INTERNATIONAL MONETARY FUND

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TOGO

October 2019

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TOGO

In the context of the Fifth Review under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 25, 2019, following discussions that ended on September 10, 2019, with the officials of Togo on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on October 4, 2019.
- A **Debt Sustainability Analysis Update** prepared by the staffs of the IMF and the Internal Development Association.
- A **Statement by the Executive Director** for Togo.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Togo*
Memorandum of Economic and Financial Policies by the authorities of Togo*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Press Release No. 19/386
FOR IMMEDIATE RELEASE
October 25, 2019

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Washington, D. C. 20431 USA

IMF Executive Board Completes the Fifth Review under the ECF Arrangement and Approves US$34.6 Million Disbursement to Togo

On October 25, 2019, the Executive Board of the International Monetary Fund (IMF) completed the fifth review of Togo's economic performance under a program supported by an Extended Credit Facility (ECF) arrangement.[1] The completion of the review enables the disbursement of SDR 25.17 million (about US$34.6 million), bringing total disbursements under the arrangement to SDR 151.02 million (about US$207.8 million).

Togo's three-year arrangement for SDR 176.16 million (about US$242.4 million, 120 percent of Togo's quota), was approved on May 5, 2017 (see Press Release No.17/151). The program aims to reduce the overall fiscal deficit substantially to ensure long-term debt and external sustainability; refocus policies on inclusive growth through targeted social spending and sustainably-financed infrastructure spending; and resolve the financial weaknesses in the two public banks.

Economic growth is projected to accelerate to 5.3 percent in 2019 and to hover around 5½ percent over the medium term. Togo has complied with the WAEMU deficit criteria since 2017; the overall fiscal deficit is projected at 2.9 percent of GDP in 2019 and 1.9 percent of GDP in 2020. Debt has declined and is expected to fall below 70 percent of GDP from 2020. Discussions on the debt reprofiling operation and the related guarantees are underway and awaiting decisions.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Togo's performance under the ECF-supported program has been broadly satisfactory. The economic recovery seems to be taking hold, structural reforms are progressing, and the fiscal consolidation continues. Nonetheless, there are downside risks related to the global economic environment, regional security conditions, and the potential impact of the electoral cycle on

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

domestic economic activity.

“The authorities remain determined to pursue fiscal consolidation and debt reduction. Given high debt levels, revenue mobilization efforts and spending prioritization should continue, while addressing the persistent underperformance on social spending to enhance economic inclusiveness and to reduce poverty. In case the authorities consider conducting the debt reprofiling operation, it should lead to a reduction of the NPV of public debt, and safeguard measures should be put in place to address any related risks.

“It is important to address the weaknesses in the two public banks transparently. A successful privatization of these two banks would safeguard financial stability and minimize costs to the State budget. Broader financial sector developments should also be monitored, and corrective actions should be taken as needed, including in terms of the high non-performing loans.

“Structural reforms are progressing on tax policy, revenue administration, and public expenditure management. Significant progress has also been made in the improvement of the business environment, which is expected to boost domestic and foreign private investment. It is essential to strengthen the AML/CFT framework, fully implement the recently adopted legal framework on governance and anti-corruption and ensure that the related institutions become fully operational.”

Table 1. Togo: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
		Estimates				Projections			
	(Percentage change, unless otherwise indicated)								
National income, prices, and exchange rates									
Real GDP	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5
Real GDP per capita	2.9	1.8	2.3	2.7	2.9	2.9	2.9	2.9	2.9
GDP deflator	1.5	0.9	1.7	2.1	2.8	2.9	2.9	2.9	2.9
Consumer price index (average)	0.9	-0.2	0.9	1.4	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	2,649	2,789	2,975	3,199	3,469	3,767	4,089	4,440	4,821
Exchange rate CFAF/US$ (annual average level)	592.8	580.9	555.2	...	...	...	...	...	...
Real effective exchange rate (appreciation = –)	-2.3	0.7	-1.2	...	...	...	...	...	...
Terms of trade (deterioration = –)	-1.4	25.3	-5.9	0.0	1.6	1.0	3.2	0.6	0.8
	(Percentage change of beginning-of-period broad money)								
Monetary survey									
Net foreign assets	5.8	1.7	0.5	1.7	1.7	1.7	1.6	1.6	1.5
Net credit to government	-2.3	9.5	2.7	0.3	0.5	0.1	0.1	0.1	0.1
Credit to nongovernment sector	7.5	1.7	3.1	3.9	8.2	8.2	8.1	8.3	8.5
Broad money (M2)	12.6	10.0	9.0	9.2	9.3	9.3	9.3	9.3	9.4
Velocity (GDP/end-of-period M2)	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	(Percent of GDP, unless otherwise indicated)								
Investment and savings									
Gross domestic investment	33.5	25.9	26.8	30.1	31.8	32.7	32.9	33.2	33.3
Government	13.9	6.3	6.8	9.1	9.3	9.3	9.5	9.8	9.9
Nongovernment	19.6	19.6	20.0	21.0	22.5	23.4	23.4	23.4	23.4
Gross national savings	23.7	23.9	21.8	24.5	25.8	27.1	27.8	27.9	28.2
Government	4.3	6.0	6.0	6.2	7.4	7.7	8.1	8.5	8.8
Nongovernment	19.4	17.9	15.8	18.4	18.4	19.4	19.7	19.4	19.4
Government budget									
Total revenue and grants	21.6	21.4	23.9	23.0	23.7	23.9	24.2	24.4	24.6
Revenue	18.7	18.2	20.3	19.9	20.0	20.3	20.5	20.8	21.0
Tax revenue	16.8	16.1	16.5	17.6	17.8	18.0	18.2	18.4	18.6
Total expenditure and net lending	31.1	21.6	24.7	25.8	25.6	25.5	25.6	25.7	25.7
Domestic primary balance[1]	-4.5	0.8	2.4	1.4	2.6	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)	-7.2	1.5	1.6	-0.4	1.0	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)	-9.5	-0.3	-0.8	-2.9	-1.9	-1.5	-1.5	-1.2	-1.1
Overall primary balance (cash basis, incl. grants)	-7.2	-0.3	-1.8	-0.4	1.0	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-9.5	-2.1	-4.2	-2.9	-1.9	-1.5	-1.5	-1.2	-1.1
External sector									
Current account balance	-9.8	-2.0	-4.9	-5.5	-6.0	-5.5	-5.2	-5.3	-5.1
Exports (goods and services)	35.3	33.1	31.3	32.1	32.0	32.5	33.1	33.5	34.0
Imports (goods and services)	-53.7	-43.5	-43.6	-44.6	-45.0	-44.9	-45.0	-45.5	-45.8
External public debt[2]	20.2	20.1	20.5	22.2	21.9	21.5	21.1	20.5	19.8
External public debt service (percent of exports)[2]	4.9	5.9	4.9	3.9	3.9	3.6	3.8	4.4	4.8
Domestic public debt[3]	61.2	55.8	55.7	50.9	47.0	43.2	39.7	36.5	33.5
Total public debt[4]	81.4	76.0	76.2	73.1	68.9	64.7	60.8	57.0	53.3
Total public debt (excluding SOEs)[5]	78.0	72.7	73.6	70.9	67.1	63.2	59.6	56.0	52.5

