapid increase in food prices. Food price inflation reached 19.3 percent, largely due to the highest maize prices in five years due to scarcity in some areas, tight regional supplies, and trader speculation. Non-food inflation declined to 4.9 percent. High food price inflation likely exacerbates poverty among buyers of maize, which includes urban residents and rural smallholder farmers.

Despite volatility of the Malawi Kwacha (MK) relative to United States Dollar (US$) in mid-2019, it has remained roughly stable thereafter, depreciating by only 0.7 percent by December 2019 y-o-y. The volatility could be partly attributed to limited foreign exchange earnings, importers frontloading orders ahead of elections, and slow disbursement of donor projects. RBM has subsequently tightened foreign exchange bureau trading regulations since mid-2019. Gross official foreign reserves have remained largely over three months import cover through 2019, although the private sector reports some delays in accessing foreign exchange. Malawi's real exchange rate appreciation of about 19 percent in 2019 poses a serious risk to competitiveness.

The fiscal deficit declined to 6.5 percent of GDP in FY2018/19, down from 7.8 percent in FY2017/18. The improvement was largely due to a reduction in recurrent expenditure following several one-off expenditures in FY2017/18 including the securitization of arrears (of 1.6 percent of GDP) and the bailout of the Agricultural Development and Marketing Corporation (of 1 percent of GDP). However, the deficit continued to be largely financed by domestic borrowing, which further contributed to high cost domestic debt.

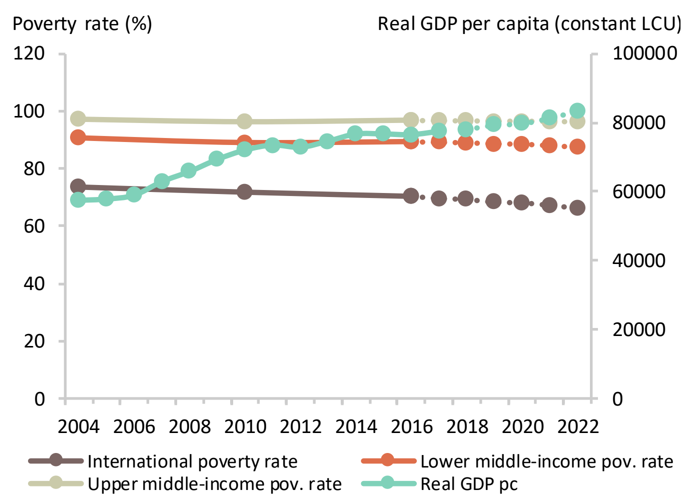
The current account deficit is estimated to have narrowed to 17.8 percent of GDP in 2019, due to improvements in the trade balance. Import growth was low in light of weak demand and low project-related

FIGURE 1 Malawi / Fiscal deficit and public debt



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

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was March 20, 2020.

inflows associated with political uncertainty. A continuing trend of lower tobacco exports were partially offset by sugar and non-traditional exports. External funding supported the uptick in recovery-related imports.

Outlook

Real GDP growth is projected to decline to about 3.2 percent in 2020 due to the COVID-19 outbreak, as better harvests are expected to be offset by lower exports, private consumption and investment due to an increase in risk aversion. This projection is subject to considerable uncertainty and assumes a contained spread of the virus in Malawi and limited social distancing policies. In the medium term, growth is expected to pick up to around 5.0 to 5.5 percent due to a rebound in private consumption and investment, combined with improving energy supply and improved certainty following elections in mid-2020. A slowdown in economic activity and labor mobility due to COVID-19 risk aversion would also affect the livelihoods and poverty status of most Malawians who depend on daily incomes from self-employment and wages. As a result, the share of the population below the poverty line in 2020 is projected at its 2019 level of 68.1 percent. The prospect of faster growth, after economic uncertainties subside, will likely decrease poverty to 67.2 percent by 2021, although this will depend on favorable weather conditions to support agricultural production.

The FY2019/20 fiscal deficit is expected to remain around 6.5 percent of GDP, almost double the approved budget. Revenues are expected to perform below optimistic targets, while expenditures will come under pressure due to COVID-19 response, higher wage payments, and election and security costs. In the medium term, the fiscal outlook envisages a modest level of consolidation, as a comprehensive tax review increases the efficiency and equity of tax collection, while the government reduces unbudgeted expenditures and limits wage increases to inflation.

The current account deficit is projected to tighten to around 16 to 17 percent of GDP in the medium term. Tobacco export growth could slow due to the COVID-19 outbreak and the suspension of Malawian tobacco exports to the U.S. A pickup in other cash crops, including sugar, could support exports. Imports are expected to increase at a lower rate due to supply chain disruptions associated with the COVID-19 outbreak as well as lower international oil prices.

Risks and challenges

Malawi's economic outlook faces considerable downside risks: the potential for a widespread domestic outbreak of COVID-19, political uncertainty, weather shocks, and fiscal slippages. The COVID-19 outbreak poses considerable downside risks for the economy and, in an adverse scenario, could lead to a recession in 2020. It could further slow and reduce demand for Malawi's exports, slow imports and raise their cost, and reduce public and private investment. Additionally, if the virus spreads extensively, it could severely disrupt the labor force thereby increasing poverty. This is combined with political uncertainty due to a new round of elections expected in mid-2020, which can further weigh on investment and reduce reform momentum. Weather shocks can derail growth and increase food inflation, while increasing the vulnerability of rural households to poverty. Unless social safety-net programs are scaled-up, poverty will increase during natural disaster years. Finally, Malawi faces considerable risks of fiscal slippages, potentially from a substantial incurrence of arrears, overly optimistic revenue projections, and parastatal-related contingent liabilities.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.0	3.5	4.4	3.2	4.8	5.3
Private Consumption	11.4	7.3	3.9	2.7	4.2	4.5
Government Consumption	-2.3	-14.3	3.5	6.1	5.4	3.7
Gross Fixed Capital Investment	-6.0	-2.9	6.0	1.8	3.6	7.6
Exports, Goods and Services	3.7	6.9	3.8	3.1	4.6	5.1
Imports, Goods and Services	-1.5	6.4	3.6	2.8	4.1	4.7
Real GDP growth, at constant factor prices	4.0	2.9	4.4	3.1	4.7	5.3
Agriculture	5.0	2.4	4.3	3.7	4.3	4.1
Industry	2.2	2.2	3.8	2.9	4.6	5.3
Services	4.0	3.4	4.5	2.9	5.0	5.8
Inflation (Consumer Price Index)	11.5	9.2	9.3	8.7	8.2	7.5
Current Account Balance (% of GDP)	-22.4	-20.5	-17.8	-16.9	-16.4	-16.1
Fiscal Balance (% of GDP)	-4.8	-7.8	-6.5	-6.5	-5.3	-4.7
Debt (% of GDP)	56.4	59.4	59.4	62.7	62.1	60.8
Primary Balance (% of GDP)	-0.5	-3.9	-2.4	-2.5	-1.1	-0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	69.6	69.2	68.3	68.1	67.2	66.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	89.2	89.0	88.6	88.5	87.9	87.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	96.6	96.6	96.5	96.4	96.3	96.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2016-IHS-IV. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was March 20, 2020.

MALI

Table 1	2019
Population, million	19.7
GDP, current US$ billion	17.0
GDP per capita, current US$	863
International poverty rate ($1.9)[a]	49.7
Lower middle-income poverty rate ($3.2)[a]	79.3
Upper middle-income poverty rate ($5.5)[a]	94.9
Gini index[a]	33.0
School enrollment, primary (% gross)[b]	80.2
Life expectancy at birth, years[b]	58.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2009), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth reached 5.1 percent in 2019 on the back of agriculture and services and poverty declined. The fiscal deficit improved as revenues recovered. The outlook is clouded by downside risks related to insecurity, COVID-19, energy sector fiscal risks, deteriorating terms of trade, adverse weather conditions.

Recent developments

Growth increased from 4.7 percent in 2018 to 5.1 percent (1.9 percent per capita) in 2019. This is about equal to the potential growth rate (5.0 percent). On the supply side, economic activities were driven by services, agriculture, construction, and mining, which made up to 85 percent of the GDP growth. On the demand side, government investment accelerated and contributed to 2.8 percentage points of growth.

Inflation turned negative in 2019 at -0.4 percent with a continued downward trend. It was much lower compared with WAEMU average (0.1 percent), which is mainly driven by Senegal (1 percent) and Côte d'Ivoire (0.8 percent). Despite common inflation factors in WAEMU including lower food prices due to excess regional supply and imported euro area low inflation, Mali's price movement reflected a more pronounced food price collapse, while other sectors performed even worse (clothing, health, communication, restaurants and hotels).

The external current account deficit remained unchanged at 4.9 percent of GDP with the rise in import volumes offset by an improvement in the terms of trade. Exports were driven by gold production. The current account deficit was largely financed by project grants in the capital account and official credits. Non-debt creating financing in the form of project grants funded one-third of the current account shortfall (1.5 percent of GDP).

The fiscal deficit decreased from 4.7 percent of GDP in 2018 to 2.9 in 2019. Tax revenues recovered from 11.9 percent of GDP in 2018 to 14.6 percent in 2019, thanks to improvements in tax and customs administrations as well as increased audit coverage. Meanwhile, total expenditure increased by 4.5 percent of GDP to 24.8 percent, due to a public investment surge. The deficit was financed through regional and external loans. Public debt rose from 37.5 percent of GDP to 38.3 percent in 2019. Mali remains at moderate risk of overall and external debt distress.

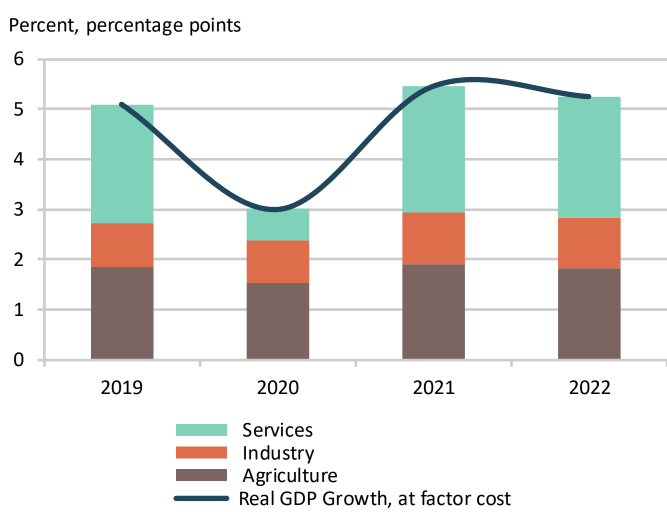
Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 4.9 months of imports in 2019, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks.

The extreme poverty rate is estimated to have declined from 42.2 percent in 2018 to 41.2percent in 2019. Strong agricultural production including cotton and the tertiary sector expansion led to increase in consumption of rural households and induced a decline in poverty.

Outlook

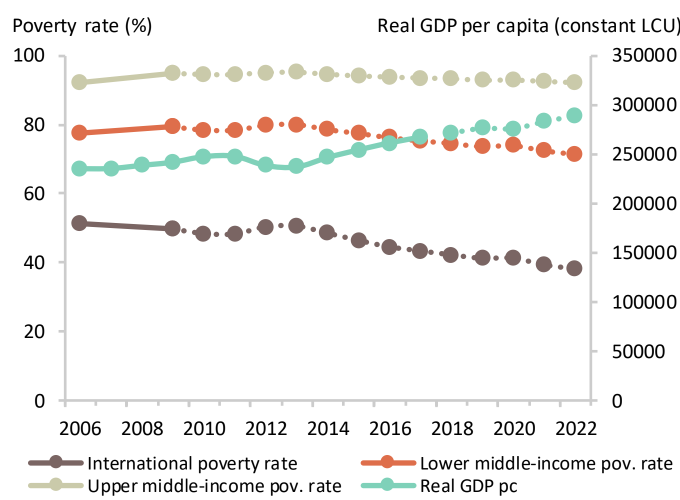
The negative economic and social implications of COVID-19 are materializing with the global downturn and domestic preventive measures. The government has set

FIGURE 1 Mali / Growth of real GDP at factor cost and sectoral contribution to real GDP growth



Source: World Bank.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was March 30, 2020.

travel restrictions, closed schools, nightclubs and bars, and prohibited public gatherings of more than fifty people.

Growth is projected to decelerate to 2.9 percent in 2020, and to an average 4.6 percent over the medium-term. Agriculture and industry will be relatively less impacted, while the tertiary sector will get the hardest hit due to social distancing measures. On the expenditure side, private investment and private consumption will plunge.

The external current account deficit will decrease to 4.1 percent in 2020. Mali's external position is subject to two opposing forces: improved terms of trade and subdued global demand. Mali is a net oil importer and gold exporter. Lower oil prices and higher gold price would improve its terms of trade. On the other hand, Mali's exports will be affected by contracting global demand and the country might suffer from disrupted global value chain, as its imports depend substantially from China.

Considerable efforts are being deployed by the authorities to increase tax revenues so that fiscal deficit will return to or below 3.0 percent in 2022 to be in line with the WAEMU convergence criterion, although the deficit will widen and go beyond the 3.5 percent target in 2020 .

WAEMU reserves would reach 5.1 months of imports by 2022 as member countries continue to implement fiscal consolidation measures and external competitiveness improves. In December 2019, the WAEMU authorities announced a currency reform involving changes to the underlying arrangements with France. Market reactions have been muted so far, reflecting expectations that the foundations of the currency regime would remain broadly unchanged for the foreseeable future.

The poverty reduction is projected to stall and remain unchanged at 41.3 percent in 2020.The negative impact of COVID-19 will materialize in two ways: (i) A global reduction in cotton prices due to a decline in cotton demand will directly reduce farm income for cotton growers particularly in the country's poorest region of Sikasso; (ii) reduction in remittances, especially from France will disproportionately affect households in the second poorest region of Kayes.

Risks and challenges

The fragile security situation remains an eminent risk. The spread of insecurity will disturb agricultural and mining sectors. Mali remains vulnerable to adverse weather shocks and commodity price volatilities.

The impact of the spread of COVID-19 can be substantial. In a downside scenario (outbreak within the country, and the pandemic generates stronger reactions within individual countries), economic activities would be further disrupted given the poor quality of health services and necessary social distancing. Growth would subsequently decline to 2.0 percent in 2020. Should the global uncertainty and growing risk aversion sentiment in financial markets continue, Mali might encounter difficulty in raising funds in the regional market. Disruption in trade activities might lead to decrease in the supply of essential goods resulting in high prices that impact the poorest and most vulnerable population. Contraction in imports, will likely disrupt tertiary sector activities (trade, transport, hotel and restaurant) and hence affect households depending on these activities, especially those in the informal sector.

The looming insolvent situation of the state-owned electricity company (EDM) constitutes a major fiscal risk while the surge of domestic debt could weigh on public finances. Concrete measures in domestic revenue mobilization, as well as efforts in restructuring EDM with participation from the private sector are therefore of vital importance.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	5.3	4.7	5.1	2.9	5.7	5.2
Private Consumption	3.4	3.0	3.5	2.5	4.5	4.9
Government Consumption	4.9	2.0	13.2	14.0	3.1	4.5
Gross Fixed Capital Investment	-3.7	-0.9	9.6	-1.5	5.6	5.5
Exports, Goods and Services	11.4	-0.1	2.3	1.9	6.5	2.4
Imports, Goods and Services	-14.2	-12.1	5.9	3.6	1.8	2.6
Real GDP growth, at constant factor prices	5.5	5.3	5.1	3.0	5.5	5.3
Agriculture	5.2	5.9	5.1	4.2	5.2	5.0
Industry	6.8	5.5	4.4	4.3	5.2	5.0
Services	5.2	4.8	5.4	1.4	5.8	5.6
Inflation (Consumer Price Index)	1.8	1.7	-0.4	0.6	2.0	2.3
Current Account Balance (% of GDP)	-7.3	-4.9	-4.9	-4.1	-3.6	-3.7
Net Foreign Direct Investment (% of GDP)	3.6	2.7	1.9	2.6	2.2	2.1
Fiscal Balance (% of GDP)	-2.9	-4.7	-2.9	-3.7	-3.1	-2.8
Debt (% of GDP)	36.0	37.5	38.0	40.0	39.1	39.0
Primary Balance (% of GDP)	-2.0	-3.8	-2.2	-2.8	-2.1	-1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.3	42.2	41.2	41.3	39.3	38.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.4	74.6	73.7	74.0	72.5	71.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.5	93.3	92.8	92.9	92.5	92.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2009-ELIM. Actual data: 2009. Nowcast: 2010-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2009) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was March 30 2020.

MAURITANIA

Table 1	2019
Population, million	4.3
GDP, current US$ billion	5.7
GDP per capita, current US$	1314
International poverty rate ($1.9)[a]	6.0
Lower middle-income poverty rate ($3.2)[a]	24.1
Gini index[a]	32.6
School enrollment, primary (% gross)[b]	96.7
Life expectancy at birth, years[b]	64.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2017).

Growth accelerated in 2019 due to a mining boom. External pressures eased as terms of trade improved and mining exports increased. Fiscal discipline created budgetary space for social spending and supported a reduction in debt. Growth and poverty reduction are expected to sharply decelerate in 2020 due COVID-19 but recover over the medium term. The outlook is subject to significant downside risks stemming from a sustained the COVID-19 outbreak, climatic hazards, delayed structural reforms, and regional insecurity.

Recent developments

Growth accelerated from 3.6 percent in 2018 to 6.3 percent (3.3 percent per capita terms) in 2019. This was driven by a mining boom that stemmed from a recovery in iron production and a pick-up in gold production due to past expansions of gold mines. Meanwhile, non-extractive growth remains robust (at 4.7 percent in 2019) supported by telecom and transport, despite a deceleration in fish and irrigated rice production.

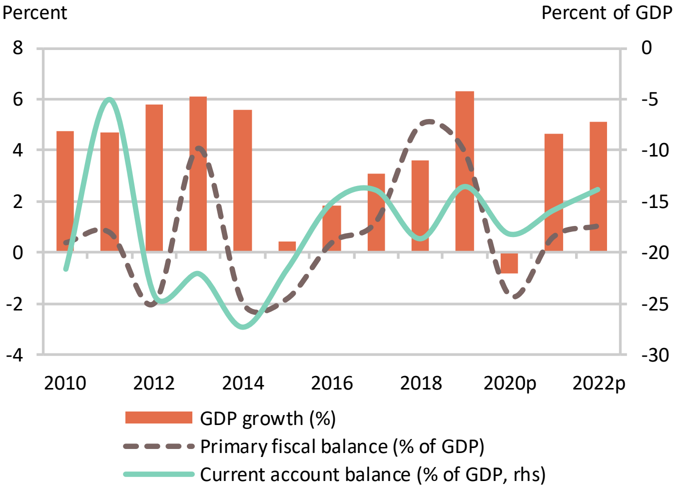
The external current account deficit narrowed from 18.6 percent of GDP in 2018 to 13.5 percent in 2019, fueled by higher iron and gold export prices and lower oil and wheat import prices. The improved terms of trade were coupled with increased mining production. The current account deficit was financed mostly by extractive related FDI to build the first phase of the GTA gas project and external public borrowing. International reserves rose from 3.6 months of imports in 2018 to 4.0 in 2019, above the adequate level of 3.6 estimated by the IMF.

The Government has maintained a primary fiscal surplus (excluding grants) for a second consecutive year, reaching 0.6 percent of GDP in 2019. The strong fiscal position was driven by continuous spending restraint. Current expenditures dropped from 17.4 percent of GDP in 2018 to an estimated 15.1 percent in 2019, driven by a rationalized salary scale, reduced interest payments, and lower subsidies. In parallel, domestically financed capital expenditures declined by 1 percent of GDP due to under-execution of public investments. The decline in expenditures offsets the drop in fiscal revenues (excluding grants) from the fade-off of the gas exploration fees in 2018 and the decrease in imported-related taxes. The strong fiscal position and accelerated growth reduced the debt-to-GDP ratio from 101.8 percent of GDP in 2018 to 93.6 percent in 2019. While public debt is sustainable, the overall and external risk of debt distress remain high.

Despite a narrowing negative non-extractive output gap, inflation decreased from 3 percent in 2018 to 2.2 percent in 2019, owing to lower imported inflation as international wheat prices decelerated. The ouguiya depreciated by 2.8 percent against the US dollar, but the real effective exchange rate remains overvalued by about 4-14 percent. The banking sector continues to suffer from structural weaknesses and strong liquidity constraints as the ratio of liquid-to-total assets fell from 24.6 percent in 2017 to 19.6 percent in 2018. Although Non-Performing Loans (NPLs) declined from 22.6 percent in 2018, they remained high at 21.7 percent of total loans in 2019.

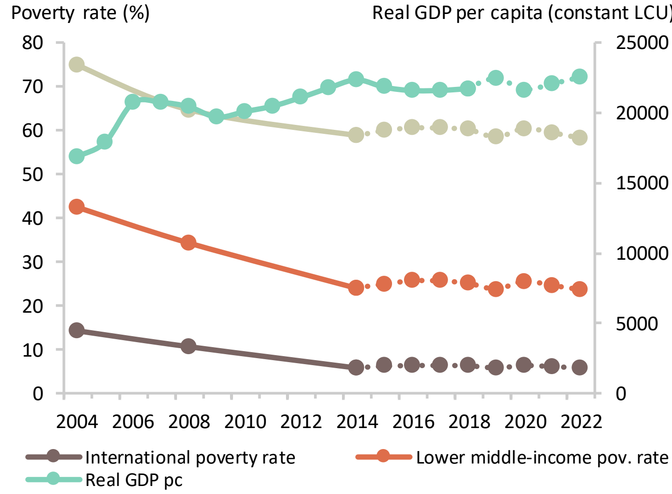
Poverty measured at the international poverty line (US$ 1.9/day PPP) is estimated to have marginally decreased from 6.4 percent in 2018 to 5.9 percent in 2019, mainly because growth was driven by extractives with low labor intensity. Rising household incomes reflect a continued, yet slower expansion, of agriculture.

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.

The cut-off date for information in this MPO was April 02, 2020.

Moreover, subdued wheat prices reduced inflationary pressures.

Outlook

The COVID-19 global economic crisis is expected to heavily weigh down on Mauritania's economy in 2020. While terms of trade improve, the economic slowdown in Europe and China (Mauritania's main trading partners) will suppress export demand. Moreover, private demand will be hit by social-distancing measures imposed by the authorities. Mauritania will experience a large growth deceleration from 6.3 percent in 2019 to –0.8 percent in 2020. Economic activity will rebound in 2021-2022 due to a pick-up in extractive related FDI, a recovery in private consumption, and the onset of gas exports in 2022. As the output gap turns positive, inflation will increase to 4 percent in 2022.

The current account deficit is projected to narrow gradually to 13.8 percent of GDP in 2022 as terms of trade improve, gas exports start, and mining production picks up. External financing would be met by extractive related FDI and long-term disbursements. As the external position improves, international reserves would increase to 4.2 months of imports by 2022.

The fiscal balance is expected to deteriorate and register a deficit of 2.6 percent of GDP in 2020. Domestic revenues will decline and health expenditures and social transfers will be increased to respond to the outbreak. In 2021-2022, economic recovery will be associated with a pick-up in taxes and higher extractive revenues that would be used to finance an increase in social spending and capital expenditures. As a result, the fiscal position will improve and reduce the debt-to-GDP ratio to 86 percent of GDP by 2022.

With support from the IMF, the authorities aim to strengthen the monetary policy and render the exchange rate more flexible. In that context, the central bank plans to introduce a system to foreign-currency auctions and establish a technical platform to create an interbank foreign exchange market in 2020.

As growth declines in 2020, lower economic activity and social distancing will trigger job losses, especially for informal workers in the service and manufacturing sectors. Moreover, rising food prices will impose a burden on all households. Poverty is expected to rise to 6.5 percent, and the number of extreme poor will increase by almost 30 thousand people.

Risks and challenges

The macroeconomic outlook is subject to various risks. The biggest risk is a protracted COVID-19 pandemic with additional negative real, fiscal and external sector effects. Sustained low oil prices and technical issues are risks that could affect the profitability and development of the GTA gas project. Regional insecurity in the Sahel is another source of risk. Mauritania is also exposed to recurring cycles of droughts that impact agricultural output and household income. On the domestic front, failures of reform implementation would undermine growth prospects. In addition, fiscal risks could arise from contingent liabilities associated with State-Owned Enterprises.

Future poverty reduction will depend on rising labor productivity and strengthening inclusion into labor markets. High levels of child mortality and low education levels undermine human capital accumulation. In addition, low labor force participation and low employment rates impede social inclusion.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.1	3.6	6.3	-0.8	4.9	5.4
Private Consumption	4.5	5.2	4.4	-1.6	4.2	4.2
Government Consumption	2.9	3.8	5.5	8.9	1.7	3.8
Gross Fixed Capital Investment	0.8	1.8	-1.2	0.9	9.8	5.5
Exports, Goods and Services	1.6	-4.0	10.8	-3.0	6.0	11.7
Imports, Goods and Services	1.9	0.5	-0.2	2.2	7.2	6.5
Real GDP growth, at constant factor prices	2.8	3.2	6.3	-0.8	4.7	5.1
Agriculture	4.1	7.2	4.9	1.7	5.6	6.0
Industry	1.1	-5.1	10.1	4.0	9.5	10.8
Services	3.0	6.1	4.9	-6.4	0.1	-0.7
Inflation (Consumer Price Index)	2.3	3.0	2.2	3.4	3.7	4.0
Current Account Balance (% of GDP)	-13.9	-18.6	-13.5	-18.2	-15.8	-13.8
Net Foreign Direct Investment (% of GDP)	12.0	14.7	10.3	9.5	14.2	13.1
Fiscal Balance (% of GDP)	-0.3	3.4	2.7	-2.6	-0.4	0.1
Debt (% of GDP)	95.9	101.8	93.6	98.9	97.0	93.6
Primary Balance (% of GDP)	1.2	5.0	3.9	-1.6	0.6	1.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	6.5	6.4	5.9	6.5	6.2	5.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	25.7	25.2	23.8	25.7	24.7	23.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	60.6	60.3	58.5	60.6	59.5	58.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2014-EPCV. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

MAURITIUS

Table 1	2019
Population, million	1.3
GDP, current US$ billion	14.4
GDP per capita, current US$	11348
International poverty rate ($1.9)[a]	0.2
Lower middle-income poverty rate ($3.2)[a]	2.1
Upper middle-income poverty rate ($5.5)[a]	12.1
Gini index[a]	36.8
School enrollment, primary (% gross)[b]	101.5
Life expectancy at birth, years[b]	74.5

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

Mauritius is experiencing a strong economic impact of COVID-19, especially through tourism earnings, which is expected to lead to a steep recession in 2020 and drive up government debt. There are additional BoP vulnerabilities due to the large offshore sector. Progress in terms of poverty reduction will slow down due to the negative impacts of COVID-19, and wage inequality remains substantial due to mounting skills shortages and lack of inclusiveness in the labor market.

