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CEMAC

Economic Barometer

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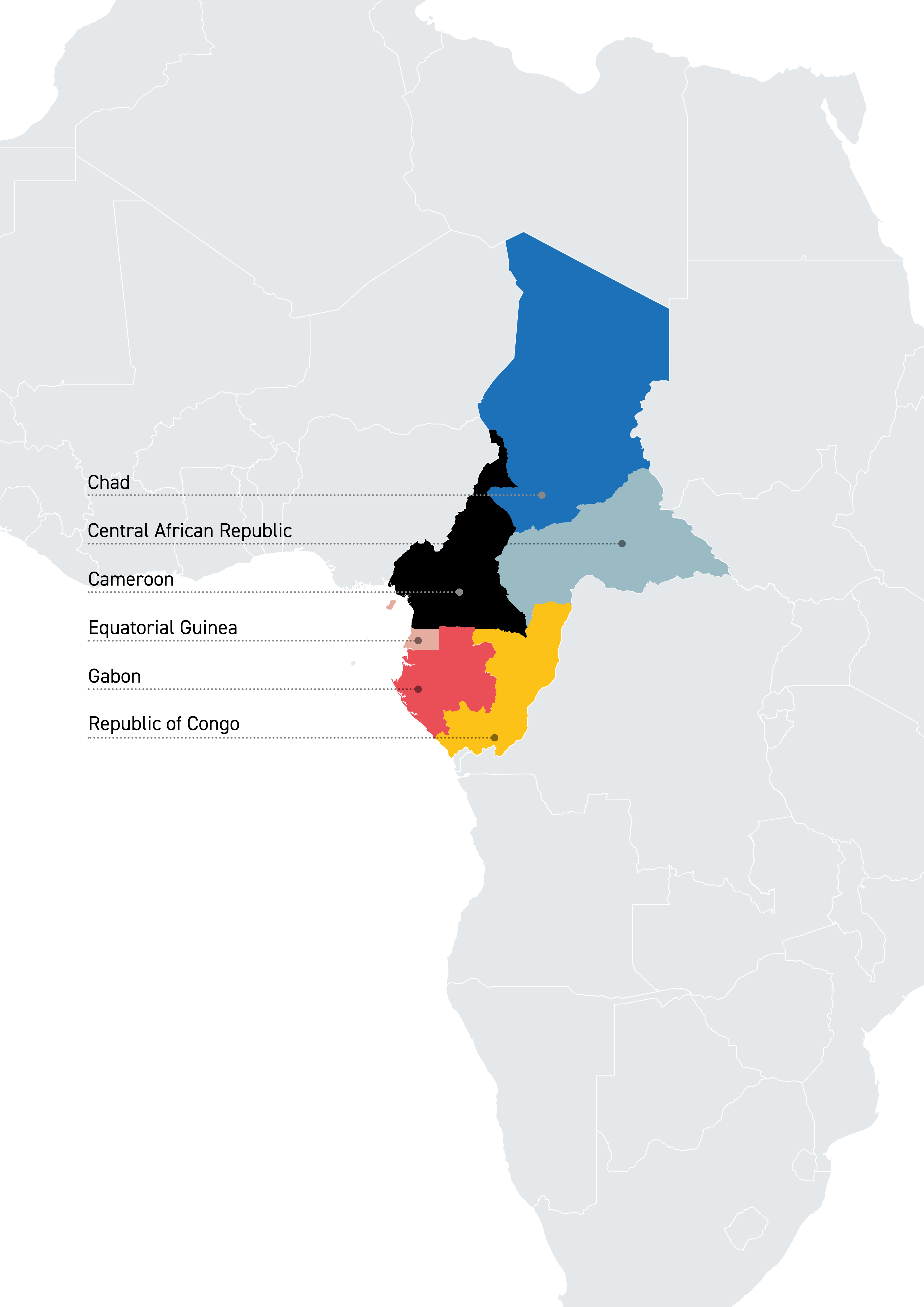
Chad
Central African Republic
Cameroon
Equatorial Guinea
Gabon
Republic of Congo

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Acknowledgments

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1 Please contact Djeneba Doumbia (ddoumbia@worldbank.org) and Erick Tjong (etjong@worldbank.org) for any questions or comments.

Introduction

The CEMAC Economic Barometer is a semi-annual World Bank publication that presents a snapshot of recent developments in and the economic outlook of the CEMAC region, followed by a brief assessment at the country level. The Economic Barometer also includes a focused technical section on a theme of regional relevance. This edition's special topic provides policy options for the CEMAC countries to address the challenges facing the forestry sector, including effectively designing fiscal instruments, improving forest governance, and increasing financial and technical support from the international community.

The CEMAC region is expected to grow by 3.4 percent in 2024, up from 1.8 percent in 2023. Inflationary pressures have been abating, supported by the BEAC's tight monetary policy stance and improving global supply chains. The region's fiscal position and foreign reserves deteriorated in 2023 due to lower oil prices, highlighting the high exposure of public finances and the overall economy to volatile commodity markets. Despite ongoing moderate growth, per capita growth remains stagnant, and poverty has been rising. A third of people in CEMAC are expected to live in extreme poverty by 2024, that is, under $2.15 per day in 2017 PPP. Unemployment, especially among youth, is high, with one in four young people being out of work, school, or training. To effectively tackle these social challenges, CEMAC countries should accelerate reforms foreseen in the regional economic plans, including the PREF-CEMAC II program and the upcoming Regional Economic Program. Key actions include enhancing business conditions to attract local and foreign private investment, and foster job creation and regional and international trade. Investing in human capital, road and energy infrastructure, and digital services will be crucial to build a more robust and sustainable growth path, capable of reverting the currently rising poverty trends and achieve more meaningful poverty reduction across the region.

The special topic of this edition highlights how fiscal instruments can be used to both incentivize sustainable forestry and generate government revenue. The Congo Basin – the world's largest net carbon sink – is vital to supporting people, nature, and the economy and serves as a stronghold of resilience against climate change and global biodiversity loss. The six nations encompassing the Congo Basin — Cameroon, Central African Republic, Equatorial Guinea, Gabon, Democratic Republic of the Congo (DRC), and Republic of the Congo — are custodians of the world's second-largest tropical forest, crucial for regulating the world's climate. However, the Congo Basin forestland is increasingly under threat, with rising deforestation, particularly in DRC, but also, to a lesser extent, in Cameroon, Equatorial Guinea, and CAR. The contribution of the forestry industry to GDP and national budgets has stagnated in recent decades, in particular, because of the scale of illegal logging and a focus on exporting logs rather than developing local wood processing in most countries. The Congo Basin countries face difficult trade-offs between preserving forest ecosystems and using forests for other economic activities, and the lack of sufficient and consistent international funding to adequately compensate the region for the climate services it provides makes this task even more challenging. Despite its critical importance, Congo Basin forest receives less climate finance aid than other highly forested regions like the Amazon and Southeast Asian forests. Congo basin governments must, therefore, find ways to preserve their forest while developing other sectors like sustainable forestry and agriculture. In this context, well-designed fiscal instruments can be used to promote forest conservation. Fiscal policy reforms such as adjusting forestry taxes based on the ecological footprint of wood production, providing targeted incentives for sustainable practices, offering tax rebates for forestry certification and agroforestry, and reinvesting natural resource revenues can play a vital role in protecting Congo Basin forestlands. However, tax strategies are not standalone solutions. Combining fiscal instruments with better forest governance through improved enforcement, monitoring, and transparency will help Congo basin countries safeguard their forests while enhancing the forestry sector's role in their economies.

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SECTION 1—

CEMAC Updates: Recent economic developments, outlook and key development challenges in the CEMAC region

I. Recent economic developments and outlook in CEMAC

Table 1 - CEMAC	2023
Population, million[a]	63.0
GDP, current US$ billion[a]	111.6
GDP per capita, current US$[b]	3,542.0
International poverty rate ($2.15)[a]	32.0
Lower middle-income poverty rate ($3.65)[a]	57.0
Upper middle-income poverty rate ($6.85)[a]	81.5
Life expectancy at birth, years[c]	59.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) Total for CEMAC countries.
(b) Weighted average for CEMAC countries.
(c) Simple average for CEMAC countries.

Economic growth in the CEMAC (Economic and Monetary Community of Central Africa) region decelerated to 1.8 percent in 2023, down from 3.1 percent in 2022. The negative growth in Equatorial Guinea and the more modest growth in Gabon contributed to the overall low regional growth. However, growth is expected to accelerate in CEMAC in 2024, with an average growth rate of 3.4 percent, below the average growth in the WAEMU (West African Economic and Monetary Union) which is projected at 5.7 percent. The pace of growth remains uneven across the CEMAC region. In the Central African Republic, economic stagnation persists amid persistent fuel shortages and frequent power outages in 2024, with growth projected at only 0.7 percent. According to projections, following a recession in 2023, the Equatoguinean economy will grow by 4.7 percent in 2024 thanks to a rebound in the hydrocarbon sector following repairs at hydrocarbon platforms. In per capita terms, income growth in CEMAC is expected to increase to 0.9 percent in 2024 (up from -0.7 percent in 2023), well below the WAEMU level.

The region's fiscal position and foreign reserves both deteriorated in 2023 amid lower oil prices and commodity revenues, but the fiscal balance is expected to improve in 2024. In 2023, fiscal balances deteriorated in all CEMAC countries amid lower commodity revenues, except for Cameroon and the Central African Republic which, however, remained in fiscal deficits. On average, CEMAC's fiscal position is set to improve and turn positive in 2024 at 0.15 percent of GDP with expected improvements in all countries but Congo and Gabon. The public spending to GDP ratio is set to increase in CEMAC to an average 20.5 percent of GDP in 2024, from 20.2 percent in 2023. Total revenues are projected to increase at a faster pace, from 20.0 percent in 2023 to 20.7 percent in 2024, driven by an increase in non-resource revenues. On average, resource revenues are decreasing as a share of GDP in the CEMAC zone but still represent more than 40 percent of total revenues, highlighting the high exposure of public finances and of the overall economy to volatile commodity markets. Fiscal space and liquidity are expected to remain constrained in the CEMAC region, limiting options to manage new shocks and posing challenges to contain public debt. The region's fiscal balance is forecast to turn into an average deficit of 1.5 percent of GDP in 2025-2026. Meanwhile, the total debt-to-GDP ratio remains high in countries like Congo (91 percent) and Gabon (71 percent), above the regional convergence criteria of 70 percent of GDP. Furthermore, foreign reserves have been declining continuously, along with the global decline in oil prices since 2022. The region's reserves stood at 4.5 months of imports as of October 2024.

Inflation began to decline in mid-2023 and the downward trend continued into the first half of 2024. Average (y-o-y) inflation in the CEMAC region decreased from 6.3 percent in December 2022 to 4.5 percent in December 2023. This decline can be attributed to the BEAC's continued tight monetary policy, along with favorable trends in global supply chain recovery. Although this development is positive, inflation remains above the convergence criterion of 3.0 percent. In comparison, headline inflation in WAEMU was lower at 2.4 percent in December 2023. The BEAC has maintained a tight monetary policy, keeping the policy rate at 5 percent since March 2023 after a cumulative increase of 175 basis points from November 2021 to March 2023. In comparison, WAEMU's policy rates were also increased but remained lower at 3.5 percent. The easing of inflationary pressures led the BEAC to resume liquidity injections in September 2024, following over a year of suspension. Meanwhile, the real effective exchange rate (REER) of most CEMAC countries has slightly appreciated during the first semester, negatively affecting CEMAC export competitiveness.[2]

Despite moderate growth and a decline in inflation, poverty remains high and is increasing in all of CEMAC, due to insufficient growth and economic participation. 33.2 percent of people in CEMAC are estimated to live in extreme poverty in 2024, under $2.15 per day (in 2017 PPP), compared to 30.6 percent two years before. When other poverty benchmarks are considered, poverty rates rise to 58.2 percent of the region's population living with less than $3.65 per day, and 82.1 percent of people living under $6.85 daily. The share of extreme poor in WAEMU, in comparison, stood at 22.5 percent. Thus, a worrying trend is that, while poverty rates vary significantly within CEMAC, the share of poor is increasing across the region. Per capita growth has been stagnant, indeed being negative in 2023. Furthermore, the quality of growth also matters, as much of the region's growth is driven by extractive industries such as oil and mining, which are capital-intensive and do not produce sufficient jobs and incomes for the population. Unemployment is high, especially among the youth, as one in four young people are out of jobs, school, or training. Also, limited social safety nets reduce the ability to support the most vulnerable. Reforms to promote higher and more inclusive growth, expanding private investment and job creation, are needed to reverse the region's trend of poverty increase.

2 An increase in the real effective exchange rate (REER) of a country means an appreciation of the country's local currency against the basket of its trading partners' currencies while a decrease in the REER reflects a depreciation.

The outlook for the CEMAC region is positive but subject to significant risks. The regional growth rate is projected at 2.7 percent in 2025-2026. Except for Equatorial Guinea, where hydrocarbon production is projected to decline on account of maturing oilfields, economic activity in all CEMAC countries is expected to expand. The risks to the regional outlook are tilted to the downside. A faster-than-projected decline in oil prices would adversely impact CEMAC's export earnings and, consequently, reduce the region's fiscal and external balances. A further tightening of global or regional financial conditions, stronger global trade disruptions, and weaker-than-expected global demand, especially from large importing markets in Asia and Europe, could undermine growth in the region. Risks of potential inflationary upticks also persist, especially on the international front with the ongoing war in Ukraine and the recent conflict in the Middle East. Regionally, other risks include heightened political instability, worsening security conditions in certain regions of countries such as CAR and Cameroon, a weakening in the pace of reforms, especially in electoral contexts that risk absorbing the political agenda, and climatic shocks.

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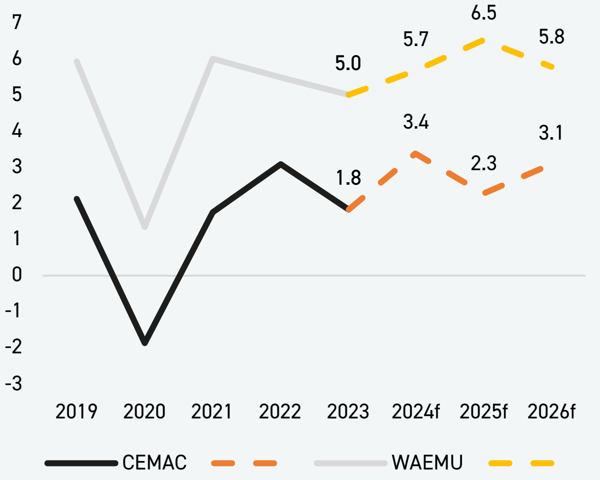
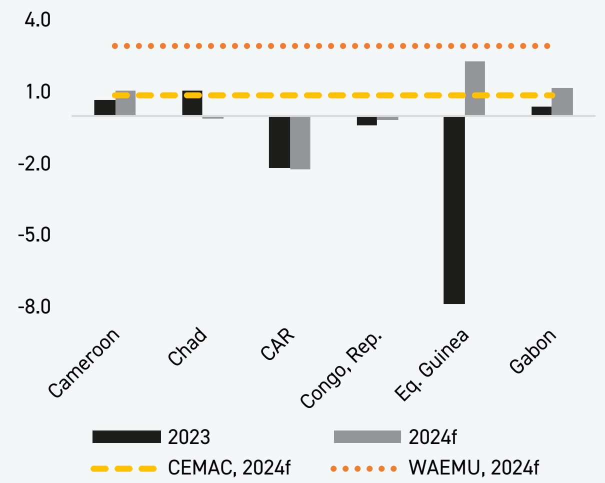
CEMAC's growth is recovering but remains below its potential and that of the WAEMU region.

Figure 1. Real GDP Growth (in percent) in CEMAC and WAEMU, 2019-2026



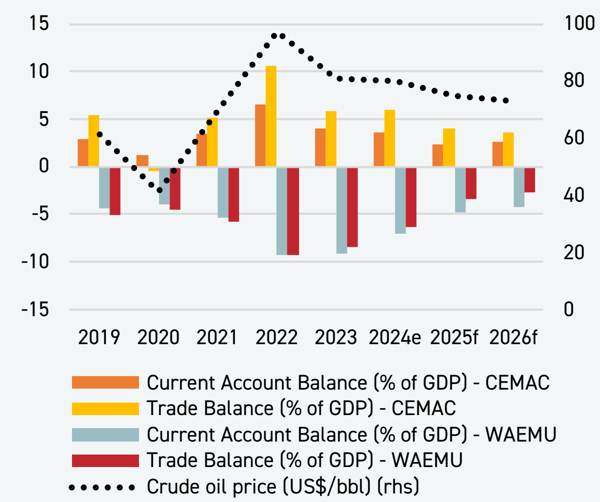
Meanwhile, GDP per capita gains are expected in some countries.

Figure 2. Real GDP per capita growth (in percent) in CEMAC countries, 2023-2024



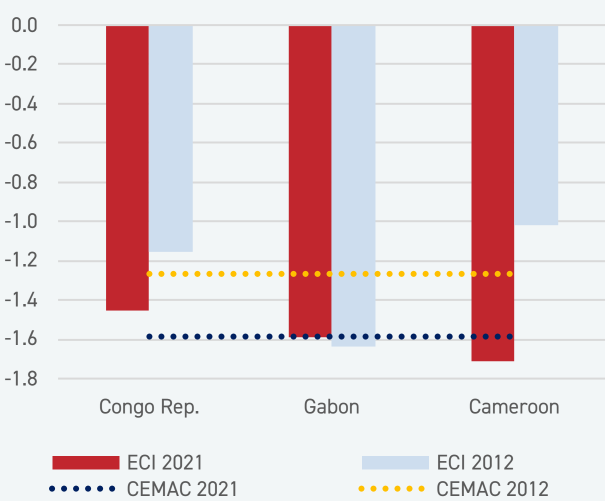
The regional external position deteriorated in 2023, and the trend is estimated to persist in 2024 amid decreasing crude oil prices and revenues.

Figure 3. Oil prices (rhs) and external position in CEMAC (lhs), 2019-2026



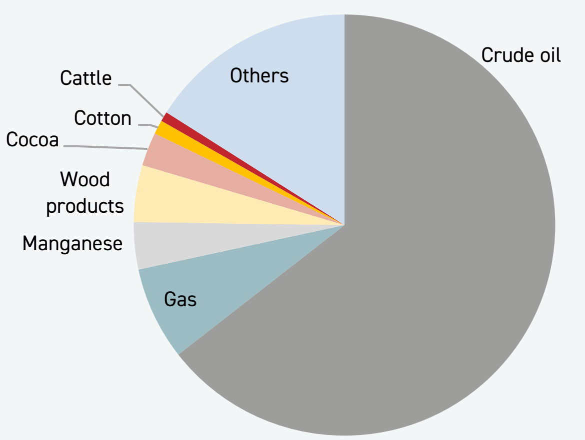
The complexity of CEMAC's exports has also been decreasing on average, with primary goods such as crude oil, gas, and minerals becoming more prominent in certain countries' export baskets.

Figure 4. Economic Complexity Index (2012 vs. 2021)



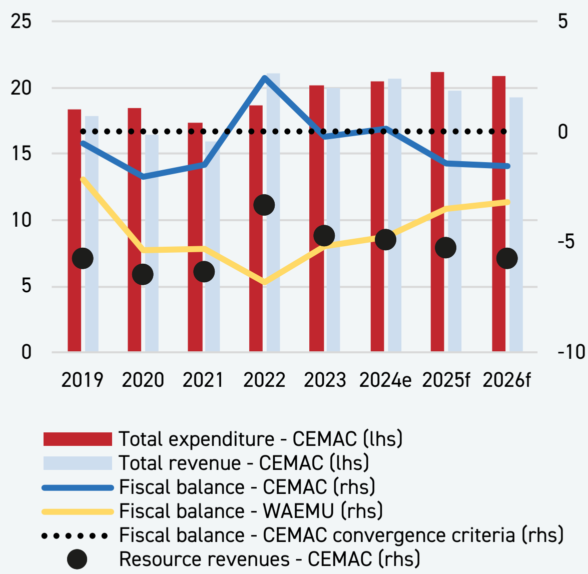
As a result, extractive sectors accounted for over 75 percent of CEMAC's exports, highlighting a strong exposure to volatile commodity markets and insufficient job-intensive export activities.