Sources: Togolese authorities and IMF staff estimates and projections.

[1] Revenue minus expenditure, excluding grants, interest, and foreign-financed expenditure.

[2] Includes state-owned enterprise external debt.

[3] Includes prefinancing debt, domestic arrears and state-owned enterprise domestic debt.

[4] Includes prefinancing debt, domestic arrears and state-owned enterprise debt.

[5] Includes prefinancing debt and domestic arrears.

INTERNATIONAL MONETARY FUND

TOGO

October 4, 2019

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context: The economic recovery seems to be taking hold. Inflation stood at 0.6 percent at end-July 2019. The fiscal consolidation was sustained through the first half of 2019; the overall fiscal deficit is estimated at 0.2 percent of GDP at end-June 2019. Reforms are progressing on revenue and customs administration as well as public expenditure management. While the authorities are committed to privatize the two public banks, the tenders for both banks were launched with a delay in September 2019 (prior action). Socio-political tensions have abated but uncertainty remains high, particularly considering the presidential election scheduled for 2020.

Program performance: All continuous and end-June 2019 quantitative performance criteria were met as well as four out of five structural benchmarks. While the indicative target on fiscal revenue at end-June 2019 was met, the one on social spending was missed; corrective actions are being taken to address this underperformance. The structural benchmark for the privatization of the two public banks was not met as more time was needed to prepare the tenders. The ECF arrangement was approved in May 2017 for a three-year period. Total planned disbursements under the program amount to SDR 176.16 million. The fourth review of the program was completed in June 2019.

Program objectives:

- Persevere with fiscal consolidation to reduce public debt vulnerabilities; enforce measures recommended by the recently-completed spending review to contain current spending; continue efforts to strengthen permanent revenue.
- Strengthen fiscal governance through further reforms in tax and customs administration as well as multi-year program-based budgeting.
- Make decisive progress in addressing the financial weaknesses of the two public banks within the overarching objectives of securing financial stability, minimizing costs for the State budget and ensuring transparency. Follow up and complete the privatization process accompanied by adequate safeguards.
- Pursue the growth-enhancing structural reforms outlined in the National Development Plan and the Compact with Africa.

- Support the WAEMU regional policies, including adherence to the regional convergence criteria, as part of the joint WAEMU countries' efforts to help maintain strong regional reserves.

Staff views: Staff supports the completion of the fifth ECF review considering the satisfactory implementation of measures and reforms under the program as well as policy commitments going forward.

Approved By
Dominique Desruelle and Kevin Fletcher

Discussions on the fifth review under the ECF took place in Lomé during August 28-September 10, 2019. The IMF staff team comprised Mr. Razafimahefa (head), Ms. Bunda, Mr. Engstrom, Ms. Nikaein, Mr. Tapsoba (Resident Representative) (all AFR), Ms. Paret (SPR), Mr. Sowou (Local Economist), and Mr. Kadagali (Trainee at the local office). Ms. Ndome-Yandun, Ms. Kinvi-Boh and Ms. Vibar provided administrative assistance. The mission met with Prime Minister Komi Sélom Klassou; Mr. Sani Yaya, Minister of Economy and Finance; Ms. Ayawovi Demba Tignokpa, Minister of Development Planning and Cooperation; Mr. Kossi Ténou, BCEAO National Director for Togo, other senior government officials, and senior staff at the BCEAO and Banking Commission. Discussions were also held with the General Secretariat of the WAMU Banking Commission. Furthermore, the mission met with representatives of the private sector and development partners, and held a press conference.