Recent developments

GDP in 2019 grew 3.6 percent, driven by construction and services sectors (banking, ICT) as well as a rebound in agriculture. Manufacturing growth remained on a sluggish trend and was negatively impacted by decelerating global demand during 2019. This continues a pattern of structural transformation, with more knowledge intensive services sectors expanding while some of the sectors that have traditionally provided low-skilled employment stagnating or even contracting.

Inflation was 1.4 percent in 2019, despite an accommodative monetary policy, with the key repo rate lowered to 3.35 in August 2019 and further to 2.85 in March 2020. Except for short-term fluctuations for locally produced vegetables and fruits, price levels are mostly determined by imports.

Substantial bilateral external grants enabled the government to ramp up public investment while keeping the fiscal deficit around 3 percent (after grants) in recent years. However, increases in public transfers following the November 2019 election, most notably a 50 percent increase in the general pension, are putting additional strain on public expenditure. Public debt levels are estimated to have decreased from 68 percent of GDP to 65 percent in 2019 due to a transfer of reserve valuation gains from the Bank of Mauritius used to repay external debt. The debt structure is favorable in terms of long maturities.

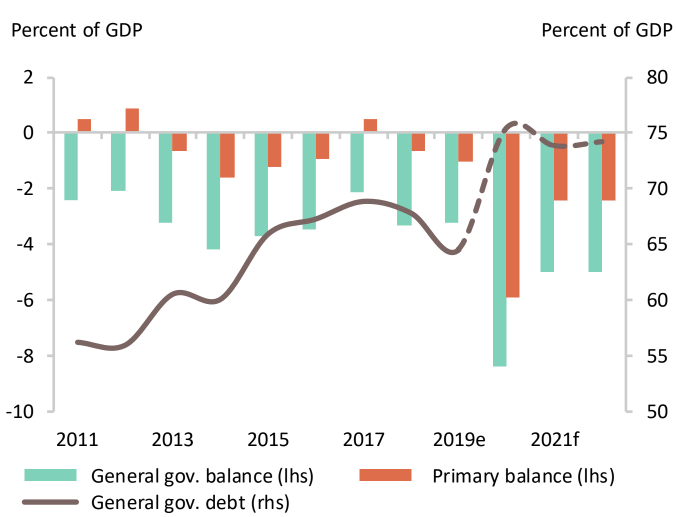
Mauritius continues to run significant trade deficits (~-15 percent of GDP in 2019). Surpluses in the income and financial accounts are mostly linked to the offshore sector and have in past years more than offset the trade deficit, with the Bank of Mauritius accumulating reserves to keep the exchange rate broadly stable to the Euro.

Absolute poverty levels in Mauritius remain low. Measured at USD 5.5 per day 2011 PPP line, 17.2 percent of the population was poor in 2012 and the share declined to 12.1 percent in 2017. The Gini index for household disposable income increased from 33.3 to 36.0 between 2006 and 2012 and declined to 34.6 in 2017. Public transfers contributed to mitigate the rise in total income inequality that would have otherwise been higher. The recent increase in the general pension will likely further reduce inequality, but at a high cost due to its universality.

Outlook

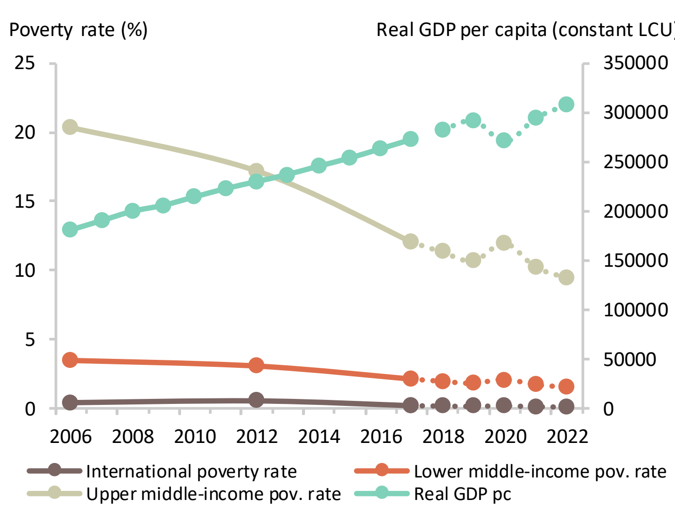
With tourism coming to an effective standstill in March 2020 due to COVID-19 and the country on lockdown, GDP is expected to shrink -6.9 percent under the baseline scenario, which assumes a recovery of global tourism starting in Q3 2020. This is driven by a steep decline in export revenue (tourism, but also manufacturing and financial service) and consumption as domestic services are inhibited by the lockdown. The sharp drop of export revenue is mitigated by a decline in imports as consumption and investment slow down and oil prices decline, and reductions in

FIGURE 1 Mauritius / Fiscal balance and public sector debt



Sources: World Bank staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

repatriated earnings of foreign owned businesses, leading to only a moderate expansion of the current account deficit. Dynamics in the financial account, which is dominated by conduit investment related to the global business sector, are expected to deteriorate as global investment slows, but there is significant uncertainty in both the magnitude and direction of resulting effects. With reserves at 13 months of imports, BoM is well positioned to temporarily defend the currency if needed.

The government has put in place a support package to help the private sector cope with the shock, which is expected to mitigate its impact on private sector performance while in combination with declining revenue leading to a large fiscal deficit in 2020.

The medium-term outlook remains favorable with a strong recovery in 2021 and a gradual shift from consumption-based growth to more private sector investment and export driven growth. This assumes that the government will take advantage of its strong new mandate to implement growth and competitiveness enhancing structural reforms under the 2020/21 budget.

The government has pledged to further increase the basic pension, beyond the 50 percent granted in December 2019, by an additional 50 percent by 2024. The baseline scenario considers the December 2019 increase, but assumes reform measures and increases in taxes on the wealthiest Mauritians to accompany further increases in the medium term.

Because of the sizeable contraction of GDP, poverty is projected to increase in 2020 to 12 percent and decline more slowly to 9.5 percent by 2022 when measured against the USD 5.5 per day 2011 PPP line. Although about 1 in 2 poor in Mauritius are inactive and live off public transfers, some of those who work in tourism, manufacturing and household services are likely to lose their job or work shorter hours as these sectors are being hit severely by the global pandemic and the country lockdown.

Risks and challenges

Mauritius is highly vulnerable to a more prolonged COVID-19 pandemic that would continue to disrupt global travel and demand in key markets for the export sector. Another important risk factor is the offshore financial sector, that in such a scenario would likely suffer from delays and cancellation of investment projects routed through Mauritius. 'Flight to safety' effects, on the other hand, could go in either direction, as international holdings based in Mauritius may decide to delay projects overseas and keep funds in Mauritius until the situation improves. Under a downside scenario, growth projections for 2020 would decline further, and 2021 growth would also be impacted negatively.

In February 2020, Mauritius was grey listed by the Financial Action Task Force for insufficient progress in AML/CFT. This could have negative effects on the financial and global business sector if improvements are not quickly achieved, and thus further aggravate the above discussed BoP dynamics.

Future inclusive growth is intrinsically linked to the challenge of overcoming constraints to a more inclusive labor market. This includes activating more youth and women, particularly those 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. This illustrates the urgent need to address gender gaps in order to make growth more inclusive.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices[a]	3.9	3.8	3.6	-6.9	8.7	4.6
Private Consumption	4.5	4.6	4.6	-5.9	4.9	4.1
Government Consumption	10.1	0.0	6.4	7.2	2.1	6.2
Gross Fixed Capital Investment	9.1	9.5	6.1	-17.3	4.6	8.6
Exports, Goods and Services	2.0	0.5	1.2	-12.5	14.9	3.4
Imports, Goods and Services	10.4	1.3	2.8	-8.2	3.5	2.9
Real GDP growth, at constant factor prices	3.6	3.6	3.6	-6.9	8.7	4.6
Agriculture	-0.2	-1.3	3.9	0.8	0.7	0.7
Industry	2.8	2.6	2.5	2.0	2.6	3.1
Services	4.1	4.1	3.9	-9.6	11.0	5.2
Inflation (Consumer Price Index)	3.7	3.2	1.4	2.0	2.0	3.1
Current Account Balance (% of GDP)	-5.8	-6.2	-6.5	-9.1	-4.9	-3.6
Fiscal Balance (% of GDP)	-2.1	-3.3	-3.2	-8.4	-5.0	-5.0
Debt (% of GDP)	68.9	67.8	64.5	75.5	73.9	74.2
Primary Balance (% of GDP)	0.5	-0.7	-1.0	-5.9	-2.4	-2.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.2	0.2	0.2	0.2	0.1	0.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	2.1	1.9	1.8	2.1	1.7	1.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	12.1	11.3	10.7	12.0	10.2	9.5

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) Calculations based on 2012-HBS and 2017-HBS. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

The cut-off date for information in this MPO was April 02, 2020.

MOZAMBIQUE

Table 1	2019
Population, million	29.5
GDP, current US$ billion	14.9
GDP per capita, current US$	506
International poverty rate ($1.9)[a]	62.9
Lower middle-income poverty rate ($3.2)[a]	81.9
Gini index[a]	54.0
School enrollment, primary (% gross)[b]	107.8
Life expectancy at birth, years[b]	59.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2017).

After falling to 2.2 percent in 2019, the imminent drop in global demand and challenging financing conditions are expected to push growth down to 1.1 percent in 2020 as extractives and private services become most affected. These developments will increase Mozambique's poverty rate to 62.4 percent (from 61.8 percent in 2019) and add over 690 thousand people to the pool of poor. In the medium-term, growth is set to recover to 4.5 percent as investments in the LNG sector materialize.

Recent developments

Growth slowed to a 19-year low of 2.2 percent in 2019 as weak performance in the coal industry and the tropical cyclones dented activity. Operational difficulties affecting coal production, along with ailing coal prices, led to a contraction in the extractive sector's contribution to growth. Agricultural output, which represents a fifth of GDP, also narrowed as the cyclones hit just before Mozambique's largest harvest season, resulting in a 0.4 percentage-point reduction in the sector's contribution to growth. Manufacturing and service sectors' performance has remained stable as easing interest rates and continued currency stability supported the gradual recovery in private demand. Whilst inflation fell below the targeted 6 percent to 2.8 percent, food price inflation, which disproportionately affects the poor (a higher share of income is allocated to food when compared to the rich), was slightly higher at 3.3 percent. With population growing at 2.8 percent, these developments contributed to increase the number of poor by over 540,000 people, despite the minimal impact on poverty headcount, which reached 61.8 percent in 2019 (from 61.6 percent in 2018).

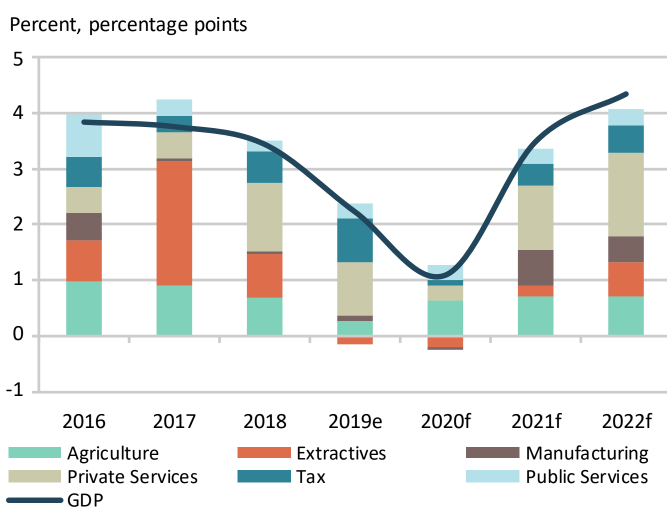
One-off capital gains receipts (CGR) from LNG operations provided space for the fiscal adjustment initiated in 2016 to continue. Despite significant costs from general elections, cyclone relief efforts and a still heavy wage-bill, the primary and overall deficits are estimated at 3.5 and 0.3 percent of GDP in 2019 (from 1.5 and 5.1 percent in 2018). Excluding CGR shows an interruption in fiscal consolidation with the primary and overall fiscal deficits estimated at 2.2 and 5.3 percent of GDP. Spending on socio-economic sectors remained broadly stable at 14.5 percent of GDP, but improved expenditure composition and efficiency is needed given growing recurrent expenditures. Despite progress in restructuring the MOZAM-bond, Mozambique remains in debt distress with external and public debt stocks at 99 and 118 percent of GDP at end 2019. Budget financing pressures, including supplier arrears clearance and support to SOEs, have kept domestic debt on the rise, although CGR have helped to slow the growth in domestic debt.

Mozambique's external position improved in 2019. A 35 percent drop in service imports, due to reduced LNG related technical services, put the current account deficit (CAD) at 20.7 percent of GDP (26.6 percent excluding CGR), down from 30.6 percent in 2018. Foreign direct investment (FDI) remains the main source of financing along with private external debt linked to LNG investments. CGR have bolstered international reserves, which reached 7 months of import cover at the end 2019.

Outlook

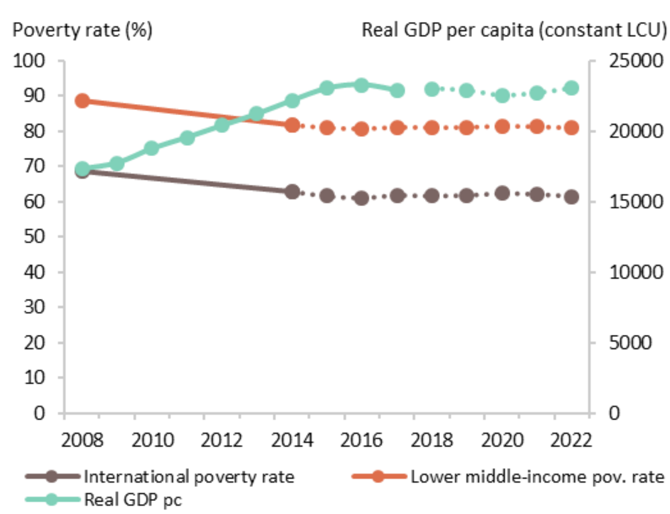
Growth will slow to 1.1 percent this year, amid declining global demand for Mozambique's key exports (coal and aluminum).

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



Sources: Mozambique Statistical Office and World Bank Staff Estimates.

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



Source: World Bank.
Notes: see Table 2.

Having propped the economy through the recent downturn, Mozambique's extractives sector's contribution to growth will turn negative as delays to operational investments, low prices and muted demand, reduce coal production by half. Trade restrictions will revert the recovery in private services (wholesale and retail trade, hospitality and transport), whilst deteriorating global financial conditions delay key LNG investments. Social distancing measures and reduced economic activity will also affect labor incomes, especially among informal service sector workers in urban areas. This loss in earnings will increase Mozambique's poverty rate to 62 percent in 2020. Disruption in food supplies due to trade restrictions may increase food prices, with implications for the poor. A domestic outbreak could pull vulnerable households into poverty, especially in cases of a direct health impact on the household breadwinner. Long-term disruption of health and education services may affect children in poor households, their human capital development and future earnings potential in the labor market. Growth will climb towards 4.5 percent by 2022 as LNG-led investments provide added stimulus, including a boost to construction and services. Despite this, Mozambique's growth structure is expected to remain unchanged: megaprojects-led growth, high import-dependence, underdevelopment of the domestic productive base and minimal linkages with rural areas where most of the population and the poor reside. This pattern will not allow poverty to subdue, with poverty rates expected to remain unchanged in 2022.

The near-term fiscal outlook is challenging: lower tax collection and increased health and transfer expenditures will add to existing pressures on the budget from high debt service and a still growing wage bill. A growth recovery could ease fiscal pressures and support progress towards the zero primary balance target set for 2022/3, whilst an IMF program could strengthen the fiscal framework. Mozambique is entering a period of widening CADs as the early stages of the LNG investment cycle begin. As in previous years, this will be funded through FDI and, increasingly, by LNG project financing. Mozambique enters this cycle with a strengthened external reserve position bolstered by investment and CGT inflows.

Risks and challenges

Mozambique's growth outlook is subject to additional risks, including a prolonged fall in demand and commodity prices and muted growth expectations for key trade partners (South Africa, China and Europe). An improved growth outlook could be expected, however, if LNG investment advances as initially planned in 2020 and agricultural production is robust. Military insurgencies in the centre and north of the country, where most of the poor live, pose a challenge with poverty levels likely to increase as people get displaced. The authorities' ability to rapidly compensate low-income households for earnings losses associated with COVID-19, through targeted one-off payments to affected workers and/or increased coverage of existing social-protection programs, is key to alleviate the impact on the poor and vulnerable households. Higher food prices and food shortages could be mitigated through public procurement and distribution of basic food items, or through targeted meal programs.

In the medium-term, the challenge is ensuring that gains from the LNG industry boost growth and job creation. This includes, strengthening institutions to prevent any adverse effects from the upcoming large inflows of foreign currency, as well as strengthening the business environment to enable the local economy to absorb the demand effects from the LNG sector. Improved fiscal management, a clear debt strategy and greater spending efficiency are also key.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.7	3.4	2.2	1.1	3.6	4.5
Private Consumption	0.6	3.7	4.0	1.3	3.4	4.2
Government Consumption	3.2	-5.7	6.1	2.7	1.5	2.0
Gross Fixed Capital Investment	-5.8	12.4	-8.1	-10.3	104.0	68.0
Exports, Goods and Services	3.9	36.5	-5.5	-11.8	18.0	22.0
Imports, Goods and Services	-12.9	43.7	-2.5	-7.8	40.5	39.0
Real GDP growth, at constant factor prices	3.8	3.2	1.6	1.1	3.6	4.5
Agriculture	4.0	3.0	1.2	2.8	3.1	3.1
Industry	9.6	3.9	-0.2	-1.2	4.4	5.7
Services	1.6	3.0	2.5	1.2	3.5	4.7
Inflation (Consumer Price Index)	15.1	3.9	2.8	5.0	5.0	5.0
Current Account Balance (% of GDP)	-19.9	-30.6	-20.6	-27.0	-47.7	-73.1
Net Foreign Direct Investment (% of GDP)	17.4	18.3	13.3	11.3	21.2	32.1
Fiscal Balance (% of GDP)[a]	-3.6	-5.1	0.5	-8.4	-7.1	-3.3
Debt (% of GDP)[b]	105.6	108.9	118.7	121.7	121.5	121.3
Primary Balance (% of GDP)[a]	-0.3	-1.5	3.6	-4.9	-4.0	-0.6
International poverty rate ($1.9 in 2011 PPP)[c,d]	61.8	61.6	61.8	62.4	62.1	61.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	81.1	81.0	81.1	81.5	81.3	80.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.
(b) Nominal debt figures based on DSA (April 2019), including SOE debt, using World Bank nominal GDP forecast as a base.
(c) Calculations based on 2014-IOF. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(d) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

NAMIBIA

Table 1	2019
Population, million	2.6
GDP, current US$ billion	12.4
GDP per capita, current US$	4681
International poverty rate ($1.9)[a]	13.4
Lower middle-income poverty rate ($3.2)[a]	29.6
Upper middle-income poverty rate ($5.5)[a]	50.1
Gini index[a]	59.1
School enrollment, primary (% gross)[b]	n.a.
Life expectancy at birth, years[b]	63.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Output contracted in 2019 due to severe drought conditions and subdued mining activity, leading to a decelerating GDP-per-capita and rising poverty. Slumped global demand, and the subsequent economic impact on the Namibian economy will accentuate the recession and increase unemployment and poverty levels. Growth is set to turn positive in 2021 but structural reforms to boost productivity, competitiveness, and resilience to spur a sustainable long-term growth recovery remain crucial.

Recent developments

The Namibian economy struggled in 2019, experiencing the sharpest contraction in activity since the economic downturn began in 2016. Severe drought conditions constrained agricultural output, with harvests falling 42 percent below the annual average for the last 20 years and a significant reduction in livestock due to high drought-induced sales. Reduced precipitation also affected the broader economy through lower electricity and water generation, with repercussions on industrial production. Reduced global demand and falling prices also affected severely diamond and mineral production - two vital industries in Namibia. As a result, GDP-per-capita fell by 3.7 percent in 2019. This contributed to a slowdown in poverty reduction, with the extreme poverty rate raising slightly from 15.8 to 17.2 percent between 2018 and 2019. At least 390,000 Namibians are estimated to live under the international poverty line of US$1.9/day in 2019 and the overall unemployment rate is high, at approximately 33.4 percent as per 2018 estimates.

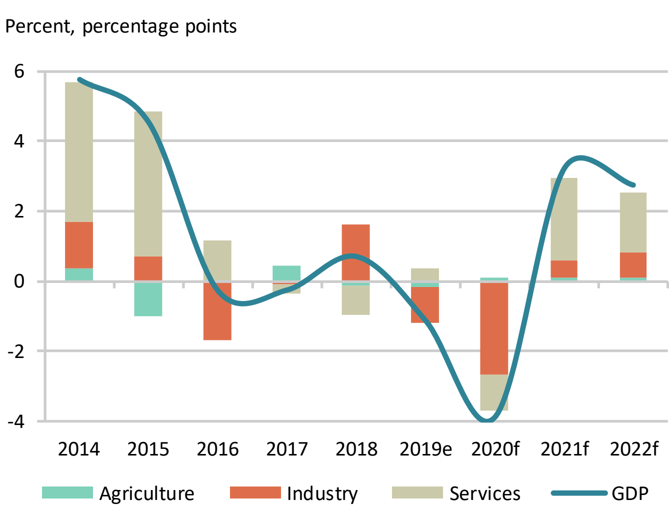
The fiscal position is a concern as debt remains on an upward path. Despite the commitment to fiscal consolidation, subdued economic activity has constrained tax collection whilst the government has struggled to prioritize spending in favour of growth friendly investments. As a result, the FY19/20 fiscal outturn is set to fare worse than initially budgeted and come in at 6 percent of GDP. At approximately 53 percent of GDP, central government debt continues to rise, reflecting declining revenues and disbursements for infrastructure development projects. This trend is set to continue over the next three years amidst elevated refinancing requirements and the subdued growth outlook.

Namibia's external position is still fragile despite the slight improvement in the current account balance (CAB). Weakened import levels, caused by an across-the-board reduction in imports for vehicles, industry inputs and capital goods, which together account for a third of imports, have not been enough to offset slower growth in exports which contributed to widening the current account deficit to 3 percent of GDP in 2019. A significant reduction in diamond exports, which typically account for over a fifth of export earnings, has compromised the rebuilding of international reserves. Despite this, at the start of 2020, reserves were enough to cover 4.4 months of import.

Outlook

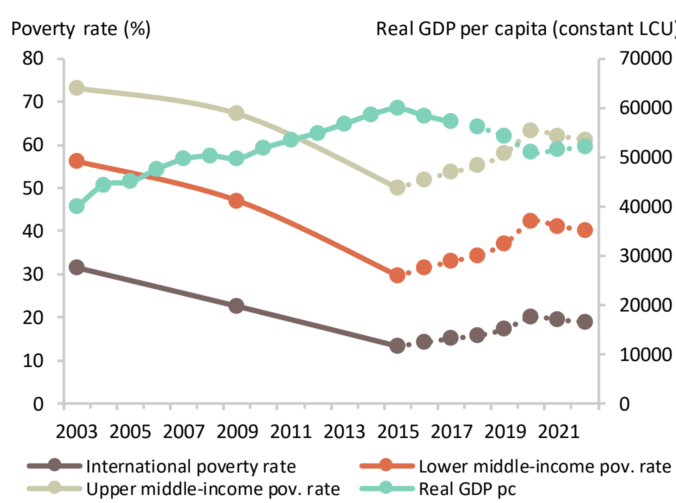
Namibia faces yet another challenging year: the global slowdown caused by the COVID-19 outbreak results in a growth contraction of 3.9 percent. With trade largely concentrated to a few countries and commodities, real export growth will narrow by 12 percent this year as demand falters in key export markets including China, South Africa, Botswana and Spain (together accounting for 58 percent of 2019's exports). Demand for luxury commodities such as diamonds will likely

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



Sources: Namibia Statistics Agency 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 cut-off date for information in this MPO was April 02, 2020.

come under further pressure, along with uranium. Gross domestic expenditure will also narrow as investment remains muted and the contraction in private consumption witnessed since the growth slowdown began in 2016 continues. On the production side, apart from the blow to mining activity, the demand slump is set have adverse effects on tourism, retailers and service sectors – which could result in rising unemployment levels. Growth is set to rebound in 2021, as the demand recovery adds to planned investments in mining, and near 3 percent by 2022. Risks of increased inequality and poverty are substantial as crisis hits the poor and middle-class the hardest. The fall in GDP per capita and deterioration in the labour market will have an adverse impact on poverty: extreme poverty set to rise from 17.2 percent in 2019 to 19.9 percent by in 2020.

The fiscal outlook is fragile as negative growth and slowing trade constrain revenue collection, and pose a challenge for fiscal adjustment programme this year. Added expenditure pressures linked to strengthening the health system and increased social transfers could push the fiscal deficit to 10 percent of GDP this year. Consequently, public debt levels are expected to increase to 54 percent of GDP this year as the authorities resort to additional domestic borrowing to cover the budget financing gap. A revenue collection recovery could alleviate the pressure in the medium-term, although further diversification of revenue sources and additional expenditure control measures will be needed to meet the targeted 2 percentage points reduction in the overall deficit between 2019 and 2021.

Namibia's current account deficit is expected to widen as dampened external demand lowers export levels. Challenging global financial conditions could result in a depletion in reserve levels as the authorities look to cover the external gap. In the medium-term, and as the economy begins to recover, higher import growth will create additional pressures, although financing for large diamond and infrastructure projects will already be secured.

Risks and challenges

Downside risks to the outlook predominate, with both domestic and external factors weighing in. The Namibian economy remains vulnerable to climate change, and erratic rainfall may further constrain the recovery in agricultural production and slow the pace of poverty reduction. Whilst monetary easing measures have been implemented to dilute the impact of COVID-19 on the local economy, a more severe global downturn, with a longer-lasting slump in global demand, would further worsen the outlook. Regional developments, including a slowdown in activity in South Africa, would further constrain the growth outlook and pose a threat to Namibia's SACU receipts.