Figure 5. CEMAC's main exports (% of value of total exports), 2023



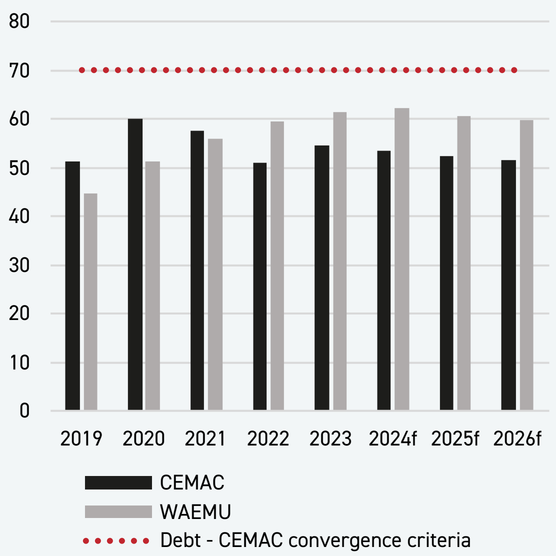
Regarding the fiscal position, spending increased but at a slower pace compared to revenues, leading to an improvement in the fiscal balance.

Figure 6. Fiscal position (% of GDP) in CEMAC and WAEMU, 2019-2026



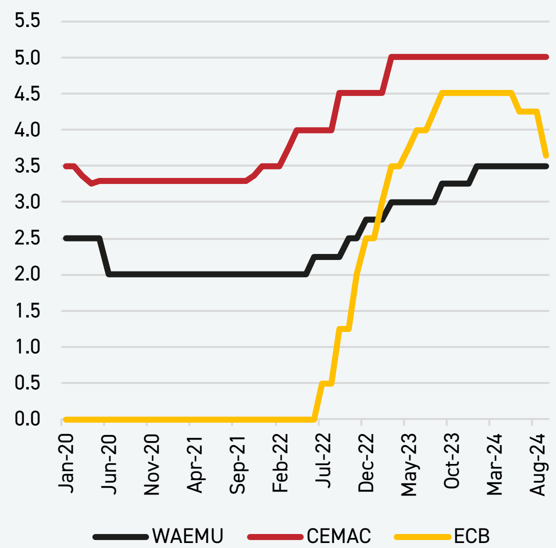
Public debt to GDP is expected to decrease to 54 percent in 2024, down from 55 percent in 2023.

Figure 7. Public debt (% of GDP) in CEMAC and WAEMU, 2019-2026



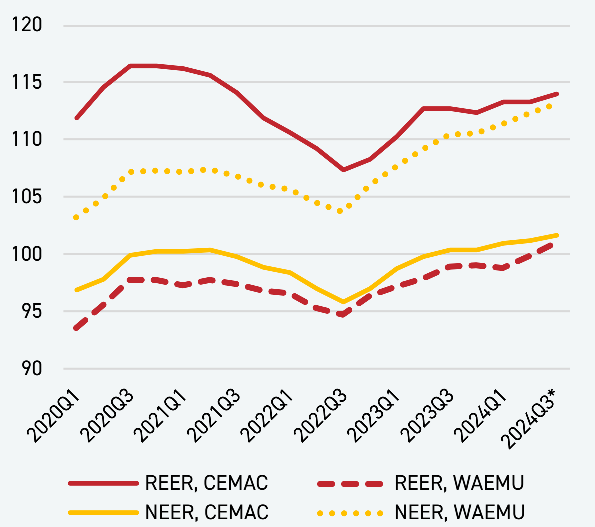
BEAC has maintained a tightening monetary policy stance since late 2021, with a policy rate at 5.0 percent since March 2023.

Figure 8. Evolution of policy rates in West and Central Africa and in the EU, 2020-2024



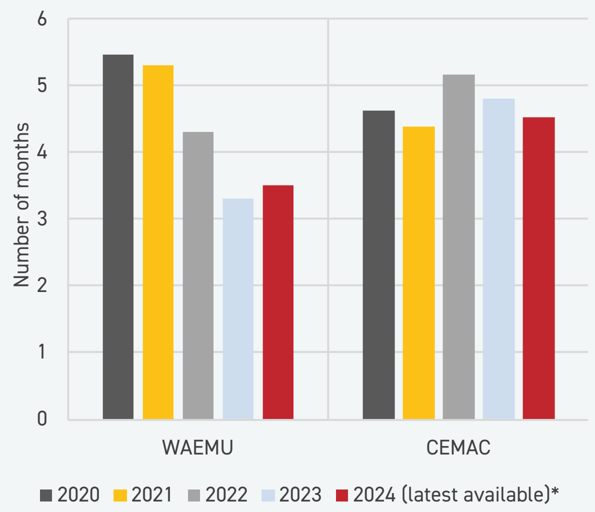
The real effective exchange rate of CEMAC countries has increased, on average, in recent months, reflecting the appreciation of CFA Franc against the basket of trading partners' currencies.

Figure 9. CEMAC: Real Effective and Nominal USD-CFAF Exchange Rates, 2020-2024



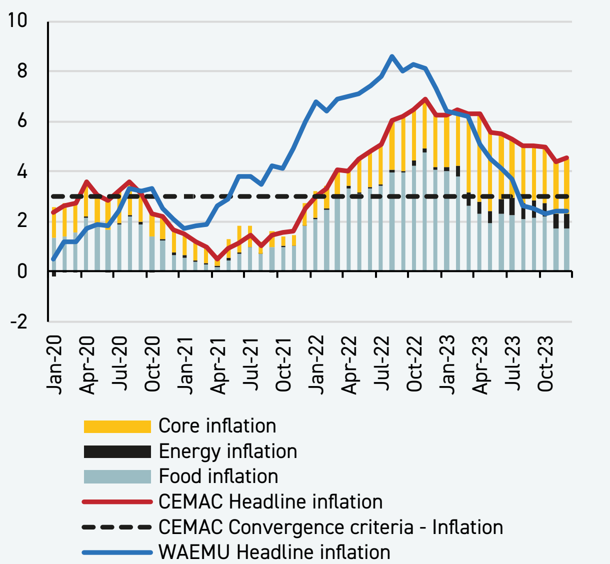
CEMAC's regional reserves have been declining, under pressure from lowering global oil prices and maturing oilfields, highlighting the region's dependence on volatile commodity markets.

Figure 10. Gross reserves



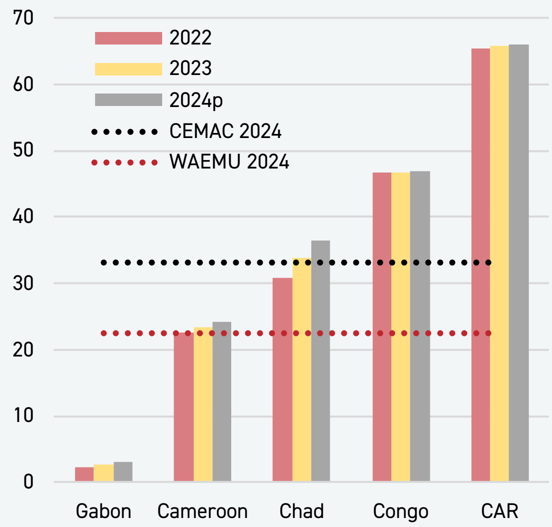
Average (y-o-y) inflation in the CEMAC region had decreased from 6.3 percent in December 2022 to 4.5 percent in December 2023.

Figure 11. Average inflation in CEMAC (percent), 2020-2023



Poverty remains high, touching a third of the population, and has been increasing in all CEMAC countries.

Figure 12. Poverty rates (% of pop. living under $2.15/day)



Sources: National authorities, BEAC, Bruegel, ILO, Harvard Growth Lab, World Bank, IMF, and World Bank staff calculations.
Notes: Figures show weighted averages for CEMAC and WAEMU, based on countries' shares of each region's GDP. Poverty data is not available for all countries and periods and is based on nowcast and forecast projected based on actual data from national household surveys for Cameroon (2014), Central African Rep. (2021), Chad (2018), Congo (2011), and Gabon (2017). Data is not available for Equatorial Guinea. Scores obtained by countries in the 2021 Economic Complexity Index vary from 2.26 (Japan) to -2.44 (Liberia), with higher scores indicating a higher level of economic complexity. Data on economic complexity is not available for Equatorial Guinea, Chad, and CAR. Data on regional reserves is available as of October 2024.

II. Key development challenges and reform priorities in CEMAC

Achieving a more significant improvement in living standards and reversing the increasing trend of poverty requires bold economic reforms across CEMAC. To address these challenges, strong reforms are needed to improve human, physical, and institutional capital (Table 2). First, enhancing controls, accountability and transparency of resource revenues and of public spending will be key to enable countries that are fiscally constrained to optimize public action and achieve their development goals in a cost-effective way. In particular, improvements are needed in the management of procurement processes, public investments, and human resources.

Building conditions that are more conducive to private sector growth, foreign investment, exports, and job creation will also be essential for a higher and better growth path. CEMAC's participation in international trade remains low, with the region accounting for about 0.11 percent of global exports in 2021.[3] Primary goods, mainly oil and gas, but also wood, aluminum, manganese, gold, and agricultural products, have been gaining prominence, with extractive sectors representing three fourths of the region's export basket in 2023. Challenges to add more local value and diversify exports have been translating to a lower economic complexity.[4] To become more competitive abroad and internally, local firms need better access to infrastructure and credit, trade facilitation, easier regulatory compliance, and the necessary labor skills to develop key sectors. For instance, in agriculture, which is a major part of the economy, employing about 47 percent of the region's labor force, productivity and incomes are low, leading to insufficient wealth generation. High transport costs, inadequate road infrastructure, frequent road inspections and petty harassment practices hinder agricultural trade in the region.[5] Informality, which represents more than 65 percent of jobs on average in CEMAC, are another challenge for formal firms. It also prevents workers from obtaining access to credit, social protection, and labor rights. Labor skills mismatches are another important challenge, leading to high unemployment coexisting with difficulties for firms to find adequate workers. Average unemployment in CEMAC, at about 9 percent of the active population, is more than four times that of the WAEMU zone. To build a stronger human capital, governments need to enhance investments in education, health, and training. There are opportunities to increase and improve the quality of spending on social areas. For instance, spending on education in the region averages 2.3 percent of GDP, lower than the SSA average of 4.1 percent.

Intra-regional trade remains low in CEMAC due, in part, to countries' failure to implement certain community provisions, underdeveloped infrastructure, the structure of exports, and non-tariff barriers. Intra-regional trade in CEMAC is low at only 5.1 percent of total trade in 2019-2021.[6] The implementation of a free-trade area within the CEMAC region has been difficult: numerous tariff and non-tariff barriers persist, and the harmonization of cross-border customs rules and policies has been limited. Members apply the CEMAC

3 BEAC. 2023. Rapport Annuel; World Bank. World Integrated Trade Solution.
4 Based on the Harvard Growth Lab's Economic Complexity Index, which scores countries based on how diversified and how complex their export basket is.
5 World Bank. 2019. CEMAC. Deepening Regional Integration to Advance Growth and Prosperity.
6 Source: Equatorial Guinea Country Economic Memorandum (forthcoming).

common external tariff (CET) on imports from third countries outside the CEMAC region, which on average is high. Overall, CEMAC's simple average tariff rate is 18.3 percent in 2023 (compared with 12.4 percent in the Economic Community of West African States, ECOWAS) is high. In the CEMAC region, 37.1 percent of the tariff lines are subject to the 30 percent rate and 45.5 percent are subject to the 10 percent rate. Intra-CEMAC trade is also hampered by supply-side challenges, including a lack of trade complementarity and underdeveloped infrastructure.

Improving the quality and access to basic infrastructure and digital services, including with a focus on strengthening resilience to climate shocks, would be essential to boost trade and growth. Stable electricity, reliable transport networks, and efficient ports are essential for business development and job creation. Significant gaps persist across the region, particularly when it comes to electricity access, efficiency of customs and ports, trade regulations, and digital development. The World Bank's 2023 Logistics Performance Index ranks CEMAC countries on average at 109th, with Cameroon's ranking dropping from 95th in 2018 to 134th in 2023. Climate change is another major challenge to both infrastructure and livelihoods, with CEMAC being highly vulnerable to climate-related shocks and among the least prepared to respond. Chad and the Central African Republic rank lowest on the ND-GAIN Index on climate preparedness, highlighting the need for a regional climate change adaptation strategy. In 2024, Chad, Congo and Cameroon were severely affected by floods, which disrupted peoples' lives and economic activity. Additionally, the digital economy offers transformative opportunities for growth and job creation, but CEMAC faces challenges such as limited connectivity, digital skills, and enabling regulations. Internet usage remains below the SSA average, with high data costs, with the price of data-only mobile broadband connectivity higher than the global target of 2 percent of GNI per capita in all of CEMAC except Gabon. Reducing connectivity costs, fostering competition, and developing digital infrastructure and skills are needed to enable digital technology adoption.

Accelerating ongoing reforms foreseen in the region's reform program, PREF-CEMAC II, and operationalizing the upcoming Regional Economic Program, would help address key development challenges in CEMAC. PREF-CEMAC II (Phase II of CEMAC Economic and Financial Reform Program, 2021-2025) focuses on five pillars: (i) fiscal policy, (ii) monetary policy and financial system, (iii) structural reforms, (iv) regional integration, and (v) international cooperation. The first pillar, which focuses on enhancing fiscal policy, aims to improve non-oil revenue mobilization, tax administration, and quality and efficiency of public spending. Ongoing reforms aim at fostering private sector development and investment in the region. Strengthening regional integration requires improved infrastructure. CEMAC institutions and member-states have made progress on reforms, including the development of a regional financial inclusion strategy, a draft regional industrial policy, and policies that contribute to enhanced productivity and the expansion of local industries (textile, agro-industry, wood and construction). Eleven CEMAC priority integration projects identified under PREF-CEMAC II, covering among others regional transport corridors, energy production and interconnection, and human capital and economic diversification, should ultimately help to strengthen trade, increase the supply of stable energy, improve connectivity via fiber optics, and the creation of centers of excellence for human capacity building. Overall, the latest monitoring report for the program shows that 62 percent of the actions in the program's reform matrix had been implemented by the end of the fourth quarter of 2023 (2023Q4), compared to 59 percent in 2023Q3 and 56 percent in 2023Q1. The upcoming PREF-CEMAC III will align with the Regional Economic Program (*Programme Economique Régional*, PER 2025-2050) which is being prepared and should set out a long-term strategy for regional growth.

Table 2. Development indicators in CEMAC

LEGEND

(1)	Indicator trend from 2020-2023[a]:	↑	Up	=	Stable	↓	Down
(2)	Position in the income group[b]:	**UT**	Upper tercile	**MT**	Middle Tercile	**LT**	Lower Tercile

(a) The table shows how the indicator value evolved over a three-year period (the timeframe of each indicator is specified in the notes). The value can either increase, decrease, or remain stable.
(b) For each structural indicator, the country's position in its income group is identified based on the most recent indicator value (2022 or 2023). The country can be in the upper tercile (countries with higher scores in the income group), middle tercile (countries with average scores in the income group), or lower tercile (countries with lower scores in the income group).

Note: Blank cells in the table mean there was not enough data available to assess the trend or to identify the tercile position of the country.

	Upper middle income				**Lower-middle income**				**Lower income group**			
Structural indicators	**Gabon**		**Equatorial Guinea**		**Cameroon**		**Congo**		**CAR**		**Chad**	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
PRIVATE SECTOR												
Foreign direct investment, net inflows (% of GDP)	↓	**UT**	=	**MT**	↓	**MT**	↑	**UT**	=	**LT**	↑	**UT**
Industry (including construction), value added (% of GDP)	↓	**UT**	=	**UT**	↓	**MT**	↓	**UT**	=	**MT**	↓	**UT**
Agriculture, forestry, and fishing, value added (% of GDP)	=	**MT**	=	**LT**	=	**MT**	↑	**LT**	↓	**MT**	↑	**MT**
Services, value added (% of GDP)	↑	**MT**	↓	**MT**	↑	**MT**	=	**LT**	↓	**MT**	↑	**LT**
INFRASTRUCTURE												
Gross fixed capital formation (% of GDP)	↓	**LT**		**LT**	↓	**LT**	↑	**MT**	↓	**LT**	↓	**LT**
Access to electricity (% of population)	↑	**LT**	=	**LT**	↑	**LT**	↑	**MT**	=	**LT**	↑	**LT**
WB logistics Performance Index. Rank: Out of 139 countries	↑	**LT**			↓	**LT**	↓	**MT**	=	**LT**		**UT**
HUMAN CAPITAL & DIGITALIZATION												
Government expenditure on education, total (% of GDP)	↓	**LT**	↑	**LT**	↓	**MT**	↓	**MT**	↓	**LT**	↑	**MT**
Output per hour worked (GDP constant 2017 international $ at PPP)	=	**UT**	↓	**MT**	=	**LT**	=	**LT**	↓	**LT**	=	**LT**
Individuals using the Internet (% of population)	↑	**LT**	↑	**LT**	↓	**MT**		**LT**	↑	**LT**	↓	**LT**

Structural indicators	Upper middle income				Lower-middle income				Lower income group			
	Gabon		Equatorial Guinea		Cameroon		Congo		CAR		Chad	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
CLIMATE CHANGE												
ND-gain index on climate vulnerability and readiness	=	LT	↓	LT	↑	LT	=	LT	=	LT	=	LT
EMPLOYMENT												
Employment in agriculture (% of total employment)	=	UT	=	UT	↓	UT	↓	MT	=	UT	↓	UT
Employment in industry (% of total employment)	↑	LT	↑	LT	↑	MT	↑	MT	↑	LT	↑	MT
Employment in services (% of total employment)	↑	MT	↑	LT	↑	MT	↑	MT	↑	LT	↑	LT
GOVERNANCE												
Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)												
Voice and Accountability	↑	LT	↑	LT	=	LT	↑	LT	=	MT	↓	LT
Political Stability and Absence of Violence/Terrorism	↑	MT	↑	MT	↑	LT	↑	UT	=	LT	↓	MT
Government Effectiveness	↑	LT	↓	LT	↑	LT	↓	LT	↓	LT	↑	MT
Regulatory Quality	↑	LT	↑	LT	=	LT	=	LT	=	LT	↑	MT
Rule of Law	↓	LT	↓	LT	↑	LT	↑	LT	↓	LT	↑	MT
Control of Corruption	↓	LT	↓	LT	=	LT	↑	LT	↓	LT	↓	LT

(**c**) Foreign direct investment, value added (agriculture, industry, services), gross fixed capital formation, individual using internet, and out per worker are reported for 2021, 2022, and 2023. The 2023 value is used to allocate each country into its tercile within its income group.
(**d**) The WB logistics performance index (LPI) is reported for 2023, 2018, and 2016. The 2023 value is used to allocate each country into its tercile within its income group.
(**e**) For all other indicators, data are reported for 2020, 2021, and 2022. The 2022 value serves as benchmark for tercile allocation.

SECTION 2—

Country Updates[7]

7 The Country Updates section is based on the World Bank's Macro Poverty Outlooks (MPOs) for the 2024 Annual Meetings for six CEMAC countries. The MPO provides an overview of recent developments, forecasts of major macroeconomic variables and poverty during 2024-2026, and a discussion of critical challenges for economic growth, macroeconomic stability, and poverty reduction moving forward in a specific country. The MPOs for the 147 countries covered are released twice annually for the Spring and Annual Meetings of the World Bank and the International Monetary Fund. The MPOs for Sub-Saharan Africa can be accessed here: **https://www.worldbank.org/en/publication/macro-poverty-outlook/mpo_ssa**.

Cameroon

Table 1	2023
Population, million	28.6
GDP, current US$ billion	47.7
GDP per capita, current US$	1 663.5
International poverty rate ($2.15)[a]	23.0
Lower middle-income poverty rate ($3.65)[a]	46.7
Upper middle-income poverty rate ($6.85)[a]	76.0
Gini index[a]	42.2
School enrollment, primary (% gross)[b]	110.7
Life expectancy at birth, years[b]	60.3
Total GHG Emissions (mtCO2e)	128.3

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

Cameroon's economic growth shows sign of recovery after its slowdown in 2023. However, the growth rate remains below the target set out in the Nation's development strategy (NDS30), implying limited poverty reduction and persistent scarcity of job opportunities. Sustained fiscal consolidation should keep the deficit at 0.8 percent of GDP in 2024 and support a further fall in public debt-to-GDP ratio. While growth prospects are more favorable, risks remain, including the upcoming presidential elections and commodity price volatility.