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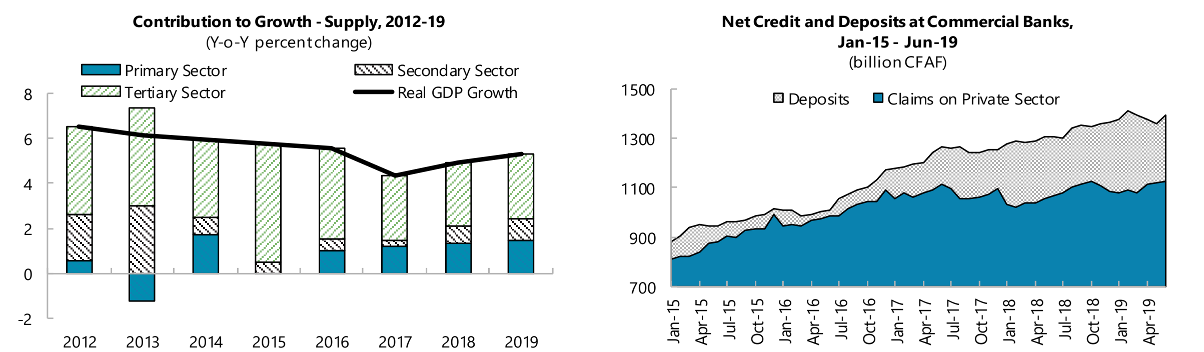
CONTEXT AND RECENT DEVELOPMENTS

A. Recent Economic Developments: Continued Recovery

1. **The economic recovery seems to be taking hold.** Economic activities regained momentum in 2018 following a sharp deceleration in 2017 due to socio-political tensions. This momentum continued in the first half of 2019 and economic growth is projected to accelerate slightly to 5.3 percent in 2019 from 4.9 percent in 2018. The export-oriented sectors—phosphate extraction, coffee and cocoa, and cotton production—have continued to show robust performance. Traffic at the port and airport expanded by about 5 percent and energy consumption by about 7 percent on average during January-May 2019 relative to the same period in 2018. Credit to the private sector grew by about 5 percent during January-June 2019 relative to the same period in 2018. Headline inflation stood at 0.6 percent at end-July 2019 (year-on-year) while core inflation was about 0.4 percent (based on the WAEMU definition) (Text Figure 1).

Text Figure 1. Real GDP and Financial Conditions



Sources: Togolese authorities, and IMF staff estimates.

2. **The fiscal consolidation, which started in 2017, was sustained through the first half of 2019** (Text Table 1). The overall fiscal deficit is estimated at 0.2 percent of GDP at end-June 2019. Revenue collections were on target at that date, with customs revenue collections exceeding their target by about 0.4 percent of GDP. Overall expenditure was below programmed levels. Notwithstanding ongoing reforms, the execution of public investment projects still appears to be backloaded. The lower-than-projected execution of investment projects is estimated to have kept capital expenditure below 2 percent of GDP in the first half of 2019. The subscription rate of government

Text Table 1. Fiscal Developments Jan-Jun 2019
(percent of GDP)

	June	
	Rev. prog.	Actual
Revenue and grants	10.7	9.9
Revenue	8.9	9.5
of which: Customs	3.5	3.9
Grants	1.7	0.5
Expenditure and net lending	14.3	10.1
Current expenditure	8.7	8.3
Capital expenditure	5.6	1.9
Domestic primary balance	-1.2	1.5
Overall primary balance (commitment basis, incl. grants)	-2.4	0.9
Overall balance (commitment basis, incl. grants)	-3.6	-0.2
Change in arrears and accounts payable	-0.6	-0.6
Change in accounts receivable	-1.1	-1.1
Overall primary balance (cash basis, incl. grants)	-1.8	1.5
Overall balance (cash basis, incl. grants)	-3.1	0.4
Overall balance (cash basis, excl. grants)	-4.8	-0.1
Financing	4.8	0.1
Domestic financing	1.7	-0.4
External financing	3.1	0.5

Sources: Togolese authorities; and IMF staff estimates.

bonds in the regional market remained favorable at an average of 224 percent in the first half of 2019.

3. Socio-political tensions have diminished. Large demonstrations occurred in mid-2017 as the opposition demanded a retroactive two-term limit to presidential mandates. The socio-political tensions have abated since mid-2018. The ruling party won a large majority in the legislative elections of December 2018, which the opposition boycotted. In May 2019, the newly-elected Parliament adopted constitutional amendments capping presidential mandates to two five-year terms but not to be applied retroactively. The amendments also guarantee immunity for life to all former Presidents and limit Parliamentarians' mandates to two terms of six years each. Subsequently, the ruling party won the June 2019 local elections with a comfortable margin.