The reform agenda is large. Recent developments have highlighted the importance of diversified sources of growth and improved resilience in key productive sectors (such as agriculture). The authorities' ability to move away from state centric growth model and create conditions for further private sector contribution to growth will dictate the pace of this diversification agenda. Reforms include interventions to support PPPs and private sector investments to promote growth and generate job opportunities. On the fiscal side, measures to increase revenue mobilization and public sector efficiency are key to create fiscal space to finance priority public expenditures that support growth. Improved revenue collection is also crucial to the authorities' aim to stabilize debt levels as exceptionally elevated inequality and high unemployment pose a challenge to cutting spending.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-0.3	0.7	-1.1	-3.9	3.2	2.7
Private Consumption	-5.5	-1.3	4.3	-3.6	1.0	1.0
Government Consumption	-2.1	-0.1	0.4	4.6	6.1	8.8
Gross Fixed Capital Investment	-10.6	3.0	-0.2	-5.9	0.9	1.6
Exports, Goods and Services	2.2	16.4	-2.2	-12.2	4.2	5.9
Imports, Goods and Services	-8.6	3.9	3.2	-6.0	2.0	5.8
Real GDP growth, at constant factor prices	0.1	0.7	-0.9	-3.9	3.2	2.7
Agriculture	7.0	-1.9	-2.6	1.4	1.3	1.3
Industry	-0.4	6.2	-3.7	-10.0	2.0	3.0
Services	-0.5	-1.4	0.6	-1.7	3.9	2.8
Inflation (Consumer Price Index)	6.1	4.3	2.9	4.0	3.5	3.5
Current Account Balance (% of GDP)	-3.3	-1.7	-3.0	-4.3	-1.8	1.0
Net Foreign Direct Investment (% of GDP)	3.4	0.4	3.1	2.6	3.2	2.9
Fiscal Balance (% of GDP)[a]	-3.7	-5.9	-6.4	-10.7	-4.1	-3.8
Debt (% of GDP)	43.7	49.2	53.3	55.6	55.9	55.1
Primary Balance (% of GDP)[a]	-0.5	-2.4	-3.1	-7.3	-1.6	-1.3
International poverty rate ($1.9 in 2011 PPP)[b,c]	15.1	15.8	17.2	19.9	19.3	18.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	33.0	34.3	37.1	42.2	41.0	40.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	53.7	55.1	58.0	63.2	62.1	61.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Fiscal year starts from April 1st.
(b) Calculations based on 2009-NHIES and 2015-NHIES. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(c) Projection using annualized elasticity (2009-2015) with pass-through = 1 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

NIGER

Table 1	**2019**
Population, million	23.2
GDP, current US$ billion	9.5
GDP per capita, current US$	409
International poverty rate ($1.9)[a]	44.5
Lower middle-income poverty rate ($3.2)[a]	76.9
Upper middle-income poverty rate ($5.5)[a]	93.4
Gini index[a]	34.3
School enrollment, primary (% gross)[b]	74.7
Life expectancy at birth, years[b]	61.6

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2017).

Growth remained solid at around 6.3 percent in 2019, supported by agriculture, services and domestic demand, thereby bringing poverty down. The external current account deficit widened reflecting higher imports to finance on going imports-intensive projects. The fiscal deficit declined on account of higher non-tax revenues. The outlook is clouded by COVID-19 which will temporarily bring down per capita growth close to zero in 2020 and increase poverty by around 1 percentage point. Downside risks include COVID-19 and insecurity.

Recent developments

Growth declined slightly from 6.5 percent in 2018 to 6.3 percent in 2019 (2.4 percent in per capita terms), above the potential growth rate. Agricultural production continued to be the main driver of economic activity thanks to favorable weather. Several large-scale projects in construction and services boosted total investment, while the good harvest supported private consumption. Despite a positive output gap, inflation was negative (-1.8 percent) due to good harvests that led to decline in food prices, compounded by low global food prices and low inflation in the Euro. area.

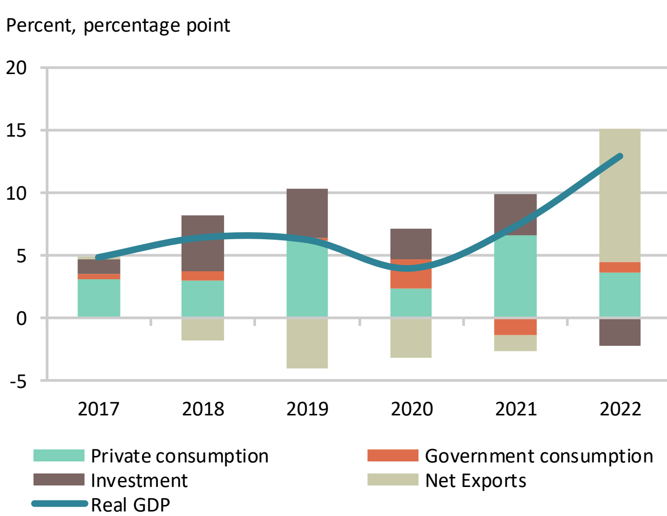
The external current account deficit (including grants) widened from 17.4 percent in 2018 to 19.4 percent in 2019 due to high imports, mainly capital goods to finance ongoing import-intensive projects. Exports were also negatively affected by the closure of the border with Nigeria since August 2019. Concessional loans and foreign direct investment financed a large share of the current account deficit.

The fiscal deficit declined from 4.1 percent of GDP in 2018 to an estimated 3.9 percent of GDP in 2019. This was due to a one-off increase in grants by 1.4 percentage points of GDP, offsetting an increase in expenditures and a domestic revenue shortfall. Tax revenue performed poorly partly due to the closure of the border with Nigeria which suppressed import duties. A strong decline in domestically-financed capital spending and an enhanced control of recurrent expenditures helped contain part of the expenditure in 2019. Public debt increased from 53.7 percent of GDP in 2018 to 55.2 percent in 2019. The risk of external and overall debt distress remains moderate.

Niger's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange rate (REER) depreciated by 5 percent in 2019, due to the Euro nominal depreciation against the US dollar combined with persistently lower inflation of the WAEMU compared with trading partners.

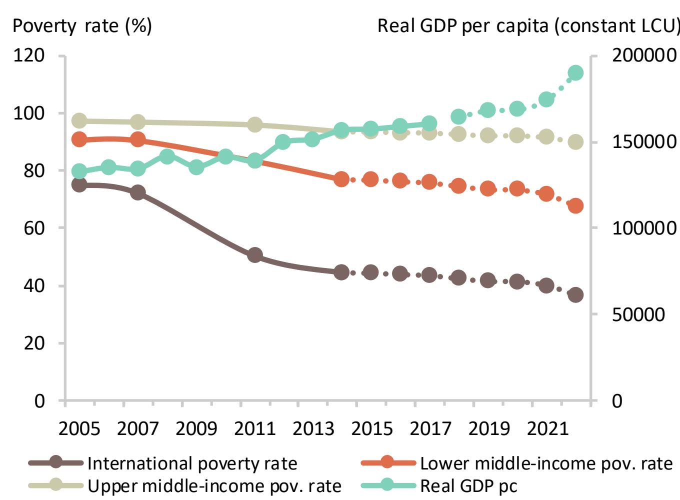
Between 2018 and 2019, the share of the population living on less than $1.90 a day in 2011 Purchasing Power Parity (PPP) is estimated to have declined from 42.4 percent to 41.5 percent, thanks to economic growth. The period 2005 and 2014, where we have actual poverty measures, marks a substantial progress in poverty reduction for Niger, with the share of the population living on less than $1.90 a day in 2011 Purchasing Power Parity (PPP) declining from about 50.3 percent to 44.5 percent. However, there is an indication that extreme poverty might have worsened over the same period to the extent that the bottom 10 percent of the population experienced negative growth in consumption.

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



Source: World Bank.

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



Source: World Bank.
Notes: see table 2.

Outlook

The outlook is clouded by COVID-19 which will temporarily bring down per capita growth close to zero in 2020. This will be possible due firstly to containment and mitigation measures such as closure of borders and other social distancing measures which will weigh on economic activity. Secondly, reduction of global demand will weigh on trade with adverse impact on domestic production. Thirdly, tighter global financial conditions will limit access to finance and delays in getting investment or development projects off the ground. In addition, these negative shocks are amplified by the 6-months border closure with Nigeria. As a result, growth would slow down to 4.0 percent in 2020.

The economy is expected to recover in 2021 with crude oil exports confirmed to come on stream. Growth is projected to average 5.7 percent in the next two years with a strong oil-related pickup of 13.0 percent in 2022. Continued prudent fiscal and monetary policies should keep inflation comfortably below the 3 percent WAEMU target as the output gap closes.

The continued implementation of large import-intensive projects should widen the current account deficit in the near term, but the trend should revert sharply when oil exports begin, and several import intensive projects phase out.

WAEMU reserves would reach about 5.1 months of imports by 2022 as member countries continue to implement fiscal consolidation measures and external competitiveness improves. In December 2019, the WAEMU authorities announced a currency reform involving changes to the underlying arrangements with France. Market reactions have been muted so far, likely reflecting expectations that the foundations of the currency regime would remain broadly unchanged for the foreseeable future.

Niger will not meet WAEMU convergence criterion of 3 percent of GDP for the overall fiscal deficit in 2020 due partly to increased health spending to attenuate the impact of COVID-19 as well as to accommodate security spending. However, the country is committed to consolidation relying on primarily on revenue mobilization, but also on raising the quality of public expenditure.

Due to social and economic impacts of COVID-19 outbreak, poverty projection for 2020 is revised upward by nearly 1 percentage point to 41.4 percent, an equivalence of an addition of about 220,000 people falling into poverty. However, poverty is expected to decline to 36.6 percent by 2022 as the country recovers from the pandemic and is expected to start exporting crude oil.

Risks and challenges

Risks to the outlook are tilted downwards. The country has adequate fiscal and monetary policy buffers to respond counter-cyclically to a potential downturn. Other risks stem from adverse weather conditions, deterioration in the security situation, and uncertainty ahead of Presidential elections in 2021. In addition, although Niger has reported a limited number of cases at this moment, COVID-19 outbreak presents a downside risk to poverty due to a decline in income and remittances. In the short-term the government needs to reprioritize expenditures towards additional health spending and continue implementing revenue mobilization measures, including donor grants, to address adverse economic impacts. In the medium and long run, the poor will be increasingly vulnerable because of limited access to coping mechanism such as savings and insurance.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.9	6.5	6.3	4.0	7.4	13.0
Private Consumption	4.5	4.4	9.2	3.5	9.6	5.2
Government Consumption	2.5	5.2	1.6	15.7	-8.3	6.1
Gross Fixed Capital Investment	4.0	14.3	11.7	6.9	9.4	-5.9
Exports, Goods and Services	7.1	2.6	6.5	-0.7	14.2	63.0
Imports, Goods and Services	2.1	7.8	15.0	8.0	9.5	3.2
Real GDP growth, at constant factor prices	5.2	6.4	6.3	3.9	7.5	13.1
Agriculture	5.7	7.5	7.5	5.9	6.4	6.0
Industry	5.6	3.2	6.7	3.0	7.0	38.0
Services	4.4	6.4	4.6	1.8	9.2	12.0
Inflation (Consumer Price Index)	2.8	2.8	-1.8	2.0	2.0	2.0
Current Account Balance (% of GDP)	-15.6	-17.4	-19.4	-21.5	-22.6	-13.0
Net Foreign Direct Investment (% of GDP)	3.7	4.6	6.1	8.9	10.2	4.0
Fiscal Balance (% of GDP)	-5.7	-4.1	-3.9	-4.4	-3.7	-2.8
Debt (% of GDP)	54.4	54.3	55.2	56.1	54.4	49.5
Primary Balance (% of GDP)	-4.7	-2.8	-2.5	-2.9	-2.3	-1.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.5	42.4	41.5	41.4	40.0	36.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.8	74.6	73.5	73.4	71.8	67.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.0	92.5	92.1	92.1	91.5	89.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-ECVMA and 2014-ECVMA. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2011-2014) with pass-through = 1based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

NIGERIA

Table 1	2019
Population, million	202.0
GDP, current US$ billion	447.8
GDP per capita, current US$	2216
International poverty rate ($1.9)[a]	53.5
Lower middle-income poverty rate ($3.2)[a]	77.6
Upper middle-income poverty rate ($5.5)[a]	92.1
Gini index[a]	43.0
Life expectancy at birth, years[b]	54.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2009), 2011PPPs.
(b) Most recent WDI value (2017).

Nigeria faces an unenviable challenge of managing the COVID-19 pandemic and lower oil prices with weak health systems and limited monetary and fiscal buffers, while the urgency for structural reforms to build a competitive, diversified economy, create jobs and accelerate poverty reduction remains. Urgent, coordinated policy measures are needed from fiscal, monetary, financial and health authorities to mitigate the potential health effects of the pandemic on the population, and its economic impacts on the poor and vulnerable groups.

Recent developments

Nigeria's recovery strengthened marginally, with annual 2019 growth averaging 2.2 percent. Growth remained constrained by shrinking real incomes and restrained private investment amidst regulatory and policy uncertainty. Since the 2016 recession, economic growth stayed below the population growth, leading to a decline in per capita incomes and rising poverty and unemployment. Growth remained primarily driven by services (especially telecoms), with positive contributions from agriculture. Weak demand, high financing costs, and unreliable power supply constrained the non-oil industry growth, limiting new employment opportunities. Oil production leveled, constrained by OPEC caps, and persistent ambiguity in petroleum legislation limiting investment. Trade – second largest employer after agriculture – contracted in late-2019, partly in response to Nigeria's land border closure. Introduced in August 2019, it intended to reduce smuggling, protect domestic producers and address security concerns. Border closure is contributing to rising inflation (12 percent in December) and welfare losses concentrated in border regions and neighboring countries. The current account reverted into deficit, with moderating oil exports and a pick-up in formal imports.

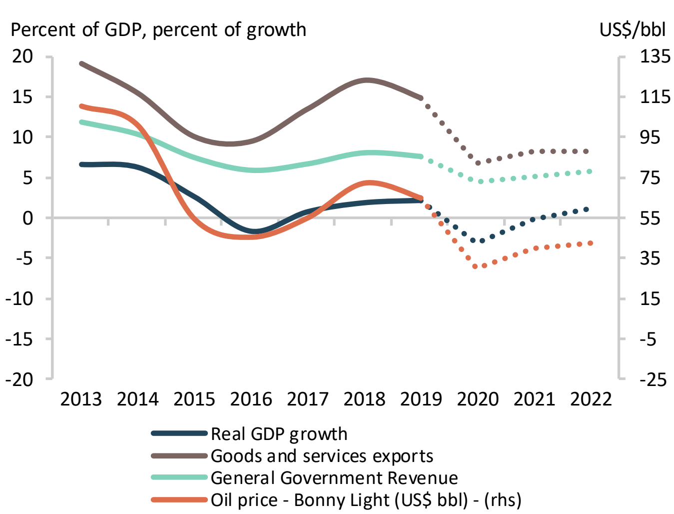
The central bank (CBN) continued to prioritize exchange rate stability (by attracting high cost foreign portfolio inflows to help stabilize external reserves) – and growth (subsidized loans to targeted sectors) – over price stability, and remained involved in quasi-fiscal activities (financing subsidies and monetizing fiscal deficit).

Fiscal deficits remained wide (5 percent of GDP), with sustained oil and non-oil revenue shortfalls, and accelerated spending. With low domestic borrowing limits and no eurobond issuances, fiscal deficits were largely monetized in 2019. Despite higher capital investment (on and off-budget), public spending remains dominated by the recurrent component, with increased personnel cost from higher minimum wage, rising interest attributable to growing debt, and unproductive subsidies, particularly fuel and electricity. Federal government has initiated some much-needed reforms in non-oil revenue policies outlined in the Finance Act and re-aligned the budget with the calendar year.

Outlook

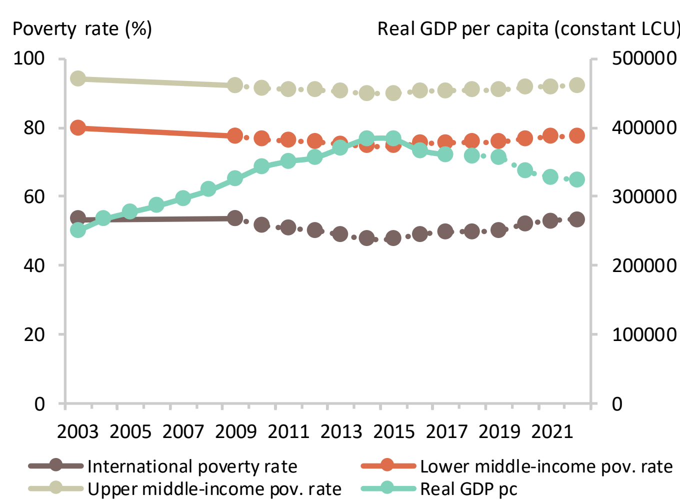
Nigeria is highly vulnerable to the global economic disruption caused by COVID-19, particularly to the pronounced decline in oil prices and spikes in risk aversion in global capital markets. The magnitude of the impact is sensitive to the duration and the domestic spread of the outbreak. The primary transmission channel to the Nigerian economy is the oil price: oil accounts for over 90 percent of exports, a third of banking sector credit, and half of government revenues; non-oil industry and services' growth is highly elastic to oil prices, with additional pressures arising from foreign portfolio investors' reassessment of risks and domestic liquidity management.

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



Sources: Nigeria Authorities and World Bank.

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



Source: World Bank.
Notes: see table 2.

Under a scenario of oil prices averaging $30/bbl in 2020, a relatively-contained COVID-19 spread in Nigeria and continuation of current policies, Nigerian economy is projected to contract by 3 percent in 2020. Government oil revenues would fall by over 70 percent and cut general government revenue towards 5 percent of GDP. With already large fiscal deficits, coupled with constrained – particularly external – borrowing, and additional health expenditure pressures, this may result in public spending cuts, thinning already low investment and limiting service delivery, including at the subnational level. This will also reflect on the health of the financial sector given the sector's exposure to the oil sector. Federal government liquidity may be challenged with interest-payments-to-revenue increasing from the current 60 percent.

Falling domestic demand (sensitive to oil-dollar liquidity) will contract the non-oil economy, despite CBN's attempts to scale-up targeted interventions; only agriculture would positively contribute to growth in 2020. With current trade policies, contracting imports could limit the widening of the current account deficit despite rapidly contracting exports, softening the negative impact from the capital account on the external reserves. Unemployment and underemployment are expected to increase, affecting poor households and increasing the share of the population vulnerable to falling into poverty. Macroeconomic situation is more challenging than in 2015-2016, when oil prices fell sharply, and Nigeria experienced its first recession in 25 years. This time Nigeria has fewer buffers and policy instruments to cushion the adverse effects: Excess Crude Account is depleted; external reserves highly reliant on short-term flows, and investor confidence affected by policy uncertainty. In addition to public and private healthcare costs, the necessary COVID-19 containment measures will further reduce aggregate demand. With (particularly youth) unemployment rising even during the post-2016 recovery, the human cost of the recession will be high.

In response to the oil shock and the COVID-19 health risks, the federal government has announced a supplementary budget to reassess funding and reprioritize expenditures. Central bank partially devalued and narrowed the spread between key exchange rates and announced a package (more subsidized loans to targeted sectors, including healthcare and households, relaxed regulatory requirements, and prudential forbearance) to help lending to the real sector.

Risks and challenges

Two key risks may aggravate Nigeria's outlook: further fall in oil prices and domestic spread of COVID-19. Further or protracted falls in oil price could lower oil production over the medium term, deepen and prolong the recession and pose deeper macroeconomic management challenges; even agriculture growth could slow down in times of (already weak) social cohesion further challenged by a rise in unemployment, poverty, and vulnerability. Fiscal and debt management could be challenged by further contracting oil (and non-oil) revenues and rising financing costs. International reserves would come under pressure. Inflationary (particularly food) pressures rise, disproportionately affecting the poor. With rising NPLs, the banking system could face potential capital erosion and funding pressures.

The government instituted movement restrictions to stem the spread of COVID-19, but has limited means to enforce them. Weak national health systems further mask high regional variation in capacity to cope with the potential outbreak. COVID-19 economic implications and health risks may disproportionately affect the poor, especially those working in the informal sector, who may be unable to comply with the restrictions due to financial pressures, nor afford the associated healthcare costs.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	0.8	1.9	2.2	-3.2	-0.2	1.1
Private Consumption	-1.0	5.2	-2.7	-1.1	-0.3	0.4
Government Consumption	-8.0	33.2	0.8	-21.3	1.5	6.3
Gross Fixed Capital Investment	-3.0	9.7	-31.3	-24.0	-6.4	-7.9
Exports, Goods and Services	8.7	-1.4	44.9	-14.4	1.8	3.6
Imports, Goods and Services	4.8	49.2	38.6	-47.5	2.5	1.6
Real GDP growth, at constant factor prices	0.8	1.9	2.3	-3.2	-0.2	1.1
Agriculture	3.4	2.1	2.4	2.4	2.5	2.6
Industry	2.1	1.9	2.3	-10.1	-0.8	0.7
Services	-0.9	1.8	2.2	-2.9	-1.3	0.5
Inflation (Consumer Price Index)	16.5	12.1	11.4	14.3	12.9	12.1
Current Account Balance (% of GDP)	2.8	1.3	-3.8	-3.7	-1.7	-1.1
Fiscal Balance (% of GDP)	-3.9	-4.2	-5.1	-5.1	-4.7	-4.4
Debt (% of GDP)	19.0	21.2	24.1	28.6	31.2	32.9
Primary Balance (% of GDP)	-2.2	-2.2	-3.2	-2.7	-1.9	-1.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	49.7	49.9	50.1	52.0	52.9	53.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.7	75.8	75.9	76.9	77.4	77.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	90.8	90.9	90.9	91.6	92.0	92.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-, 2017-, and 2009-LSS. Actual data: 2009. Nowcast: 2010-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2011-2017) with pass-through = 0.7 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

RWANDA

Table 1	**2019**
Population, million	12.8
GDP, current US$ billion	10.1
GDP per capita, current US$	789
International poverty rate ($1.9)[a]	55.5
Lower middle-income poverty rate ($3.2)[a]	79.7
Upper middle-income poverty rate ($5.5)[a]	91.6
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	137.7
Life expectancy at birth, years[b]	68.3

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

Rwanda's booming economy is projected to slow substantially in 2020 as a result of the COVID-19 pandemic. Rwanda's priority sectors are especially vulnerable to a protracted global crisis. The country's elevated public debt and widening external imbalances may limit its ability to increase spending on priority mitigation measures. Given the likely impacts on employment in off-farm sectors, headcount poverty is expected to rise in 2020 and only recover slightly by 2022 as growth resumes.

Recent developments

GDP grew by 9.4 percent in 2019, driven by a larger than expected fiscal expansion and public investment pursuant to the National Strategy for Transformation. This was higher than the 8.6 percent growth posted in 2018 and average annual growth of 6.9 percent in over the period 2010-2018. Construction grew more than 25 percent, pushing overall industrial growth to 16.5 percent. On the demand side, government consumption and investment were the main drivers, growing at 17.4 and 30.5 percent of GDP, in both cases the highest shares in over a decade.

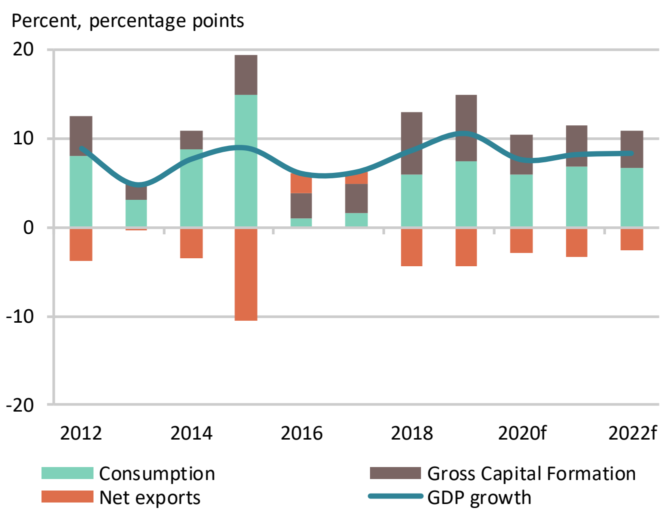
The current account deficit widened to approximately 10 percent of GDP in 2019 (from 7.9 percent in 2018), driven by weaker than expected exports and strong demand for imports, including for capital and intermediate goods, driven in part by the sizeable fiscal expansion. Export performance was adversely affected for the second year in a row by low prices for Rwanda's traditional exports such as coffee, tea, and minerals, although non-traditional exports continued their strong expansion from a low base. The current account deficit was financed mostly by increased borrowing by the public sector. Net FDI inflows totaled 3.3 percent of GDP.

Inflation continued to accelerate, driven largely by food price inflation, and reached 6.7 percent in December 2019 and 8.9 percent in February 2020, whereas core inflation remains in the low single digits. Monetary policy has been expansionary in recent years against the background of low inflation but the room for further policy easing has narrowed. Helped by low policy rates and very low ratio of non-performing loans (4.9 percent as of end-2019), bank lending has been gradually accelerating. Rwanda's central bank continued to adhere to the flexible exchange rate regime, with the Rwandan Franc depreciating by 4.6 percent nominally. The pressures on foreign reserves intensified recently with an emerging balance of payment financing gap as a result of the global crisis.

The fiscal expansion that started in 2018 has continued. The overall fiscal deficit reached 8.0 percent in 2019. Capital spending and net lending reached 15 percent of GDP and comprised the main drivers of increased fiscal spending. Government revenues performed relatively strongly, reaching 23.6 percent of GDP in 2019, supported by continuing administrative measures. In 2019, public and publicly guaranteed debt reached about 58.5 percent of GDP. The joint World Bank/IMF Debt Sustainability Analysis as of June 2019 concluded that Rwanda's risk of debt distress remained low.