Key Conditions and Challenges

Cameroon's economy has shown resilience in the face of external shocks, but multiple structural weaknesses prevent it from reaching its potential. The overlapping crises between 2020 and 2023 resulted in average annual GDP growth of only 2.6 percent, far below the NDS30 targets, and stagnant per capita incomes. Growth is further hampered by poor quality of infrastructure, especially electricity, roads, and limited internet connectivity. Other factors include underdevelopment of the financial system and heavy dependence on commodity exports. The growing effects of climate change and fragility remain challenges to stronger growth and poverty reduction. For instance, the country was severely impacted by floods in 2024. Cameroon needs a major rethink of its growth model, placing stronger emphasis on private sector participation, redefining the role of the state in the economy, and addressing low labor productivity.

Poverty rates have remained virtually unchanged since 2001. Combined with rapid population growth, this has resulted in a significant increase in the absolute number of extreme poor Cameroonians, surpassing 6.6 million in 2023. Inequality in Cameroon remains high, with a consumption Gini coefficient of 42.2, indicating significant disparities in living standards between regions, as well as urban and rural areas. Furthermore, fragility is increasing, as nine out of Cameroon's ten regions are now affected by conflict, including spillovers from neighboring countries.

Recent Developments

Cameroon's economic recovery slowed down in 2023, with real GDP expanding by only 3.3 percent, down from 3.6 percent in 2022, due to the decline in transportation activities following high input costs in this sector, and the depletion of oil fields and energy supply shortages in industry sector. A rebound occurred in the first quarter of 2024 with real GDP growing by 3.7 percent y-o-y, fostered by good performance of services and export-oriented agricultural production thanks to improved yields and higher prices in international markets.

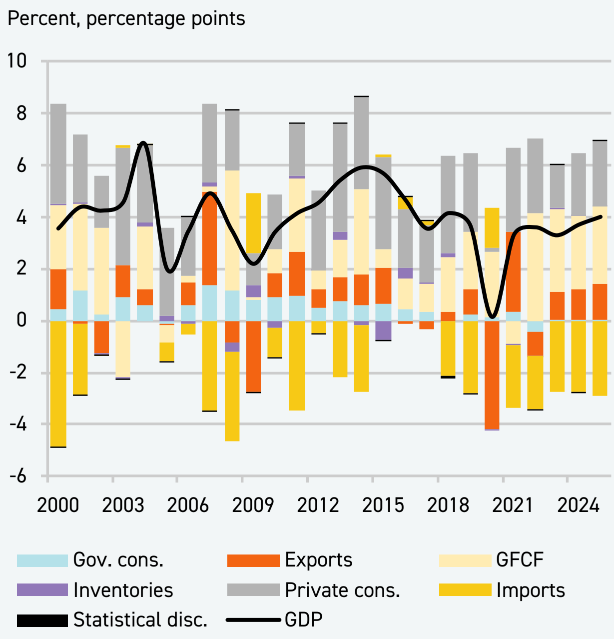
The current account deficit increased to 4.1 percent of GDP in 2023 from 3.6 percent in 2022, mainly driven by the continuous decline in oil production and exports. The deficit remained at a high level for the same reason in the first quarter of 2024, at 4.7 percent of GDP, up from 3.1 percent in the previous quarter.

Average inflation has declined to 5.7 percent as of end June 2024 from 7.7 percent one year ago, tempered by the restrictive monetary policy stance of the regional central bank (BEAC), easing foreign inflation and government price control measures, despite the rise in pump prices in February 2024.

The fiscal deficit continued to decline in 2023 to 0.8 percent of GDP, down from 1.1 percent in 2022, supported by reduced fuel subsidies and capital spending and significantly improved tax collection. Public debt fell from 44.6 percent of GDP to 42.0 between December 2023 and June 2024. Cameroon's public debt is deemed sustainable, even though with a high risk of debt distress due to liquidity ratios breaching the thresholds.

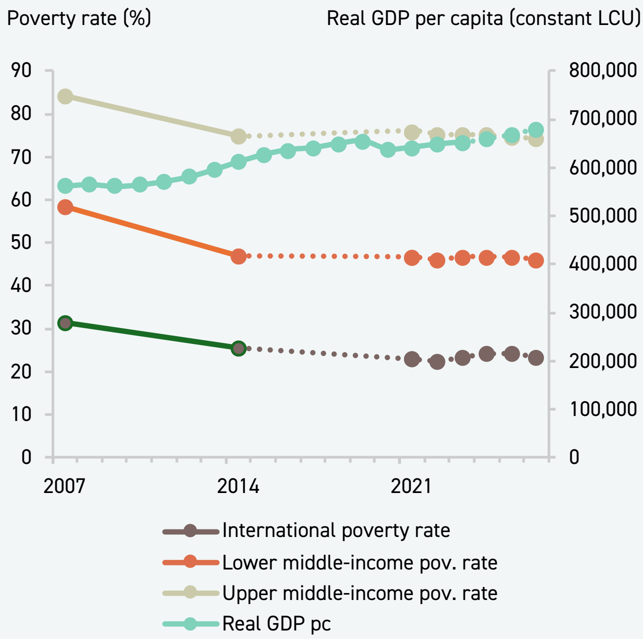
To address the inflationary effects of these measures, tax breaks have been offered to sectors like agriculture, and the minimum wage and public sector salaries have been raised. However, considering the substantial number of poor and vulnerable Cameroonians working in the informal sector, it is expected that these measures will have minimal impact on poverty reduction.

Figure 1 / Cameroon: Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank.

Outlook

The medium-term outlook is moderately positive, with real GDP growth projected to 3.7 percent in 2024 and slightly above four percent in 2025 and 2026. This is driven by the following factors that should have a knock-on effect on other economic sectors: (i) an improved energy supply from the full commissioning of the Nachtigal hydroelectric dam which represents one third of the current energy supply, and (ii) scaled-up public investment, especially in infrastructure, with the aim to reach 7.0 percent of GDP by 2027 from 3.9 percent in 2023.

Higher public revenues will support scaled up public investment, while the fiscal deficit would remain at 0.8 percent of GDP in 2024, and around 1 percent of GDP in the medium-term, allowing the debt-to-GDP ratio to decrease. While public investment on infrastructure projects under the NDS30 is projected to increase, improvements in the fiscal accounts in 2024 will be pursued through higher tax revenue collection and a better control of current expenditures, especially fuel subsidies that are expected to decline following an increase in pump price in February 2024.

Average inflation will continue to decline from 4.7 percent in 2024 to 3.0 percent in 2026, under the effects of BEAC's restrictive monetary policy stance.

The current account deficit will remain over the medium term around 4.0 percent of GDP, reflecting the decline in oil production driven by oil field depletion, and the higher imports needed for the scaled-up public investment program.

Real per capita growth is forecasted to be insufficient to reduce poverty over the next three years and consequently an additional 600,000 people will join the ranks of the population living in extreme poverty which, by 2026, could grow to a total of 7.2 million people. The outlook remains subject to risks associated with (i) commodity price volatility; (ii) a persistent security crisis; (iii) lower-than-expected budget support from external donors, (iv) persistent shortages in energy supply, (v) lower than expected public investment, (vi) possible tensions around the presidential elections in October 2025.

Table 2: Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.3	3.6	3.3	3.7	4.0	4.2
Private consumption	4.7	4.2	2.4	3.5	3.7	3.8
Government consumption	2.6	-3.3	0.2	0.2	0.3	0.2
Gross fixed capital investment	-3.0	14.4	10.1	8.3	8.4	8.8
Exports, goods and services	19.8	-5.1	6.4	7.0	7.7	8.0
Imports, goods and services	9.0	7.3	9.2	8.8	8.9	9.2
Real GDP growth, at constant factor prices	3.3	3.6	2.9	3.7	4.0	4.2
Agriculture	2.9	3.2	2.5	2.9	3.1	3.3
Industry	4.1	3.6	2.5	3.6	4.3	4.2
Services	3.0	3.6	3.3	3.9	4.1	4.5
Inflation (consumer price index)	2.5	6.3	7.4	4.7	3.5	3.0
Current account balance (% of GDP)	-4.0	-3.6	-4.1	-4.2	-4.3	-4.0
Fiscal balance (% of GDP)	-2.9	-1.1	-0.8	-0.8	-1.0	-1.1
Revenues (% of GDP)	14.8	16.8	17.2	17.6	17.9	18.0
Debt (% of GDP)	48.1	45.3	44.6	42.2	39.2	38.1
Primary balance (% of GDP)	-1.9	-0.3	0.3	0.3	0.1	-0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	23.0	22.5	23.4	24.2	24.3	23.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	46.7	46.0	46.7	46.8	46.7	46.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	76.0	75.2	75.2	75.1	74.7	74.4
GHG emissions growth (mtCO2e)	-1.0	0.4	0.9	2.2	2.4	2.1
Energy related GHG emissions (% of total)	7.0	7.0	7.0	7.1	7.1	7.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty data are expressed in 2017 PPP, versus 2011 PPP in previous editions - resulting in major changes. See pip.worldbank.org
(a) Calculations based on 2021-ECAM-V. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
(b) Projections using microsimulation methodology.

Central African Republic

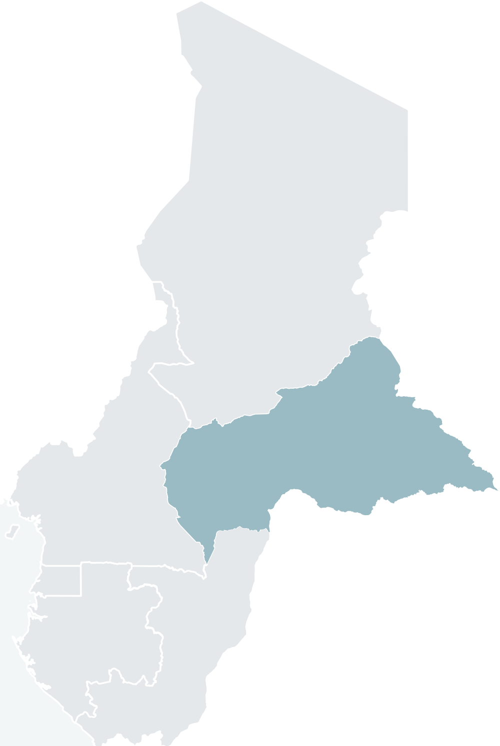


Table 1	2023
Population, million	5.7
GDP, current US$ billion	2.6
GDP per capita, current US$	457.6
International poverty rate ($2.15)[a]	65.7
Lower middle-income poverty rate ($3.65)[a]	85.8
Upper middle-income poverty rate ($6.85)[a]	96.2
Gini index[a]	43.0
School enrollment, primary (% gross)[b]	110.7
Life expectancy at birth, years[b]	54.5
Total GHG Emissions (mtCO2e)	56.2

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2021), 2017 PPPs.
(b) Most recent WDI value (2022).

With fuel import shortages unresolved and repeated power outages in 2024, economic stagnation persists, with growth projected at just 0.7 percent. In this context, the country is navigating a difficult macro-fiscal situation. Unless the authorities secure sufficient grant support for 2025, there are concerns about the state's ability to cover its wage bill and fulfill its obligations without accumulating arrears in the foreseeable future.

Key Conditions and Challenges

The Central African Republic (CAR) remains entrenched in poverty and fragility despite its wealth of natural resources, notably gold and diamonds. Adversely impacted by conflict, external shocks, and policy missteps, its income per capita has fallen by a third since the escalation of civil war in late 2012. It is now among the poorest countries in the world, with two-thirds of its population living in extreme poverty. Additionally, the country has been unable to resolve fuel shortages since 2022, particularly those affecting about 80 percent of all fuel imports made via the Ubangui River. CAR's public finances are under immense pressure due to weak revenue mobilization and social sector spending pressures, exacerbated by a de facto freeze on budget support from key development partners out of their concern over governance, use of fiscal resources to finance security-related expenses, and policy missteps. CAR remains at high risk of debt distress, with debt pressures having grown substantially in recent years, and with substantial liquidity risks that could jeopardize the government's ability to pay for civil service salaries and essential public services.

The successful implementation of policy reforms under the IMF's ECF program and support from other development partners is crucial for restoring macro-fiscal stability. Critical areas for reform include revising the petroleum price structure and procurement system, to ensure sustainable fuel provision, strengthening domestic revenue mobilization, fiscal transparency, and enhancing debt management and sustainability.

Recent Developments

The economy has stagnated since 2023, partly due to a 13 percent drop in gold production, possibly linked to smuggling in conflict zones. However, the primary cause is the delay and uncertainty around the river campaign for fuel imports, which normally represent 80-85 percent of the total. Fuel shortages, now in their third year, continue to disrupt local trade and production. While requisitioning some fuel stations in Greater Bangui and the black market have prevented immediate collapse, the situation remains critical due to limited reserves. Additionally, potential malfunctions at Boali, and the need to rehabilitate the old power line to Bangui, have reduced nighttime light activity in Bangui during the first half of 2024 (2024H1) compared to 2023H1, impacting small businesses without reserves or alternative power.

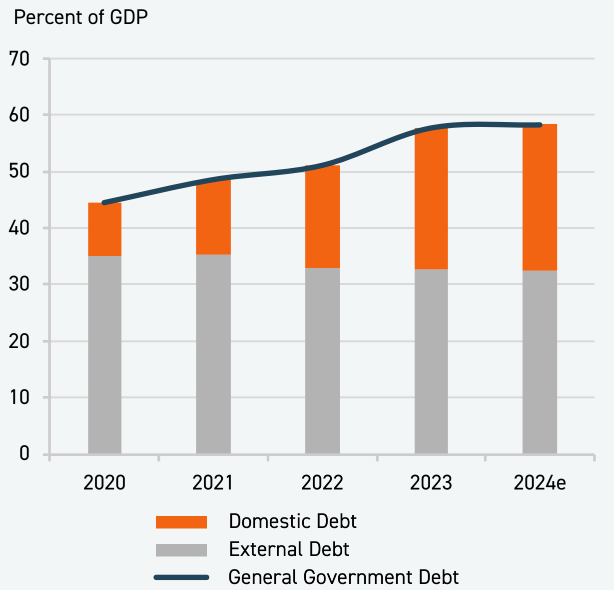
Regional monetary tightening, alongside economic stagnation, has kept monthly inflation below 2 percent since February 2024, mainly due to moderated food and housing prices. The BEAC has maintained a tight monetary policy, keeping the policy rate at five percent following a cumulative increase of 175 basis points since November 2021, and has scaled back liquidity absorption since early 2024.

The fiscal deficit has reduced since 2023 due to forced consolidation especially on domestically financed capital spending, fiscal reforms, and increased grant financing, despite spending overruns on certain spending items, such as foreign missions and equipment for local armed forces. The detrimental fiscal direct and indirect impact of fuel shortages on revenue collection should be limited if fuel reserves remain.

Although gold production has fallen, the current account deficit has stabilized around 9.2 percent of GDP since 2023 due to improved terms of trade and favorable gold prices. Challenges remain due to a lack of competitiveness and weak global value chain connections.

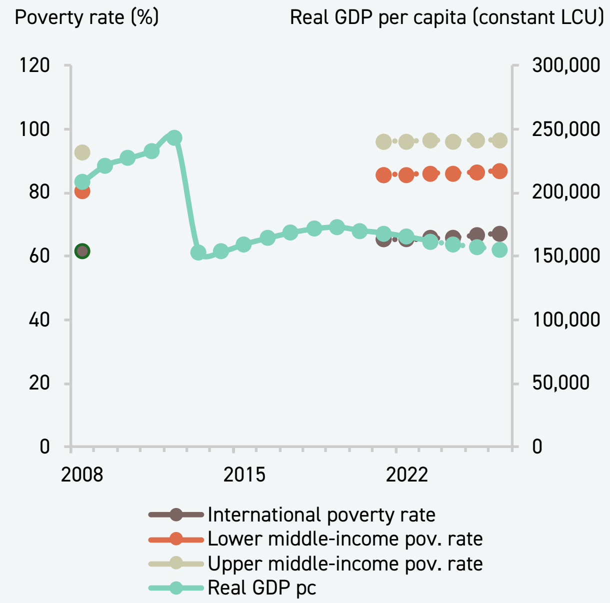
Extreme poverty remains pervasive and deep in CAR, with 65.7 percent of the population living below the international extreme poverty line of USD 2.15 (2017 PPP) per person per day. CAR also exhibits significant spatial inequality. Approximately 74.4 percent of rural Central Africans live below the national poverty line, compared with 61.1 percent of urban residents. Regional disparities are also notable: in Bangui, the poverty rate at the national poverty line is 40.1 percent, considerably lower than the average of 73.3 percent for all other regions combined, and less than half the poverty rate of CAR’s poorest region, Haut Oubangui, where 84.7 percent of the population lives in poverty. Despite a decline in overall price inflation since 2023, poverty is expected to remain high due to weak economic performance and a decrease in per capita income.

Figure 1 / Central African Republic: The dynamic and composition of public debt in recent years



Source: World Bank.

Figure 2 / Central African Republic: Actual and projected poverty rates and real GDP per capita



Source: World Bank. Note: see Table 2.

Outlook

The projected growth rate for 2024 has been downgraded from 1.3 percent (Spring estimates) to 0.7 percent, mirroring last year's underperformance, due to lower gold production and fuel shortages. Real GDP growth is projected to recover gradually, reaching 1.6 percent in 2025-26, partly due to base effects and the effective implementation of policy adjustments aimed at improving fuel supply after three years of shortages. Inflation is expected to slow down to 1.5 percent by end 2024. However, poverty is likely to remain high due to declining per capita income, compounded by already severe household budget constraints and a weak economic recovery.

The fiscal deficit is expected to improve from 3.5 percent in 2023 to 2.8 percent in 2024. The overall fiscal balance is projected to gradually deteriorate in 2025 and 2026 in the absence of strong grants commitment from donor partners. However, this would be partially mitigated by significant efforts in DRM, including the digitalization of procedures and payments, the collection of excise duties, VAT, and miscellaneous revenues, as well as reforms in reference prices for timber and fuel pump prices, and revisions to the tax exemptions and VAT system. Public debt should stabilize at 58.3 percent of GDP in 2024, with domestic debt reaching 25.9 percent of GDP. The current account balance is projected to slightly improve due to increased gold production in the western prefectures and higher local sawn wood production, but it will remain in significant deficit from 2025 onwards, due to the energy, equipment, and food bill.

Risks to the outlook remain skewed heavily to the downside. The 2025 presidential election could pose risks to security and stability. A reversal of recent security gains could negatively affect key sectors such as food production and processing, mining, transport, and retail, slowing economic growth and complicating the country's efforts to emerge from fragility.

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Table 2 / Central African Republic: Macro-Poverty Outlook Indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.0	0.5	0.7	0.7	1.1	2.0
Private Consumption	1.3	0.0	1.2	1.5	1.9	2.3
Government Consumption	-3.8	-8.2	3.5	-4.5	-4.4	-1.9
Gross Fixed Capital Investment	-15.9	-4.5	-2.7	-1.4	-0.5	2.1
Exports, Goods and Services	-5.3	2.6	9.0	1.3	2.4	3.2
Imports, Goods and Services	-11.5	-5.5	5.5	0.8	1.7	2.7
Real GDP growth, at constant factor prices	1.5	1.0	0.7	0.7	1.1	2.0
Agriculture	2.7	2.2	2.3	1.7	2.4	2.9
Industry	-1.7	-3.9	-0.5	-0.5	0.5	1.2
Services	2.2	2.4	0.1	0.4	0.3	1.6
Inflation (Consumer Price Index)	4.3	5.6	3.0	1.5	2.3	2.9
Current Account Balance (% of GDP)	-11.1	-12.7	-9.1	-9.2	-8.7	-8.3
Fiscal Balance (% of GDP)	-6.0	-5.3	-3.5	-2.8	-3.5	-3.8
Revenues (incl. grants, % of GDP)	13.7	12.3	14.4	14.4	13.4	13.3
Debt (% of GDP)	48.5	51.1	57.7	58.3	57.9	57.3
Primary Balance (% of GDP)	-5.7	-4.9	-2.9	-1.9	-2.5	-2.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	65.7	65.3	65.8	66.1	66.8	67.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	85.8	85.6	86.1	86.1	86.5	87.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.2	96.1	96.4	96.4	96.5	96.5
GHG emissions growth (mtCO2e)	1.5	-0.2	-0.2	-0.2	-0.2	-0.2
Energy related GHG emissions (% of total)	0.4	0.4	0.4	0.5	0.5	0.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty data are expressed in 2017 PPP, versus 2011 PPP in previous editions - resulting in major changes. See pip.worldbank.org
(a) Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
(b) Projections using microsimulation methodology.