B. Medium-Term Outlook: Strong Potential Clouded by Downside Risks

4. Growth is expected to hover around 5½ percent over the medium term (Text Table 2). Barring resurgence of socio-political tensions, the ongoing economic recovery is expected to become firmly entrenched. Large public investment projects completed in recent years (new roads and expanded port and airport) as well as steady improvement in the business environment are expected to boost domestic and foreign private investment in the medium term. Inflation is expected to hover around 2 percent over the medium term, and the fiscal deficit around 1-2 percent of GDP, well within the WAEMU deficit criterion. The current account deficit would remain in the range of 5 percent of GDP, as new consumption goods are now being produced in Togo (reducing the need for imports), while expanding exports of cotton and phosphates are complemented by new agriculture and light manufacturing exports (such as organic produce and plastic products). Public debt is expected to fall below 70 percent of GDP from 2020 and to decline below the benchmark for countries with medium debt carrying capacity (net present value of public debt of 55 percent of GDP) in 2023.

Text Table 2. Selected Economic Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
			Est.						
	(Percentage growth, unless otherwise indicated)								
Real GDP	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5
Consumer price index (average)	0.9	-0.2	0.9	1.4	2.0	2.0	2.0	2.0	2.0
	(Percent of GDP, unless otherwise indicated)								
Domestic primary balance	-4.5	0.8	2.4	1.4	2.6	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)	-7.2	1.5	1.6	-0.4	1.0	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)	-9.5	-0.3	-0.8	-2.9	-1.9	-1.5	-1.5	-1.2	-1.1
Overall primary balance (cash basis, incl. grants)	-7.2	-0.3	-1.8	-0.4	1.0	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-9.5	-2.1	-4.2	-2.9	-1.9	-1.5	-1.5	-1.2	-1.1
Current account balance	-9.8	-2.0	-4.9	-5.5	-6.0	-5.5	-5.2	-5.3	-5.1
Total public debt (including SOE debt)[1]	81.4	76.0	76.2	73.1	68.9	64.7	60.8	57.0	53.3
Total public debt (excluding SOE debt)	78.0	72.7	73.6	70.9	67.1	63.2	59.6	56.0	52.5

Sources: Togolese authorities; and IMF staff estimates and projections.
[1] Includes central government domestic arrears and state-owned enterprises debt.

5. Risks to the outlook remain tilted to the downside (Annex I). *At the national level*, although socio-political tensions have abated, uncertainty remains high. The election in 2020 may spark a resurgence of tensions with adverse effects on macroeconomic performance, and the government could come under pressure to postpone the fiscal adjustment and structural reforms; delayed or unsuccessful privatization of the two state-owned banks may pose financial stability risk. *At the regional level*, security risks—including terrorism threats—have increased. Such threats could hinder local and foreign private investment, hamper tourism activities, and impede government efforts to make Togo a regional hub for transport and financial activities. *At the global level*, risks could originate from rising protectionism and retreat from multilateralism (reducing trade and FDI), a possibly sharp rise in risk premia on global financial markets, further build-up of financial vulnerabilities, and weaker-than-expected global growth.

C. Program Performance

6. The program is implemented as planned in most areas, but the financial sector strategy has been revised and the end-June 2019 IT on social spending was missed:

- **All end-June 2019 performance criteria (PCs) were met (MEFP ¶4, MEFP Table 1).** The targets on the domestic primary balance and net domestic financing were both met with significant margins of 2.7 percent of GDP. This overperformance was partly due to the space created under the program for some urgent spending of 1.2 percent of GDP, which has not yet been executed. The three continuous zero-ceiling PCs on non-concessional external debt and government guarantees as well as the indicative targets (ITs) on fiscal revenue and on the non-accumulation of domestic arrears were also met.

- **The end-June 2019 IT on social spending was missed by 0.7 percent of GDP**. This IT was also missed in previous program reviews. The underlying factors are primarily related to the backloaded or the under-execution of public investment projects and to insufficient functionalities in the budget recording and reporting system to monitor specific and detailed categories of spending. Staff and authorities are concerned about this underperformance and discussed corrective measures. The authorities are taking corrective measures. They are changing the operational management of an important social program (*Programme d'Urgence de Développement Communautaire, PUDC*) away from a centrally-based non-government entity to decentralized elected officials (i.e., the mayors). This approach is expected to improve the pace and effectiveness of PUDC implementation. Furthermore, the government is strengthening the budget reporting system on a functional basis to allow accurate monitoring and recording of social spending.

- **While structural reforms are progressing satisfactorily in most areas, reforms to address the financial weaknesses of the two public banks encountered delays (MEFP ¶5-6, MEFP Table 3).** All three end-June structural benchmarks (SBs) on revenue administration and public expenditure management were met. All importers deemed inactive by the tax administration are required to deposit a lump sum amount corresponding to 15 percent of the import value before the imported merchandise receives customs clearance.[1] The customs administration also started prohibiting the clearance of imported merchandise for importers with outstanding tax obligations. On expenditure management, a program-based budget covering 2020-22 was adopted by the council of ministers and discussed in Parliament in July 2019. In the financial sector, as the direct sale of the smaller public bank could not be finalized, the authorities submitted a revised strategy for its privatization, which consists of launching a tender by end-August 2019. However, the first step of the tenders for both banks was launched with a delay in September 2019 (prior action).