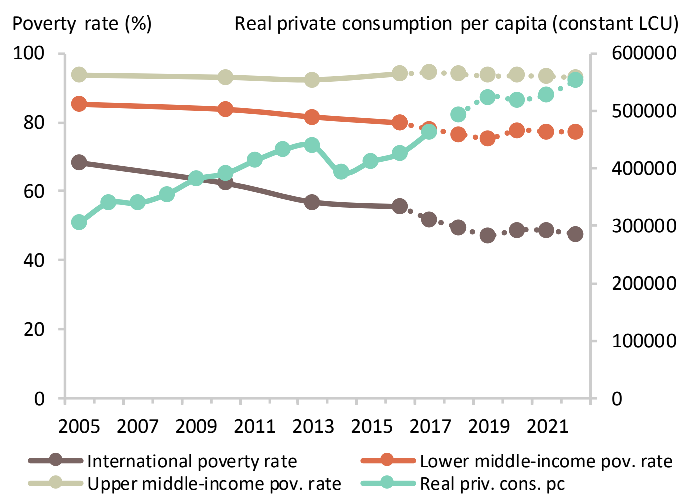
Based on the latest household survey in 2016/17, 55.5 percent of the population lived under the international poverty line of US$1.90 – in 2011 PPP terms. Given Rwanda's GDP growth over the period averaging just under 8 percent, this represents a small reduction from 62.3 percent in 2010/11. Although growth was broadly shared and inequality fell,

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



Sources: World Bank and official data.

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



Source: World Bank.
Notes: see Table 2.

growth in household consumption was modest. Adjusting for household composition, growth in median household consumption between 2010/11 and 2016/17 was 12 percent and 8 percent in rural areas, as private consumption comprised a decreasing share of aggregate demand. Economic growth in recent years has been more concentrated in Kigali. While poor people have benefited disproportionately by working more off-farm and in urban areas, labor demand has slackened at times of waning public investment and has not kept pace with growth in the working age population. Absent more robust productivity growth, this has resulted in real wage decreases and greater under-employment.. Meanwhile, distortions in agriculture, the lack of regional integration of markets, and high food price inflation have put a brake on poverty reduction.

Outlook

Rwanda's growth outlook has deteriorated significantly due to the global pandemic. In the near term, economic activity will be suppressed due to measures put in place to contain the spread of COVID-19. The disruption in international travel and trade will severely affect Rwanda's outward-oriented priority sectors such as business travel (meetings and international conferences), eco-tourism, and air transportation. There could be delays in FDI-funded strategic projects, such as the new airport. Overall, growth is expected to slow to 5.1 percent in 2020 with a gradual recovery to a high growth trajectory by 2022.

The fiscal deficit is expected to widen to 9.4 percent of GDP in 2020 and remain elevated in the medium-term because of the impact of the slowdown on tax revenues and increased spending needs for public health and social mitigation. This scenario assumes that in addition to higher financing requirements the Government will reallocate fiscal resources to priority needs. As a result, public and publicly guaranteed debt is expected to reach 65 percent of GDP in 2020, and further to 69 percent in 2022.

The current account deficit is also expected to widen to 16 percent of GDP. Exports of goods and services will experience a severe decline of 30.6 percent in 2020 in US dollar terms, with services exports hit the hardest. Despite BNR's flexible exchange rate policy, foreign exchange reserves are expected to come under pressure.

Risks and challenges

There are downside risks to the baseline scenario stemming from a more protracted global crisis and the pandemic's possible long-term impact on the strategic sectors that were expected to drive long-term growth. In the absence of a fiscal reallocation, the deficit could exceed projections, further driving up Rwanda's public debt. In addition, weather shocks are a perennial risk and could adversely affect agricultural output. Disruptions to cross-border trade could ensue as countries take steps to mitigate the impacts of supply chain disruptions on food markets, further impoverishing agricultural producers, traders, and consumers.

The key challenge Rwanda faces is to mitigate the pandemic's economic impact on Rwandan off-farm workers, impacted farmers, and the poor. In addition to a rapid scale-up of health services, social transfers to those impacted will need to be stepped up dramatically in the short run, while firms and banks are also protected from the most severe repercussion effects.

TABLE 2 **Rwanda** / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.0	8.6	9.4	5.1	6.8	8.0
Private Consumption	11.4	8.6	9.0	1.2	4.1	7.2
Government Consumption	7.5	4.5	17.4	6.3	7.7	7.9
Gross Fixed Capital Investment	-9.9	5.4	30.5	19.7	8.0	11.4
Exports, Goods and Services	29.2	6.8	4.9	-29.7	32.4	11.6
Imports, Goods and Services	35.1	3.0	20.2	-10.4	12.9	11.4
Real GDP growth, at constant factor prices	4.0	8.6	9.4	5.1	6.8	8.0
Agriculture	4.7	6.1	5.9	5.0	5.3	5.5
Industry	1.5	8.7	16.5	3.0	8.1	8.8
Services	4.6	9.9	8.7	6.0	7.0	9.0
Inflation (Consumer Price Index)	4.9	1.4	2.4	6.9	5.4	5.0
Current Account Balance (% of GDP)	-7.6	-7.9	-9.6	-16.0	-9.6	-9.5
Net Foreign Direct Investment (% of GDP)	2.7	2.9	3.3	1.5	2.0	2.5
Fiscal Balance (% of GDP)	-4.6	-4.5	-8.0	-9.4	-8.1	-7.6
Debt (% of GDP)	48.7	52.4	58.5	65.0	68.0	69.4
Primary Balance (% of GDP)	-3.6	-3.3	-6.9	-7.8	-6.4	-6.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	51.9	49.5	47.1	48.7	48.5	47.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	77.8	76.6	75.2	77.5	77.2	77.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	94.5	94.0	93.5	93.6	93.5	93.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using average elasticity (2010-2016) with pass-through = 0.7 based on private consumption per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

SÃO TOMÉ AND PRÍNCIPE

Table 1	2019
Population, million	0.2
GDP, current US$ billion	0.4
GDP per capita, current US$	2031
International poverty rate ($1.9)[a]	34.5
Lower middle-income poverty rate ($3.2)[a]	63.8
Upper middle-income poverty rate ($5.5)[a]	85.5
Gini index[a]	56.3
School enrollment, primary (% gross)[b]	106.8
Life expectancy at birth, years[b]	69.9

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

São Tomé and Príncipe (STP) already faced an adverse macroeconomic situation, which is aggravated by the COVID-19 pandemic. Fiscal vulnerabilities, fuel and power shortages, and capacity constraints hampered economic activity in 2019. To unlock its economic potential and reduce poverty, STP needs to move toward a private sector led growth model, addressing macroeconomic imbalances and garnering support for structural reforms. Besides the COVID-19 crisis, fuel shortages and slow implementation of externally financed projects pose downside risks to the outlook.

Recent developments

Economic growth in 2018 and 2019 suffered from fuel and power shortages, government arrears to local suppliers, and crowding out of domestic financing. Real GDP growth is estimated to have slowed to 2.4 percent in 2019 from 2.7 percent in 2018. Agriculture and fisheries were affected by weather shocks, agricultural pests, and fuel and power shortages. Inflation declined to 7.8 percent in 2019, despite weather shocks and fuel shortages. Net international reserves are estimated at US$32.2 million in 2019 (equivalent to 2 months of imports) compared to US$28.6 million in 2018.

The trade deficit narrowed from 28.0 percent of GDP in 2018 to 27.0 percent of GDP in 2019. The improvement was driven by a reduction of imports (mostly of imported capital goods), while exports declined over the same period due to a decline by 15.9 percent in exports of cocoa, which is STP's main export product.

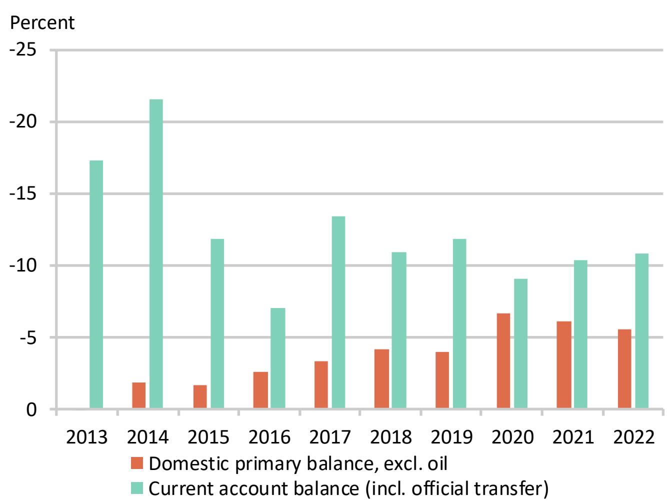
The fiscal situation deteriorated in 2019 driven by a reduction in grants from 8.2 percent of GDP in 2018 to 6.4 percent of GDP in 2019 and increases in payroll spending approved by the previous government. The fiscal deficit widened to 6 percent of GDP in 2019 (from 3.2 percent in 2018). The domestic primary balance (excluding oil revenues and grant-financed investments) is estimated at -4.0 percent of GDP in 2019, and public debt has increased to 113.7 percent of GDP. STP is in debt distress due to prolonged outstanding external arrears.

Poverty incidence has remained unchanged between 2018 and 2019 at 34.4 percent, when using the US$ 1.9 per person per day (PPP 2011) international poverty line.

Outlook

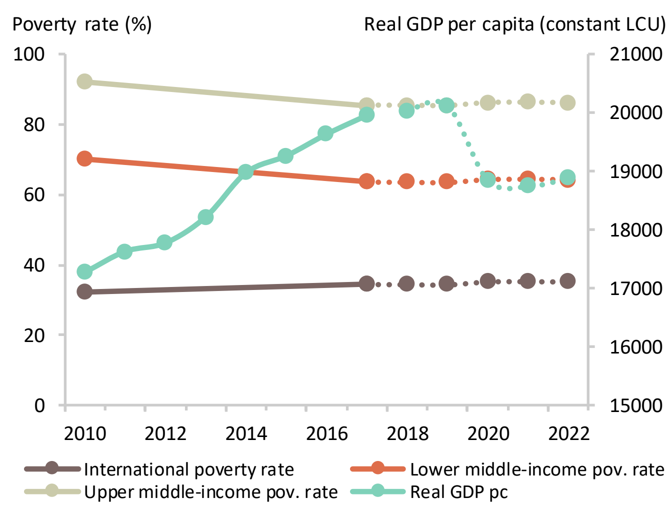
STP is expected to suffer from a severe economic downturn as a result of the COVID-19 pandemic. GDP is projected to decline by 4.1 percent in 2020 in the baseline scenario in which global GDP contracts by 2.2 percent in 2020. The tourism sector will be the main transmission channel as it produces important spillovers. Hotels and restaurants closing decreases employment and results in loss of earnings especially among less affluent services workers. In addition, a global slowdown is expected to impact the agriculture sector through a decline in the demand for cocoa, which will also affect employment and incomes, including for the poor and vulnerable households. The industrial sector will also be affected through delays and disruptions to imports of capital goods and likely delays to the implementation of externally financed projects. The fiscal balance is expected to deteriorate further given the loss in fiscal revenues due to reduced economic activity and higher health spending to cope with the COVID-19 crisis. The current account deficit is expected to improve slightly in the medium term given the expected lower import bill.

FIGURE 1 São Tomé and Príncipe / Twin Deficits



Source: Government authorities.

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



Source: World Bank.
Notes: see Table 2.

Inflation is expected to increase due to higher prices of imported goods and lower FX availability. The growth of monetary aggregates is expected to remain under control, which will help contain inflation in the medium term.

The expected economic downturn means that poverty is projected to increase. Current growth assumptions suggest that poverty will affect around 35 percent of the population throughout the next three years but given the uncertainty of duration of the current pandemic and its effect on the economy, poverty may reach over 40 percent of the population by 2020.

To mitigate the impact of the COVD-19 crisis in the short-term, STP will need to secure additional financial support from official creditors at concessional terms to make up for lost revenue.

Beyond that however, the priority for STP remains to promote a private sector led growth model through reforms that address key challenges, including its twin fiscal and current account deficits, weak trade connectivity, poor infrastructure, credit constraints caused by a high level of nonperforming loans and difficulties enforcing commercial contracts. These reforms may take more time in the current context but remain fundamental for the country's development.

Risks and challenges

The main risks to the outlook stem from the outbreak of COVID-19 and a deeper global recession. In a downside scenario, with global growth at -3.6 percent in 2020, STP's GDP is expected to contract by 8.5 percent. A domestic outbreak would have further human and economic impact. As of early April, the COVID-19 pandemic has already affected the tourism sector. However, the duration of this shock remains uncertain. If tourist arrivals do not resume in the second half of 2020, the recession in STP would be even deeper, more prolonged and wide-spread. Activity in the agriculture and industry sectors could also slow down further given the increasing fear of contagion and a potential domestic outbreak. STP could also be impacted through much lower global demand for its commodities such as cocoa and through higher prices of imported products such as food. This could result in food shortages or a depletion of already low international reserves, which are of critical importance under the pegged currency regime.

Lower oil prices represent an upside risk for STP, however the country is exposed to potential supply disruptions from Angola. Subsequently, power shortages could intensify. The COVID-19 pandemic could also delay work on some major projects financed by external sources such as the China-supported airport project. Given STP's fragile fiscal situation, the country will not be able to adopt a countercyclical fiscal policy stance. Its lack of monetary policy flexibility due to the currency peg to the Euro and its small size also limit policy options.

As a small-island state, STP finds itself overly dependent on the public sector, faces vulnerabilities to balance its current account, is exposed to terms of trade shocks that can introduce volatility into macroeconomic management and affect its fiscal accounts and ultimately growth and social development. Though serious, these features are not insurmountable constraints for STP's development. The reforms proposed in the recently completed Country Economic Memorandum take into consideration these characteristics and propose a pathway to turn STP's smallness into a promising uniqueness. The challenge for STP is to muster the support for structural reforms and create the capacity to speed up their implementation. This will allow the country to create a more private sector-led growth model that generates the jobs needed to sustainably reduce poverty.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.9	2.7	2.4	-4.1	1.7	2.6
Real GDP growth, at constant factor prices	4.0	2.0	2.4	-4.1	1.7	2.6
Agriculture	2.7	-1.2	2.1	0.7	2.1	2.8
Industry	4.6	1.2	2.7	0.4	1.8	2.7
Services	4.1	2.5	2.4	-5.7	1.6	2.5
Inflation (Consumer Price Index)	5.7	7.9	7.8	11.4	11.8	10.3
Current Account Balance (% of GDP)	-13.4	-10.6	-11.7	-10.1	-11.3	-12.2
Fiscal Balance (% of GDP)	-5.3	-3.2	-6.0	-7.4	-7.0	-6.8
Debt (% of GDP)	111.5	108.9	113.7	121.9	125.0	127.2
Primary Balance (% of GDP)	-4.8	-2.8	-5.2	-6.8	-6.3	-6.2
International poverty rate ($1.9 in 2011 PPP)[a,b,c]	34.5	34.4	34.4	35.2	35.2	35.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b,c]	63.8	63.7	63.7	64.3	64.4	64.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b,c]	85.5	85.5	85.4	86.3	86.4	86.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2010-IOF and 2017-IOF.
(b) Projection using point to point elasticity at regional level with pass-through = 0.5 based on GDP per capita in constant LCU.
(c) Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

The cut-off date for information in this MPO was April 02, 2020.

SENEGAL

Table 1	2019
Population, million	16.7
GDP, current US$ billion	23.6
GDP per capita, current US$	1407
International poverty rate ($1.9)[a]	38.0
Lower middle-income poverty rate ($3.2)[a]	67.5
Upper middle-income poverty rate ($5.5)[a]	88.1
Gini index[a]	40.3
School enrollment, primary (% gross)[b]	85.6
Life expectancy at birth, years[b]	67.4

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

Growth remained solid at 5.3 percent in 2019. Strong exports were unable to offset investment driven imports. The fiscal deficit stayed above target. COVID-19 will slow 2020 growth significantly. The current account deficit will widen despite favorable terms of trade, as exports and remittances slow. The 2020 fiscal deficit will increase significantly to accommodate the shock. A financing gap will open. The key risk is a protracted crisis. Poverty may increase in response to employment, price and remittance shocks.

Recent developments

Growth slowed from 6.4 percent in 2018 to 5.3 percent (2.5 percent in per capita terms) in 2019, below its potential of 6.2 percent. Services are the largest contributor to growth (3.1 percentage points, ppt), followed by industry (1.2 ppt) and agriculture (1.1 ppt). On the demand side, consumption contributed 3.5 ppt to the growth rate, with investment as close second (3.0 ppt). Net exports remain a drag at -1.1 ppt despite strong export growth. Overall, hydrocarbon development translated into investment, favorable weather helped agriculture while external demand supported export growth. Inflation was subdued at 1 percent, consistent with an output gap close to zero.

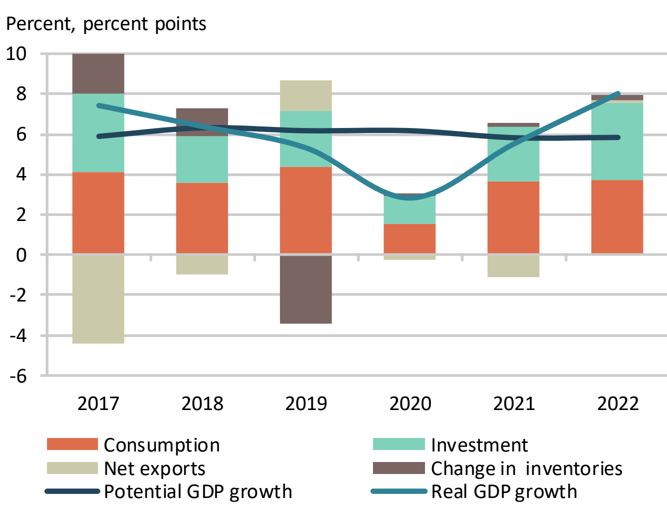
The external current account deficit remained constant around 9.1 percent in 2019 due to large imports reflecting strong investment and high oil prices. Strong performance of export growth led by groundnut, fish, gold and phosphoric acid was unable to offset imports. The external deficit was mostly financed by external borrowing. The fiscal deficit persisted above target at 3.9 percent of GDP in 2019, including a one-off debt-financed central government transfer to SENELEC. Limited adjustment of domestic energy prices against high international oil prices translated into substantial subsidies. Public debt increased from 62 percent of GDP in 2018 to 64 percent in 2019, driven by financing pro-growth (oil and gas) investment, below the line operations and including SOE debt. Debt composition has shifted toward external borrowing while the risk of debt distress increased from low to moderate.

Senegal's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), maintaining a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange rate (REER) depreciated by 5 percent in 2019, due to the Euro nominal depreciation against the US dollar combined with persistently lower inflation in WAEMU compared with trading partners.

The financial sector remains sound. The introduction of Basel II/III principles is expected to further increase the system's resilience. Gross non-Performing Loans (NPLs) as a share of total loans have slightly increased from 13.1 percent at end-2018 to 13.7 percent in June-2019. Credit growth slumped in 2018 but is gradually picking up in 2019. Access to credit for SMEs remains constrained.

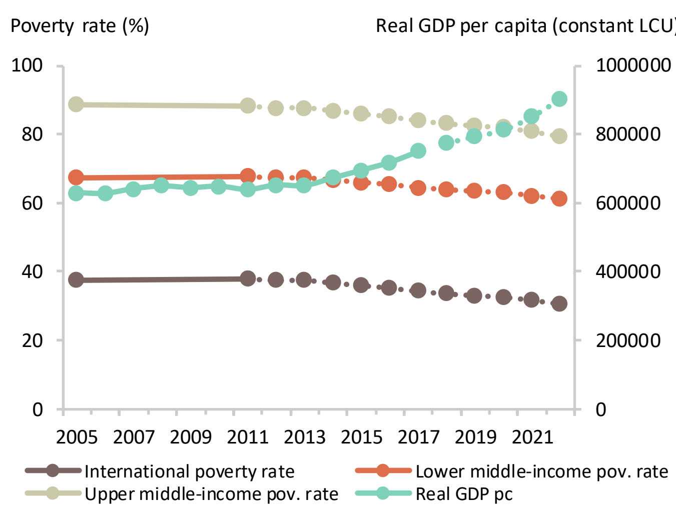
Poverty using the international poverty line (US$1.9 PPP) is projected to have declined from 36 percent to 32.9 percent between 2015 and 2019. This progressive improvement of living conditions is attributable to growth in agriculture, increasing employment rates (including formal jobs), access to basic services and low inflation.

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



Sources: ANSD and World Bank staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

Outlook

Growth will decline to 2.8 percent in 2020, curbed by COVID-19. (Services) export growth would slow as tourism and transport suffer a standstill and key demand markets shut down. This, together with lower remittances would subdue private consumption. As uncertainty affects investors and governments reallocate resources to manage the crisis, investment is set to slow in 2020 but will increasingly drive growth in the medium term. Assuming the pandemic recedes during end-2020, growth would bounce back over the medium term to 8 percent in 2022. The current shock would open a negative output gap . Despite short term pressures and unexpected financing needs, fiscal vulnerabilities will be contained while reform and investment implementation would increasingly crowd in the private sector over the medium term. Oil and gas production are expected to support economic performance from 2022. Productivity growth together with prudent monetary policy and exchange rate stability should keep the economy from overheating and keep inflation around 2 percent.

The external current account deficit will temporarily widen to 11.3 percent of GDP in 2020 before declining to 8.5 percent of GDP by 2022. Favorable Terms of Trade and increasing export performance over the medium term would begin to offset continued investment-related import growth. Increasing financing needs due to COVID-19 of around 2.5 percent of GDP will be difficult to satisfy in face of tightening regional markets and subdued FDI. External support from donors will be needed in 2020. WAEMU reserves would reach about 5.1 months of imports by 2022 as member countries continue to implement fiscal consolidation measures and external competitiveness improves. In December 2019, the WAEMU authorities announced a currency reform involving changes to the underlying arrangements with France. Market reactions have been muted so far, likely reflecting expectations that the foundations of the currency regime would remain broadly unchanged for the foreseeable future.

The fiscal deficit is expected to temporarily spike to 5.5 percent of GDP in 2020 but stabilize at the WAEMU target of 3 percent of GDP by 2022. After revenue shortfalls in 2020, continued tax revenue mobilization efforts – supported by a medium-term revenue strategy and coupled with prudent current spending - would create fiscal space to increase productive investment and social expenditures in the medium-term. Total public debt would initially stagnate around 68 percent of GDP but start to gradually decrease from 2022.

COVID19 impacts on household welfare are expected to be significant. Preliminary simulations assume zero per capita GDP growth and suggest poverty may stagnate or increase in 2020, before decreasing to reach 30.3% by 2022.

Risks and challenges

Downside risks are high. A protracted COVID-19 outbreak would aggravate fiscal pressures and economic losses, widening the short-term financing gap. This could induce a significant increase in poverty in the short term. Low oil prices and increasing gold prices represent a continued upside risk. In the medium term, weaker than expected revenue mobilization could undermine fiscal space. Delays and uncertainty around hydrocarbon production could negatively weigh on exports, growth and the current account balance. Slower progress on investment climate reforms or constrained public investment may subdue crowding in private investment. Weather shocks may curb agricultural growth (including in the groundnut sector, employing many poor) and lower social spending could affect households' capacity to invest and protect human capital.

TABLE 2 **Senegal** / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	7.4	6.4	5.3	2.8	5.5	8.0
Private Consumption	4.9	4.3	4.8	1.2	4.8	5.0
Government Consumption	4.0	3.8	8.1	4.8	3.0	3.0
Gross Fixed Capital Investment	15.4	8.4	10.0	4.8	9.1	12.5
Exports, Goods and Services	8.2	9.6	9.9	4.6	10.1	15.1
Imports, Goods and Services	16.7	7.6	1.8	3.3	8.8	9.0
Real GDP growth, at constant factor prices	7.0	6.3	5.0	2.8	5.5	8.0
Agriculture	11.5	7.9	2.9	3.0	8.0	8.8
Industry	7.1	7.5	5.8	3.4	6.3	8.6
Services	5.8	5.3	5.2	2.5	4.4	7.5
Inflation (Consumer Price Index)	1.3	0.5	1.0	2.0	2.0	1.5
Current Account Balance (% of GDP)	-7.4	-9.1	-9.1	-11.3	-11.4	-8.5
Fiscal Balance (% of GDP)	-3.0	-3.9	-3.9	-5.5	-3.3	-3.0
Debt (% of GDP)	61.0	62.1	64.2	67.4	67.6	66.6
Primary Balance (% of GDP)	-1.1	-1.9	-2.1	-3.5	-1.1	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	34.2	33.4	32.9	32.4	31.5	30.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	64.4	63.7	63.3	62.9	62.0	61.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	84.0	83.1	82.5	82.0	80.9	79.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2005-ESPS-I and 2011-ESPS-II. Actual data: 2011. Nowcast: 2012-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

SEYCHELLES

Table 1	2019
Population, million	0.1
GDP, current US$ billion	1.6
GDP per capita, current US$	16975
International poverty rate ($1.9)[a]	1.1
Lower middle-income poverty rate ($3.2)[a]	2.5
Upper middle-income poverty rate ($5.5)[a]	6.6
Gini index[a]	46.8
School enrollment, primary (% gross)[b]	99.8
Life expectancy at birth, years[b]	74.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011 PPPs.
(b) Most recent WDI value (2017).

Seychelles is among the most tourism-dependent countries in the world and will likely experience double digit recession in 2020 due to COVID-19. While the medium-term forecast remains favorable, the required fiscal response to the crisis will substantially delay the country's ability to reach its debt target. The economic downturn is expected to take a toll on poverty reduction in 2020 after which poverty is expected to continue to decline slowly and reach 5 percent (USD 5.5 per day) by 2020.

Recent developments

Growth in 2019 was robust at an estimated 3.8 percent but economic activity remains heavily dependent on the tourism industry. Tourism arrivals continued their long-term growth trend at 6.2 percent in 2019. The only other significant source of export revenue is fisheries, which has largely plateaued and provides limited domestic value addition.

Monetary policy remained tight, which helped to prevent the economy from overheating. Inflation for 2019 is estimated at 2.0 percent. Seychelles continues to run large current account deficits with sizeable merchandise trade and income deficits offset by large services trade and financial account surpluses. Reserves stood at 3.8 months of imports in January 2020.

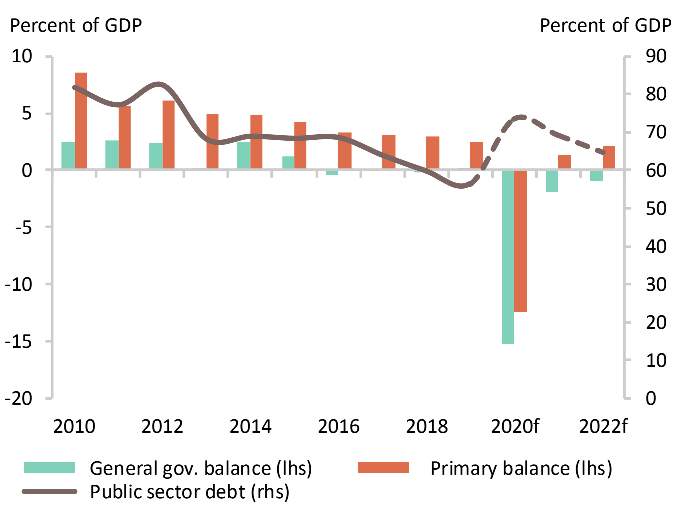
Fiscal policy was prudent with sizeable primary budget surpluses helping to achieve the government's objective of rapidly reducing its debt. At 2.6 percent, the primary surplus in 2019 met the target under a non-disbursing 3-year IMF Policy Coordination Instrument, reducing public debt to 56.4 percent of GDP at the end of 2019. The debt structure is favorable, with over half of the debt stock domestic and most remaining external debt at long and concessional terms.