Republic of Congo

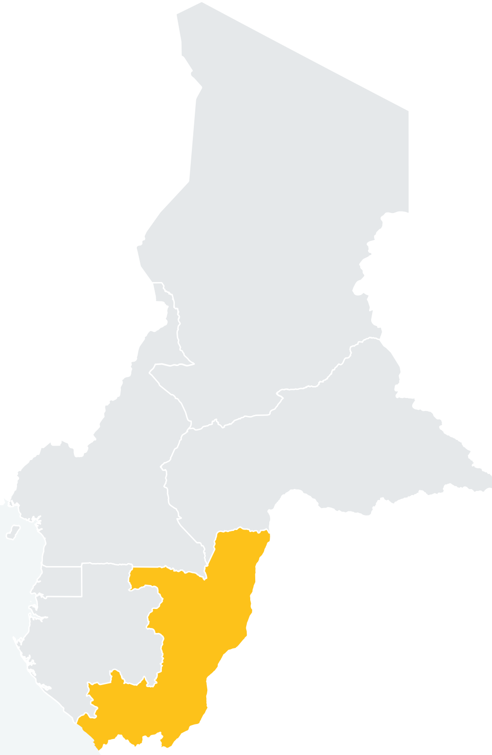


Table 1	2023
Population, million	6.1
GDP, current US$ billion	15.3
GDP per capita, current US$	2,508.8
International poverty rate ($2.15)[a]	35.4
Lower middle-income poverty rate ($3.65)[a]	59.1
Upper middle-income poverty rate ($6.85)[a]	83.5
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	87.7
Life expectancy at birth, years[b]	63.1
Total GHG Emissions (mtCO2e)	29.2

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2011), 2017 PPPs.
(b) Most recent WDI value (2022).

Income per capita is expected to decline by 0.2 percent in 2024, resulting from a modest growth rate of 2.1 percent. Hence, the poverty rate is projected to slightly increase. Tax reforms are aiding domestic resource mobilization, maintaining a budget surplus projected at 2.8 percent of GDP in 2024, down from 3.6 percent in 2023. The growth outlook has improved but remains vulnerable to oil production decline, oil price volatility, and delays in structural reforms.

Key Conditions and Challenges

From 2015 to 2023, annual real GDP contracted by an average of 1.9 percent, leading to a 32 percent cumulative fall in income per capita. The economic recession began with the oil price downturn in 2014-2016, exacerbated by public spending cuts and domestic arrears accumulation, which in turn reduced private investment. The COVID-19 pandemic prolonged the recession, reducing GDP per capita to early 1970s levels. Hence, extreme poverty increased from 33.5 percent in 2015 to 46.6 percent in 2022, reversing previous progress in poverty reduction.

The failure to adjust public spending when oil revenue started to decline has led to a sharp increase in the debt-to-GDP ratio from 42.3 percent in 2014 to a peak of 103.5 percent in 2020 and moderating to 96 percent in 2023. Thus, Congo was classified in 2017 as being in “debt distress” with unsustainable debt. Debt restructuring and debt management reforms have made Congo’s debt sustainable since 2021, but the country remains in debt distress due to ongoing restructuring and audit of domestic arrears.

Reliance on oil revenues makes the economy vulnerable to oil production decline and price volatility, which adversely affects long-term growth prospects. Sustainable development requires diversifying national assets and strengthening institutions, human and physical capital, and balanced use of natural capital.

Recent Developments

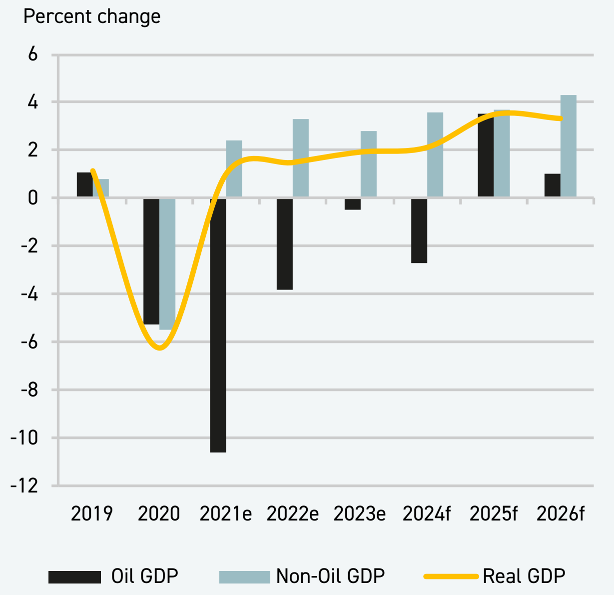
In 2023, the economy grew by 1.9 percent, leading to a 0.4 percent decline in GDP per capita. The Congolese economy continues to experience modest growth, driven by the non-oil sectors. Non-oil growth in 2024H1 was driven by agriculture and manufacturing. Government support (tariff exemptions, protected agricultural zones, agricultural mechanization centers, etc.) and private sector investment boosted agricultural growth, while strong external demand for cement and new breweries drove manufacturing growth. Oil production declined by 2.7 percent in 2024H1 due to aging equipment and fields.

Despite reduced oil revenues, the budget recorded a surplus in 2024Q1 due to improved tax revenue mobilization, fuel subsidy cuts, and restrained public spending. Domestic tax and customs revenue increased by 14 percent and 21 percent, respectively (y-o-y) in 2024Q1 while exemptions granted by the state were down by 9 percent at the same period. Public spending decreased, due to lower spending on goods and services and investment. After declining to 86.6 percent in 2022, the debt-to-GDP ratio reached 96 percent in 2023 due to audited domestic arrears. The current account surplus declined to 8.6 percent of GDP in 2023 due to decreasing export receipts and high import bills from investment in the gas production center construction.

The banking sector remains solvent but vulnerable to non-performing loans. As in 2023H1, bank deposits and loans to the private sector increased in the first quarter of 2024. Inflationary pressures persisted at the beginning of 2024, driven by last year's fuel price increase, cement and beer prices hike. The Bank of Central African States (BEAC) maintained its tight monetary policy stance to contain inflation and support the external viability of the exchange rate arrangement. After a cumulative increase of 175 basis points between November 2021 and March 2023, the BEAC has maintained its policy rate at 5 percent. Weekly liquidity injections were discontinued in early 2023 and BEAC has scaled down its liquidity absorption operations since the beginning of 2024.

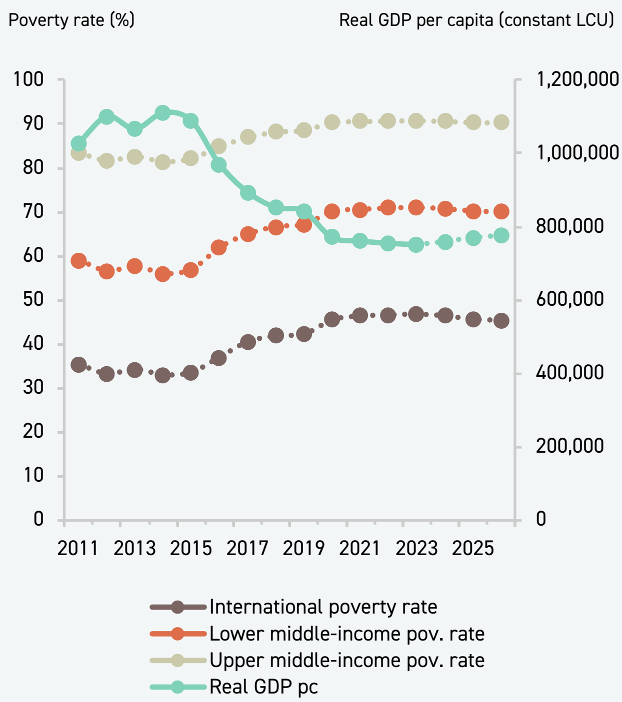
The poverty rate rose to 46.76 percent in 2023 due to negative GDP per capita growth.

Figure 1 / Republic of Congo: Real GDP growth



Source: World Bank.

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



Source: World Bank. Note: see Table 2.

Outlook

The Congolese economy should experience modest growth of 2.1 percent in 2024 and an average 3.4 percent in 2025-2026. The oil sector, projected to grow by 2.3 percent between 2025 and 2026, will be supported by the renewal of equipment and oil fields thanks to upcoming investments. The non-oil sector, projected to reach an average growth rate of 4.3 percent in 2025-26, will be underpinned by the continued momentum in agriculture and industry. Non-oil activities will also be supported by the increase in domestic demand that is expected to result from the continued clearance of domestic arrears, the gradual increase in social spending and public investment. Bank deposits and loans to the private sector are expected to continue to rise in 2024 as a result of the upcoming payment of domestic arrears. Inflationary pressures are expected to persist, reaching 3.8 percent in 2024, returning to the BEAC target of 3 percent by 2025. GDP per capita growth is projected to remain negative in 2024 at -0.2 percent. The poverty rate is thus expected to marginally increase to 46.8 percent in 2024, before declining to an average of 46.0 percent in 2025-26.

The fiscal surplus is projected to decline to 2.8 percent of GDP in 2024 and further to 1.9 percent in 2025-2026 due to the anticipated drop in oil prices. The projected medium-term rise in social spending and capital expenditure should have a negative impact on the budget surplus. However, new investments in oil equipment and fields may bolster oil production thus preserve fiscal surplus. Congo's debt-to-GDP ratio remains high and a source of fiscal risk but is projected to decline to 86.6 percent in 2025-2026 thanks to recent reforms. The expected decline in exports should reduce the current account surplus to 2.9 percent, while the expected slowdown in imports should help preserve the surplus in 2024.

The recovery faces low growth prospects with risks predominantly to the downside, including oil price volatility, weaker global demand, postponed oil investments, tighter financing conditions, adverse weather conditions, as illustrated by the severe impacts caused by floods in 2024, and weak reform implementation. However, the expected expansion of the gas industry presents an upside risk for growth, public finances, and the balance of payments.

Table 2 / Republic of Congo: Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021e	2022e	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.0	1.5	1.9	2.1	3.5	3.3
Private consumption	11.5	5.0	4.9	5.6	4.7	5.0
Government consumption	2.1	-5.0	0.6	1.3	1.9	1.5
Gross fixed capital investment	14.0	10.0	8.6	7.0	4.4	5.1
Exports, goods and services	-1.0	-0.7	1.0	-0.7	4.2	2.5
Imports, goods and services	25.0	5.9	8.9	6.5	6.3	4.9
Real GDP growth, at constant factor prices	1.0	1.5	1.9	2.1	3.5	3.3
Agriculture	1.9	3.0	2.8	2.8	3.4	3.7
Industry	-3.3	-0.6	0.7	1.1	4.6	3.5
Services	2.0	3.1	2.9	2.8	3.2	3.4
Inflation (consumper price index)	2.0	3.0	4.3	3.8	3.0	3.0
Current account balance (% of GDP)	11.6	15.4	8.6	2.9	1.5	1.8
Net foreign direct investment inflow (% of GDP)	2.2	7.9	9.5	4.8	5.1	4.9
Fiscal balance (% of GDP)	1.2	7.9	3.6	2.8	1.9	1.9
Revenues (% of GDP)	21.1	28.6	24.3	24.0	23.6	23.5
Debt (% of GDP)	92.1	86.6	96.0	94.7	89.3	83.8
Primary balance (% of GDP)	3.1	10.2	6.4	5.6	4.7	4.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	46.4	46.6	46.8	46.8	46.4	45.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	70.6	70.9	71.0	71.1	70.7	70.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.6	90.7	90.8	90.8	90.6	90.4
GHG emissions growth (mtCO2e)	-4.1	2.8	2.5	2.2	1.5	1.2
Energy related GHG emissions (% of total)	15.1	15.4	16.0	16.6	17.6	18.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty data are expressed in 2017 PPP, versus 2011 PPP in previous editions - resulting in major changes. See pip.worldbank.org.
(a) Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2023. Forecasts are from 2024 to 2026.
(b) Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

Chad

Table 1	2023
Population, million	18.3
GDP, current US$ billion	13.6
GDP per capita, current US$	745.0
International poverty rate ($2.15)[a]	30.8
Lower middle-income poverty rate ($3.65)[a]	62.8
Upper middle-income poverty rate ($6.85)[a]	88.8
Gini index[a]	37.4
School enrollment, primary (% gross)[b]	90.4
Life expectancy at birth, years[b]	53.0
Total GHG Emissions (mtCO2e)	123.8

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2022), 2017 PPPs.
(b) Most recent WDI value (2022).

2024 GDP growth is expected to slow to 3 percent (-0.1 percent per capita) despite increased oil exports and public spending, as economic spillovers from the war in Sudan continue. Inflation will increase to 6.5 percent exacerbated by flooding, which has led to extreme levels of food insecurity. The poverty rate is expected to increase to 36.4 percent. Downside risks to the outlook include regional instability, insecurity, and further climate shocks.

Key conditions and Challenges

Chad's economic growth has been volatile and weak, reflecting the dependence on the oil sector, which accounts for 85 percent of exports and 56 percent of fiscal revenues. Economic diversification efforts are ongoing, with measures aimed at industrializing the livestock sector, facilitating access to inputs to the agro-pastoral sector, and limiting barriers to trade with non-CEMAC countries.

Chad is also among the world's most vulnerable countries to climate change. Insufficient rains as well as frequent intense flooding – most recently in 2022 and this year - adversely impacts agriculture production, which, together with conflict and displacement, has led to chronic food insecurity.

Ending the political transition, President Mahamat Idriss Deby was declared the winner of the May 2024 presidential election, with limited violence. Security remains tenuous, with threats by Boko Haram in the Lake Chad region, and the armed FACT rebellion in the north. According to the International Organization for Migration, an estimated 910,000 people have crossed the border into Chad since the start of the crisis in Sudan in April 2023, including 213,339 Chadian returnees. The war in Sudan, as well as the rebellion from Libya, has induced higher humanitarian spending as well as military expenditures to secure the borders.

Recent Developments

Despite the strain caused by the ongoing refugee crisis – placing heavy demands on local resources and increasing fiscal pressures – Chad's economy is expected to sustain 3 percent growth in 2024 (-0.1 percent per capita). Non-oil GDP growth is estimated to be 2.7 percent, down from 4.1 percent in 2023, as the growth of public investment decelerates. On the supply side, industry is expected to contribute 1.3 percentage points (pps) to growth, supported by a modest increase in oil production, followed by agriculture (1 pp), which has been negatively impacted by the major flooding, and services (0.7 pps). Net exports are expected to be the main driver on the demand side (+1.1 pps), with the volume of Q1 oil exports having increased 8.4 percent compared to the same period in 2023. Government investment and consumption are expected to contribute 0.6 and 0.3 pps to growth, respectively.

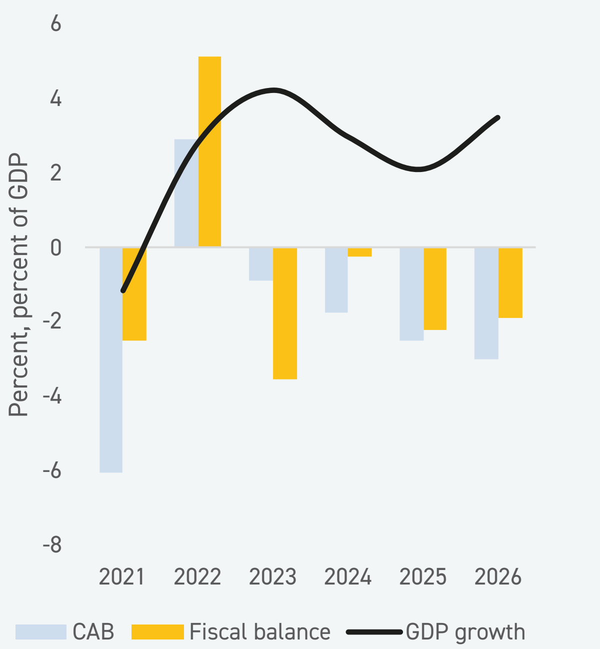
The current account deficit is expected to slightly widen to 1.7 percent of GDP. Demand for imported goods (from investment and military expenditures and humanitarian-related operations in support of Sudanese refugees) remains high, with terms of trade declining.

Inflation, after easing to 4.1 percent in 2023, is projected to surge to 6.5 percent in 2024, due to higher food and transport prices. The poverty rate is estimated to increase by 2.6 ppts to 36.4 percent in 2024 with a total of 6.9 million in extreme poverty. Since mid-July, floods following heavy rains have affected over 1.5 million people, destroyed 259,000 hectares of crops, and caused the loss of nearly 70,000 heads of livestock. An estimated 3.4 million people (20 percent of the population) are facing severe food insecurity between June and August 2024.

The Bank of Central African States (BEAC) has maintained its tight monetary policy stance to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023. Weekly liquidity injections were discontinued in early 2023 and BEAC has scaled down its liquidity absorption operations since the beginning of 2024.

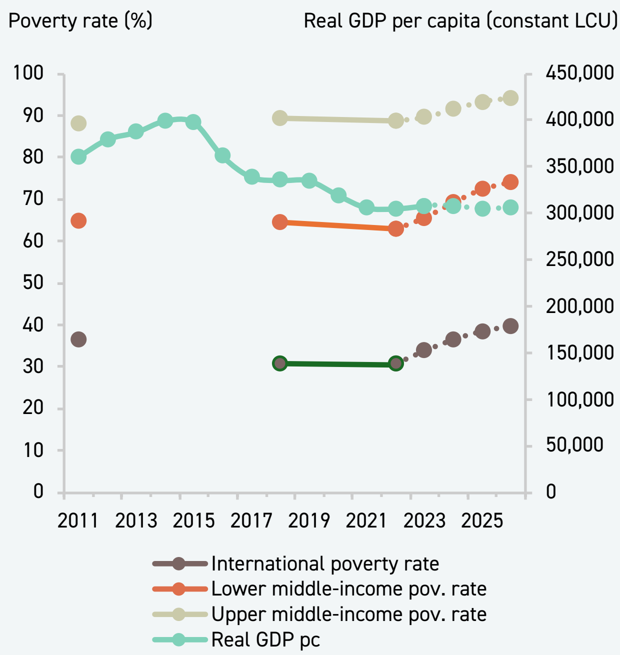
The fiscal deficit is expected to narrow from 3.5 percent of GDP in 2023 to 0.2 percent in 2024, despite increasing expenditures (+8.8 percent) in response to humanitarian needs, flooding, and presidential and local elections. The consolidation is driven by higher tax revenues (+20.5 percent), stemming from tax modernization and digitalization efforts, and oil revenues (+17.2 percent). Windfalls resulting from the increase in fuel prices and dividends from the Société de raffinage de N'Djamena have likewise contributed. Total public debt is projected to increase from 38.5 percent in 2023 to 41.4 percent of GDP in 2024.

Figure 1 / Chad: Real GDP growth



Source: World Bank.

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



Source: World Bank.

Outlook

Growth is projected to average 2.8 percent (-0.3 percent per capita) over 2025-2026, as public investment is expected to fall from the highs of 2023-2024. Non-oil GDP growth is projected at an average of 3.3 percent. After three consecutive years above the target range, inflation is projected to moderate to an average of 3.1 percent in the medium term.

The 2024 lean season is projected to be one of the worst in recent years. Flood damages and crop losses will lead to a drop in production and household incomes, and as a result, the extreme poverty rate is expected to increase by 2 ppts to 38.4 percent in 2025, which translates into an additional 588,000 people in extreme poverty. Continued security restrictions, low social protection coverage, and the ongoing Sudan crisis is expected to restrict poverty reduction, with extreme poverty projected to reach 39.6 percent in 2026.

Credits: Safari Consoler on pexels

With declining oil prices forecasted and elevated public spending, fiscal accounts are projected to remain in deficit in the medium-term. As a result, public debt is projected to reach 42.6 percent of GDP in 2026. The current account deficit is projected to expand to an average 2.8 percent of GDP over 2025-2026.

The outlook is subject to multiple downside risks, including lower-than-anticipated oil prices, regional instability, heightened insecurity, and further climate shocks and natural disasters. A prolonged Sudan war could worsen the humanitarian crisis, strain public finances, and increase inflationary pressures. Meanwhile, the conclusion of the political transition presents an upside risk if the government implements reforms that improve productivity, economic diversification and growth.