POLICY DISCUSSIONS

Policy discussions focused on (i) pursuing fiscal consolidation while accommodating the previously-agreed urgent spending and preserving social spending; (ii) continuing to bolster permanent revenue; (iii) enforcing measures from the recently-completed spending review and adopting program-based budgeting; and (iv) making decisive progress in the privatization of the two state-owned banks to safeguard financial stability and minimize costs for the State budget.

A. Fiscal Policy: Pursue Consolidation while Accommodating Some Necessary Spending

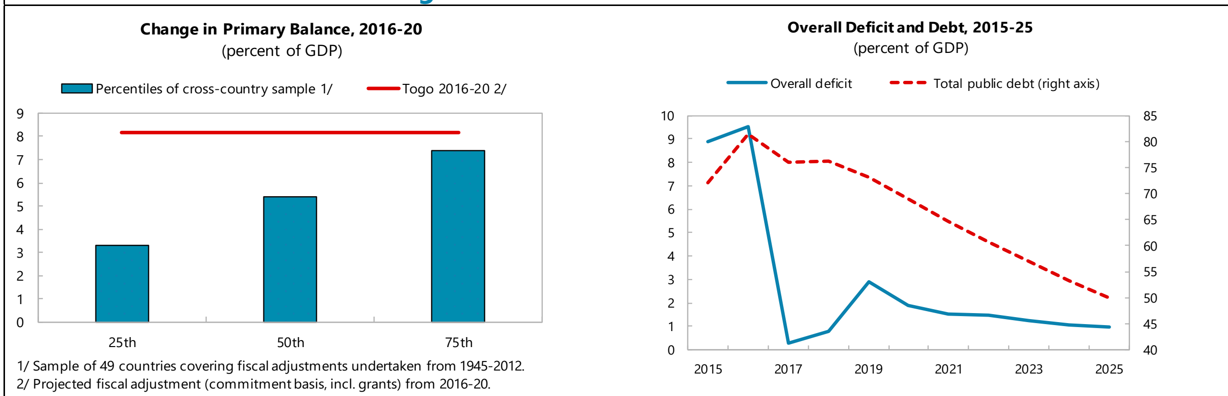
7. The authorities are widening the 2019 deficit slightly to 2.9 percent of GDP to allow bringing forward some spending initially envisaged for 2020 (MEFP ¶8). At the time of the fourth ECF review, the overall deficit ceiling was set at 2.7 percent of GDP, which included some urgent spending given the deteriorating regional environment. This deficit ceiling will be widened by 0.2 percent of GDP as the authorities need to bring forward to 2019 some necessary election-related spending initially programmed for 2020. This spending amounts to 0.2 percent of GDP. Meeting the deficit target requires continued revenue collection efforts and, more importantly, a firm control over goods and services spending. The overall revenue collection slightly exceeded the target at end-June, but efforts need to be continued given large volatility and uncertainty about revenue in the past. On goods and services spending, the authorities are now aiming to reduce the full-year spending from 4.9 percent of GDP in 2018 to 3.7 percent of GDP in 2019. Outturns at end-June 2019 reached 2.1 percent of GDP. Although spending in 2018 included one-off outlays of over 1 percent of GDP related to legislative elections, reaching the end-December 2019 target will require careful spending prioritization in the second half of the year. To this end, the authorities are implementing the following measures recommended by a recently completed spending review: reference prices are revised downwards for most procurement contracts; negotiation and management of building rental contracts are centralized for cost-saving purposes; purchases of air travel tickets and fuel are centralized with a single company respectively to allow negotiating discounts; some medical

[1] About 400 importers were subjected to this measure at the customs administration to date and declared their activity to the tax administration. Although the actual revenue collection from this measure was not large, the deterrent effect on frauds and evasion is expected to be important.

purchases are channeled through the Global Fund; exemptions on some equipment have been phased out; controls over road tolls and the management of the road maintenance fund have been tightened; and the recently completed civil servants census will be used to clean up the payroll. The authorities are also prepared to reprioritize domestically-financed public investment if the deficit target is at risk.

8. The authorities are targeting a further fiscal consolidation in 2020 to achieve an overall fiscal deficit slightly below 2 percent of GDP (MEFP ¶9). The 2020 deficit ceiling of 2.1 percent of GDP projected at the time of the fourth ECF program review has been tightened to 1.9 percent of GDP as some election-related spending of 0.2 percent of GDP was brought forward to 2019, as explained above. The continued fiscal consolidation would be reached by a mix of revenue and expenditure efforts. In particular, primary current expenditure is expected to revert broadly to its 2017 level. The full-year impact of the spending review measures outlined above will contribute to achieving this consolidation. If this deficit is attained, Togo would realize an overall fiscal consolidation of about 7.5 percentage points of GDP during the entire ECF program period (2017-20). A fiscal consolidation of this size is large and rare. A historical cross-country analysis shows that only about a quarter of countries going through fiscal consolidations improved their primary balance by this magnitude (Text Figure 2). Beyond 2020, the overall fiscal deficit would remain below 2 percent of GDP, unchanged from previous projections. These fiscal deficits are consistent with the WAEMU deficit criterion of an overall fiscal deficit not exceeding 3 percent of GDP. Deficits below 2 percent of GDP would keep the debt trajectory on a firm downward path, with debt dropping below 70 percent of GDP from 2020 and below the benchmark of medium debt carrying capacity from 2023.