Absolute poverty in Seychelles is low (at 6.6 percent in 2013) when measured against the high-income poverty line of USD 5.5 a day per capita. Inequality, however, is significant with a Gini coefficient for gross income at 0.47. The country's very generous social protection system is not addressing inequality in a cost-efficient manner and has shortcomings in setting incentives for formal labor market participation, while rapidly spreading drug use is imposing an increasing human and economic cost. Rising labor demand has been met by a surge in expatriate workers in recent years as labor force participation of Seychellois at 65 percent in Q3 remains rather low and is declining (70 percent in 2014). The unemployment rate is low (2.4 percent in the third quarter of 2019), indicating a tight labor market consistent with the strong macro indicators.

Outlook

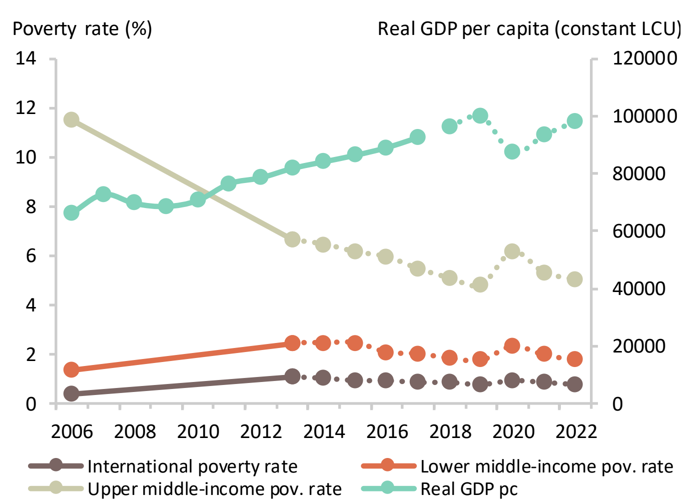
With global tourism on a standstill and travel restrictions on most foreigners in place, tourism earnings for March and well into Q2 are expected to drop to near zero, with a gradual recovery starting in Q3. This translates into negative growth of -11.1 percent and a 41 percent decline in exports. While a fiscal response to guarantee salaries and a strong social safety net would mitigate some of the effect on consumption, a drop is nevertheless expected. The impact on the current account is mitigated by simultaneous drop in imports due to lower tourism arrivals, lower fuel prices, standstill of investment, and sharp drop in repatriated profits from hotels. Under this scenario, the fiscal deficit would reach 15 percent in 2020 due to foregone tax revenue and increased spending to support the private sector and

FIGURE 1 Seychelles / Fiscal balance and public sector debt



Source: WB staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

vulnerable population, and the resulting increase in debt would derail the accomplishment of the debt target < 50 percent of GDP, that was to be reached by 2021, by several years.

In the medium term, the outlook remains positive for a strong recovery and continued growth once global tourism has been restored, although delays in 2020 investment make it unlikely that the country will return to 2019 income levels in 2021. Despite the setbacks from COVID-19 response, the country is expected to return to primary surpluses and downward debt trajectory from 2021.

Negative growth in 2020 is expected to take a toll on poverty reduction in Seychelles. Based on the 2013 household budget survey, about 6 out of 10 poor individuals have a job, are more likely to be self-employed compared with the nonpoor and are largely employed in the services sector, which is expected to be hit hard due to COVID-19. Poverty is therefore projected to rise to 6.1 percent in 2020 and to slowly continue to decline to 5 percent by 2022 ($5.5 a day per capita line). Inequality is expected to continue to increase if underlying challenges (next section) are not addressed. The 2018 household budget survey is expected to deliver a much-needed update on the most recent trends in poverty and inequality

Risks and challenges

While the baseline assumes a relatively quick recovery and gradual reopening of global travel starting in Q3 2020, a more prolonged shut down could further deepen the recession in 2020 and also affect the medium term outlook. Such a scenario would also put significant pressure on the balance of payment, especially if oil prices were to rebound.

The national airline, Air Seychelles, has been making heavy losses in recent years and has accumulated significant debt. Air Seychelles has already announced reductions in flight activity due to COVID-19, and resulting additional losses will further aggravate its financial position and create more demand for government support

Climate change increasingly puts key infrastructure and natural resources at risk, creating an increasing need for adaptation and disaster preparedness that will require significant resources in the medium term. A recently completed Coastal Management Plan calls for investments of USD 13 mln for priority coastal resilience projects alone in the coming years.

The government's vision of a stronger role for the private sector remains to be put into practice. Seychelles currently ranks 100th in the Doing Business report with particularly low scores on starting a business (147th), getting credit (144th), and enforcing contracts (128th). At the same time, activity of SOEs has strong effects on the economy, including in the retail and civil aviation sectors.

In order to overcome the challenge of rising inequality without jeopardizing its progress in fiscal consolidation, Seychelles needs to improve the efficiency of public expenditure in the social sectors and recalibrate the budget allocation, currently skewed towards the elderly. This includes reforms of the pension and home-based care systems, and more activating incentives for labor market integration. Improving the quality of education is an urgent priority as skill premia continue to rise and to benefit skilled workers while a considerable share of the population is at risk of falling behind. A strong and effective public policy response to the drug epidemic is needed to prevent a sizeable share of the population from losing its livelihood to addiction.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.3	4.1	3.8	-11.1	6.3	5.0
Private Consumption	14.8	3.3	4.8	-4.8	5.2	5.1
Government Consumption	6.3	8.8	-0.8	15.1	-2.5	-1.7
Gross Fixed Capital Investment	-2.2	3.8	2.6	-40.9	33.9	11.7
Exports, Goods and Services	9.6	2.9	2.0	-42.0	39.2	7.2
Imports, Goods and Services	11.6	4.0	0.9	-38.2	37.2	6.5
Real GDP growth, at constant factor prices	3.9	4.1	3.8	-11.0	6.2	5.0
Agriculture	3.3	0.9	1.1	0.9	0.9	1.1
Industry	-2.2	2.4	2.1	2.2	1.6	2.1
Services	4.8	4.4	4.1	-12.9	7.0	5.5
Inflation (Consumer Price Index)	3.5	3.7	2.0	2.1	3.0	3.0
Current Account Balance (% of GDP)	-20.7	-19.6	-18.6	-16.3	-18.6	-17.2
Net Foreign Direct Investment (% of GDP)	18.2	17.2	17.5	2.2	14.1	19.2
Fiscal Balance (% of GDP)	0.0	-0.2	0.0	-15.2	-1.9	-0.9
Debt (% of GDP)	63.9	59.7	56.4	73.6	69.2	64.8
Primary Balance (% of GDP)	3.1	2.9	2.6	-12.4	1.3	2.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.8	0.8	0.8	0.9	0.8	0.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	2.0	1.8	1.8	2.3	2.0	1.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	5.5	5.1	4.8	6.1	5.3	5.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2013-HBS. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2013) with pass-through = 0.87 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

SIERRA LEONE

Table 1	2019
Population, million	7.9
GDP, current US$ billion	3.8
GDP per capita, current US$	486
International poverty rate ($1.9)[a]	40.1
Lower middle-income poverty rate ($3.2)[a]	74.4
Upper middle-income poverty rate ($5.5)[a]	92.1
Gini index[a]	35.7
School enrollment, primary (% gross)[b]	124.5
Life expectancy at birth, years[b]	53.9

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

Economic growth rebounded to 5.4 in 2019; inflation moderated; and fiscal and current account deficits narrowed, reflecting strong performance in agriculture and services and a recovery in industry. Growth is projected to initially decelerate to 2.0 percent in 2020 due to the coronavirus but rebound to an average of 4.2 percent between 2021–22. Large expenditure arrears, terms of trade deterioration, lower than anticipated FDI inflows, and financial sector weaknesses represent downside risks to the outlook.

Recent developments

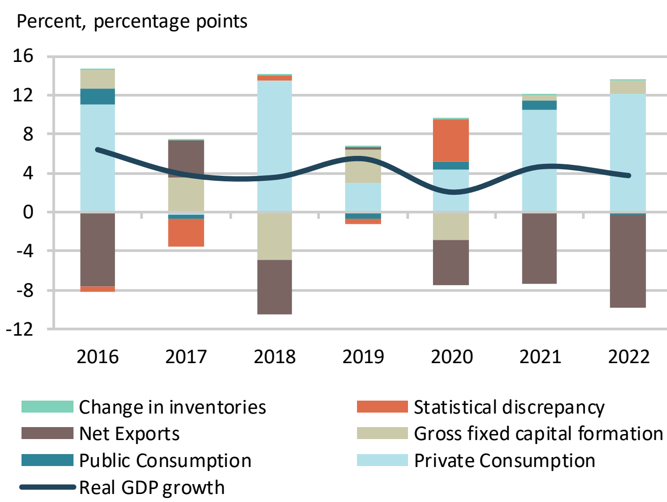
Economic growth rebounded to 5.4 percent in 2019 from 3.5 percent the previous year, reflecting strong performance of agriculture and services and a recovery in industry. Agricultural valued added increased to 4.5 percent, up from 3.9 percent in 2018 driven by robust output in crops, forestry and fisheries. Services grew by 6.6 percent, up from 4.4 percent in 2018 supported by the continued recovery in trade and tourism, transport and communication and banking and finance. The implementation of priority projects in the road and energy sectors helped push construction growth to 6.5 percent from 4.7 percent in 2018.

Average inflation declined to 14.8 percent in 2019, from 16.0 percent in 2018, reflecting stronger than anticipated decline in food prices, which in turn was helped by increased domestic food production associated with seasonal factors. Despite keeping the monetary policy rate (MPR) constant at 16.5 percent throughout the year, broad money (M3) expanded by 14.5 percent compared to 14.2 percent in 2018. Private sector credit growth also expanded by an average of 32.0 percent during the year, up from 14.9 percent in 2018, as growth in government credit decelerated by 5 percentage points reflecting Government's fiscal consolidation efforts. Still, liquidity conditions in the money market remained tight, evidenced by an increase in the interbank rate, which continued to trend above the MPR. The Leone came under intense pressure, depreciating against the US dollar by 21.0 percent, reflecting lower-than-expected export receipts. The financial sector remained broadly stable as banks remained well capitalized and profitable. However, challenges in the two state-owned banks continued despite improvements in their earnings.

Overall, the budget deficit declined from 5.7 percent of GDP to 2.9 percent in 2019. Improved revenues and better expenditure management supported the deficit reduction program. Total domestic revenue increased by 0.5 percentage points, to 14.2 percent of GDP, driven mainly by increased tax and nontax revenues. The migration to ASYCUDA World, adoption of ECOWAS CET, upfront payment of petroleum excise duties and stringent tax enforcement supported the increase in tax revenues while nontax revenue increased principally due to fees levied by government agencies. Grants increased to 3.7 percent of GDP from 2.2 percent in 2018, reflecting increased disbursement of budget support by the World Bank, African Development Bank and European Union. Total expenditure declined marginally by 0.8 percentage point to 20.6 percent of GDP, as capital spending slowed. The deficit was financed mainly from domestic sources (2.2 percent of GDP). Total public debt reached 66.9 percent of GDP in 2019 (up from 58.2 percent of GDP in 2018), reflecting high fiscal deficit as well as the depreciation of the exchange rate. The country's risk of external and overall risk of debt distress remain "high", unchanged from the 2018 assessment.

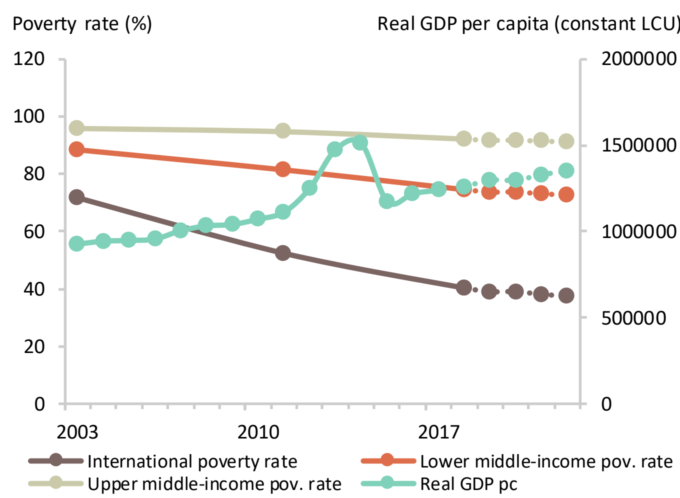
The current account deficit (CAD) narrowed to 11.6 percent of GDP from (13.9 percent in 2018) as mineral and agricultural

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



Source: World Bank.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

exports increased and the trade balance improved. Imports remained subdued, growing by 8.1 percent during 2019 (up from -11.5 percent the previous year). Sierra Leone's terms of trade deteriorated in 2019 as global demand slowed due to US-China trade tensions and weak industrial production. The CAD was financed mainly by foreign direct investments to the agriculture, mining and telecommunications sectors.

Outlook

Economic growth is expected to slow down to 2.0 percent in 2020 reflecting the contraction in services as tourism and transportation grinds to halt due to the fallout from the Coronavirus Disease (COVID-19). Growth will rebound to 4.6 and 3.7 percent in 2021 and 2022, respectively, underpinned by strong recovery from COVID-19, improved agricultural productivity, increased investment in infrastructure (energy and roads) and strong performance of mining and services. Even if a significant outbreak of coronavirus in the country is avoided, any past progress on poverty reduction is likely to be halted this year, with the proportion of poor households living below the international poverty line of US$1.9/day (2011 PPP) forecasted to stay flat at 39 percent in the medium-term. Inflation is expected to continue to moderate to single digits by 2022, supported by increased domestic food production, fiscal consolidation and exchange rate stability. However, inflationary pressure could increase due to COVID-19 as disruption in global supply chains generates scarcity of imported food items including rice (the staple food). Already food inflation has increased from 5.4 percent in December 2019 to 7.5 percent in January 2020 with adverse implications for household poverty. Self-employment is the sole source of income for over a third of the urban poor. The continuation of fiscal consolidation efforts will bring the budget deficit to 3.5 percent of GDP by 2022, reflecting vigorous revenue mobilization and better expenditure management under the IMF ECF program and new public financial management regulations. The CAD is projected to narrow to 8.8 percent of GDP in 2022 percent driven mainly by the recovery of mineral exports which will support reserve accumulation and exchange rate stability.

Risks and challenges

Large domestic expenditure arrears, weaker demand for Sierra Leone's export (due to trade tensions and COVID-19), lower than anticipated FDI inflows, and financial sector weaknesses represent the main risks to the outlook. First, a recent stock-taking exercise revealed that the stock of domestic payment arrears was Le 3.2 trillion (8.7 percent of GDP), which weighs heavily on public finances and could impede fiscal consolidation efforts. Second, weaker demand for the country's export due to trade tensions and COVID-19 could worsen the terms of trade and limit exports, negatively affecting growth. In addition, quarantines and travel restrictions to limit the spread of COVID-19 could cause severe disruption in global trade and hurt import-dependent economies like Sierra Leone. Notably, a serious outbreak in major rice producing regions could increase the price of rice, pushing some households into poverty. Third, lower than anticipated FDI inflows especially in the light of disagreements between Government and a mining company could create uncertainty and limit investments in the sector, causing a drawdown of reserves and putting further pressure on the exchange rate. Finally, the weak financial positions of the two state-owned banks could adversely impact financial sector stability and the growth outlook.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.8	3.5	5.4	2.0	4.6	3.7
Private Consumption	-0.2	13.2	2.7	4.0	9.5	10.5
Government Consumption	-4.8	-1.3	-8.6	10.3	11.1	-3.8
Gross Fixed Capital Investment	17.6	-20.6	19.3	-14.5	3.4	8.1
Exports, Goods and Services	23.3	-33.5	19.2	14.5	14.0	11.2
Imports, Goods and Services	6.3	-11.5	8.1	14.5	17.4	17.4
Real GDP growth, at constant factor prices	3.7	3.4	5.6	2.0	4.6	3.7
Agriculture	4.5	3.9	4.5	4.3	4.3	4.3
Industry	-5.3	-2.5	7.6	6.8	1.6	1.6
Services	5.4	4.4	6.6	-2.4	6.0	3.5
Consumer Prices (end-of-period)	18.2	16.0	14.8	13.0	11.1	9.6
Current Account Balance (% of GDP)	-14.5	-13.9	-11.5	-10.4	-9.4	-9.0
Fiscal Balance (% of GDP)	-8.7	-5.7	-2.9	-4.2	-3.7	-2.6
Debt (% of GDP)	57.6	58.2	66.5	66.9	66.1	66.4
Primary Balance (% of GDP)	-6.6	-4.5	-2.1	1.7	-0.8	0.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	..	40.1	38.9	38.9	38.0	37.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	..	74.4	73.6	73.6	73.0	72.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	..	92.1	91.8	91.8	91.5	91.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-SLIHS and 2018-SLIHS. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.
(b) Projection using point-to-point elasticity (2011-2018) with pass-through = 0.5 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

SOMALIA

Table 1	2019
Population, million[a]	14.6
GDP, current US$ billion	5.0
GDP per capita, current US$	339
International poverty rate ($1.9)[b]	69
Gini coefficient[b]	34.0
School enrollment, primary (% gross)[b]	33.0
Life expectancy at birth, years[b]	56.7

Sources: WDI, IMF, UNFPA and Macro Poverty Outlook.
Notes:
(a) Based on 2013 population estimates by UNFPA and assumes an average annual population growth of 2.9%
(b) Somali Poverty and Vulnerability Assessment Report (World Bank, 2019); Life expectancy for 2017 from WDI.

Growth has remained steady in 2019, at 2.9 percent. However, growth continues to be vulnerable to shocks, which have particularly deleterious impacts on the nearly 70% of the population living below the poverty line. This situation is likely to be exacerbated by the spread of COVID-19. Somalia has reached the first milestone in qualifying for debt relief under the HIPC initiative, which increases access to financing but remains insufficient to address vast development needs.

Recent developments

Growth in 2019 remained steady at 2.9 percent, on par with the estimated population growth rate. Small-scale investments and entrepreneurial activities, mainly in urban areas, are being supported by increased lending to the private sector (at 4.2 percent of GDP in 2019, increasing almost two-fold since 2017), as financial institutions benefit from a rise in customer deposits following growing consumer confidence. The growth in mobile money payments is further facilitating private transactions including the steady receipt of remittances, estimated at around 32 percent of GDP.

However, devastating floods and drought, as well as locusts, have left 5.2 million people in need of assistance and at risk of food insecurity. This crisis is expected to be met with humanitarian relief, estimated at 16.5 percent of GDP. Despite these shocks, prices remained relatively stable, with inflation hovering at above 3 percent at end-2019, in line with the previous year's trends. High levels of dollarization help to shelter the economy from substantial variations in prices, particularly since the country typically imports more than four times as it exports, including basic food items. Somalia's high structural trade deficit (at -89 percent of GDP) is financed by stable external flows including remittances, grants and foreign direct investment.

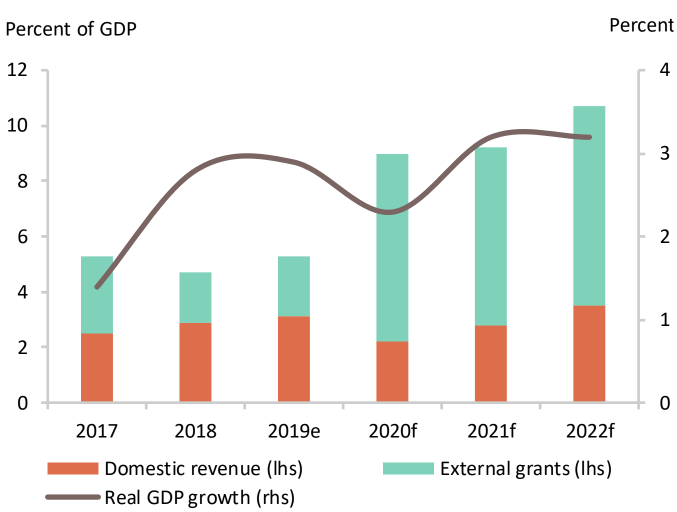
In March 2020, Somalia qualified for debt relief through the Heavily Indebted Poor Countries (HIPC) initiative, clearing US$ 740 million in arrears to international financial institutions. While the first milestone under debt relief will enable the country to regain access to regular concessional financing, expenditure needs far outstrip the resources required to implement Somalia's poverty reduction strategy. The global spread of COVID-19 is already placing strain on the country's fiscal capacities. Following the confirmation of one case, in March 2020 the airport will be temporarily closed, which will result in losses of revenues from international trade and non-tax revenues, such as overflight fees.

Somalia remains among the most poor and fragile states in the world. More than two in three Somalis live on less than US$1.90 per day, in 2011 purchasing power parity terms (PPP). Limited economic opportunities, economic exclusion, conflict, and natural disasters are contributors to poverty. Due to insecurity, climate-related changes and constrained humanitarian access, most rural and nomadic communities remain vulnerable to shocks, with limited coping mechanisms. Access to basic social services, as well as their investment, remains limited in hard-to-reach areas accounting for relatively lower educational and health outcomes; and resulting in multidimensional poverty.

Supply side GDP data is unavailable in Somalia. Efforts are ongoing to strengthen capacity in statistics.

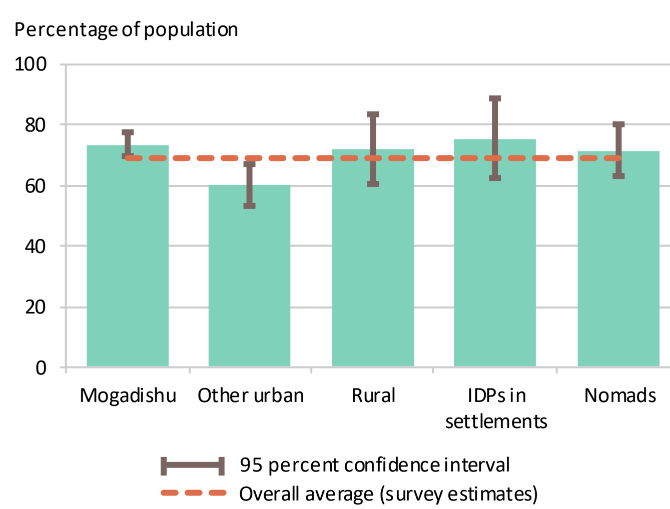
This milestone follows progress in maintaining macroeconomic stability, elaborating a participatory poverty reduction program, the steady implementation of

FIGURE 1 Somalia / Sources of revenue and growth forecast



Sources: Ministry of Finance, IMF and World Bank.

FIGURE 2 Somalia / Actual poverty rates by region and population group



Source: World Bank.

economic reforms and financial assurances from 70 percent of Somalia's creditors for debt relief.

Outlook

The COVID-19 crisis has resulted in a downgrading of the growth outlook from a projected 3.2 percent to 2.3 percent through the combined forces of a fall in consumption, lower exports, and a potential slowdown in private investments. Somalia's growth is largely consumption driven, with remittances supporting households particularly in urban areas and for internally displaced people living outside of settlements. Recessionary impacts related to COVID-19 in more advanced economies are expected to result in a lowering of the remittance-to-GDP ratio from 32 percent to 23 percent, which may contribute to a fall in demand for food imports and increase vulnerability of those close to the poverty line.

Somalia's exports are dominated by livestock to major markets in the Gulf Cooperation Council countries, which are expected to decline by as much as 50 percent following restrictions to pilgrimage-related activities. Uncertainties surrounding the spread of COVID-19 may also contribute to a fall in private investment. However, the steep decline in oil prices should reduce the cost of energy production and could provide a much-needed boost to households and businesses. As remittances and demand for imports decline, revenues from international trade (which accounts for 63 percent of taxes) are also expected to fall, which will further constrain Somalia's ability to respond to a shock.

A fall in the growth outlook combined with a reduction in remittances could result in a contraction of household earnings, including for those engaged in the livestock supply chain. Social distancing measures are likely to continue, including school closures, which could have an impact on demand for services provided by small businesses. However, the projected fall in global commodity prices could help to alleviate pressure on households.

Risks and challenges

Presuming that the global health pandemic related to COVID-19 is contained within the next two months, the medium-term growth outlook is only moderately downgraded to 3.2 percent in 2021. Other factors which may affect the growth outlook include vulnerability to climate-related shocks and security incidences, as well as the potential for further instability in the run-up to the elections programmed for late 2020. Early signs indicate that the federal government is taking a proactive stance to act in the national interest in response to the COVID-19 pandemic, which may support continuous intergovernmental dialogue.

In the event of COVID-19 spreading around Somalia, a sustained public health information campaign will be needed to implement health guidelines, particularly in densely-populated urban areas and in Internally Displaced People's camps, which are most at risk. A COVID-19 outbreak is likely to have significant economic and social impacts on the poor stemming from the direct and indirect effects of illness and transmission control policies. Potential effects include loss of earnings, increased food and nutrition insecurity especially among self-sufficient agricultural producers, reduced human capital accumulation, and risks of social stigma brought on by fear and anxiety about the disease.

To support the Somali government and population to cope with multiple shocks, it is likely that additional grant financing will be programmed, to support the health system, cushion the impact of lower fiscal revenues, and scale-up social protection measures for the poorest and most vulnerable.

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

	2017	2018	2019 e	2020 f	2021 f	2022 f
Real GDP growth, at constant market prices	1.4	2.8	2.9	3.2	3.5	3.7
Inflation (Consumer Price Index)	6.1	3.2	3.1	3.0	2.5	2.2
Current Account Balance (% of GDP)	-9.8	-10.3	-12.0	-12.3	-12.5	-12.5
Trade balance (% of GDP)	-86.7	-84.8	-87.3	-88.9	-89.3	-90.2
Private remittances (% of GDP)	31.5	31.3	31.9	32.4	32.7	32.9
Official grants (% of GDP)	46.1	43.9	44.1	44.9	44.9	45.6
Fiscal Balance (% of GDP)[a]	0.0	0.0	0.5	0.0	1.0	1.7
Domestic revenue (% of GDP)	2.5	2.9	3.0	3.0	3.2	3.5
External grants (% of GDP)	2.8	1.8	2.1	5.0	6.0	7.2
Total expenditure (% of GDP)	5.3	5.7	6.0	9.1	9.5	10.4
Compensation of employees (% of GDP)	2.8	3.0	3.1	4.2	4.3	4.7

Sources: World Bank (Poverty & Equity and Macroeconomics, Trade & Investment Global Practices) and IMF (2019).
Notes: e = estimate, f = forecast.
(a) Federal Government of Somalia (FGS).