Table 2 / Chad: Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024f	2025f	2026f
Real GDP growth, at constant market prices	-1.2	2.8	4.2	3.0	2.1	3.5
Private consumption	1.6	2.7	3.6	1.3	3.4	3.5
Government consumption	3.7	-1.5	-7.0	9.6	0.1	4.9
Gross fixed capital investment	-4.3	-6.1	54.1	3.9	-2.4	0.5
Exports, goods and services	-0.4	5.0	2.9	4.0	0.9	4.1
Imports, goods and services	5.1	2.0	16.0	1.8	1.1	3.1
Real GDP growth, at constant factor prices	-1.2	2.8	4.1	3.0	2.1	3.5
Agriculture	6.2	2.0	5.0	3.1	3.4	3.5
Industry	-4.6	4.1	3.3	4.1	-0.5	3.3
Services	-4.3	2.3	4.1	1.9	3.2	3.7
Inflation (consumer price index)	1.0	5.8	4.1	6.5	3.2	3.0
Current account balance (% of GDP)	-6.0	2.9	-0.9	-1.7	-2.5	-3.0
Fiscal balance (% of GDP)	-2.5	5.1	-3.5	-0.2	-2.2	-1.9
Revenues (% of GDP)	16.3	23.5	18.3	22.5*	21.4	20.7
Debt (% of GDP)	55.9	42.3	38.5	41.4	41.8	42.6
Primary balance (% of GDP)*	-1.3	6.6	-2.4	1.2	-0.1	-0.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	28.2	30.8	33.8	36.4	38.4	39.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	57.7	62.8	65.5	69.2	72.4	74.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.6	88.8	89.7	91.5	93.3	94.1
GHG emissions growth (mtCO2e)	2.8	2.1	2.0	2.0	2.1	1.9
Energy related GHG emissions (% of total)	2.3	2.2	2.2	2.2	2.2	2.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. (*) Includes one-off non-oil, non-tax revenues, such as windfalls from the increase in the fuel price and dividends from the *Société de raffinage de N'Djamena*
a/ Calculations based on 2022-EHCVM. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

Gabon

Table 1	2023
Population, million	2.4
GDP, current US$ billion	20.1
GDP per capita, current US$	8,231.1
International poverty rate ($2.15)[a]	2.5
Lower middle-income poverty rate ($3.65)[a]	8.1
Upper middle-income poverty rate ($6.85)[a]	31.2
Gini index[a]	38.0
School enrollment, primary (% gross)[b]	100.6
Life expectancy at birth, years[b]	65.8
Total GHG Emissions (mtCO2e)	19.7

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2017), 2017 PPPs.
(b) Most recent WDI value (2022).

Gabon's economy grew by 2.4 percent in 2023, a lower growth compared to 2022, impacted by logistical disruptions. Triggered by the August 2023 coup, the ongoing political transition is an opportunity for reforms, with many actions underway. An orderly return to constitutional order will be crucial to avoid social, economic and financing risks. Strong reforms are required to reverse the current trend and set the country on a poverty reduction path, without compromising public finances.

Key conditions and Challenges

The August 2023 coup was followed by a peaceful transition in Gabon, with significant institutional changes. A national dialogue was held in April 2024 and a new constitution was adopted by referendum in November 2024. Legal and policy reforms and investments are being made in roads, airports, energy and water, a new public bank for SME support, agriculture, housing, and social areas.

Several development challenges persist. Despite Gabon's resource wealth, extractives-based growth remains insufficient, vulnerable to price fluctuations, and unable to create enough jobs. One-third of the population lives in poverty, twice as much in rural areas. High urbanization has concentrated poverty in cities like Libreville and Port-Gentil. Income inequality is stark, youth unemployment is high and informality limits job opportunities. Infrastructure gaps hinder growth and investment.

While major transparency initiatives are underway, such as the planned publication of oil contracts and validation of Gabon's EITI membership, governance challenges impede efficient resource use. High social expectations–that the political transition will tangibly improve living conditions—are translating into higher spending, worsening fiscal and debt pressures. For instance, fuel subsidies have been expanded, at a significant fiscal cost. Substantial efforts are being made to clear past payment arrears, but accumulation of new ones remains a challenge. High fiscal and liquidity risks led Moody's and Fitch to downgrade Gabon's ratings, while the IMF's May 2024 debt sustainability analysis assessed a high risk of debt distress, noting a significant deterioration in debt sustainability since the previous assessment in 2022.

As outlined in the National Development Plan for the Transition, reforms are needed to create jobs and local value-addition in sustainable forestry, mining, agriculture and fisheries. Improving access to credit, labor skills, infrastructure, and public action, is essential for higher growth. The return to constitutional order within the announced timetable is crucial to avoid accentuating financing risks. Optimizing revenues and improving spending discipline, efficiency, and targeting will be key to reinforce fiscal sustainability.

Recent developments

In 2023, Gabon's GDP grew by 2.4 percent, a lower growth rate compared to 2022, as landslides caused railway blockages that affected manganese and wood exports. As the new government restored international relations and accelerated public investments, the coup did not significantly affect growth, except for the impact of nighttime curfews on services. Demand-side growth was led by oil exports and public investment. The economy grew by 1.1 percent in 2024Q1 (q-o-q), led by higher-than-expected oil output and a recovering wood production, boosted by stronger Asian and European demand.

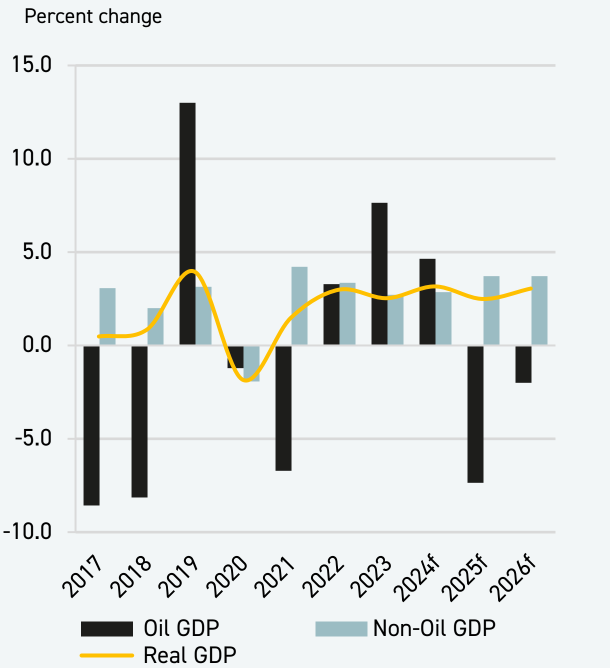
The current account surplus remained high at 28.5 percent of GDP in 2023, supported by commodity exports, despite increased imports due to higher public spending.

Despite stronger tax collection, higher expenditures increased the overall fiscal deficit to 1.0 percent of GDP in 2023, bringing the non-oil primary balance to -12.7 percent of non-oil GDP, due to electoral spending and the resumption of public service hiring, new social measures, and public works launched in late 2023. Additional debt components were identified since the transition, bringing public debt to 72.1 percent of GDP in 2023. In 2024Q1, higher-than-anticipated oil prices benefited oil revenues, which, combined with spending below budgetary forecasts, led to an estimated fiscal surplus of 1.5 percent of GDP.

At 1.0 percent in June (y-o-y), inflation continued to ease in early 2024, in view of expanded price ceilings on essential goods, fuel subsidies, and a tight monetary policy. The BEAC kept the policy rate at five percent following a cumulative 175 basis point-increase between November 2021 and March 2023, discontinued weekly liquidity injections in early 2023, and scaled down liquidity absorption operations since early 2024. Yet, credit to firms expanded by 23.3 percent in June 2024 (y-o-y), with private demand coming notably from oil and construction.

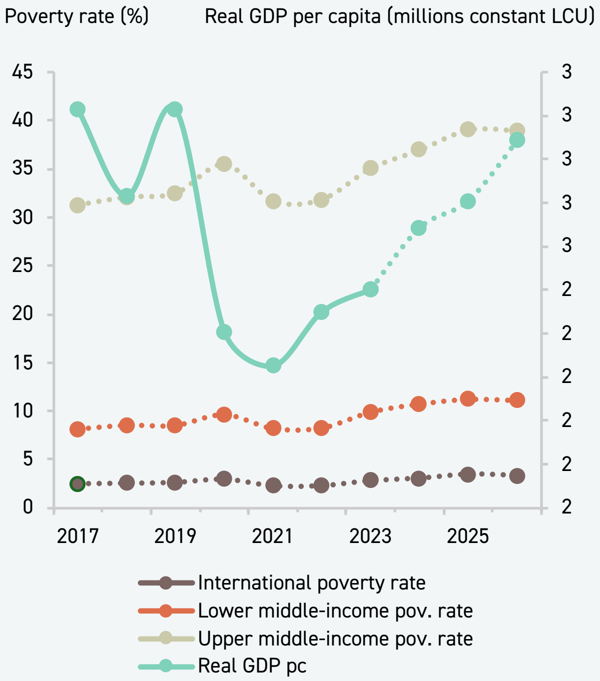
Lower growth compared to 2022 and insufficient job creation increased poverty. The share of Gabonese living under $6.85 per day (in 2017 PPP) is estimated to have reached 35.1 percent in 2023, or nearly 855,000 people.

Figure 1 / Gabon: Oil and non-oil GDP growth



Sources: Official government data and World Bank calculations.

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



Source: World Bank. Note: see Table 2.

Outlook

Moderate growth is projected to continue, at around 2.9 percent in 2024-26. Depleting reserves would start to reduce oil output in 2025, but growth would be sustained by expanding wood industry, oil palm and rubber plantations, and the entry into production of new iron and manganese deposits. Also, major public projects would drive construction and services.

The current account surplus would reduce gradually over the years. Lower oil production would affect exports, while imports would decline more gradually in a context of constrained fiscal space.

Slightly decreasing oil prices and lower production would reduce oil revenues in coming years. Further spending increases in response to significant spending pressures, coming from capital expenditures, fuel subsidies, other social measures, and the 2025 elections would worsen the fiscal situation. A deteriorating fiscal position, with deficits averaging 4.3 percent of GDP in 2024-26, would, without corrective measures to contain spending such as fuel subsidies, aggravate Gabon's debt situation.

Inflation should remain below the 3.0 regional convergence criteria. Yet, the prevalence of non-labor-intensive oil and mining industries, lack of private sector growth, and mismatching labor skills result in high unemployment. Joblessness and underfunded, poorly targeted social protection are expected to sustain elevated poverty levels, projected to reach 39.0 percent by 2025. The absolute number of individuals living in poverty in Gabon is expected to surpass one million by 2026.

External risks for Gabon's outlook include oil price shocks, lower Asian demand, stricter global financial conditions, and worsening geopolitical conflicts that could increase inflation and trade disruptions. Internally, delays in the transition could compromise stability and access to finance, and a stronger focus on the political agenda could stall growth-enabling reforms.

Table 2 / Gabon: Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.5	3.1	2.4	3.1	2.4	3.0
Private consumption	-1.4	-0.3	2.1	1.4	1.6	3.0
Government consumption	3.2	3.8	1.5	4.8	1.0	-2.1
Gross fixed capital investment	12.7	8.5	6.1	-2.3	4.7	-2.0
Exports, goods and services	12.8	12.9	-2.5	7.5	-2.2	-0.1
Imports, goods and services	17.4	12.5	1.3	1.5	0.0	-4.1
Real GDP growth, at constant factor prices	3.5	3.5	2.5	3.1	2.4	3.0
Agriculture	19.2	9.7	-2.0	1.8	4.0	6.6
Industry	3.2	3.4	3.8	2.8	-1.1	4.2
Services	1.3	2.5	2.5	3.6	4.3	1.7
Inflation (consumper price index)	1.1	4.3	3.7	2.4	2.3	2.2
Current account balance (% of GDP)	27.3	34.4	28.5	30.7	27.2	27.9
Net foreign direct investment inflow (% of GDP)	2.2	4.7	5.6	4.9	4.6	4.5
Fiscal balance (% of GDP)	-1.9	-0.8	-1.0	-1.2	-6.0	-5.7
Revenues (% of GDP)	15.3	21.1	23.4	23.9	20.5	19.0
Debt (% of GDP)	68.5	57.0	72.1	71.5	77.3	79.1
Primary balance (% of GDP)	0.9	1.8	1.9	1.9	-2.8	-2.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.3	2.3	2.8	3.0	3.5	3.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	8.2	8.3	9.9	10.8	11.3	11.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.7	31.8	35.1	37.0	39.1	39.0
GHG emissions growth (mtCO2e)	-2.8	-1.4	-1.6	0.0	0.0	0.7
Energy related GHG emissions (% of total)	14.2	14.2	13.1	11.8	10.6	9.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty data are expressed in 2017 PPP, versus 2011 PPP in previous editions - resulting in major changes. See pip.worldbank.org
(a) Calculations based on 2017-EGEP. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.
(b) Projections using microsimulation methodology.

Equatorial Guinea

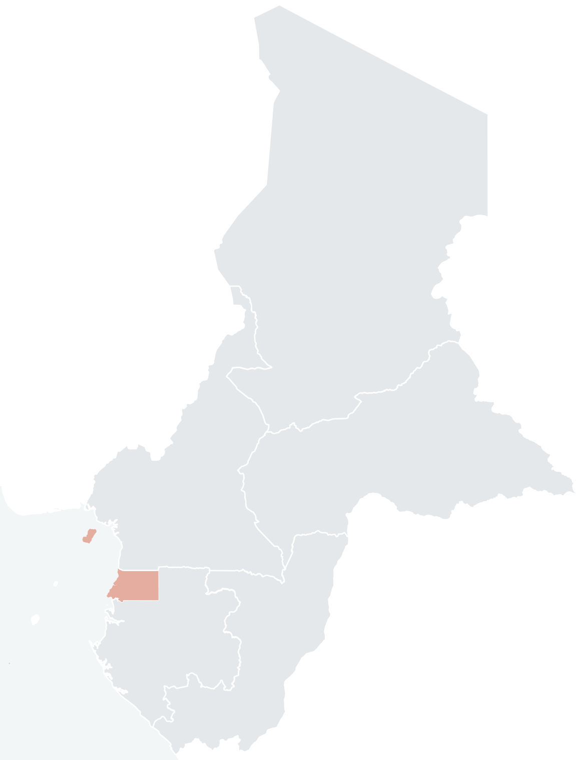


Table 1	2023
Population, million	1.7
GDP, current US$ billion	12.1
GDP per capita, current US$	7,066.6
School enrollment, primary (% gross)[a]	51.2
Life expectancy at birth, years[a]	61.2
Total GHG Emissions (mtCO2e)	13.2

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent WDI value (2022).

After contracting by 5.7 percent in 2023, economic activity in Equatorial Guinea is projected to pick up in 2024 mainly supported by stronger hydrocarbon output. Fiscal and external positions are expected to improve thanks to higher hydrocarbon earnings but will deteriorate in the medium term as hydrocarbon production declines. A more pronounced decline in oil production and prices than expected, a sustained tightening of global financial conditions, global trade disruptions and a decline in demand from main export partners represent downside risks to the outlook.

Key conditions and challenges

Equatorial Guinea's oil dependent economy has contracted over the past decade amid a shrinking hydrocarbon sector, declining investment, and a series of external and domestic shocks. Between 2013 and 2023, economic activity contracted by 4.1 percent per year, on average. GNI per capita was estimated at US$5,240 in 2023, a 58 percent decrease compared to its peak level in 2008.

Structural reforms are needed to prevent long-term economic decline, by diversifying growth drivers and building fiscal stability through domestic revenue mobilization efforts and more efficient public spending. Reforms have been adopted in recent years to improve governance and the business environment, including the passage of an anti-corruption law, the signature of a decree establishing a treasury single account, the drafting of a procurement law and a revised tax law, and more recently the passage of a presidential decree that introduces economic and financial measures in support of the sustainability of the economy and public finances. Yet, weaknesses persist in the governance of extractive revenues, human capital outcomes, and the business environment, preventing the country from achieving sustained, diversified, and inclusive growth.

Despite its upper middle-income status, Equatorial Guinea ranks only 133rd out of 193 countries on the Human Development Index. Living standards remain low with life expectancy at birth estimated at 60.7 years. The II National Household Survey report, scheduled to be released in 2024, will fill knowledge gaps in poverty and inequality, enabling evidence-based policies to boost human development and reduce poverty.

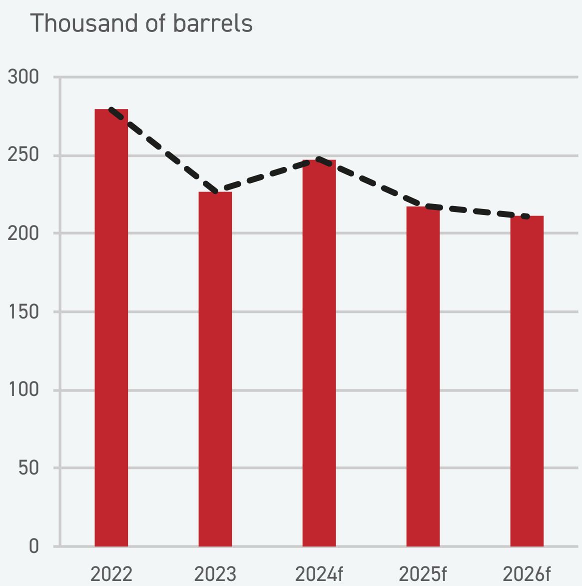
Recent Developments

Following two years of recovery, the Equatoguinean economy contracted in 2023 with a real GDP growth rate of -5.7 percent, driven by lower hydrocarbon output. Production of oil and gas contracted by 21.7 percent and 13.5 percent, respectively, on the back of recent incidents at Zafiro and FPSO Serpentina platforms. However, the hydrocarbon sector has been showing signs of recovery. Preliminary data indicate a pick-up in hydrocarbon production (5.6 percent increase in 2024Q2, year-on-year). The current account deficit widened to 1.6 percent of GDP in 2023 (from 0.9 percent of GDP in 2022) on account of declining hydrocarbon export earnings.

Lower oil production led to a 74 percent decline in oil revenues in 2023 and reduced the fiscal surplus to 2.6 percent of GDP in 2023, compared to 11.6 percent in 2022. Meanwhile, the non-oil fiscal deficit widened to 16.4 percent of GDP in 2023, compared to 12.7 percent of GDP in 2022. Preliminary data for 2024H1 indicate a decrease in revenues and spending by 12 percent and 7 percent, year-on-year, respectively. Over the period 2019-23, CFAF 572.2 billion (or 9.5 percent of GDP) out of the CFAF 1,382.5 billion was paid to reduce outstanding debt to construction companies. Nonetheless, as GDP shrank in 2023, public debt increased as a share of GDP from 35 percent in 2022 to 36.6 percent in 2023.

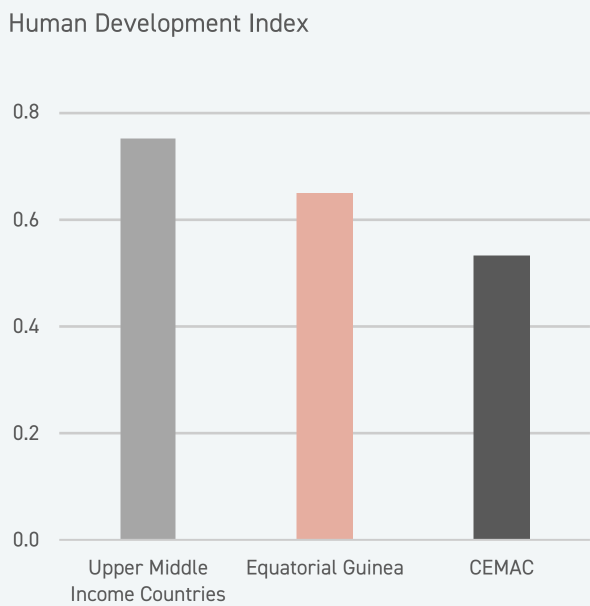
The Bank of Central African States (BEAC) has tightened its monetary policy since 2022 to contain inflationary pressures and support the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023. Weekly liquidity injections were discontinued in early 2023 and BEAC has scaled down its liquidity absorption operations since the beginning of 2024. Inflation decreased from 4.9 percent in 2022 to 2.4 percent in 2023, due to containment measures by the BEAC and the agreement to import food products from Serbia and the reduction of some import tariffs on imports. However, it inched up to 2.8 percent in August 2024, driven by higher prices of food and non-alcoholic beverages, and housing, water, electricity, gas and other fuels. High levels of non-performing loans - 32 percent of total loans in end-2023 - remain a source of banking system vulnerability.