Text Figure 2. Fiscal Balance and Public Debt



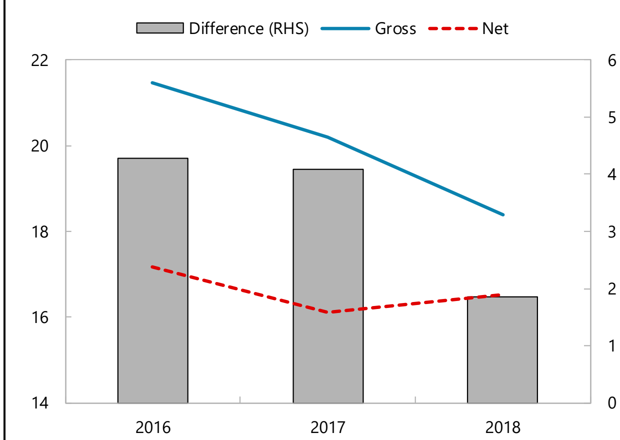
Sources: : Escolano, J. et al (2014), "How Much is A Lot? Historical Evidence on the Size of Fiscal Adjustments", IMF Working Paper No. 14/179 (Washington: International Monetary Fund); Togolese authorities; and IMF staff estimates.

B. Revenue Administration: Continue Bolstering Permanent Revenue

9. Supported by strong measures, revenue collection is projected to accelerate in the second half of 2019 and beyond (MEFP ¶10-13). Revenue collection was adversely affected by the socio-political tensions in 2017 and underperformed program targets. While revenue collection improved in 2018, it was primarily because of non-permanent and temporary sources, such as non-tax revenue (e.g. license fees and dividends) and exceptional revenue (e.g. ad-hoc tax arrears collection). The authorities are taking strong reform measures to boost revenue, which are planned to yield results in the second half of 2019 and beyond. To fully reap the benefits from the merger of the tax and customs administrations under a single entity (*i.e.,* the revenue authority OTR), the authorities will design and implement an action plan based on a recent TADAT evaluation.[2] In priority, the online filing system will be extended to at least half of the large companies; voluntary compliance measures will be adopted to increase the number of voluntary tax payments; an action plan will be produced for the complete dematerialization of customs declarations and supporting documentation, and the corresponding ASYCUDA World functionality will be activated; and internal controls over all OTR services will be strengthened.

10. The authorities are also making efforts to contain tax expenditures to increase the level and improve the permanency of revenue (MEFP ¶11). Tax expenditures in Togo include mainly exemptions granted to some economic operators based on specific agreements, diplomatic exemptions, and exemptions related to the investment code. As a result of the authorities' efforts, the difference between gross and net tax collection, which consists mainly of tax expenditures, declined from 4.3 percent of GDP for the full year of 2016 (before the start of the Fund-supported program) to 1.9 percent of GDP in 2018. These efforts helped increase tax revenue by about 0.5 percent of GDP in 2018 notwithstanding falling gross tax collections (Text Figure 3)[3].

Text Figure 3. Gross and Net Tax Collections, 2016-18
(percent of GDP)



Sources: Togolese authorities; and IMF staff estimates.

C. Public Financial Management: Modernize Budget Preparation

11. Significant progress has been made on PFM since the start of the Fund-supported program (MEFP ¶14). Arrears to suppliers have gradually been cleared, and a system is in place to

[2] A joint World Bank and IMF mission on the Tax Administration Diagnostic Assessment Tool (TADAT) visited Togo in August 2019.

[3] Although the increase in net revenue is not proportionate to the decrease in tax expenditure, the narrower difference between gross and net revenues indicates a positive development as the revenue authority seems to focus more on collecting actual revenue instead of artificially inflating revenue assessments. The smaller magnitude of the increase in net revenue relative to the decline in tax expenditure may also be due to a change in the structure of the tax base (e.g. smaller share of imports and larger share of domestic economic activities in the tax base, as some imports previously incurred significant tax expenditure).

synchronize the commitment, procurement, and treasury plans to prevent accumulation of new arrears. A methodological guide was produced to prioritize and select public investment projects to be financed in the budget, and a circular was sent to all line ministries to enforce this framework. The treasury single account (TSA) has been consolidated by gradually closing government accounts in commercial banks to improve treasury management and reduce borrowing costs. Nonetheless, further steps are required to ensure a fully-functional TSA with a broader coverage of public sector accounts. Efforts have also been made on the publication and transparency of budget execution, including the submission to Parliament within the deadline required under the Organic Budget Law.

12. The next major PFM reform focuses on adopting multi-year and program-based budgeting (MEFP ¶14). Program-based budgeting is a requirement under a WAEMU directive. This reform aims primarily at strengthening budget preparations and enhancing spending efficiency. The first program-based budget, covering 2020-22, was adopted by the Cabinet and sent to the Parliament for discussions in June 2019. Parliamentarians have received training on this reform. The authorities are putting in place the necessary preconditions to make the switch to program-based budgeting fully effective, such as the IT system, adequate staffing, and the delocalization/decentralization of financial control and operational support units to line ministries. The test phase of the program-based budgeting will run in parallel in 2020 with the traditional input-based budget presentation; the complete switch is planned for 2021. In addition, the coverage of the TSA will be expanded to other government entities, and the Public Private Partnership unit within the debt department will be provided with the necessary legal and institutional tools to become fully functional.