The cut-off date for information in this MPO was April 02, 2020.

SOUTH AFRICA

Table 1	2019
Population, million	58.6
GDP, current US$ billion	356.1
GDP per capita, current US$	6078
International poverty rate ($1.9)[a]	18.9
Lower middle-income poverty rate ($3.2)[a]	37.6
Upper middle-income poverty rate ($5.5)[a]	57.1
Gini index[a]	63.0
School enrollment, primary (% gross)[b]	100.9
Life expectancy at birth, years[b]	63.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2017).

The growth momentum remained muted in South Africa throughout 2019, with business confidence reaching decade lows in the second half of the year and extensive black-outs by power utility Eskom further curbing activity. Growth for 2019 was a mere 0.2 percent and the economy is predicted to contract by 3.5 percent in 2020 as the novel COVID-19 pandemic weighs heavily on both external demand and domestic activity. Fiscal slippages have intensified, and public debt remains on an upward trajectory. Poverty is expected to rise to 21.6 percent in 2020, from 19.8 in 2019, and to reach.

Recent developments

Domestic and external headwinds intensified during the second half of 2019. The resurgence of extensive black-outs associated with operational and financial difficulties at the energy utility Eskom in the second half of the year saw the economy enter a technical recession. The weakness was broad-based as both the primary and the secondary sectors experienced declining activity, while output decelerated markedly in the tertiary sector. Mining and manufacturing have been particularly hard hit by energy supply disruptions, compounded by waning global demand and low commodity prices. Amid low business confidence, investment has remained stagnant while productivity is hindered by the slow pace of reforms to improve the business environment and strengthen infrastructure services. The financial sector continues to remain one of the few growth drivers in the economy. A muted domestic and global backdrop have led to subdued growth in imports and exports, respectively, through 2019 with the fourth quarter current account deficit registering 1.3 percent of GDP. Overall, growth decelerated to 0.2 percent in 2019, 0.6 ppt lower than what was previously expected.

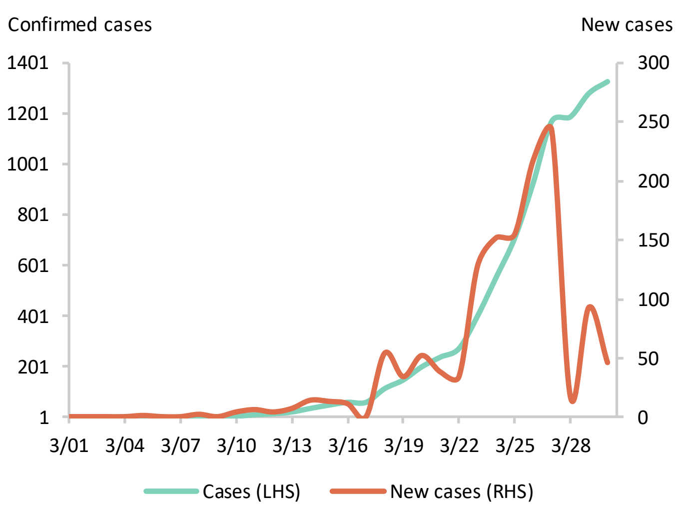
Deteriorating labor market outcomes are expected to have resulted in rising poverty rates in 2019. In the third quarter of 2019, the unemployment rate reached an 11-year high of 29.1 percent (58.1 percent for youth unemployment), despite government's efforts to arrest the deterioration through a jobs summit and Presidential economic stimulus and recovery plan. The plight of youth unemployment is particularly grave as it contributes to entrenched poverty and rising inequality. Extreme poverty, measured as incomes below $1.90 per day, is expected to have risen from 19.6 percent of the population in 2018 to 19.8 percent last year.

Fiscal slippages are putting the sovereign credit rating at risk of further downgrades. The fiscal deficit is expected to have increased to 7.1 percent of GDP in fiscal year 2019/20, causing gross public debt to climb to an estimated 64.1 percent of GDP. This largely reflects subdued growth, deepening challenges of the energy utility Eskom, weaker than expected revenue collections, and additional public transfers. As a result, all three major credit rating agencies have South Africa's sovereign credit at sub-investment grade and on a negative outlook, underscoring the extent of economic adversity facing the country. Of these, Moody's downgraded South Africa's sovereign credit to junk status in March 2020, having had it at one notch above junk status on a negative outlook from November 2019.

Outlook

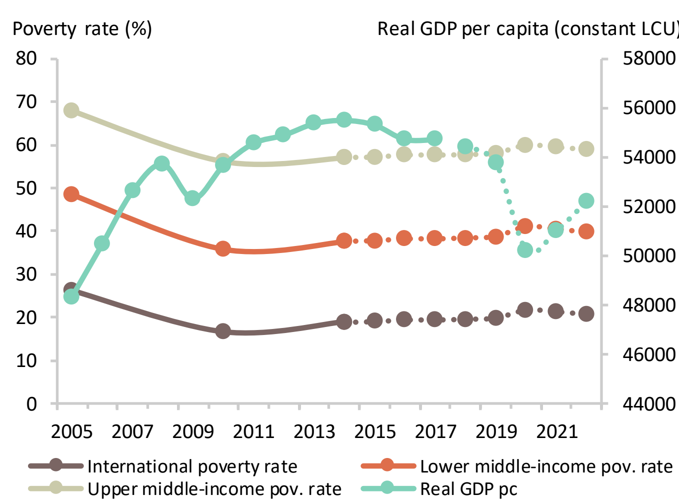
With the COVID-19 pandemic stalking the globe since the start of this year, the rapid escalation in local infections in March prompted President Cyril Ramaphosa to declare a national disaster and a nationwide

FIGURE 1 South Africa / Reported cases of COVID-19



Sources: John Hopkins database 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.

The cut-off date for information in this MPO was April 02, 2020.

lockdown of 21 days (Figure 1). Stringent travel bans were put in place, half of the ports of entry have been closed, and mass gatherings and large events have been prohibited. Heightened risk-off sentiment has fueled record portfolio outflows, a sharp fall in the stock market, significant rand weakness, and higher sovereign borrowing costs.

In this context, economic prospects are being severely dimmed by contracting external demand, declining commodity prices, and domestic containment measures to 'flatten the curve'. As a result, the economy is expected to contract by 3.5 percent in 2020 - a significant downward revision from the 1 percent growth previously predicted. Activity is foreseen to gradually regain strength once the containment measures are lifted in the second half of the year. As international and domestic demand recover, bringing about a reaction in supply, the economy is expected to expand by 2.7 percent in 2021 and 1.9 percent in 2022, also aided by lower fuel prices, the implementation of structural reforms, private investment pledges from the investor conferences materializing, and government efforts to improve public investment management amid a new infrastructure fund yielding a growth dividend. However, the recovery will continue to be constrained by electricity supply disruptions amid extensive maintenance work to arrest the deterioration of plants capacity.

In response to sudden deterioration in the outlook, the central bank lowered interest rates by 100 basis points to 5.25 percent and stepped in with measures to increase liquidity for banks—to ease financial conditions and to improve the resilience of households and firms to the short-term economic implications of COVID-19.

A stimulus package, aimed at supporting livelihoods and businesses, was also announced. The budget deficit is expected to widen to a marked 11.1 percent of GDP in 2020/21 before moderating somewhat to 10.4 percent in 2022/21, as fiscal consolidation takes hold. This will result in a continued upward trajectory for public debt, reaching 71.8 percent of GDP in 2020/21 and 83.3 percent in 2022/23, which is approximately 20 percentage points higher than under the 2019 Budget. In this context, debt service costs are expected to remain the fastest growing spending category, progressively crowding out spending on social and economic investment.

At current rates, growth is insufficient to reduce poverty. Extreme poverty rates are expected to increase to 21.6 percent in 2020 and to moderate to 20.6 in 2022 (Figure 2). These numbers reflect the need for South Africa to garner the will to fast-track the reform agenda to generate much needed jobs while ensuring that the economically vulnerable benefit from social progress.

Risks and challenges

South Africa is vulnerable to a further deterioration in global economic conditions due to the COVID-19 pandemic. Fiscal space to maneuver is limited, and if the outbreak lingers such that containment measures need to be prolonged, the economy will enter a deeper economic recession and stands to lose millions of jobs. The downgrade of sovereign debt to junk status will exacerbate the risk of decelerating activity and could lead to renewed currency pressures, as non-residents hold 37 percent of the total government bonds.

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

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	1.4	0.8	0.2	-3.5	2.7	1.9
Private Consumption	2.1	1.8	1.0	-6.7	3.5	2.4
Government Consumption	0.2	1.9	1.5	1.9	1.0	0.9
Gross Fixed Capital Investment	1.0	-1.4	-0.9	-5.4	1.5	1.5
Exports, Goods and Services	-0.7	2.6	-2.5	-21.7	7.2	4.0
Imports, Goods and Services	1.0	3.3	-0.5	-24.8	6.7	4.1
Real GDP growth, at constant factor prices	1.5	0.7	0.1	-3.5	2.7	1.9
Agriculture	21.1	-4.8	-6.9	2.5	3.0	3.0
Industry	1.1	-0.1	-1.5	-4.8	2.3	2.0
Services	1.0	1.3	1.0	-3.3	2.8	1.8
Inflation (Consumer Price Index)	5.2	4.5	4.1	3.3	4.2	4.5
Current Account Balance (% of GDP)	-2.6	-3.6	-3.9	-3.3	-3.2	-3.0
Net Foreign Direct Investment (% of GDP)	1.5	-0.3	0.5	-7.5	1.0	1.5
Fiscal Balance (% of GDP)	-4.0	-4.2	-7.1	-11.1	-10.8	-10.4
Debt (% of GDP)	52.7	55.6	64.1	71.8	77.7	83.3
Primary Balance (% of GDP)	-0.4	-0.4	-2.9	-6.2	-5.5	-4.6
International poverty rate ($1.9 in 2011 PPP)[a,b,c]	19.4	19.6	19.8	21.6	21.2	20.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b,c]	38.2	38.4	38.7	41.0	40.4	39.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b,c]	57.6	57.8	58.1	60.0	59.5	58.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2014-LCS.
(b) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.
(c) Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

The cut-off date for information in this MPO was April 02, 2020.

SOUTH SUDAN

Table 1	**2019**
Population, million	13.0
GDP, current US$ billion	4.7
GDP per capita, current US$	364
Life expectancy at birth, years[a]	57.4

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

The economy recovered with a growth rate estimated at 3.2 percent during FY2018/19 from a contraction of -3.5 percent during FY2017/18. These developments reflect activity in the oil sector which rebounded strongly. A Revitalized Transitional Government of National Unity was formed in February 2020, but subnational conflict persists. Nearly 7 million people are experiencing acute food insecurity and more than 1.3 million children are malnourished. Poverty is forecast to have risen to a little over 88 percent in 2019.

Recent developments

The economy is estimated to have recovered with a growth rate of 3.2 percent in FY 2018/19. Growth in the oil sector was estimated at 10.7 percent which reflects improved production as the country moved to rehabilitate oilfields that had been damaged by war. Consequently, net oil exports increased from about 128,297 bpd in FY2018 to 133,294 bpd in FY 2019. The gap between the official and parallel market exchange rates remains high and increased from 85 percent in June 2019 to more than 100 percent in November 2019. Following exchange rate depreciation on the parallel market and food price pressures resulting from floods that affected harvests and market access, inflation picked up strongly in the first half of FY2019/20 and averaged 108 percent in the six months during July – December 2019.

The fiscal deficit narrowed to 2.2 percent of GDP in FY2018/19 from 3.3 percent in FY2017/18. However, government has been accumulating arrears owed to civil service salaries, which were in arrears of more than four months by end of December 2019. At the same time only 35 percent of oil revenues is estimated to have reached the budget during FY2018/19 with the rest earmarked for settling payment to Sudan, Nilepet's share, and oil advances. The current account deficit, excluding grants, rose to 5.7 percent of GDP during FY2018/19 from 3.7 percent in FY2017/18.

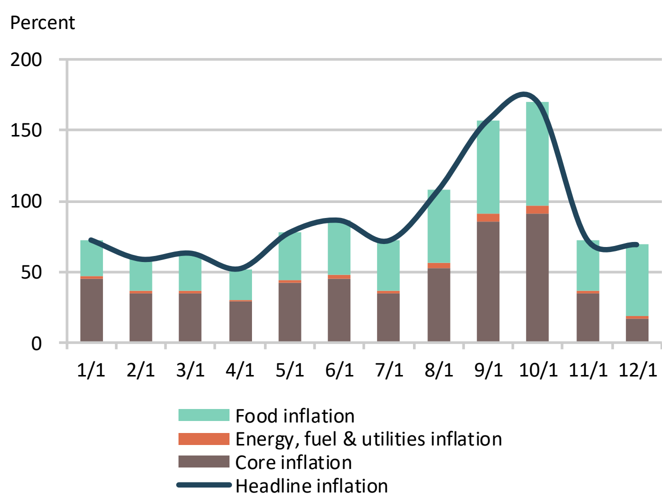
The FY 2018/19 DSA indicates that South Sudan remains in debt distress and the external position is weak with depleted reserves. Total public debt during FY 2018/19 was estimated at 34.2 percent of GDP of which external debt is 30.2 percent. Accumulation of arrears, low capacity to service debt, and low foreign exchange reserves indicate unsustainable debt dynamics.

The national poverty rate at the US$1.90 2011 PPP poverty line is estimated to have risen a little over 88 percent in 2019, from 82 percent in 2016. The urban poverty rate stands at over 70 percent, up from 66 percent in 2015.

Outlook

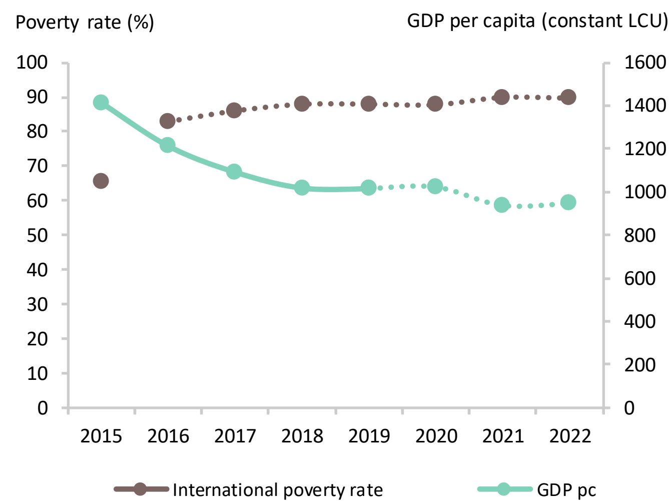
Economic growth projections for FY2019/20 have been further downgraded to 4.3 percent, reflecting lower oil prices and a weak global economy on account of the COVID-19 pandemic. Private consumption is expected to remain weak, contracting by 0.8 percent in FY2019/20. Border closures and social distancing are expected to contribute to this contraction. Lower oil prices could be partly offset by higher oil production (178,833 bpd) with exports increasing by 14.5 percent in FY2019/20 but decline sharply by -16.1 percent in FY2020/21. The budget deficit, excluding arrears, is projected to grow to 3.7 percent of GDP in FY2019/20 and to 7.4 percent in FY2020/21. The current account deficit is expected to reach 9.6 percent of GDP

FIGURE 1 South Sudan / Inflation developments



Source: National Bureau of Statistics.

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



Source: World Bank.
Notes: see Table 2.

in FY2019/20 and to 19.5 percent in FY2020/21. Poverty levels are expected rise slightly, and to remain extremely high on the back of severe food insecurity, inflation and limited access to basic services.

Risks and challenges

The major risk to the outlook is the sustainability of peace and security in the country. The formation of a unity government on 22 February 2020, delayed twice amidst political deadlock, gives the country's leaders a chance to build upon a ceasefire between the warring factions that has largely held since September 2018. While these developments are encouraging, significant challenges remain and the new government will have to work in concert to unify the national army, resolve disputes over control of key cities and make peace with holdout rebel groups. A relapse to conflict would reverse the modest gains made in the economy and would exacerbate the macroeconomic and the humanitarian situation.

A sustained downturn in oil prices would have negative consequences for South Sudan's economy. While lower sulfur cap regulations for global maritime shipping fuels could push South Sudan oil into premium category, the COVID-19 pandemic is expected to contribute to lower oil demand and prices, which could decline by 14.9 percent during FY20 and 17.8 percent in FY21, resulting in significantly lower GDP growth rates in FY20 (4.3 percent) and FY21 (-5.3 percent). In addition, South Sudan's agricultural sector is at risk of desert locust infestation currently ravaging the Horn of Africa, threatening food security and livelihoods.

TABLE 2 South Sudan / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	-6.9	-3.5	3.2	4.3	-5.3	4.6
Private Consumption	-21.9	-17.8	-1.2	-0.8	-1.5	1.5
Government Consumption	3.0	4.0	19.4	-46.4	0.7	-12.9
Gross Fixed Capital Investment	3.0	4.0	-34.1	249.3	-0.7	17.6
Exports, Goods and Services	18.4	27.9	10.7	14.5	-16.1	11.3
Imports, Goods and Services	-10.0	3.2	5.1	3.2	3.5	4.3
Real GDP growth, at constant factor prices	-6.9	-3.5	3.2	4.3	-5.3	4.6
Agriculture	-16.0	-11.5	-2.5	1.5	1.7	2.0
Industry	-3.5	15.0	8.0	11.4	-12.2	9.2
Services	-7.2	-13.3	0.4	-1.2	0.3	1.2
Inflation (Consumer Price Index)	384.8	125.8	106.9	88.2	60.8	48.3
Current Account Balance (% of GDP)	-0.7	-3.7	-5.7	-9.6	-19.5	-7.6
Net Foreign Direct Investment (% of GDP)	-0.2	0.3	-0.6	-0.2	0.2	0.2
Fiscal Balance (% of GDP)	-0.3	-3.3	0.0	-3.7	-7.4	-8.1
Debt (% of GDP)	85.3	59.7	38.3	38.6	43.4	51.9
Primary Balance (% of GDP)	-0.2	-3.0	0.4	-3.6	-7.4	-8.0
International poverty rate ($1.9 in 2011 PPP)[a,b,c]	86.1	88.0	88.1	87.9	90.0	89.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b,c]	96.7	97.4	97.4	97.3	98.1	98.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2016-HFS.
(b) Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.
(c) Actual data: 2016. Nowcast: 2017, 2018, 2019. Forecast are from 2020 to 2022.

The cut-off date for information in this MPO was April 02, 2020.

SUDAN

Table 1	**2019**
Population, million	42.5
GDP, current US$ billion	18.9
GDP per capita, current US$	444
International poverty rate ($1.9)[a]	12.7
Lower middle-income poverty rate ($3.2)[a]	45.0
Upper middle-income poverty rate ($5.5)[a]	79.9
Gini index[a]	34.2
School enrollment, primary (% gross)[b]	76.8
Life expectancy at birth, years[b]	64.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2017).

Economic activity in Sudan will be impacted by the global COVID-19 pandemic. Economic growth for 2020 has been will be affected by declining external demand, and lower domestic consumption due to containment measures. Severe economic challenges will remain in the medium-term as the country struggles to restore macroeconomic stability in the absence of access to much needed external finance. The ongoing economic crisis, exacerbated by COVID-19, is expected to lead to higher poverty rates.

Recent developments

Sudan's economic performance continued to deteriorate in 2019, with real GDP contracting by an estimated 2.6 percent, after a contraction of 2.3 percent in 2018. The recession is predominantly driven by reductions in private consumption and investment, which were negatively impacted by political unrest and an ongoing currency crisis. Weak economic performance in 2019 also reflects declining agriculture production, amid continued droughts.

The fiscal deficit (excluding quasi-fiscal operations of the Central Bank of Sudan) deteriorated from 6.6 percent of GDP in 2017 to 10.5 percent of GDP in 2019 due to higher fuel subsidies (driven by higher international oil prices and a sharp depreciation of the currency) which increased by 7.5 percentage points to 11.8 percent of GDP between 2018 and 2019. The fiscal deficit also widened due to persistently low revenue mobilization and increasing government expenditure. Revenue collection is estimated at 6 percent of GDP in 2019.

Sudan's fiscal deficit is financed through monetization which has been the primary source of inflationary pressures in the country. The exchange rate on the parallel market depreciated to 85 SDG to 1 USD in December 2019, prompting the government to devalue the official exchange rate from 47.5 SDG to 1 USD to 53.9 SDG to 1 USD. Money supply growth reached 111.8 percent in 2018 but has since moderated to 67 percent in 2019. The inflation rate averaged 51.3 percent in 2019. Sudan's debt to GDP ratio as at end-2019 stands at 213 percent of GDP of which external debt accounts for approximately 90 percent. External debt is US$54.5 billion of which 85 percent is in arrears.

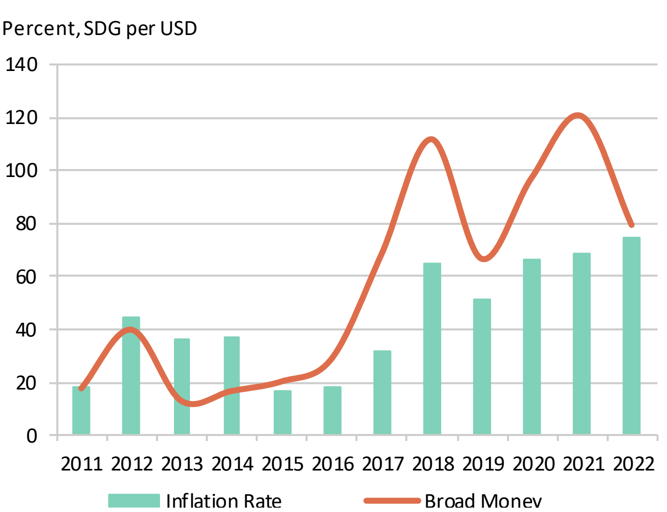
The current account deficit increased from 6.3 percent of GDP in 2018 to an estimated 8.1 percent of GDP in 2019 as months of protest and the droughts affected exports. In addition, as the currency continued to depreciate the trade balance also depreciated as the value of imports increase. The Gross international reserves are low at $1.4 billion in 2019 (2 months of imports).

It remains unclear what current poverty and inequality levels are because the poverty data from the latest household survey (2014/15) do not reflect the current macroeconomic imbalances in Sudan. Assuming distribution-neutral consumption growth, poverty rates may have increased consistently in recent years, to reach in 2019 an estimated 14.2 percent at $1.90/day PPP and 47 percent at $3.20/day PPP. The 2018 food price hikes are estimated to have aggravated the poverty, inequality, and overall economic welfare situation. The price increases of wheat, sorghum, millet, and their derivative products alone resulted in an increase in extreme poverty by an estimated 3.2 percentage points.

Outlook

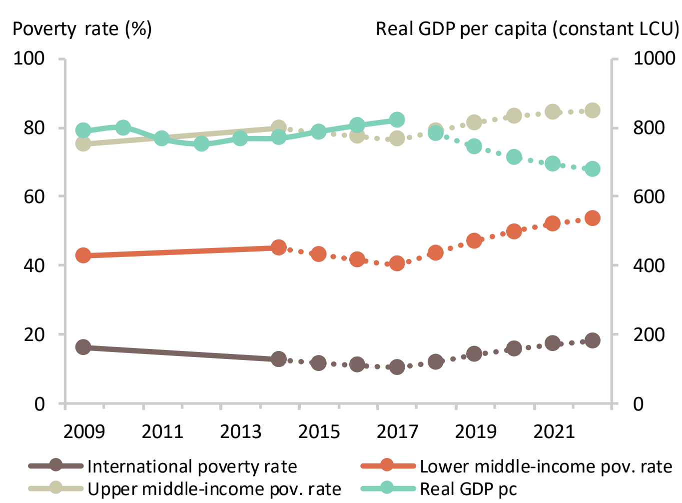
Economic growth is expected to remain subdued in the medium-term as the

FIGURE 1 Sudan / Inflation and money supply



Sources: WDI and staff estimates.

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



Source: World Bank
Note: see Table 2.

country grapples with the COVID-19 pandemic and economic imbalances continue. Specifically, economic growth is expected to decline by a further 0.8 ppt in 2020 to -2.1 percent due to disruptions associated with the COVID-19 outbreak. Under the baseline scenario, closure of ports and collapsing demand from trading partners like United Arab Emirates (37 percent of exports), Saudi Arabia and China (13 percent) will result in drop in exports. Domestic (private) consumption is also expected decline as a result of domestic containment measures. In addition, if economic reforms are further delayed high inflation will persist as the exchange rate continues to depreciate and monetary aggregates continue to expand due to monetisation of fiscal deficits.
The fiscal deficit will widen in the medium-term as revenue mobilization remains low and government expenditure remains high. The 2020 budget includes planned increases in revenue by 16.1 percentage point and increase in spending by 16.6 percentage point. These increases represent more than a doubling from 2019. The major driver of the increase in revenue is presumed to be substantial increases in grants and revenue from tax, custom, and state-owned-enterprise income. Expenditure will be driven by increase spending on wages and salaries as well increase in subsidy. The 2020 budget depends on significant external financing from the gulf countries and Arab development funds. The current crisis could affect that supply adversely, and thereby increase budgetary imbalance. On the positive side, lower oil prices will decrease the size of fuel subsidies that are currently a huge burden on the budget.
The outlook for poverty remains negative. Poverty rates are projected by 2022 to increase to 18.3 percent at $1.90/day PPP, and 53.5 percent at $3.20/day PPP. High inflation, shortage of fuel and other basic commodities are expected to continue having negative effects on living conditions. The impending economic stabilization reforms are expected to take time to deliver positive results.