Figure 1 / Equatorial Guinea: Hydrocarbon production (in thousands of barrels per day of oil equivalent)



Sources: National authorities and World Bank.

Figure 2 / Equatorial Guinea: Human Development Index



Source: United Nations Development Programme.

Outlook

The Equatoguinean economy is set to grow by 4.7 percent in 2024, driven by a rebound in the hydrocarbon sector thanks to expected repairs at hydrocarbon platforms following recent incidents. Barring strong structural reforms and substantial new hydrocarbon discoveries, average annual growth is projected at -2.6 percent in 2025-2026, reflecting mostly declining hydrocarbon production. Following a projected improvement in 2024, the current account balance is forecast to deteriorate over the medium-term to an average of −2.7 percent of GDP over 2025-2026 due to declining hydrocarbon export earnings. The fiscal balance is projected to improve to 3.4 percent of GDP in 2024 thanks to an increase in hydrocarbon revenues and fiscal consolidation but will decrease in 2025-26 as hydrocarbon revenues continue to decline.

Risks to the outlook are tilted to the downside. A stronger decline in hydrocarbon production or prices would reduce the fiscal space and risks external stability given Equatorial Guinea's overdependence on oil. Global trade disruptions affecting commodity and food prices amid a protracted war on Ukraine would increase food insecurity especially for the most vulnerable, as the country relies heavily on food import. A further tightening of global financial conditions and lower demand from China and India, Equatorial Guinea's main export partners, could also undermine growth. On the upside, the government is continuing its efforts to optimize hydrocarbon reserves.

The secular decline in hydrocarbon reserves indicates the need for Equatorial Guinea to adopt a new growth model and better leverage the remaining hydrocarbon resources to unlock alternative sources of growth. Ultimately, implementing the country's economic diversification vision will require efforts to advance the governance and anti-corruption agenda, facilitate trade, boost human capital development, and improve the business environment and public financial management.

Table 2 / Equatorial Guinea: Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.9	3.7	-5.7	4.7	-4.4	-0.8
Private consumption	2.0	3.1	2.2	2.1	2.0	2.1
Government consumption	4.3	8.5	2.4	-8.6	3.9	3.3
Gross fixed capital investment	6.8	7.2	5.1	-1.5	-1.1	-1.0
Exports, goods and services	-5.1	7.6	-5.5	12.6	-7.2	-1.7
Imports, goods and services	-3.4	13.9	10.4	4.5	3.0	3.2
Real GDP growth, at constant factor prices	0.9	3.6	-5.9	4.7	-4.4	-0.8
Agriculture	6.5	6.2	2.2	2.3	2.1	1.9
Industry	-2.9	2.0	-11.9	6.2	-11.0	-2.5
Services	7.3	5.9	2.7	2.8	4.1	1.1
Inflation (consumper price index)	-0.1	4.9	2.4	2.9	3.3	3.0
Current account balance (% of GDP)	-2.1	-0.9	-1.6	-0.9	-2.6	-2.7
Net foreign direct investment inflow (% of GDP)	5.2	5.0	1.2	1.0	0.8	0.7
Fiscal balance (% of GDP)	2.6	11.6	2.6	3.4	1.5	0.2
Revenues (% of GDP)	15.4	26.9	22.3	22.0	20.8	19.7
Debt (% of GDP)	43.0	35.0	36.6	35.3	34.3	33.7
Primary balance (% of GDP)	3.7	12.7	3.7	4.5	2.7	1.4
GHG emissions growth (mtCO2e)	7.8	5.5	-7.2	5.7	-7.7	-3.2
Energy related GHG emissions (% of total)	29.6	34.7	32.6	39.1	36.5	36.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. INEGE has recently revised GDP growth numbers for 2022 (3.2 percent) and 2023 (-5.1 percent).

SECTION 3—

Special Topic: Designing Fiscal Instruments for Sustainable Forestry in the Congo Basin countries

The six nations encompassing the Congo Basin[8] — Cameroon, Central African Republic, Equatorial Guinea, Gabon, Democratic Republic of the Congo (DRC), and Republic of the Congo — are custodians of the world's second-largest tropical forest, crucial for both regional and global climate regulation. The Congo basin forest plays an important economic role in most CEMAC member countries as a source of jobs, incomes, and government revenue. Beyond that, the forest provides an important global public good through the forest's ecoservices, including its role as the world's largest net-carbon sink. The special topic section of this CEMAC Economic Barometer (a) examines the economic importance of the Congo Basin forests, (b) discusses CEMAC countries' efforts to preserve forests as well as the regional and international context, and (c) proposes policy options to address the challenges facing the forestry sector of CEMAC countries, including effectively designing fiscal instruments, improving forest governance, and increasing financial and technical support from the international community.

I. Context: The vital contribution of the Congo Basin Forest to the global environment and to CEMAC's economy

State and Trends of Forests in the Congo Basin Countries

The Congo Basin Forest is the largest net-carbon sink in the world and is home to the world's largest tropical peatlands, along with Brazil and Indonesia. Spanning across six countries (Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Congo and Gabon), the Congo Basin Forest provides a wide range of ecosystem services and is vital for both regional and global environmental health. The peatlands of the Congo Basin Forest store around 29 billion tons of carbon dioxide – while the Basin absorbs nearly 1.5 billion tons of carbon dioxide a year, which is about 4 percent of the planet's annual carbon emissions.[9] The Congo Basin Forest also plays a crucial role in regulating climate by influencing local weather

8 This Special Topic focuses on designing fiscal instruments for sustainable forestry in CEMAC countries that are part of the Congo Basin (Cameroon, Central African Republic, Congo, Equatorial Guinea, and Gabon). Section 1 discusses the importance of the Congo Basin as a whole.
9 UNEP, https://www.unep.org/resources/report/economics-peatlands-conservation-restoration-and-sustainable-management

patterns and contributing to global climate stability through carbon storage. The value of carbon sequestration services provided by the Congo Basin Forest is estimated to be at least USD 55 billion annually, corresponding to 36 percent of the GDP of the region covered by the forest in 2021.[10] For local communities, the forest is indispensable, providing essential resources such as food, building materials, and shelter, which are integral parts of their daily lives and cultural practices. Furthermore, its rich biodiversity supports ecological balance and resilience, making it a critical asset for sustaining both human and environmental well-being.

Credits: Gis Photography on pexels

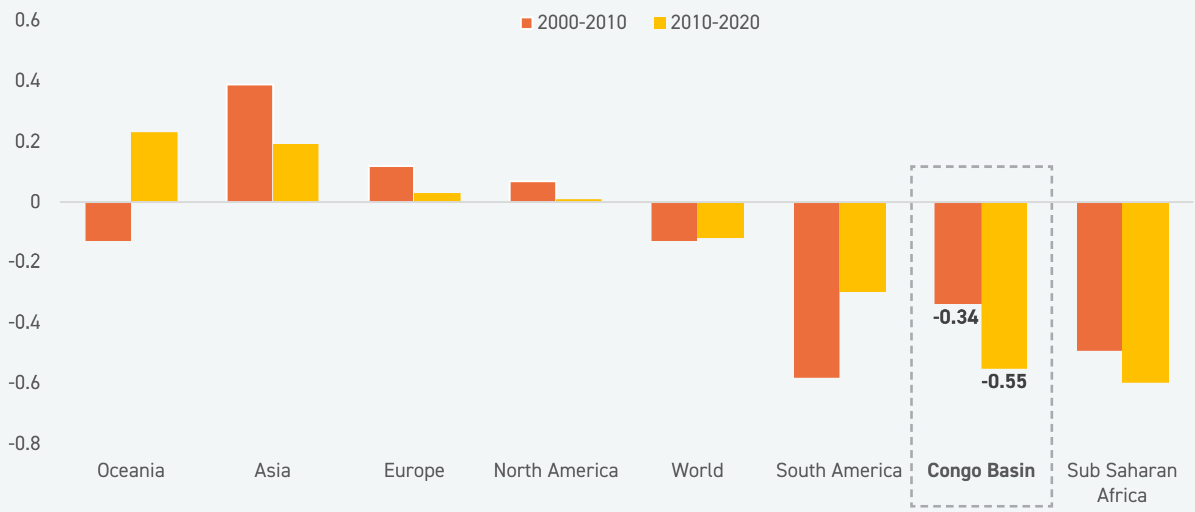
10 Mitchell, I., & Pleek, S. (2022). *How much should the World pay for the Congo Forest's* carbon removal? CGD.

Trends in Deforestation

Intense pressure from local and global demands for food, wood, minerals, water, and energy drives unsustainable resource extraction in the Congo Basin forests.[11] The deforestation rate in the Congo Basin countries increased from 0.34 percent in 2000-2010 to 0.55 percent between 2010 and 2020 annually, higher than the world and South America averages (Figure 1). However, in the CEMAC region[12] (excluding the DR Congo and Chad), the deforestation rate remained stable at around 0.13 percent annually from 2000 to 2020, with the highest rates observed in Equatorial Guinea (0.34 percent) and Cameroon (0.27 percent). During the same period, the DR Congo recorded the highest deforestation rate among the Congo Basin countries. Common drivers of deforestation in Congo Basin countries include small- and large-scale agriculture, mining, wood fuel, unsustainable logging activities, unregulated infrastructure constructions, and urban expansion. Deforestation and forest degradation increase climate risks by impairing the ability of forests to act as carbon sinks and reducing biodiversity and the resilience of local communities to climate change. They also increase the risk of exposure to emerging zoonotic diseases (e.g., SARS, MERS, COVID-19, Mpox).[13]

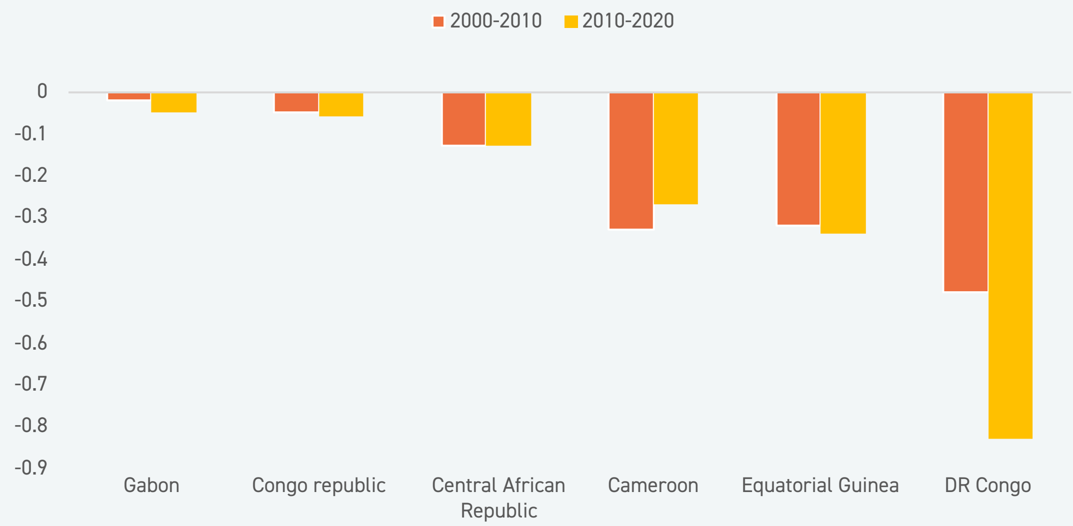
Figure 1. **The deforestation rate in the Congo Basin countries increased from 0.34 percent in 2000-2010 to 0.55 percent annually between 2010 and 2020. In the CEMAC region, deforestation has been moderate at 0.13 percent annually.**

a. Annual forest area changes by region, in percentage



11 World Wide Fund for Nature (WWF), https://origin-congo.wwf-sites.org/what_we_do/
12 The Special Topic uses CEMAC region to define countries that are part of both the Congo Basin and the CEMAC. This excludes Chad and DRC.
13 Allen et al. (2017)

b. Deforestation rate in the Congo Basin countries, percentage of forest area

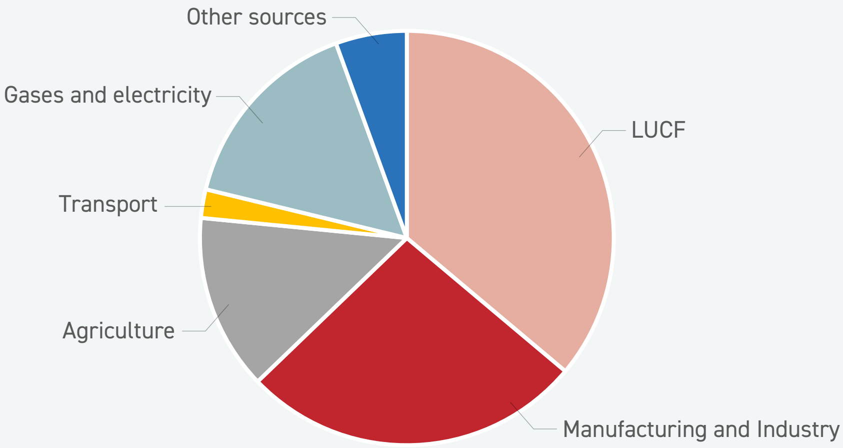


Source: Food and Agriculture Organization (FAO).

Land use change and forestry is by far the largest source of greenhouse gas (GHG) emissions, highlighting significant challenges in managing agriculture and mining expansion, and providing affordable energy access to the populations. Land use change and forestry activities contribute to GHG emissions by releasing stored carbon from cleared forests, reducing carbon sequestration, and introducing new emission sources like methane from livestock. These processes decrease the region's ability to capture carbon and increase emissions, worsening climate change. It is estimated that about 36 percent of GHG emissions in the CEMAC region come from land use change and forestry[14] (Figure 2), which is the largest source of GHG emissions in DR Congo and CAR, and the second largest source in the remaining countries. This underscores the significant challenge these countries face in balancing environmental sustainability with the urgent need to combat food insecurity and provide affordable, reliable energy. In 2021, 56 percent of the population in the CEMAC region had access to electricity which compares to only 14 percent in rural areas.[15] Many communities in these regions rely on wood fuel due to limited access to modern energy sources which, along with agriculture, drive deforestation. Land use change and forestry is also directly related to forest degradation, which has been steadily increasing over the past decade. In 2021, approximately 2.2 million hectares of forest, equivalent to about 1 percent of the total forest area, were degraded.[16]

14 GHG from land use change and forestry increases to 70 percent if the DR Congo is included.
15 Source: WDI (data for CEMAC countries, excluding Chad).
16 Vancutsem et al. (2021).

Figure 2. 36 percent of the CEMAC countries' GHG emissions come from land use change and forestry activities.



Source: Climate Watch
Note: LUCF stands for land use change and forestry.

Forestry's contribution to the economy

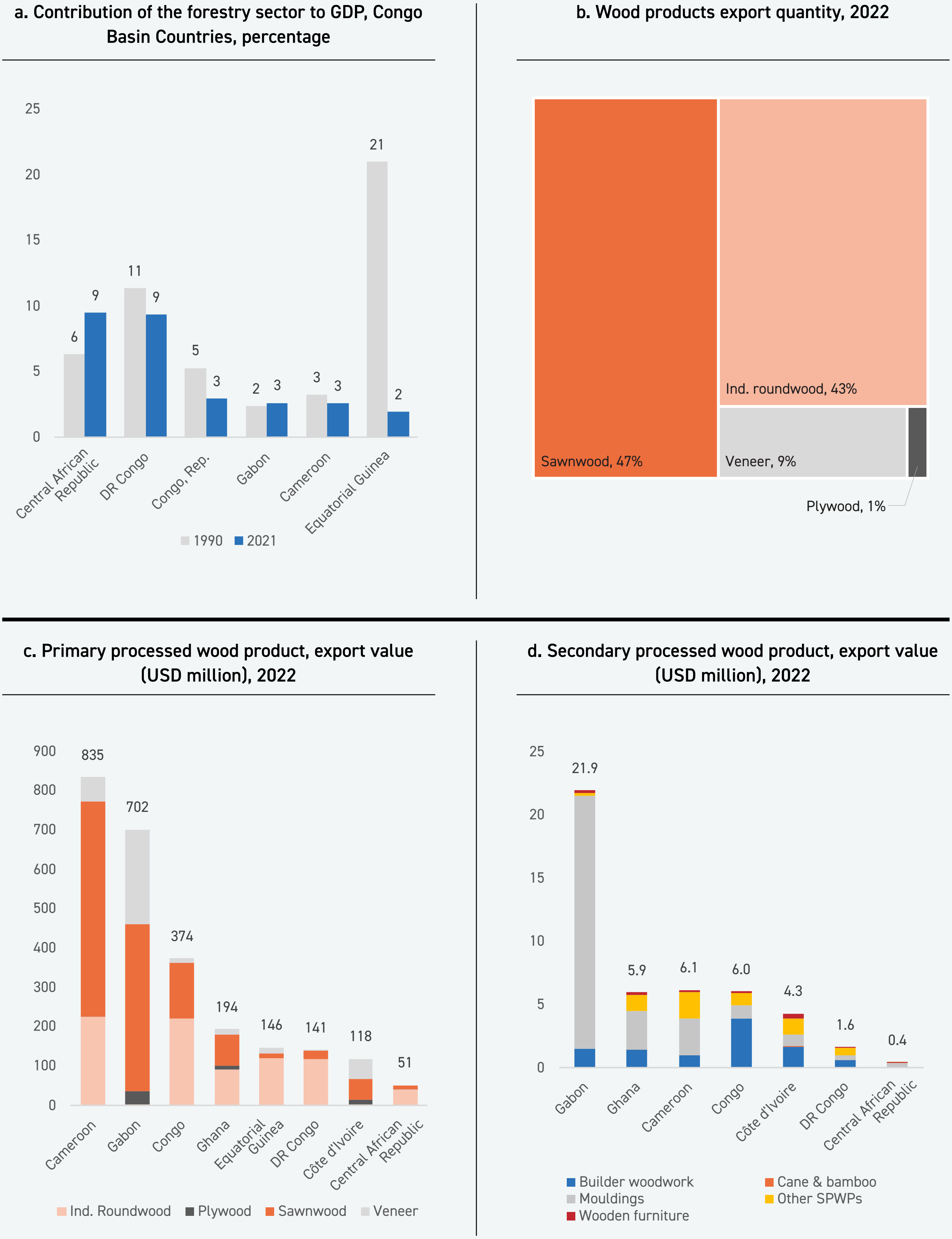
The forestry sector plays an important role in the economies of Congo Basin countries; however, its contribution is below its potential.[17] In 2021, the forestry sector contributed between 4 percent and 6 percent of the GDP in Congo Basin countries despite its significant potential for higher economic impact through improved forest governance and value addition in the timber industry. Over the past three decades, the share of the forestry sector in national GDPs has steadily declined. In Equatorial Guinea, it decreased from 20 percent in 1991 to 2 percent in 2021, while in the Republic of Congo, it dropped from 6 percent to 3 percent during the same period (Figure 3a). The declining shares of the forestry sector in the economy is notably a result of the emergence of the hydrocarbon sector in many CEMAC countries, and to a lesser extent, mining activity in certain cases. This development goes in the opposite direction of countries' strategies to diversify the economy and reduce reliance on extractives. The challenges faced in policies to promote local wood transformation and the logistical, infrastructure, labor skills, and trade obstacles faced by companies have also constrained the development of the wood industry. Furthermore, the insufficient infrastructure development also poses challenges to unlocking the region's huge ecotourism potential, which would benefit from

17 Here, the forestry sector refers specifically to the forestry industry, which focuses on the commercial side of forestry, including businesses involved in the harvesting, processing, and selling of wood products.

its biodiversity and forest coverage. Although no precise data exists to estimate its size, the informal sector in the forest industry is likely vast, largely unregulated, and decentralized. Small-scale operators are involved in activities such as logging, charcoal production, and harvesting non-timber forest products. Data suggest that between 100,000 and 200,000 people are directly involved in the forestry industry in the region, both in the formal and informal sectors.[18]

18 CIFOR : « Etats des forêts d'Afrique Centrale » : https://www.observatoire-comifac.net/publications/edf/2021
Estimated Employment data does not include informal employment from Equatorial Guinea and Central African Republic.