D. Borrowing Policies and Debt Management: Persevere with Debt Reduction

13. Continued debt reduction is a key priority to safeguard long-term fiscal and external sustainability (MEFP ¶16). Togo is assessed at moderate risk of external debt distress and high risk of overall public debt distress, notably owing to a high level of domestic debt (DSA Appendix). The fiscal strategy aims at bringing the present value (PV) of Togo’s total public debt below the benchmark for a country with medium debt-carrying capacity over the medium term. The authorities are making efforts to improve debt management, including bringing the new debt department to full operation with adequate staffing. IMF technical assistance has helped with documenting business processes for debt management activities and a procedures manual has been approved.

14. The authorities plan to proceed with a debt reprofiling operation before end-2019 (MEFP ¶18). The operation aims to reduce the PV of the public debt stock and to mitigate rollover risks by borrowing externally at more favorable terms to repay outstanding domestic/regional debt. The debt reprofiling operation has some potential benefits. With support from a World Bank policy-based guarantee, the authorities expect a significantly lower interest rate on external borrowing relative to the regional debt instruments to be repaid. The new external loan has longer duration, which reduces short-term rollover risks. The operation reduces the risk of fiscal crowding out, and strengthens the regional foreign exchange reserves at the time of the transaction. At the same time, the operation entails various risks, including (i) the risk of actual market conditions at issuance being less favorable than the assumptions used in the design of the operation; (ii) the opportunity cost of using a part of Togo's World Bank financing allocation; (iii) higher external debt and external debt ratios; (iv) greater exchange rate risk; and (v) higher rollover risk in international markets. To reap maximum benefits from the debt reprofiling operation and minimize the associated risks, safeguards measures are necessary. The size of the operation should be capped below a limit that does not lead to a deterioration of the external debt distress rating. The operation should be conducted only for debt management purposes; *i.e.* the operation should lead to a reduction of the present value of debt. The operation should target the least favorable domestic/regional loans (in terms of interest rate and maturity) and loans that do not require early repayment penalties. Procedures are in place to manage execution risks from this operation. Finally, the authorities' debt management capacity should be strengthened to ensure sound debt management in the medium and long term given higher exposure to international market risks (such as risks related to the exchange rate, interest rate, and investor base). Staff has prepared a preliminary debt reprofiling scenario based on assumptions derived from ongoing discussions (DSA Appendix).

E. Financial Sector: Address Weaknesses of the Public Banks

15. The privatization of both public banks is being undertaken through an open tender process (MEFP ¶19). The planned privatization of the second public bank through a direct sale was not completed. The authorities and the potential buyer could not reach an agreement on the terms of the direct sale. Thus, the authorities switched from a direct sale to an open tender process for the privatization of this bank, following a similar process as for the other public bank. While the tenders for both banks were planned to be launched by end-August 2019, the authorities' transaction advisor required longer time to complete all necessary preparations. The first step of the tenders was launched in mid-September. The government may need to incur some fiscal costs to ensure a successful completion of the privatization.[4] To promote financial stability going forward, it will be important for the privatization process to attract reputable strategic investors and be fully transparent (Box 1).

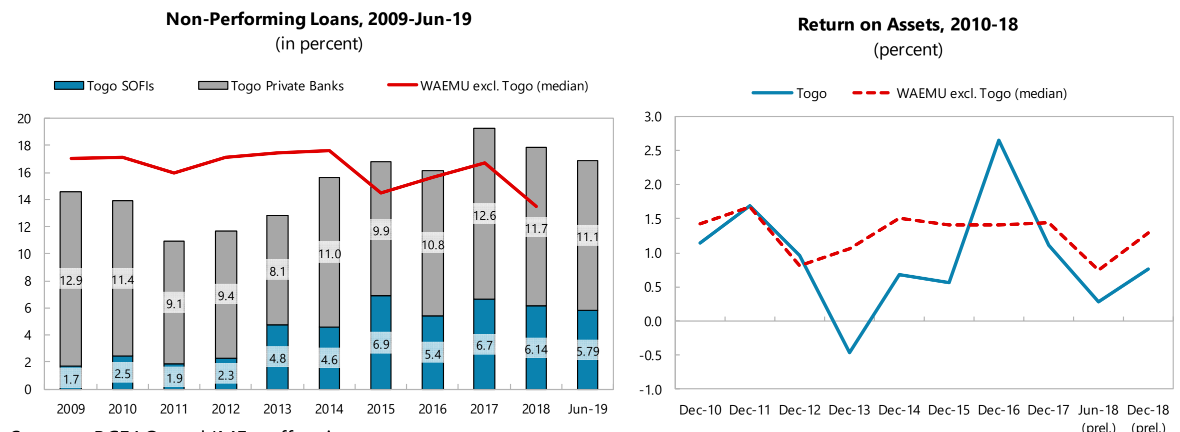
16. The soundness of the financial system warrants close scrutiny (MEFP ¶20, Box 1). Non-performing loans (NPLs) remain high at 16.9 percent of gross loans at end-June 2019 (Text Figure 4). The overall capital adequacy ratio—per the new BCEAO regulation on capital that is aligned to international Basel II/III standards—dropped at end-June 2018 (Table 5) due to the significant capital shortfall of the two public banks. The move to Basel II/III has revealed more prominently existing weaknesses in these banks, which do not meet regulatory requirements and are under privatization.[5] Excluding the public banks, the aggregate capital adequacy ratio of the rest of the banking system exceeds comfortably the level required by regulation. Nonetheless, capital restoration calls were

[4] Such fiscal costs have not been included in the baseline fiscal and debt projections as the modalities and amounts are uncertain at this stage.