Risks and challenges

Risks to Sudan's outlook remains on the downside. Growth and poverty reduction prospects may be further delayed due to the global threat of COVID-19. A more severe and prolonged the COVID-19 outbreak than currently assumed could have further negative effects on the outlook. Under an escalating scenario, outbreaks in advanced economies linger so that containment measures can only be lifted after four months, leading to further social distancing and containment measures. In this context, an escalating outbreak could affect supply chains and disrupt further transportation (air and freight) and result in a -2.6 percent decline in economic growth in 2020. Growth would then improve in 2021 to -0.5 percent. Poverty may be exacerbated if the pandemic results in a long-time lockdown of businesses and loss of jobs.
Sudan also faces the risk of further macroeconomic instability and deteriorating productivity as the government of Sudan struggles to implement reforms. Without a strong stabilization program, the current fragile economic situation risks deteriorating further. Restoring macroeconomic stability will require adjustments to monetary, fiscal and exchange rate policy. The feasibility of revenue mobilization envisioned by the government in the 2020 budget is uncertain. In addition, the budget does not include subsidy reductions that could free up more resources for better uses. In addition, Sudan remains on the U.S. State Sponsors of Terrorism List (SSTL), which continues to limit the country's access to external resources, dissuade foreign investment, and delay a restoration of correspondent banking relationships.

TABLE 2 Sudan / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.3	-2.3	-2.6	-2.1	-0.5	0.3
Private Consumption	3.0	-3.2	-2.5	-2.4	-1.2	-0.3
Government Consumption	15.5	-1.1	-9.8	-1.7	-0.1	-0.3
Gross Fixed Capital Investment	3.0	-2.9	-1.5	-1.5	-1.2	1.1
Exports, Goods and Services	3.5	0.8	2.3	-1.3	2.8	2.8
Imports, Goods and Services	-1.0	-0.4	1.6	-0.3	2.4	2.6
Real GDP growth, at constant factor prices	3.9	-2.3	-2.6	-2.1	-0.5	0.3
Agriculture	2.5	-1.5	-1.0	-1.5	0.2	-0.3
Industry	4.5	-1.7	-0.7	-1.3	-0.7	-0.7
Services	4.5	-3.2	-4.7	-3.0	-0.8	1.4
Inflation (Consumer Price Index)	32.0	64.8	51.3	62.1	63.4	64.8
Current Account Balance (% of GDP)	-3.9	-6.3	-8.1	-9.9	-8.9	-10.1
Net Foreign Direct Investment (% of GDP)	0.9	1.9	5.9	8.5	8.7	10.0
Fiscal Balance (% of GDP)	-6.6	-4.3	-10.5	-12.4	-13.5	-15.7
Debt (% of GDP)	122.8	91.2	213.1	232.3	247.4	260.1
Primary Balance (% of GDP)	-6.1	-3.0	-8.5	-11.3	-13.1	-13.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	10.6	12.1	14.2	15.8	17.2	18.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	40.4	43.7	47.0	49.9	51.9	53.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	76.6	79.0	81.5	83.3	84.4	85.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2014) with pass-through = 1 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

TANZANIA

Table 1	2019
Population, million	60.9
GDP, current US$ billion	62.8
GDP per capita, current US$	1030
International poverty rate ($1.9)[a]	49.1
Lower middle-income poverty rate ($3.2)[a]	76.6
Upper middle-income poverty rate ($5.5)[a]	91.7
Gini index[a]	40.5
School enrollment, primary (% gross)[b]	89.2
Life expectancy at birth, years[b]	64.5

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

According to official data, GDP growth through the first three quarters of 2019 was 6.9 percent. Growth is projected to decelerate in 2020 due to the impact of COVID-19 in the global economy, with an expected rebound near 6 percent over the medium-term. Estimates based on the national poverty line show the headcount poverty rate falling from 28.2 percent in 2012 to 26.4 percent in 2018, with modest reduction in poverty incidence expected over the medium term.

Recent developments

According to official data, GDP growth through the first three quarters of 2019 was 6.9 percent, similar to the official growth rate of 7.0 percent in 2018. However, high-frequency indicators suggest an annual GDP growth closer to 6.0 percent. In 2019 growth was driven by a strong performance of mining, construction, and transport services.

Headline inflation reached 3.8 percent as of December 2019, below the authorities' target of 5.0 percent. Tanzania has been successful in keeping inflation in check: in 2018-2019 annual inflation was 3.5 percent on average, the lowest rate in the last two decades.

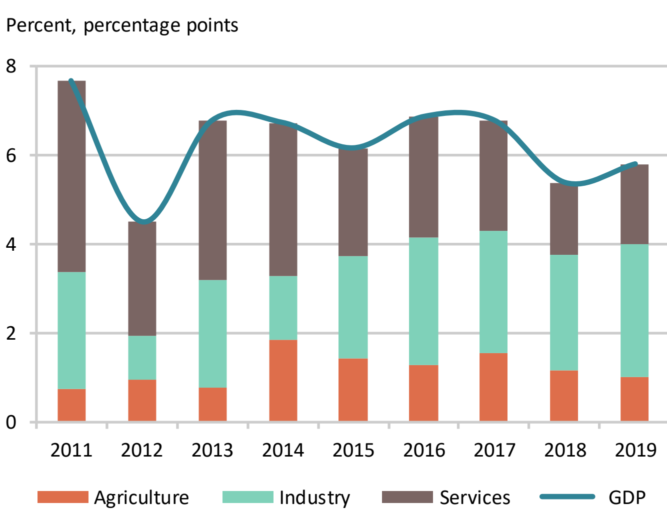
The current account deficit improved to 3.0 percent of GDP in 2019, down from 3.8 percent in 2018, due to higher exports of gold and manufactured goods. Imports increased at a slower pace, with intermediate goods recording the highest growth due to an expanding oil import bill. The current account deficit was funded primarily by external borrowing. Official gross reserves reached USD 5.6 billion in December 2019, adequate to cover 6.4 months of imports of goods and services, above Government's threshold of 4 months. The shilling has remained stable.

The fiscal deficit for 2019 was an estimated 2.3 percent of GDP, up from the previous year's deficit of 1.7 percent. Domestic revenue reached 14.0 percent of GDP, below the budgeted target of 15.5 percent of GDP. Total expenditures were also lower at 16.9 percent of GDP (against the target of 20.4 percent of GDP) due to lower than expected capital expenditures. In 2019/20 H1 tax collection improved to 15.5 percent of GDP, while total expenditures have also accelerated driven by increasing expenditures in goods and services and in capital goods. The level of public debt is currently sustainable, with Tanzania assessed at low risk of debt distress in the most recent joint WB-IMF Debt Sustainability Analysis.

The Bank of Tanzania continued pursuing an accommodative monetary policy. M3 grew by 9.6 percent in December 2019 and private sector credit grew by 11.1 percent in 2019. Commercial lending rates have remained high at 16.8 percent in December 2019, partly reflecting high NPLs.

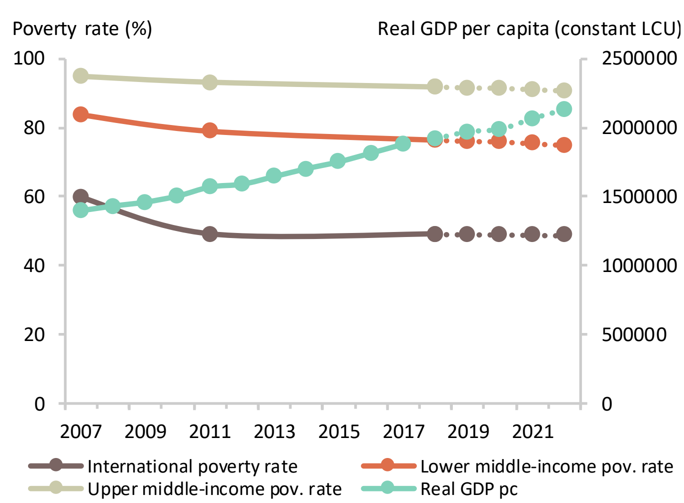
Poverty remains widespread with almost one in two Tanzanians living on less than PPP USD 1.90 per day. Along this measure, poverty remained unchanged at 49 percent between 2012 and 2018. Estimates based on the national poverty line, equivalent to PPP US$ 1.35 per day, show the headcount poverty rate falling from 28.2 percent in 2012 to 26.4 percent in 2018, lower than the drop of 6.7 percentage points between 2007 and 2012. The slowing pace of poverty reduction, combined with a growing population size, led to an increase of 1.7 million in the number of poor – based on the national poverty line – people between 2012 and 2018. This suggests that growth has become less broad-based and

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



Sources: National Bureau of Statistics (NBS) and World Bank staff estimates.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was March 20, 2020.

less pro-poor. Growth has been concentrated in sectors where few of the poor work. It is mostly the better-off Tanzanians, with higher human and physical capital, that have been able to benefit from growth.

Outlook

Growth is expected to decelerate in 2020 to 3.0 percent due to the COVID-19 pandemic. The global slowdown and travel bans will reduce exports of services related to tourism, reducing employment in this sector and in related activities. Exports of manufactured goods will also decrease due to a contraction in global demand. The surge in global uncertainty and risk premia will reduce capital inflows to the region and increase investor's risk aversion. Thus, private investment is expected to decelerate. Consumption will decelerate due to a decline in discretionary consumption arising from higher consumer's risk aversion and higher precautionary savings, and lower disposable income due to higher unemployment. As the most acute eco-nomic effects of social distancing ease in the second half of 2020, the economy is projected to strengthen, and is projected to grow at close to 6 percent over the medium term, conditional on steady implementation of reforms to improve: (i) the business environment to attract private investment, and (ii) fiscal management to strengthen revenue collection and budget execution. Inflation should remain low driven by decreasing global energy prices. The authorities target an overall fiscal deficit of 3-4 percent of GDP over the medium term as recurrent and capital expenditures rise, driven by expenses related to the upcoming general elections, additional health spending and an ambitious public infrastructure investment program. The current account deficit is expected to widen to 4-5 percent of GDP over the medium term as the growth in capital imports for infrastructure investment outpaces export growth.

During 2011-18, the growth elasticity of poverty—using the international poverty line of PPP USS 1.90 per day—has been very low at -0.01. Limited progress in poverty reduction is expected over the medium term as most of the poor are unable to benefit from Tanzania's growth given that it continues to be largely concentrated in capital-intensive sectors and in large urban areas. Fast population growth also undermines per capita welfare growth. Under these circumstances, the incidence of poverty based on the USD 1.90 line is predicted to remain at 49.1 percent.

Risks and challenges

The main risk to the outlook is an uncontained spread of COVID-19 which is not mitigated before the first half of 2020. Under this scenario, Tanzania's healthcare system would be strained, and social distancing measures would paralyze most of manufacturing and services. Moreover, the expansionary fiscal and monetary policies that Governments and Central Banks are undertaking to stimulate the economy could lose effectiveness under a scenario with higher uncertainty and with the cost of borrowing for emerging markets increasing. Therefore, the economy could not rebound strongly in 2021. A slow pace of reform implementation and erratic regulatory changes could undermine private investment and the recovery of the economy, as well as the Government's efforts to promote industrialization and boost job creation over the medium-term.

Improved coverage and targeting of existing social protection and productive transfer programs, as well as investments in human capital, especially of the youth, and rural infrastructure can reduce vulnerability and increase access to productive work, with significant impact on poverty.

TABLE 2 Tanzania / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	6.8	5.4	5.8	3.0	7.0	6.0
Private Consumption	2.3	7.2	5.5	2.4	6.5	5.1
Government Consumption	1.1	4.3	6.9	9.0	0.7	2.3
Gross Fixed Capital Investment	15.8	7.7	8.0	4.0	10.9	9.6
Exports, Goods and Services	-4.1	-3.9	4.5	-8.0	7.0	3.3
Imports, Goods and Services	-7.1	8.5	9.5	-1.5	11.3	8.0
Real GDP growth, at constant factor prices	7.0	5.8	5.8	2.9	7.0	6.0
Agriculture	6.0	3.4	3.5	3.5	3.6	3.5
Industry	10.7	11.0	10.2	5.0	12.0	9.9
Services	5.3	3.8	4.2	0.9	5.3	4.5
Inflation (Consumer Price Index)	5.3	3.5	3.8	3.5	3.5	3.5
Current Account Balance (% of GDP)	-3.0	-3.9	-3.0	-4.3	-4.1	-4.3
Net Foreign Direct Investment (% of GDP)	2.1	1.8	1.8	0.8	1.5	1.6
Fiscal Balance (% of GDP)	-1.1	-1.7	-2.3	-4.2	-3.5	-3.5
Debt (% of GDP)	37.0	36.7	36.2	38.7	39.2	39.1
Primary Balance (% of GDP)	0.3	-0.2	-0.8	-2.4	-1.6	-1.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	..	49.1	49.1	49.1	49.1	49.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	..	76.6	76.2	76.0	75.4	75.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	..	91.7	91.5	91.4	91.1	90.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-HBS and 2018-HBS. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.
(b) Projection using average elasticity (2011-2018) with pass-through = 1based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was March 20, 2020.

TOGO

Table 1	2019
Population, million	8.2
GDP, current US$ billion	5.5
GDP per capita, current US$	671
International poverty rate ($1.9)[a]	49.8
Lower middle-income poverty rate ($3.2)[a]	73.4
Upper middle-income poverty rate ($5.5)[a]	90.4
Gini index[a]	43.1
School enrollment, primary (% gross)[b]	124.4
Life expectancy at birth, years[b]	60.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Economic activity regained momentum in 2019 as growth reached 5.3 percent, supported by public investment, industry and agriculture. Fiscal and external deficits widened, reflecting higher public investment and capital imports. The economic outlook remains moderately favorable. Growth will temporarily slow to 4.1 percent in 2020 owing to COVID-19, from declines in private consumption and services, such as airport and port activities and tourism. Downside risks include larger-than-expected COVID-19 effects, political uncertainty, heightened insecurity in neighboring countries, and banking sector vulnerability.

Recent developments

The economy maintained growth momentum in 2019 with growth increasing from 4.9 percent in 2018 to 5.3 percent in 2019 (2.8 percent in per capita terms). This is slightly slower than potential growth estimated at 5.4 percent. On the supply side, it reflects the increasing productivity of the agricultural sector as well as a pick-up in industrial production. The expansion of the agriculture sector is supported by an increase in land under cultivation and improved access to financing. In the industrial sector, the declining performance of the phosphate sector was more than offset by higher building and construction activities. On the demand side, growth was supported by an acceleration of public investment, such as the construction of new roads and port infrastructure. Inflation decreased from 0.9 percent in 2018 to 0.7 percent in 2019, reflecting a decline in international oil prices and lower food prices from increased food production.

The external current account deficit rose from 3.5 percent in 2018 to 4.0 percent of GDP in 2019, from an increase in capital goods imports and a slight decline in exports in dollar terms because of the underperformance of phosphate and coffee exports. The current account deficit was financed through a combination of external concessional borrowing and foreign direct investments (FDI).

The tight fiscal stance loosened in 2019. The deficit increased from 0.8 percent of GDP in 2018 to 1.2 percent of GDP in 2019, reflecting an increase in public investment. Public debt declined from 76.2 percent of GDP in 2018 to 70,9 percent in 2019. driven by a primary surplus and nominal GDP growth.

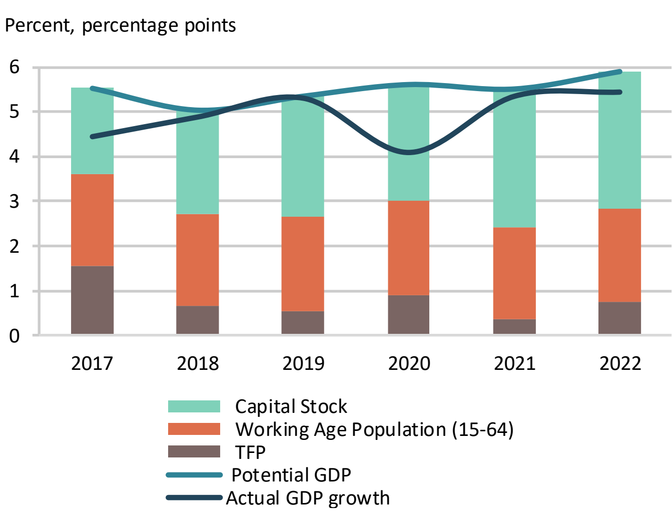
Togo's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 4.9 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange rate (REER) depreciated by 5 percent in 2019, due to the Euro nominal depreciation against the US dollar combined with persistently lower inflation of the WAEMU compared to trading partners.

The poverty rate (using the national poverty line) decreased from 58.7 percent in 2011 to 55.1 percent in 2015. Estimates suggest poverty has continued to fall since 2015, particularly in rural areas, thanks to targeted interventions and relatively strong agricultural production. The extreme poverty rate (at US$1.9 PPP per day) is estimated to have declined to 45.8 percent in 2019 compared to 47.8 percent in 2017.

Outlook

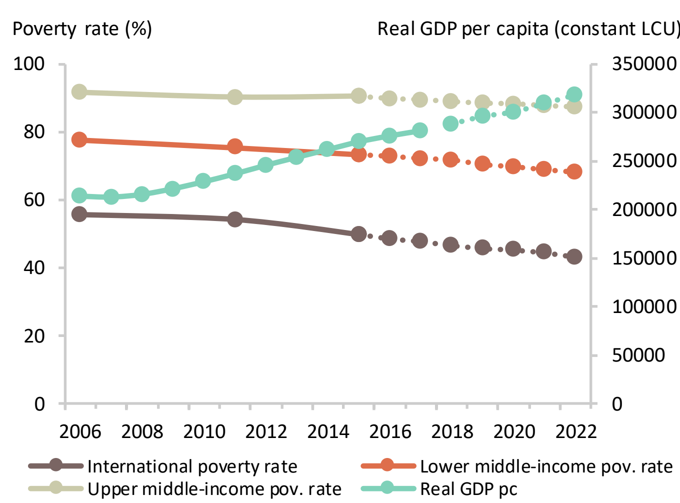
The COVID-19 pandemic will negatively impact economic growth in 2020, disrupting

FIGURE 1 Togo / Real GDP and potential output growth, with a decomposition of contributions to potential output growth



Sources: INSEED and World Bank staff estimates.

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



Source: World Bank.
Notes: see table 2.

The cut-off date for information in this MPO was April 02, 2020.

service sector activity and lower household consumption. Travel bans and flight restrictions will severely reduce tourism and port and airport activities. On the demand side, containment measures will weaken household consumption.

Medium term growth will average 4.9 percent (2.5 percent in per capita terms) supported by public investment in road and port infrastructure, the planned construction of a phosphate mining complex and the opening of the Kara Agropole. Growth will, however, remain below potential, increasing the negative output gap. As domestic demand rises more quickly than supply, especially from supply shortage of food and medicine in the short-run, inflation is expected to average 2.0 percent during the forecast period.

The external current account deficit is projected to stabilize at around 4.2 percent of GDP in the medium term, reflecting lower-than-expected exports due to slower global growth. The deficit will be financed by FDI inflows, a steady increase in capital grants and long-term non-concessional loans.

In response to COVID-19, the fiscal deficit is expected to increase sharply to 3.7 percent in 2020 before falling in 2021-22 to average 2.4 percent over the medium term. Tax and non-tax revenues are expected to decline as a result of lower production and consumption. Spending is forecast to rise, driven by an increase in health expenditures to curb the spread of the virus and increased transfers to protect households and firms. Public debt will decline to 67.2 percent of GDP in 2020, below the WAEMU 70 percent target.

WAEMU reserves are expected to reach about 5.1 months of imports by 2022 as member countries continue to implement fiscal consolidation measures and external competitiveness improves. In December 2019, the WAEMU authorities announced a currency reform involving changes to the underlying arrangements with France. Market reactions have been muted so far, likely reflecting expectations that the foundations of the currency regime would remain broadly unchanged for the foreseeable future.

Extreme poverty is projected to decline to 43.3 percent by 2022, assuming continued growth of agricultural productivity and incomes, implementation of inclusive growth policies through targeted social spending, and greater employment opportunities in semi-urban areas and community development programs implemented since 2017. But, the negative impacts of the COVID-19 pandemic are likely to slow the pace of poverty reduction, by reducing remittances, increasing prices of basic goods and services, and lowering the income of the poorest and most vulnerable, particularly those working in agriculture, tourism, and other related sectors.

Risks and challenges

Though economic prospects remain positive, both external and domestic risks are tilted to the downside. External risks include the uncertain impact of COVID-19, global trade uncertainty, lower commodity prices and the rising security threat in neighboring countries. For example, a more negative COVID-19 scenario, assuming the extension of the containment period beyond 4 months and a sharp increase in borrowing costs, could lower 2020 growth to 2.3 percent. Domestic risks include political uncertainty and weak administrative capacity, which could limit private investment. Contingent liabilities associated with a delay in restructuring two weak public banks are also a risk to financial stability and fiscal sustainability. Poverty reduction could also slow from lower social transfers to the poor and vulnerable, higher food prices, and from increased unemployment, lower remittances, and loss of income for those working in affected sectors.

TABLE 2 **Togo** / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.4	4.9	5.3	4.1	5.3	5.4
Private Consumption	1.7	3.9	3.4	1.5	3.1	2.0
Government Consumption	17.7	13.7	-5.4	2.9	-13.9	4.9
Gross Fixed Capital Investment	-10.6	18.6	18.1	6.1	21.8	9.9
Exports, Goods and Services	-0.1	-1.0	5.4	6.7	7.5	6.7
Imports, Goods and Services	-0.4	4.3	4.1	3.2	5.0	5.0
Real GDP growth, at constant factor prices	2.8	4.8	5.3	4.1	5.3	5.4
Agriculture	3.4	3.4	5.2	5.5	5.9	5.9
Industry	-4.4	1.7	4.2	4.4	4.6	4.6
Services	7.1	7.6	6.1	2.9	5.4	5.6
Inflation (Consumer Price Index)	-0.2	0.9	0.7	2.0	2.0	2.0
Current Account Balance (% of GDP)	-2.0	-3.5	-4.0	-4.0	-4.3	-4.2
Fiscal Balance (% of GDP)	-0.3	-0.8	-1.2	-3.7	-1.7	-1.7
Debt (% of GDP)	75.9	76.2	70.9	67.2	63.2	59.6
Primary Balance (% of GDP)	1.5	1.8	1.6	-0.8	1.0	0.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	47.8	46.6	45.8	45.3	44.5	43.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	72.3	71.9	70.5	69.8	68.9	68.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	89.5	89.0	88.5	88.3	87.8	87.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2015-QUIBB. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

The global outlook is very uncertain. This outlook reflects information available at the time of its preparation. As more information becomes available, these projections will be revised. They are presented now to assist policymakers to design alternative policy responses.

UGANDA

Table 1	2019
Population, million	45.7
GDP, current US$ billion	33.5
GDP per capita, current US$	732
International poverty rate ($1.9)[a]	41.7
Lower middle-income poverty rate ($3.2)[a]	69.9
Upper middle-income poverty rate ($5.5)[a]	87.8
Gini index[a]	42.8
School enrollment, primary (% gross)[b]	102.7
Life expectancy at birth, years[b]	62.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011PPPs.
(b) Most recent WDI value (2017).

Real GDP continued growing robustly at 6.5 percent in FY19. Consequently, the current account deficit almost doubled to 9.8 percent of GDP, but strong FDI inflows limited external vulnerabilities. GDP growth is projected to average 3.8 percent during FY20-FY21 owing to the impact of the pandemic. Uncertainty related to the 2021 elections and extent of decline in domestic and external demand weighs on the outlook. After falling in FY19 due to agricultural growth, poverty will increase in the short run.

Recent developments

Real GDP grew 6.5 percent in FY19, maintaining the rebound in economic activity over the last two years. This has been driven by domestic consumption and sustained public and private investments. Net FDI inflows rose to 5.1 percent of GDP in FY19 from 3 percent the previous year. The construction sector grew strongly, while manufacturing output jumped supported by investments in new factories. However, real GDP decelerated sharply to 3.2 percent in the first half of FY20 compared to 7 percent a year ago due to the decline in cash crop production of 8 percent caused by heavy rains and flooding. Following the release of rebased GDP estimates, in October 2019, nominal GDP increased 17 percent, and the structure of the economy changed, with the share of industry rising from about 20 to almost 30 percent of GDP, and a corresponding drop in the share of services.

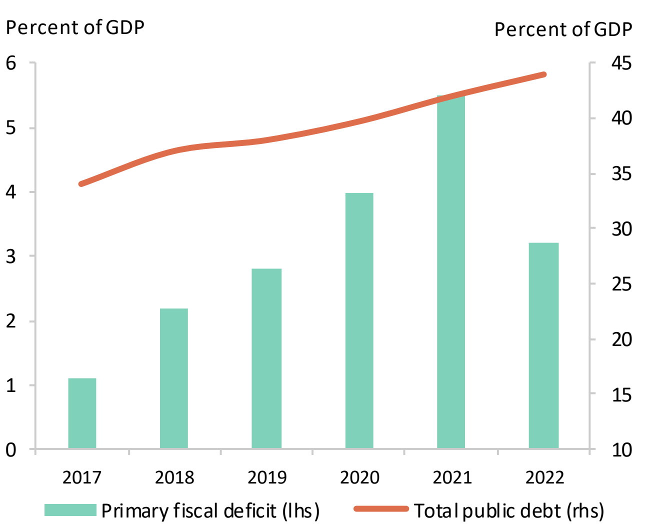
The economic recovery observed in FY19, associated with robust growth in agriculture, is estimated to have lowered poverty from 41.7 percent in FY17 to around 39 percent in FY19. Poverty in Uganda remains a rural phenomenon, with around 90 percent of the poor population residing in rural areas, where crop income is the main source of livelihood. Thus, the increase in crop production by 7.7 percent in FY19 is expected to have lowered poverty. However, the recent decline in cash crops at the end of 2019, is predicted to have stalled further poverty reduction.

Inflationary pressures in 2019 remained subdued and the central bank recently loosened monetary policy. At 3.6 percent in 2019, inflation remained below the central bank's core inflation target of 5 percent. Subdued price levels have been supported by an appreciation of the shilling, while favorable weather and ample food supply maintained deflationary food price pressures. In response to these developments and the price outlook, the policy interest rate was cut from 10 to 9 percent in October 2019. Subdued prices persisted in early 2020, with 12-month headline inflation in March at 3 percent.

The pick-up in growth doubled the current account deficit to 9.8 percent of GDP in FY19, yet the external position remains manageable due to large net FDI inflows. Aided by a real exchange rate appreciation, total imports grew 20 percent in FY19, exceeding strong export growth. The surge in non-oil imports was driven by private consumption and investment fueled by higher incomes and private sector credit growth. More than half of the external shortfall was financed by net FDI inflows, which helped increase foreign exchange reserves to US$3.3 billion, equivalent to 4.1 months of imports. For the first half of FY20, preliminary data suggest a narrowing of the current account deficit to 4.8 percent of GDP from 7.7 percent of GDP last year.