Figure 3. The forestry sector's economic contribution in the Congo Basin countries.

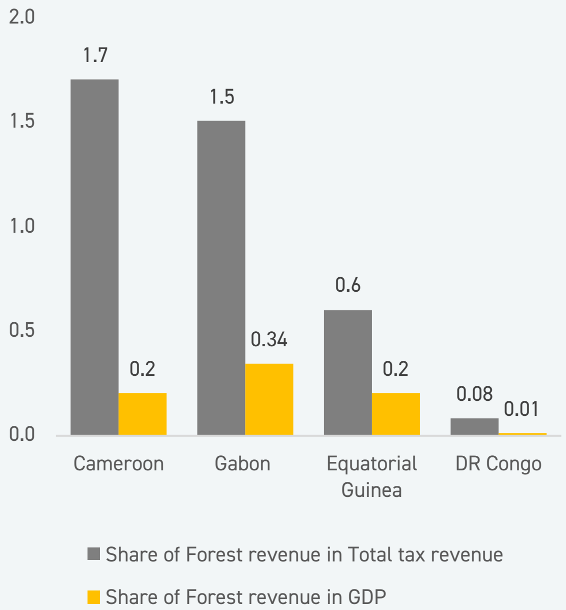


Source: WDI, International Tropical Timber Organization (ITTO).
Note: SPWPs stands for secondary processed wood products.

Almost half of wood product exports from the Congo Basin countries are industrial round logs, which creates fewer local jobs and generates less revenue, limiting the forestry sector's contribution to national economies. Value can be added to wood products through various levels of processing. However, nearly 43 percent of forest product exports from the Congo Basin countries are industrial roundwood (Figure 3b), not having undergone major processing like sawn wood, plywood, and veneer. Gabon stands out by transforming all of its forest products before export. This is the result of ambitious policies implemented in the timber industry, including a national ban on log exports applied since the early 2010s and the establishment of the Nkok Special Economic Zone in 2010 to promote local timber processing and boost revenue. Cameroon and Congo are making efforts to transform at least 40 percent of their products before export. In contrast, almost all wood exports from DR Congo, CAR, and Equatorial Guinea consist of industrial round logs (Figure 3c). Although increasing, wood transformation into finished products like home and office furniture remains very limited in Congo Basin countries. Gabon is the leading exporter of secondary processed forest products, such as moldings and wooden furniture, which generated approximately USD 22 million for the country in 2022 (Figure 3d). However, its relative importance to the overall timber export basket remains limited, due to challenges faced to promote higher wood transformation levels. Combined, exports of secondary processed products generated approximately USD 36 million for the Congo Basin Countries in 2022, far behind South Africa, whose exports generated nearly USD 200 million in 2022. Lack of infrastructure and skills, an unfavorable business environment, and trade obstacles hamper the development of the wood industry across the CEMAC region.

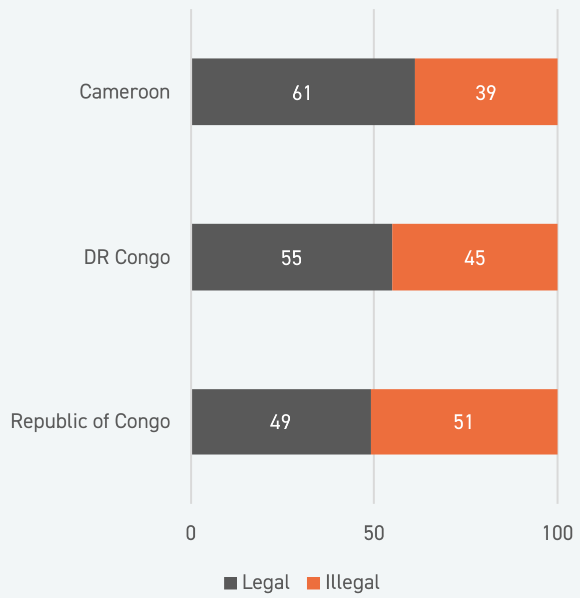
Forestry contributes modestly to public revenues in all CEMAC countries, and due to illegal logging, a large informal sector, and corruption, a significant portion of potential forestry revenue is not captured in national budgets. On average, forestry revenue represented about 1 percent of total tax revenue and 0.2 percent of GDP in Congo Basin countries in 2022 (excluding the Republic of Congo) (Figure 4). Cameroon and Gabon are the countries where forestry revenue contributes the most to the national budget, but even in those cases, its contribution remains below the sector's fiscal potential. Illegal logging leads to significant losses in tax revenues because the activities are conducted outside formal regulatory frameworks, bypassing legal oversight, taxes, and fees. For example, according to Chatham House, a think tank, 51 percent of wood product exports from the Republic of Congo were illegal in 2018. Similarly, it estimated that 45 percent of wood exports from DR Congo and 39 percent from Cameroon in the same year were also illegal (Figure 5). Lower timber transformation also limits the forestry sector's contribution to public revenues. Finally, another factor hampering the fiscal potential of the sector is the wide use of tax incentives by different governments, which leads to high levels of foregone revenues. For example, in Gabon, it is estimated that the wood sector benefited from 96 percent of all corporate income tax incentives in 2023, equal to CFAF 18.1 billion, or five percent of all tax expenditures.

Figure 4. Share of forestry revenue in total tax revenues and GDP



Source: National authorities and World Bank staff calculations
Note: Forest revenue data are from 2023, except for Cameroon, where the data is reported for 2022.

Figure 5. Illegal export of wood-based products,[19] 2018



Source: Chatham House, https://forestgovernance.chathamhouse.org/countries/cameroon
Note: Chatham House only reports illegal export data for the above three countries in the Congo Basin.

19 To evaluate the extent of illegal exports, Chatham House use a methodology based on forest policy evaluations, trade data analysis, surveys, and reviews of reports and secondary data. The likelihood of illegal practices is categorized into four levels: low, low to medium, medium to substantial, and substantial. These were assessed across five key areas: customary land rights, permit issuance, forest management and harvesting, financial payments in the sector, and transport and trade. Full details on the methodology can be found on their website, https://forestgovernance.chathamhouse.org/countries/cameroon

II. Tapping into green financing opportunities: How can CEMAC countries preserve forests and mobilize international support?

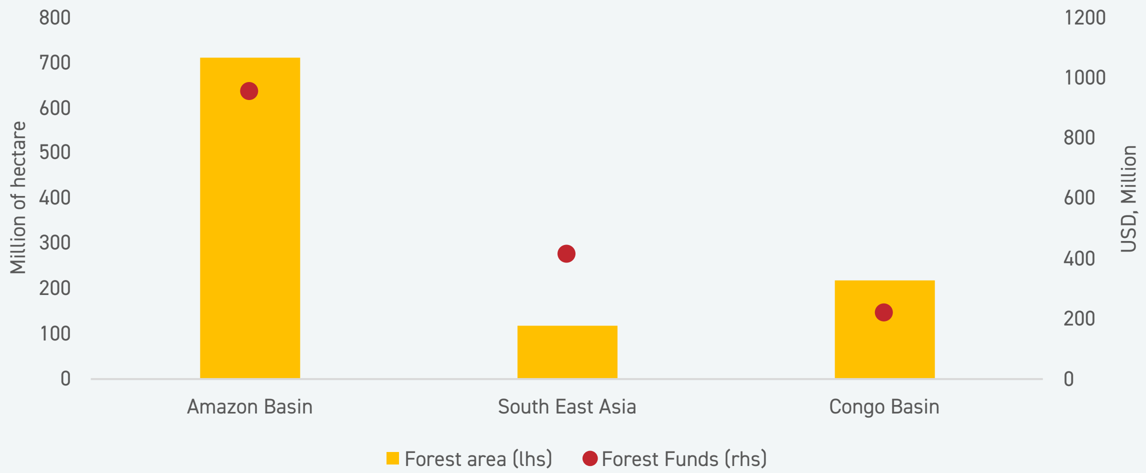
Congo Basin countries are taking steps to fight deforestation and promote sustainable forest management through various national and international frameworks and initiatives, but they face limited state capacity and financing. Key measures include the ratification of the Paris Agreement on climate change and the elaboration of Nationally Determined Contributions (NDCs), with plans designed to reduce greenhouse gas emissions, particularly from agriculture, energy, forestry, and land use. Additionally, countries have engaged in various regional agreements to combat deforestation, including partnerships with the European Union. Gabon was a pioneer in this regard, being the first African nation to receive performance-based payments through REDD+, securing USD 17 million of an anticipated USD 150 million through CAFI, the UN-led Central Africa Forest Initiative. The Central African Republic, the Republic of Congo, Cameroon, and Equatorial Guinea have developed and adopted National Strategies for Reducing Emissions from Deforestation and Forest Degradation (REDD+). These plans outline national approaches and commitments to result-based payments for reducing deforestation and forest degradation. However, given the early stage of the international carbon credit market, REDD+ initiatives have yet to deliver significant financial returns. CEMAC countries have also committed to ban log exports by 2028.[20] In general, forestry laws exist in the region, though some are outdated and would benefit from inclusive and participatory updates involving all stakeholders. Ongoing efforts are being made to reform forestry codes. The effectiveness of frameworks aimed at combating deforestation largely depends on aligning objectives and decisions across sectors like agriculture, mining, and infrastructure. However, such coordination often lacks in Congo Basin countries.

The Congo Basin countries face difficult trade-offs between preserving forest ecosystems and using forests for other economic activities, and the lack of sufficient and consistent international funding makes this task even more challenging. The Congo Basin region faces significant challenges in securing climate funding for forest preservation. Official Development Assistance (ODA) remains one of the main forest preservation funding sources. Although the Congo Basin is home to the second-largest forested region in the world, funding for forest and environmental protection is lower than that received by other regions with significant forest coverage. Between 2018 and 2022, the Congo Basin received only 120 million USD in aid from the Development Assistance Committee (DAC) and other official donors, compared to 414 million USD for Southeast Asia and about 950 million USD for the Amazon (Figure 6).[21] This amount, along with private sector contributions, is far from sufficient compared to the region's vast financial needs and the global value of the climate services these forests

20 Gabon has moved ahead of other countries by prohibiting log exports in 2010. The Rep. of Congo adopted this measure in 2023, but its effectiveness remains to be verified. Other CEMAC countries have committed to ban log exports by 2028.
21 See OECD: https://www.oecd-ilibrary.org/development/data/systeme-de-notification-des-pays-creanciers_dev-cred-data-fr

provide. The implementation of the REDD+ program—intended to compensate countries for preventing forest loss or increasing forest cover—has proven difficult. Despite significant efforts,[22] participating countries have seen minimal financial returns, significantly below the support needed to adequately compensate them for their conservation efforts. Additionally, the preservation of forests that are not in immediate danger, as is the case for much of the Congo Basin, remains unrewarded by the REDD+ process.[23] While some believe REDD+ and voluntary carbon markets could become financial lifelines for the Congo Basin forests, an assessment based on the current reality would lead to a less optimistic picture. For example, while Gabon secured USD150 million from CAFI, this development, while laudable, underscores the broader issue: funding through REDD+ is a slow trickle rather than the needed torrent. The lack of adequate funding to compensate conservation efforts at both international and national levels hampers REDD+'s ability to compete with revenue that can be generated from forestry and other land uses. Fiscal policy can come as a partial solution to cover the existing gap in green financing. Reforming national fiscal policies to raise more tax revenues and increase the value added from sustainable forestry activities could help generate and channel funds more effectively toward both economic growth and forest protection.

Figure 6. Funding targeting forestry and global environmental protection received by three regions with high forest density between 2018 and 2022

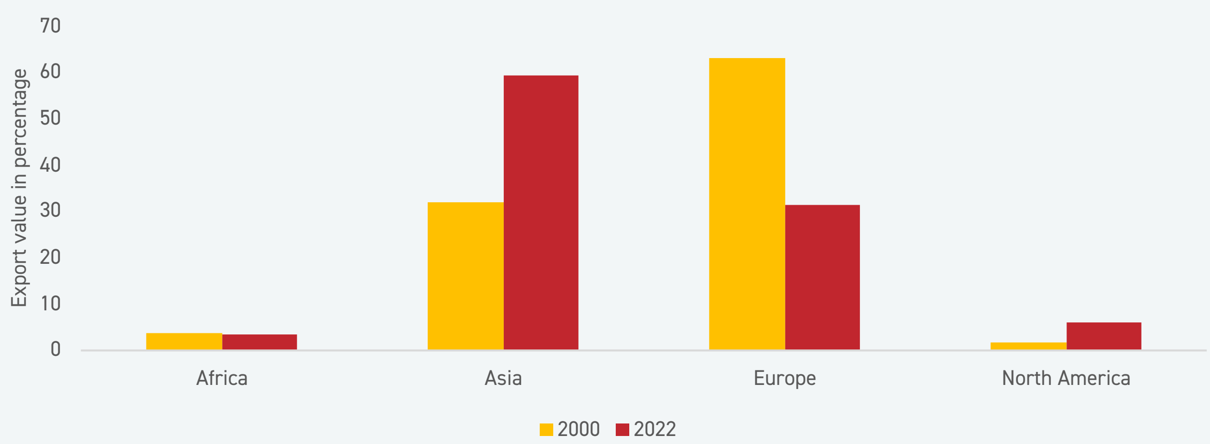


Source: OECD, official donors (DAC countries, Non-DAC countries, Multilateral Organizations).
Amazon basin includes 8 countries: Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and Venezuela. Southeast Asia includes 7 countries: Cambodia, Indonesia, Malaysia, Philippines, Thailand, Timor-Leste, Viet Nam.

22 To be eligible for result-based payment, countries need to develop national strategies or action plans, policies and measures, and capacity-building for reducing forest-based emissions.
23 Forest Declaration Assessment. 2022. Regional Assessment 2022.

To combat deforestation and illegal logging, the European Union has entered into various partnership agreements with Congo Basin countries. Enforceable from 2025, Regulation 2023/1115, the new EU Regulation on Deforestation-Free Products, aims to ensure that a range of products sold within the EU do not originate from deforested land anywhere in the world. This will include commodities such as wood products, meat products, cocoa, coffee, palm oil, soy, rubber, charcoal, and printed paper products. The imposition of the EU deforestation regulation on Congo Basin countries could incentivize greater momentum towards enforcement of certification regimes coupled with environmental fiscal policy reforms promoting sustainable forest management. By requiring stringent due diligence and traceability of products, the EU regulation sets a higher standard for environmental monitoring, reporting, and verification systems in the forestry sector. This could encourage producing countries to adopt more sustainable practices. However, the real-world effect of the EU deforestation regulation may be minimal in some countries and will depend on various factors, including the (limited) exposure of CEMAC forest-related commodity exporters to the EU market. CEMAC's wood product exports to the European Union have decreased over the past two decades, shifting in favor of the Asian market. Between 2000 and 2022, exports to the EU dropped from 63 percent to 31 percent, while exports to Asia doubled, rising from 31 percent to 60 percent (Figure 7). China has become the largest market for these products, accounting for 35 percent of export value, up from 18 percent two decades ago. In 2019, China revised its Forest Law to include a ban on the "purchase, processing, or transportation of timber known to originate from illegal sources." However, information regarding the concrete enforcement of this new law is limited. If effectively implemented, this measure could pave the way for greater transparency and legality in the timber trade, impacting not only Chinese imports but also the export of processed timber from China to the global market. The political will of the governments in the region, the capacity of local industries to comply with the EU standards, and the support from international bodies and NGOs in facilitating compliance could also impact the effectiveness of the EU deforestation regulation to promote incentivize forestry in the region. Taken together, regional and international cooperations on forest-related regulations and governance arrangements operating in the CEMAC countries demonstrate the need to have a multi-faceted approach to combating deforestation and promoting sustainable forest management; however, they require increased state capacity, strong management, greater coordination, technical assistance, and improving local processing capabilities to add value to CEMAC's wood product exports in a sustainable way.

Figure 7. CEMAC Wood export destination by region, 2000-2022



Source: The Observatory of Economic Complexity (OEC).

Credits: Daniel Ndzaba on pexels

III. Fiscal policies for sustainable forestry: a solution to achieve economic, fiscal, and environmental goals in CEMAC?

Well-designed fiscal instruments can be used as additional tools to preserve forests, by creating financial incentives or disincentives that encourage sustainable land use and forest management. Deforestation and forest degradation stem from multiple market failures and addressing them requires a combination of policy interventions, including fiscal measures.[24] So far, most efforts have focused on sectoral regulations, private certification, and public investments—important steps but insufficient without aligning price incentives where tax and subsidy policies play a critical role. Fiscal instruments, although underutilized, are essential in climate-related land use policies. For example, imposing higher taxes on activities that contribute to deforestation, such as unsustainable logging or uncontrolled land conversion for agriculture, can help discourage environmentally harmful practices. Tax breaks or subsidies can be offered to companies and individuals who engage in reforestation, sustainable forestry, or conservation efforts. Moreover, environmental fiscal policies can contribute toward domestic resource mobilization and increase fiscal space. For example, environmental taxes, like carbon taxes on land use emissions, can help internalize the environmental costs of deforestation and generate revenue that can be reinvested into forest preservation initiatives. Reforms to existing fiscal policies can also free up domestic revenues, for example, by removing contradictory incentives that encourage land use change or deforestation.[25]

In the CEMAC region, forestry taxation relies mainly on three main tools: royalty or surface area tax, felling tax, and exit duty taxes. The rates, amounts, and collection methods for these taxes are typically set or updated annually in each country's Finance Law. Cameroon has the highest taxation rates, and its forestry revenue is significantly higher than that of Congo and Gabon, despite similar proportions of forest cover. In Cameroon, the surface area tax is determined through a tender process, with a minimum price set at FCFA 1,000 per hectare to prevent excessively low bids (Table 1). The felling tax increased from 2.5 percent in 2018 to 4 percent in 2019. Exit duties for logs have progressively risen, reaching 20 percent in 2017, 35 percent in 2020, and 60-75 percent of the Free On Board (FOB) value in 2024. The gradual increase in the log export tax is seen as a precursor to Cameroon's planned log export ban, which was initially set to take effect on January 2023 but has since been postponed to 2028. Gabon introduced a differentiated forestry tax system based on certification and has been progressively increasing tax rates for the land area fee levied on non-certified forest concessions. As per the 2024 budget law, FSC[26] or PAFC-certified[27] concessions are charged 300 FCFA/ha/year,

24 World Bank. (2021a). Designing Fiscal Instruments for Sustainable Forest Management. Washington: IBRD.
25 Op cit.
26 FSC (Forest Stewardship Council) is an international non-profit organization that promotes responsible forest management by setting standards for sustainable forestry practices. Its certification ensures that wood products come from forests that are managed in an environmentally and socially responsible way.
27 The PAFC (Pan-African Forest Certification) is a certification system designed to promote sustainable forest management in Africa. The certification system is similar to other international certifications like the FSC, but tailored specifically to the African context and regional needs.

while concessions with legality certification face a moderately higher rate of FCFA 600 FCFA, and non-certified concessions are charged FCFA 1,000. In Congo and Equatorial Guinea, the area tax rate is adjusted to reduce fiscal pressure in remote areas or regions with fewer commercial wood species. However, unlike Gabon, no adjustments are made to incentivize concessions that adopt more sustainable management practices or obtain legal or private certifications. Finally, another source of revenue comes from export duties on processed wood products. Across countries, export taxes on finished wood products are usually low, and these export taxes tend to vary depending on the processing level of the wood product exported, in order to incentivize higher local added value.

Table 1 / Forestry tax rates in CEMAC region

	Cameroon	Gabon	Congo	Central African Republic
Surface Area Tax	Based on tenders; Floor price of FCFA 1,000 per hectare	FCFA 300/600/1000 per hectare	FCFA 200-500 per hectare	No data
Felling Tax	4%	Felling tax is not applied	5%	7%
Exit Duties and/or Taxes on logs	60-75%	Log exports banned; 3-8.5% exit duty on processed wood	9-10%	11%

Source: National authorities (data collected through surveys for the World Bank's 2024 Economic Updates for CEMAC countries).[28]

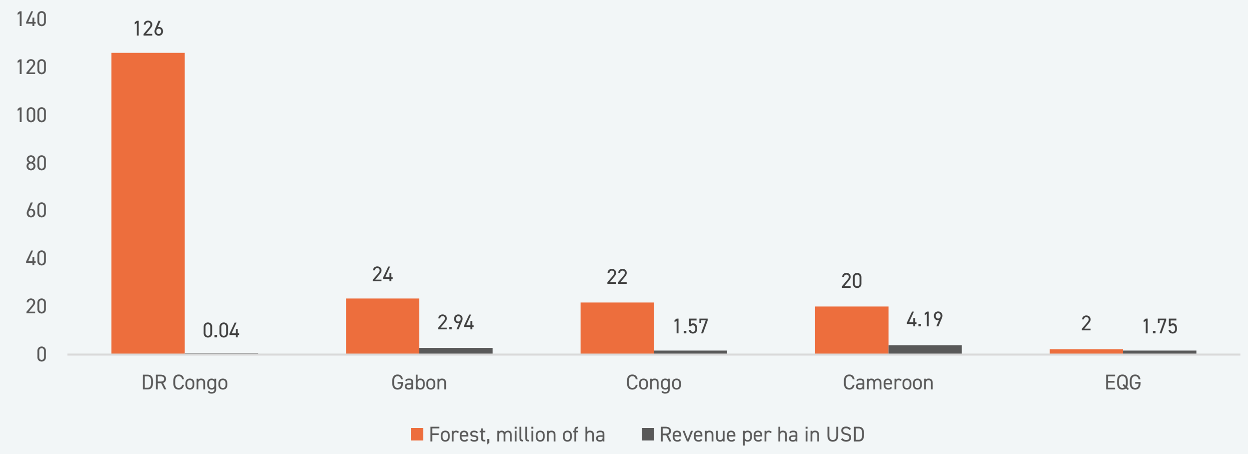
28 Data for Equatorial Guinea are scarce. Currently, surface area tax varies between FCFA 1500 and 2500 per hectare depending on the proximity between the forest zone and the port of Bata.

While Cameroon, Congo, and Gabon have roughly similar forest areas of about 20-24 million hectares, their forestry taxation systems generate different levels of revenue. In 2022, Cameroon had the highest tax revenue collection, generating FCFA 53 billion from forestry taxes. Gabon comes second with FCFA 41.9 billion of revenue generated in 2023 (Figure 8).[29] Meanwhile, in Congo, forestry taxes generated FCFA 19 billion in 2021. Equatorial Guinea and DR Congo generate significantly less revenue, with FCFA 2.6 billion and CDF 1.25 billion (FCFA 0.25 billion) in 2023, respectively. In terms of revenue per hectare of forest, Cameroon leads with USD 4.18 per hectare, followed by Gabon (USD 3), Equatorial Guinea (USD 1.75), Congo (USD 1.57), and DR Congo (USD 0.04).[30] The findings should be interpreted with caution as the reported numbers usually do not include parafiscal revenues and revenue collected at decentralized levels (provinces and municipalities). Including these may change the aggregate forest revenue amount and country ranking.[31] Yet, this comparison is still useful to indicate potential fiscal revenues that could be generated from fiscal reforms for forestry, especially in certain countries where revenue potential is mostly underutilized. Adopting fiscal policies to tap into the potential of the forestry sector could help alleviate the dire fiscal constraints faced by many CEMAC countries.

Forestry taxation often varies depending on the objectives of governments, including promoting sustainable forest management, encouraging conservation, or maximizing revenue collection. In some cases, lower taxes are set to incentivize companies to invest in forestry operations while maintaining sustainable practices. On the other hand, higher taxes may be applied to generate more government revenue or to discourage over-exploitation of forest resources. The variation in taxation also reflects the need to balance environmental protection with economic benefits, as well as the differences in local forest policies, economic conditions, and market demands. While initial tax rates may be low, the key factor is the increased processing and value addition to forest products, which create more economic value and job opportunities, particularly in manufacturing and related industries. This growth stimulates other sectors, driving greater economic output and boosting government revenue, despite initially low tax rates.

29 The latest available forestry revenue data, sometimes reported for different years (as with Cameroon and Congo), is used for comparison. Though such comparisons may not fully capture real-time revenue differences, they offer valuable insights into general trends.
30 Forestry revenue in DR Congo is surprisingly very low compared to the country's extensive forest land (the country holds 60 percent of the Congo basin forest).
31 Another limitation of the forest revenue per hectare indicator is that it does not account for the types of wood harvested and their impact on revenue. Some areas may contain wood species in higher demand and, therefore, generate more income than others. Despite this, the metric offers an average measure that remains useful for broad comparisons across countries.

Figure 8. Forestry revenue per hectare (ha)



Source: Authorities and World Bank staff calculations
Note: Revenue data from the Congo is from 2021, data for Cameroon is from 2022, while for the remaining countries, the data are from 2023.

IV. Combining well-designed fiscal policies with better forest governance can preserve the forestland while increasing the forestry sector's contribution to the economies of CEMAC

Fiscal policy reforms such as adjusting forestry taxes based on the ecological footprint of wood production, providing subsidies for sustainable practices, offering tax rebates for forestry certification and agroforestry, and reinvesting natural resource revenues can play a vital role in protecting Congo Basin forestland. However, forestry taxation must be carefully balanced with economic, social, and environmental considerations. Taxes and fiscal instruments should be equitable, transparent, and effectively used to promote sustainable forest management and conservation, while promoting local added value and job creation. Striking a balance between discouraging harmful practices and supporting sustainable livelihoods is key to achieving long-term development and conservation goals. The integration of sustainability certification into forest-related tax rates represents a forward-thinking approach to environmental fiscal policy. Forest certification promotes sustainable forest management and facilitates access to international markets and financing, ensures social benefits for local communities and legal compliance, and supports ethical branding through transparency and traceability. Congo Basin countries can consider adopting a "bonus-malus" system, like in Gabon's land area fees, where non-certified concessions are taxed more than certified ones. In applying this approach, social and economic considerations are important, such as on the need to provide financial support for small forest operators' efforts to certify their concessions.

Canada's forestry sector: An example of sustainable forest management and greater contribution to economic growth

Canada is one of the top manufacturers of forest products in the world. With approximately 347 million hectares of forested land, Canada has the third largest forest in the world, covering about 9 percent of the global forest area. The forestry sector is an important contributor to Canada's economy, playing a vital role in both national prosperity and local livelihoods.

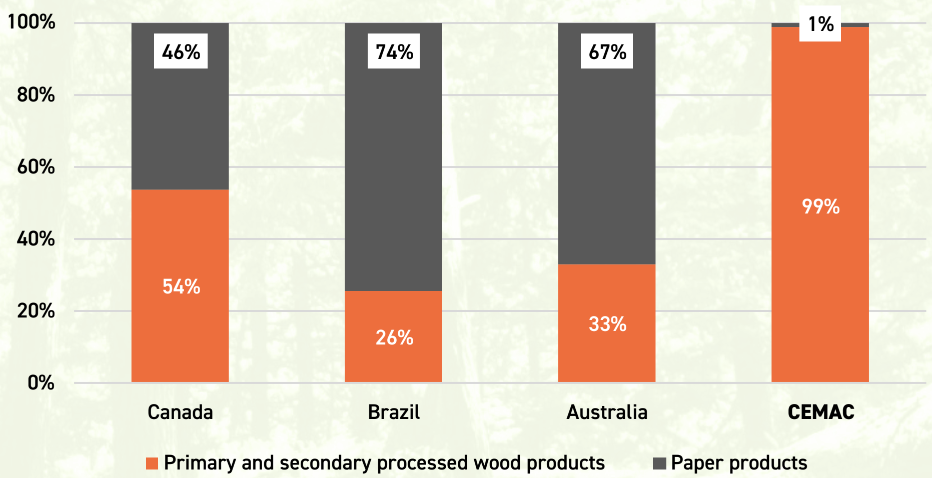
The forestry industry added USD 27 billion to Canada's GDP in 2022. On average, between 2012 and 2022, forest sector GDP accounted for 1.2 percent of Canada's total nominal GDP. The sector generates more than 200,000 direct jobs, particularly in rural and Indigenous communities, where it is often a primary economic driver.[32] Royalties and stumpage fees are primarily collected at the provincial level in provinces such as Ontario, British Columbia, Alberta, Quebec, and New Brunswick. Provinces like British Columbia and Quebec impose additional taxes on profits from logging activities.[33] In 2020, the forest sector generated about USD 1.7 billion in revenue for provincial and territorial governments.[34]

The forestry industry in Canada as well as in Brazil and Australia produces advanced wood products, including wood pulp, wood panels, lumber, paper products (e, g. newsprint, and writing paper), office furniture, and biofuel. These commodities have been crucial for both domestic use and export, fostering economic growth and employment across various regions within the three countries. In 2022, the export value of forest products was estimated at USD 37 billion in Canada, USD 16 billion in Brazil, and USD 2 billion in Australia.[35]

Paper manufacturing accounted for 46 percent of wood products export value in Canada, 74 percent in Brazil, and 67 percent in Australia, compared to only 1 percent in CEMAC countries. This highlights the significant value-addition gap in the forestry industry between the CEMAC region and other highly forested countries.

32 The state of Canada's forests, Annual report 2023: https://natural-resources.canada.ca/sites/nrcan/files/forest/sof2023/NRCAN_SofForest_Annual_2023_EN_accessible-vf(1).pdf
33 Under the Canadian Constitution, provinces have jurisdiction over natural resources and the authority to levy royalties and fees on them.
34 The state of Canada's forests, Annual report 2023
35 OEC https://oec.world/en/profile/country/can

Figure 9. Share of primary-secondary processed wood products and paper manufacturing in total wood products export in Canada and other forested countries and regions.



Source: OEC
Note: Primary and secondary processed wood products include roundwood, sawnwood, fuel wood, plywood, veneer, office furniture, etc. Paper products include newsprints, toilet paper, brochures, kraft papers, etc.

As global demands shift and environmental concerns rise, Canada's forestry sector is evolving to include a range of innovative products that go beyond traditional timber and paper markets. From bioenergy and biodegradable plastics to wood-based textiles and advanced construction materials, the sector is expanding its scope to meet the demands of an increasingly environmentally conscious world. These innovations not only help diversify the market but also reinforce Canada's leadership in sustainable forest management and its ability to compete in emerging global markets, ensuring that forestry remains a dynamic and essential part of the economy.

Canada's forestry sector is also recognized for its commitment to sustainable practices with strict environmental regulations. In 2022, more than 40 percent of the Forest area was under an independently verified forest management certification scheme (e.g., Forest Stewardship Council), and 60 percent of the forest area had a long-term management plan.[36] Forest harvesting on public lands is managed through agreements (tenures or licenses) with forest companies. These agreements, typically lasting 20–25 years, require companies to follow sustainable forest management principles. Forest management plans must be approved by the relevant province or territory before any harvesting begins.

36 FAO statistics https://www.fao.org/faostat/en/#data/SDGB

International support would help Congo Basin countries face revenue losses from granting tax discounts on sustainable forestry practices. In the Congo Basin countries, offering tax discounts to encourage sustainable forestry practices would likely result in short-term revenue losses for governments, as they would forgo a portion of their tax income from traditional forestry activities. These discounts are intended to incentivize practices that protect the forest and promote long-term environmental benefits, but the immediate reduction in tax revenue could impact the ability of governments to fund essential services and conservation efforts. To offset these initial losses and facilitate the transition to sustainable forestry, international assistance may be required. This support could include financial aid, technical expertise, and capacity-building programs from international organizations and donor countries, helping to bridge the gap and ensure that sustainable practices are adopted without compromising economic stability. In addition to international support, part of the solution to sustain public finances in CEMAC countries could come from the abovementioned bonus-malus system where taxes are increased on less sustainable wood exploitation practices.

Combining fiscal instruments with better forest governance through improved enforcement, monitoring, and transparency will help Congo basin countries to safeguard their forests while enhancing the forestry sector's role in the economy. Fiscal strategies are not standalone solutions, but they are components of a comprehensive policy mix that addresses the multifaceted challenges of forest conservation. From regulatory measures to economic instruments and informational campaigns, the success of forest conservation and sustainable development strategies and efforts hinges on the ability to implement a coherent, integrated strategy that leverages the strengths of each approach. The role of governance, in this context, cannot be overstated. A robust governance framework is essential not only for the effective implementation of tax policies but also for fostering the collaboration and transparency necessary for sustainable forest management. Experience highlights the importance of aligning fiscal instruments with sustainable forestry management goals. It also points to the need for inclusive policy-making processes that involve all stakeholders, including local communities and forest-dependent populations, to ensure that forestry reforms support both environmental sustainability and economic development.

V. Regional cooperation and international support are crucial, as they enhance resource management, funding, and enforcement of conservation efforts across borders

Strengthening regional cooperation through harmonized regulations, better law enforcement, and improved forestry fiscal policy alignment will better equip Congo Basin countries to face cross-border challenges, enhance institutional capacities, and attract more international funding. Better coordination of forest preservation policies in Congo Basin countries will help ensure consistent enforcement across borders, reduce illegal activities, and improve sustainable management practices. Although Congo basin countries have legal frameworks that aim at regulating forest management and protection, the lack of regional guidelines, and enforcement often hinders the implementation of these laws. Strengthening the Central African Forestry Commission (COMIFAC), particularly through its Central African Forest Observatory (OFAC), is essential for harmonizing national institutional frameworks and data collection. Harmonizing fiscal policies, particularly to encourage forest management plans and certifications, and aligning agricultural and mining policies with forest protection efforts can significantly contribute to forest preservation. While aligning countries to commit to a ban on the export of logs to promote the domestic timber sector is a significant step, it is not sufficient. Complementary policies include enhancing the coverage, quality, and monitoring, verification, and enforcement of sustainability certifications for forest-linked commodities.

The international community needs to step up its support and provide fair and adequate compensation for the global public good provided through Congo Basin forests' carbon sequestration ecosystem services. Despite their pivotal role in global climate regulation and biodiversity preservation, these forests receive inadequate financial recognition for their critical environmental contributions. Acting as a significant carbon sink and providing vital ecosystem services that benefit the entire world, the Congo Basin forests are underfunded. The Congo Basin countries face a substantial financing gap for their climate commitments, receiving only a small fraction of the required funds. This stark disparity highlights the urgent need for increased and equitable investment in the conservation and sustainable management of these forests. Adequate financial backing is crucial to sustain conservation efforts, combat deforestation, and promote sustainable development in the region. Fair compensation for these ecosystem services would not only help preserve these vital forests but also bolster the economic stability and growth of Congo Basin countries, paving the way for a more equitable and sustainable future for all. To this end, countries also need to enhance their readiness to effectively mobilize available climate finance options. The World Bank, through a regional ASA initiative,[37] is supporting these nations in building the necessary capacity for results-based climate financing. This approach considers the comprehensive value of forest ecosystems and environmental services, including carbon sequestration, biodiversity conservation, soil conservation, and water retention.

37 The World Bank, through its Congo Basin Forests Advisory Services and Analytics (ASA), is assisting CEMAC countries and the DRC in developing natural capital accounts to capture the comprehensive value of forest assets and ecosystem services, thereby enhancing national planning and decision-making for sustainable forest management. Additionally, the initiative supports these countries in building the necessary capacities and readiness to leverage both existing and innovative options for results-based climate finance.

Going forward, addressing the multifaceted challenges facing the CEMAC's forestry sector, a coherent set of solutions is proposed, focusing on both fiscal reforms and measures to promote long-term sustainability of forest management and conservation as well as socioeconomic goals. These include the following policy options:

Best practices

Policies	Details
Use Forestry certification to improve forest management and discourage deforestation	● Encouraging forest certification and forest management plans by adopting, like in the case of Gabon's land area fee, a "bonus-malus" system where non-certified concessions and timber products are taxed more than certified ones.
Reform of agricultural subsidies and tax incentives	● Rationalizing tax expenditures for agriculture to improve their targeting and better align them with environmental goals. A better targeting of fiscal incentives for agricultural inputs could serve both fiscal and environmental goals, reducing foregone public revenues and better incentivizing more sustainable agricultural practices. ● Also, public authorities could consider implementing a monitoring system to ensure that tax expenditures are used effectively and aligned with environmental goals.
Digitalization to improve Monitoring, reporting, and verification systems.	● Promoting user-friendly digital services for the forestry sector, including processes for permit applications, tax and fee payments, and real-time tracking of forestry activities and wood traceability, ensuring these platforms are available in remote areas to increase efficiency and transparency. ● As part of capacity building, the government could provide training for forestry officials and concessionaires on the use of digital tools to improve efficiency and transparency.
Auctioning of forest concessions	Issued through a bidding procedure, license fees work as a tax on logging rents. Forestry operators could be willing to bid up to the value of their expected net profits derived from the concession. Such auctioning can ● increase tax collection by using competition among companies for access to resources; and ● Foster transparency in permit allocation through the comparison of proposals and, ideally, the publicity and transparency of the allocation procedure.

Promising policy options

Policies	Details
Varying the tax rate on deforestation-related commodities according to production methods	• Adjusting forestry tax rates to reflect the ecological footprint of timber production methods. By leveraging the detailed assessments conducted by forest certification agencies, fiscal authorities can align tax rates more closely with the environmental impact of production methods.
Promoting agroforestry and sustainable land management practices	• Investments in agroforestry projects that integrate tree cultivation with non-wood forestry products and agricultural crops, coupled with training and technical support for farmers, can facilitate the transition to more sustainable agricultural practices, such as crop rotation, organic farming, and soil conservation techniques, thereby reducing deforestation and forest degradation.
Encourage REDD+ initiatives	• Engaging with local communities in expanding and strengthening the implementation of REDD+ projects across CEMAC's forestland to ensure they benefit directly from carbon sequestration efforts. This could include financial incentives or alternative livelihood programs. • Secure performance-based funding from international donors by demonstrating measurable progress in carbon sequestration and community benefits.

Improve legal framework and Timber sector value addition

Policies	Details
Update forest codes and legal forest governance	● Implementing comprehensive legal reforms such as forest codes to strengthen forest governance and law enforcement. Updated forest laws should include clear definitions and regulations to ensure sustainable forest management, strong enforcement mechanisms to protect against illegal activities, and provisions for the involvement of local communities in decision-making processes.
Securing land tenure for forest communities and enforcing the benefit-sharing of forest revenue	● Community-based Forest management and forest revenue benefit sharing foster a sense of ownership and responsibility among community members, encouraging them to protect the forests from overexploitation and illegal activities. ● For full effectiveness, community forestry programs need clear tenure rights, capacity building, and support from higher levels of governance.
Fostering regional cooperation and international partnerships	● Regional policy alignment initiatives are essential to avoid beggar-thy-neighbor policies, which can undermine collective progress by shifting unsustainable logging practices to less regulated countries. ● CEMAC countries should more actively seek international cooperation to attract climate finance, technical assistance, and capacity-building support. ● By engaging with global environmental initiatives, international donors, and climate funds, CEMAC countries can secure more resources for forest conservation, community adaptation strategies, and sustainable livelihood programs.
Increase value addition in the wood industry	● Increasing efforts to develop a robust local wood processing industry, to create more jobs, and generate more revenue compared to exporting raw timber. ● Investing in vocational training programs to build a skilled workforce capable of supporting a thriving wood processing sector. Other policies could include log export bans and incentives such as tax breaks, grants, and technical support, although it is crucial to carefully examine the fiscal costs of tax expenditures and design policies in the most targeted and effective way, both from an economic, environmental, and fiscal perspective.

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THE TEAM

Robert Johann Utz
(Lead Economist, Team Leader)

Djeneba Doumbia
(Economist, Team Leader)

Erick Tjong
(Economist, Team Leader)

Samba Ba
(Senior Economist)

Rick Emery Tsouck Ibounde
(Senior Economist)

Demet Kaya
(Senior Economist)

Sonia Barbara Ondo Ndong
(Senior Economist)

Pierre Mandon
(Economist)

Francis Ghislain Ngomba Bodi
(Economist)

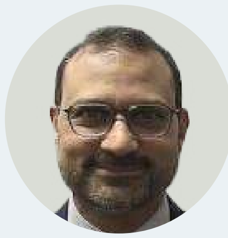
Blaise Ehowe Nguem
(Economist)

Kabinet Kaba
(Economist)

Mahamat Abdramane Moustapha
(Economist)

Chris Belmert Milindi Katindi
(Extended Term Consultant)

Sandeep Mahajan
(Practice Manager)



Hans Anand Beck
(Practice Manager)

Irene Sitienei
(Program Assistant)

Ifeoma Clementina Ikenye
(Program Assistant)

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