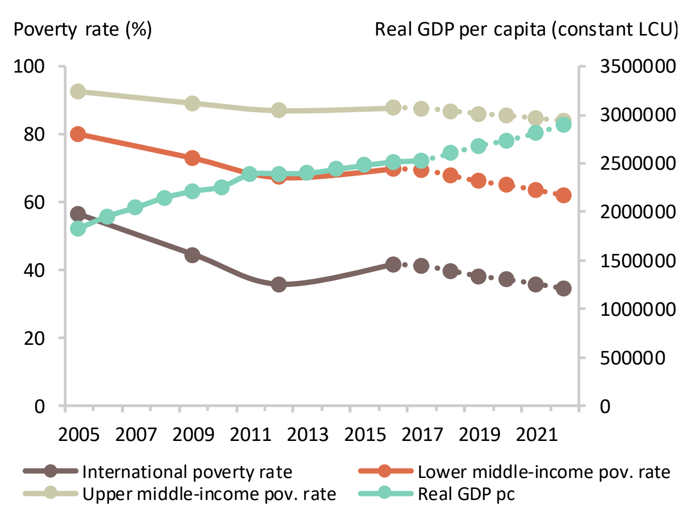
The fiscal deficit totaled 4.9 percent of GDP in FY19 and was below the budgeted deficit of 5.8 percent of GDP. This slower increase in the fiscal deficit can be attributed to the rise in tax revenues, by about 0.9 percent of GDP compared to the year before, and slower execution of externally financed

FIGURE 1 Uganda / Evolution of primary fiscal deficit and public debt



Source: Ministry of Finance, Planning and Economic Development.

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



Source: World Bank.
Notes: see Table 2.

The cut-off date for information in this MPO was April 02, 2020.

capital spending. At 12.6 percent of GDP, tax revenues have benefitted, in part, from higher corporate income and withholding tax collections. The fiscal deficit rose to 5.8 percent of GDP in the first half of FY20 compared to 4.8 percent of GDP in FY19 as current spending rose significantly and revenues improved marginally.

Outlook

The COVID-19 pandemic and locust invasion are expected to reduce average real GDP growth to about 3.8 percent over the next two years. In the short term, the pandemic is likely to cause a slowdown in private consumption and private investment, including FDI inflows. Real output growth is expected to decelerate to 4.0 percent in FY20 and 3.5 percent in FY21. A rebound of 5.9 percent is projected for FY22, as private consumption and private and public investments accelerate. Inflation is expected to remain in line with the inflation target of 5 percent, barring any shocks to food prices from bad weather, pests, and supply interruptions caused by the pandemic.

The fiscal deficit is expected to accelerate to 6.9 percent of GDP in FY20, and close to 8 percent of GDP the following year. The jump of 2 percentage points in the deficit compared to last year is explained by the government's response to the pandemic, in the form of higher current spending and sizably smaller revenues. The sharply increasing deficit is in part offset by a decline in externally financed capital spending. Debt vulnerabilities will grow as public debt rises above 44 percent of GDP by 2022. The slowdown in exports due to an expected halt in external demand will keep the current account deficit at around 6 percent of GDP over the next two years. The external shortfall is expected to be met by concessional borrowing, which will offset smaller net FDI inflows. The decline in oil prices to around US$30 – half the estimated breakeven price in Uganda – could shift oil exports beyond 2025.

Poverty will increase in FY20 to at least 41 percent, as a result of the impact of COVID-19 on the services and construction sectors. Lower demand for agricultural products (internal and external) will curb agricultural incomes and, without the support of social protection programs, welfare will suffer.

Risks and challenges

Downside risks dominate the outlook. The drop in private consumption, domestic investment and export performance could be more acute than currently predicted, given COVID-19's prolonged impact on domestic and external demand, FDI and global travel and supply-chains. Heightened uncertainty around the 2021 elections could also slow investments and economic activity, and strain fiscal management through increased election-related spending. The impact on growth could be aggravated by the locusts and weather shocks, the effects of which were already observed in the first quarter of FY20. Finally, delays in oil production and exports could create liquidity pressures, especially as government turns to non-concessional borrowing and faces shortfalls in revenue mobilization.

TABLE 2 Uganda / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.9	6.2	6.5	4.0	3.5	5.9
Private Consumption	0.0	4.9	8.0	1.2	1.6	5.4
Government Consumption	12.9	11.6	11.5	17.6	14.7	7.1
Gross Fixed Capital Investment	-0.9	7.9	16.5	2.8	3.5	10.2
Exports, Goods and Services	31.0	9.3	20.1	9.9	6.3	11.2
Imports, Goods and Services	4.8	7.6	24.1	4.1	5.1	13.8
Real GDP growth, at constant factor prices	3.9	6.2	6.5	4.0	3.5	5.9
Agriculture	2.8	3.8	5.0	2.6	2.8	4.1
Industry	6.7	8.0	10.8	6.2	5.5	8.1
Services	2.9	6.5	4.6	3.4	2.5	5.3
Inflation (Consumer Price Index)	5.7	3.4	3.1	3.2	4.0	4.5
Current Account Balance (% of GDP)	-3.3	-5.3	-9.8	-6.5	-5.5	-7.6
Net Foreign Direct Investment (% of GDP)	2.3	3.0	5.1	3.9	3.0	3.1
Fiscal Balance (% of GDP)	-3.3	-4.2	-4.9	-6.9	-7.8	-5.3
Debt (% of GDP)	33.7	37.0	37.6	39.7	42.3	44.5
Primary Balance (% of GDP)	-1.1	-2.2	-2.8	-4.0	-5.5	-3.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	41.4	39.8	38.2	37.2	35.9	34.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	69.6	67.9	66.2	65.0	63.6	62.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.6	86.9	86.0	85.5	84.8	84.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2009-UNHS and 2016-UNHS. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2009-2016) with pass-through = 2.5 based on GDP per capita in constant LCU.

The cut-off date for information in this MPO was April 02, 2020.

ZAMBIA

Table 1	**2019**
Population, million	18.1
GDP, current US$ billion	25.2
GDP per capita, current US$	1389
International poverty rate ($1.9)[a]	57.5
Lower middle-income poverty rate ($3.2)[a]	74.3
Upper middle-income poverty rate ($5.5)[a]	87.2
Gini index[a]	57.1
School enrollment, primary (% gross)[b]	98.7
Life expectancy at birth, years[b]	63.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2017).

Growth in 2019 slowed significantly to 1.7 percent from 4.0 percent in 2018, reflecting the impact of weather shocks and fiscal policy inertia. There was also an uptick in the poverty rate as a result. FY19 fiscal performance remained expansionary, compounding the challenge of debt sustainability. Inflationary pressures have persisted, and the Kwacha depreciated markedly, prompting monetary policy tightening. Growth in 2020 is projected at 1.6 percent, reflecting the lack of policy space to counteract the COVID-19 economic impact.

Recent developments

Zambia's real GDP growth moderated significantly to 1.7 percent in 2019 from 4.0 percent in 2018, dragged by stagnation and negative growth in industry and primary sectors, respectively. Growth in the services sector was driven by wholesale and retail trade. However, agriculture and mining production declined, leading to a negative contribution of the primary sector to growth. Similarly, industrial activity remained stagnant, as weak manufacturing growth was offset by a contraction in construction. Lower growth, in turn, led to a slight uptick in poverty rates, especially in rural areas dependent on agriculture. Fiscal weaknesses led to further domestic arears build-up, lower private sector credit, and worsening financial sector balance sheets. The electricity load-shedding program also contributed to the weak performance in industry and tertiary sectors.

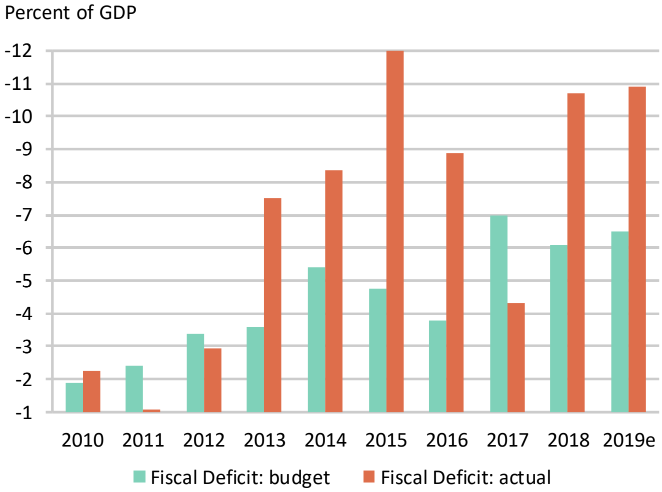
The drought-induced reduction in the 2019 maize harvest has exacerbated poverty and food insecurity. As a significant number of the rural poor are both producers and net-buyers of maize, their purchasing power to acquire food has been eroded by the double burden of income losses and price increases.

The fiscal deficit, at 10.9 percent in 2019, was more expansionary than budgeted (6.5 percent) and higher than in 2018 (10.7 percent). Domestic revenue outturn exceeded the budget by 1.2 percent of GDP, reflecting improved revenue collection efforts and increases in user fees. However, pressures from higher debt service costs, public investment spending and the Farmer Input Subsidy Program saw overall expenditure (on cash-basis) increase by 2.2 percent of GDP. With little or no external financing, the deficit was financed from domestic issuances and increases in payment arrears, putting pressure on the private sector's balance sheets and access to finance.

The 2020 budget is premised on an ambitious revenue mobilization and financing framework. Domestic revenue is programmed to increase by 2.1 percent to 23.1 percent of GDP, driven by one-off exceptional non-tax revenue. Expenditure is expected to increase by about 3 percentage points from the 2019 budget to 28.5 percent of GDP, bringing the fiscal deficit to 5.5 percent of GDP (or 7.6 percent excluding the one-off revenue). However, falling revenues and increased expenditure pressures due to the the COVID-19 crisis could see the deficit increase by between 3-5 percent of GDP. Absent strong fiscal adjustment measures, budget implementation will face the same challenges as in 2019 with continued build-up of arrears, high cost of domestic financing, and low external financing.

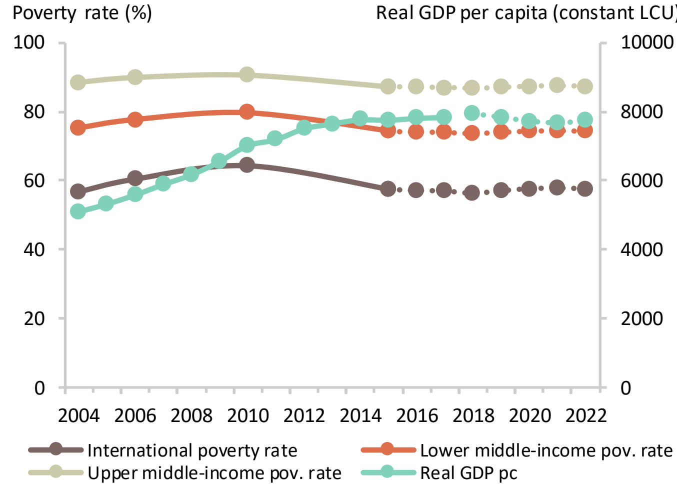
CPI inflation averaged 9.2 percent in 2019 and hit 14.0 percent by March 2020, driven by rising food prices, exchange rate pressures, and energy prices. In response, the Bank of Zambia tightened its monetary policy in 2019, increasing its policy rate by a cumulative 175 basis points to 11.50 percent and tightening the reserve requirement framework. Inflationary pressures are expected to persist throughout 2020,

FIGURE 1 Zambia / Central government fiscal operations



Sources: Ministry of Finance, Zambia and World Bank estimates.

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



Source: World Bank.
Note: see Table 2.

inhibiting the central bank's ability to ease monetary policy in response to the COVID-19 crisis. Instead, the BoZ has introduced some regulatory incentives to financial services providers to provide relief to the private sector and facilitate long-term lending.

The current account deficit weakened to 1.5 percent of GDP in 2019 from 1.3 percent in 2018. While both goods exports and imports declined, the higher pace of decline in the latter due to subdued demand and a more depreciated Kwacha led to an improved trade surplus. However, income and services accounts deteriorated, in part due to higher interest payments on external debt. With low capital inflows, the overall BoP was financed by a drawdown in official reserves, which fell to US$ 1.45 billion at end-December 2019 from US$ 1.6 billion in 2018.

Public debt vulnerabilities heightened in 2019. Central government external debt stock jumped from 37 percent of GDP in 2018 to 45 percent in 2019, while the total public debt stock is estimated at 89 percent of GDP. Debt service consumed 46 percent of domestic revenue in 2019 from 36 percent in 2018, reflecting a weaker Kwacha and higher domestic interest rates. External debt service is expected to average $1.6 billion per year over 2020-22, while official reserves continue to decline. The latest World Bank/IMF Debt Sustainability Analysis concluded that Zambia is at high risk of debt distress.

Outlook

Medium-term growth prospects are weighed down by the limited policy space to respond to the COVID-19 impact. Mining output will be affected by lower global demand and price for metals, while supply chain breakdowns from major trading partners like China and South Africa could negatively affect domestic production and consumption. Lower copper export earnings and capital inflows will put pressure on reserves and the Kwacha. Domestically, increased social distancing will impact businesses and employment, especially in the urban informal sector. Resumption of normal rainfall should, however, help improve agriculture production and electricity generation. In this context, growth is projected to decline to 1.6 percent in 2020 and inflation will remain significantly above the 6-8 percent target range.

The modest medium-term outlook imply that poverty reduction will not take place as expected. Absent a proactive macroeconomic adjustment program, the high debt service may lead to a large forced fiscal adjustment, further impacting core recurrent spending and incurring high economic and social costs. In that context, social sector funding challenges— only 18 percent of the budgeted social cash transfers in FY19 was disbursed-- mean that most of the vulnerable population could receive little or no relief. Resumption of active donor support to cash transfer programs, protection of social spending in the budget, and improved distribution of agriculture inputs will be critical for medium-term poverty reduction.

Risks and challenges

Risks to the outlook are tilted to the downside. Intensification of the COVID-19 crisis across the globe and domestically could amplify the country's macroeconomic vulnerabilities, intensifying debt servicing and domestic liquidity challenges, and further squeezing private sector activity. Domestically, another drought season would dampen the recovery in agricultural production and electricity generation, further constraining industry and services growth. However, if the authorities embark on a macroeconomic adjustment program, it would help reverse the disorderly fiscal adjustment, restore market confidence, and help rebuild budget credibility.

TABLE 2 Zambia / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	3.4	4.2	1.7	1.6	2.3	3.7
Private Consumption	12.5	1.2	2.3	3.1	3.6	-5.3
Government Consumption	-8.6	-14.9	-12.2	13.5	-7.4	1.1
Gross Fixed Capital Investment	10.2	9.9	-13.2	-6.4	-3.9	18.0
Exports, Goods and Services	-3.8	8.7	-7.2	8.0	18.5	7.8
Imports, Goods and Services	10.9	4.9	-13.7	4.5	14.7	7.4
Real GDP growth, at constant factor prices	3.5	4.0	1.7	1.6	2.3	3.7
Agriculture	9.8	-21.2	-2.8	5.0	4.5	4.5
Industry	5.4	4.6	-0.1	1.6	1.4	5.0
Services	1.7	7.3	3.2	1.3	2.5	3.0
Inflation (Consumer Price Index)	6.6	7.5	9.1	12.9	11.5	10.0
Current Account Balance (% of GDP)	-1.7	-1.3	-1.5	-2.8	-3.4	-1.5
Net Foreign Direct Investment (% of GDP)	4.6	1.4	1.6	1.6	1.8	3.0
Fiscal Balance (% of GDP)	-7.7	-8.6	-6.9	-9.0	-6.7	-4.4
Debt (% of GDP)	65.5	77.8	88.6	92.0	94.5	92.5
Primary Balance (% of GDP)	-3.7	-3.9	-3.0	-4.6	-0.8	0.8
International poverty rate ($1.9 in 2011 PPP)[a,b,c]	57.0	56.4	57.1	57.6	57.8	57.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b,c]	74.0	73.7	74.0	74.3	74.4	74.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b,c]	87.0	86.7	87.0	87.3	87.4	87.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2015-LCMS-VII.
(b) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.
(c) Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

The cut-off date for information in this MPO was March 20, 2020.

ZIMBABWE

Table 1	**2019**
Population, million	17.3
GDP, current US$ billion	13.0
GDP per capita, current US$	749
International poverty rate ($1.9)[a]	21.5
Gini index[a]	43.2
Life expectancy at birth, years[b]	60.8

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

GDP is estimated to have contracted by 8.1 percent in 2019, underpinned by climatic and economic shocks and by policy missteps. Devastating drought and cyclone Idai exacerbated structural deficiencies. Amid failed de-dollarization efforts and significant fiscal adjustment, inflation reached triple-digit levels. Extreme poverty reached 38.5 percent of the population in 2019, up from 33 percent in 2017. The outlook is gloomy as recession persists in 2020 while Government's ability to mitigate the social impacts is constrained.

Recent developments

GDP is estimated to have contracted by 8.1 percent in 2019, as the economy was hit by climate shocks, exacerbating existing structural deficiencies that have led to shortages of foreign currency, fuel, and electricity. A severe drought and cyclone Idai, coupled with shortages of foreign currency led to double-digit contraction of agriculture, electricity, and water production and increased food insecurity. Industry, especially mining, was adversely affected by shortages of foreign currency and power outages. In addition, triple-digit inflation and significant fiscal consolidation suppressed domestic demand and contributed to rising poverty.

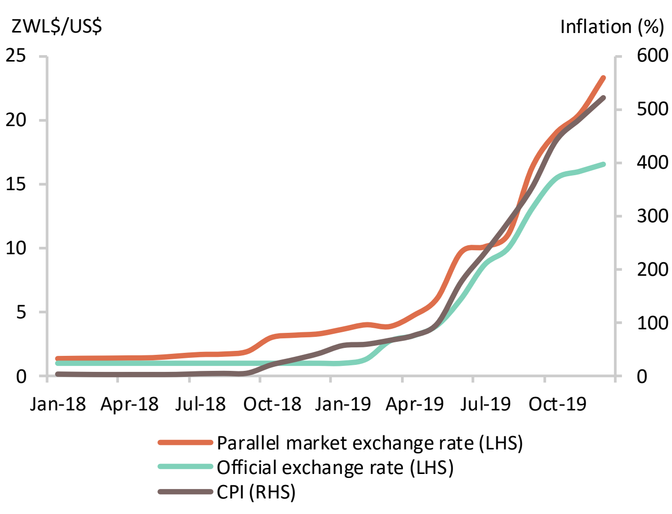
Inflation surged to 521 percent year-on-year in December 2019, sharply eroding disposable incomes. Inflation was fueled by a rapid exchange rate depreciation, poor harvests, and reduction of subsidies on fuel and electricity. Food prices increased by 725 percent, resulting in a severe loss of purchasing power for the poor. Inadequate de-dollarization efforts and quasi-fiscal activities by the Central Bank (RBZ) failed to slow the depreciation of the local currency and contain inflationary pressures. The local currency lost over 60 percent of its value between the end of June and December 2019. The depreciation of the local currency necessitated significant adjustment of prices of imported goods with a pass-through effect on overall inflation levels.

External adjustment was significant and current account balance turned into a surplus in 2019. Trade deficit narrowed to 3 percent of GDP in 2019 as imports were adversely affected by weak domestic demand and foreign exchange rationing. Imports contracted, with all major imports such as food, fuel and electricity contracting by over 25 percent. Exports remained flat as structural weaknesses offset the positive impact of depreciating local currency. Official reserves remained low, providing a cover of less than one month of imports.

Fiscal consolidation led to a reduction of unsustainable deficits but also affected adversely the delivery of basic services. Fiscal deficit is estimated to have reached 2.9 percent of GDP in 2019, well below the levels of the previous three years. Fiscal consolidation relied mostly on addressing unsustainable levels of public service wages, which declined sharply from 72 percent of government revenue in 2018 to around 37 percent in 2019. Despite increases in social protection spending, including repayment of arrears on important social programs, most of the extreme poor remained unprotected. In 2019, 47 percent of the extreme poor households received at least one form of social assistance. Education and health spending budgets, which mostly consist of salaries, were eroded by inflation, worsening the service delivery, compounded by doctors on strike for 5 months, and increased absenteeism of teachers.

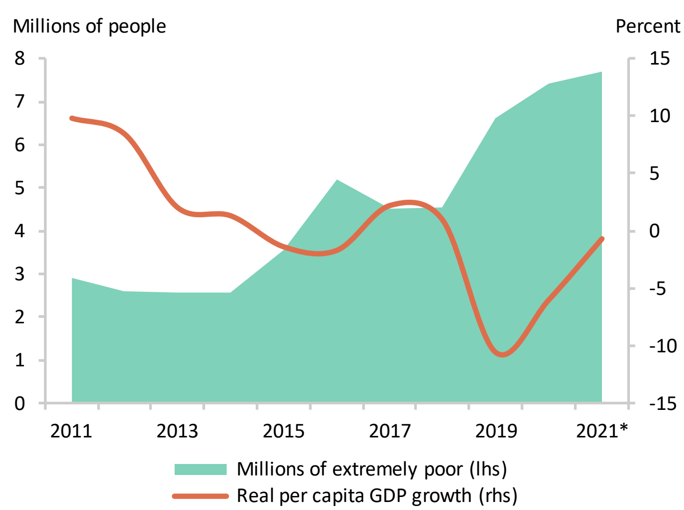
As a result of climate and economic shocks, social conditions deteriorated sharply, and poverty levels increased. The number of extreme poor doubled compared to 2011 reaching 6.6 million in 2019.

FIGURE 1 Zimbabwe / Exchange rates and inflation



Sources: Zimstat and World Bank staff estimates.

FIGURE 2 Zimbabwe / Number of extreme poor and growth of real GDP per capita



Sources: World Bank calculations using data from Zimstat PICES surveys 2011, 2017 and mini-PICES 2019.

The cut-off date for information in this MPO was March 20, 2020.

Substantial decline in agriculture production and high food prices increased food insecurity with close to 50 percent of the population being food insecure in 2019. Extreme poverty reached 38.5 percent of the population in 2019, up from 33.4 percent in 2017, with urban poverty rising faster (from 4 percent to 10 percent) than rural poverty.

Outlook

The outlook is gloomy as domestic vulnerabilities are likely to persist while COVID-19 pandemic poses new challenges. Pre-COVID-19 outbreak, real GDP was projected to contract by 1.7 percent in 2020, partly due to persistent drought, continued foreign currency and fuel shortages, and depressed domestic demand. Real GDP is projected to contract further to 5 percent as a result of the COVID-19 pandemic. Continued local currency depreciation, disruption of production and trade as a result of lockdown of businesses due to COVID-19 might fuel further inflationary pressures suppressing domestic demand. Recovery of exports is likely to be delayed due to rapidly weakening external demand, worsening terms of trade and difficulties in importing intermediate inputs.

Fiscal consolidation efforts are likely to be complicated by growing social needs and wage pressures. Fiscal deficit is projected to widen to 5.6 percent in 2020, as revenues are projected to fall short of increased social needs arising from COVID-19 threats. Civil servants' salaries were increased by over 140 percent in January, but pressures are likely to mount if depreciation of the local currency continues. Emergency public health financing needs and continuation of various subsidies (e.g. gold export incentives) would also increase the spending pressure.

In the absence of access to external financing, money supply is likely to continue to increase to support higher government spending and quasi-fiscal operations. As a result, exchange rate pressures will continue in 2020 and inflation, albeit declining, is likely to remain in triple-digit levels, reinforced by recent increase in wages. Poverty levels are projected to rise further in 2020 due to continuing economic contraction and loss of employment and income, exacerbated by the restrictions on mobility, inflationary pressures and drought conditions. The urban poor are likely to bear the brunt of the high inflation, exacerbated by further drops in available productive jobs and limited capacity to implement urban social protection programs. The number of extreme poor is projected to increase from 6.6 million in 2019 to 7.6 million in 2020.

Risks and challenges

Prolonged and deeper global recession and severe spread of the virus locally will deepen the recession to 10 percent and increase the risk for a repeat of a hyperinflation in the country. There is a high risk that the RBZ will continue printing money, as it seems to have exhausted most available external borrowing sources while financing needs continue to increase. The shortages of foreign currency may put pressure on the prices and wages with a high possibility of entering into a wage- price spiral. External vulnerabilities could increase as external trade could be further reduced by the effects of the COVID-19. Risks of social tension remain high if the macroeconomic instability continues and external support is not forthcoming.

TABLE 2 Zimbabwe / Macro poverty outlook baseline scenario (annual percent change unless indicated otherwise)

	2017	2018	2019 e	2020f	2021f	2022 f
Real GDP growth, at constant market prices	4.7	3.4	-8.1	-5.0	1.8	2.1
Private Consumption	1.4	2.1	-13.4	-11.0	3.2	3.6
Government Consumption	14.5	9.2	-28.1	5.7	-5.2	-2.2
Gross Fixed Capital Investment	23.0	4.5	-5.2	-12.0	8.2	1.2
Exports, Goods and Services	4.7	4.1	-5.1	-5.6	3.5	4.5
Imports, Goods and Services	3.2	7.7	-21.0	-12.3	3.7	4.3
Real GDP growth, at constant factor prices	4.8	3.1	-8.8	-5.1	2.2	2.0
Agriculture	10.0	18.3	-18.3	-3.3	4.9	4.9
Industry	2.5	2.1	-6.8	-2.0	2.5	2.5
Services	5.1	1.3	-8.0	-6.7	1.6	1.3
Inflation (Consumer Price Index)	0.9	10.6	255.1	250.0	58.5	33.3
Current Account Balance (% of GDP)	-1.4	-11.7	0.6	-0.6	-1.0	-0.9
Fiscal Balance (% of GDP)	-9.8	-5.1	-2.9	-5.6	-5.7	-6.1
Debt (% of GDP)	63.8	61.4	53.8	61.4	63.2	64.8
Primary Balance (% of GDP)	-8.8	-3.8	-2.0	-4.9	-5.1	-5.3
International poverty rate ($1.9 in 2011 PPP)[a,b,c]	33.9	33.4	38.5	40.4	40.6	40.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b,c]	61.0	60.7	64.7	66.2	66.3	66.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b,c]	81.3	81.1	83.6	84.5	84.6	84.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2017-PICES.
(b) Projection using neutral distribution (2017) with pass-through = 0.87 based on GDP per capita in constant LCU.
(c) Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

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Macro Poverty Outlook

04 / 2020

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