[5] See the Selected Issues Paper on "State-Owned Banks, Privatization and Macro-Financial Performance in SSA" accompanying the Fourth Review combined with Art-IV Staff Report for the causes of the long-standing problems at the two state-owned banks.

made for two non-systemic private banks which are undergoing private restructuring, after being taken over by private strategic investors. Against such weaknesses and to reduce vulnerabilities, the authorities should closely monitor the liquidity situation of the public banks; carefully examine broader financial sector developments and take corrective actions as needed; and address the persistently high rate of NPLs.[6] It is also important to improve the credit infrastructure, including the credit bureau, to foster financial inclusion and enable additional economic activity.

Text Figure 4. Financial Sector Vulnerabilities



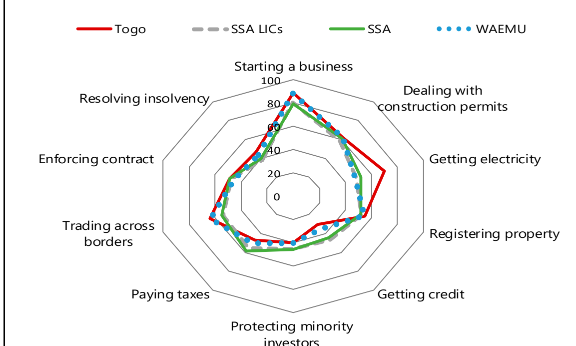
Sources: BCEAO; and IMF staff estimates.

F. Structural Reforms and Inclusive Growth: Boost Private Investment

17. The ambitious vision of the National Development Plan (NDP) requires a highly favorable business environment (MEFP ¶22). Togo aims to become a regional commercial and transportation hub, a manufacturing base, and a regional financial center. This requires a rapid expansion of private investment. Togo has made great strides in recent years to improve the business environment; it was amongst the countries with the largest improvement under the latest Doing Business Indicators.[7] However, it lags peers in some areas, including access to credit and tax payments (Text Figure 5). Continuous implementation of the reforms outlined in the

Text Figure 5. Doing Business Indicators, 2019

(0 = lowest, 100 = best performance)



Sources: Doing Business Database 2019; and IMF staff estimates.

[6] Measures to reduce NPLs include tackling the weaknesses at the two state-owned banks; enforcing the BCEAO instruction on the accounting and reporting of NPLs; finalizing the full application of the revised accounting framework for banks, particularly the item on the writing off of NPLs not recovered after 5 years; strengthening the legal and institutional frameworks for NPL recovery; and strengthening the power of debt collection entities.

[7] Its score improved from 49 in 2017 to 55 in 2018 and its rank advanced by 19 places in the 2019 classification.

NDP and Compact with Africa will be essential to bolster private investment and promote inclusive growth, including continued land reforms and improvements of the land management system.

Box 1. Financial Sector Diagnostics and Developments

Strengthened risk-based prudential regulations and revised accounting standards in line with international norms have revealed preexistent weaknesses at the two state-owned banks. The enforcement of key new regulatory standards in 2018 aimed among others at increasing the minimum capital. Despite these new standards, several aggregated FSIs—which are derived from Basel II-III since January 2018—now show a deterioration compared to the past when more lenient standards were applied. This deterioration is primarily driven by the weak financial situation of the two state-owned banks, while the rest of the banking system has been building up capital buffers. Localized weaknesses are showing more strikingly under the new Basel II-III framework, which puts greater emphasis on risks and on minimum requirements for higher-quality capital. The gap to regulatory minima is magnified when a bank has insufficient capital, as the totality of exposures to some key risks is deducted from the required capital.[1] Excluding the two state-owned banks (about 19 percent of total assets), the aggregate capital adequacy ratio of the Togolese banking sector comfortably meets the regulatory requirement.

To address the weaknesses in the two public banks, the privatization process is underway and expected to be completed by 2020Q1. Given previous delays, the privatization process is accelerated but does not skip any steps and is in line with international practices. It balances speed and the quality requirement of the information to be expected from interested investors. An international prequalification notice – the first of the two main stages in the open tender process– was posted in international financial news outlets in September 2019. The government intends to sell its shareholdings and/or open up the majority of the capital of the two state-owned banks to strategic investors with strong banking and financial experience to allow the two banks to achieve their full potential and continue their ongoing development. This approach would safeguard financial stability and minimize the costs to the State budget. Togo's and cross-country experiences suggest that performance is likely to improve after a privatization when the government fully relinquishes control, when banks are privatized to strategic investors, and when the bidding is open to all, including foreign banks. The success of a privatization also hinges on the owner's prudential review quality by the supervisory authorities, as well as the business environment for competition, governance, and entry. It would be important to avoid the shortcomings of the previous privatization round, such as fragmentation of tenders, bidders' arbitrage, and procedural failures.[2]

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[1] Deductions from CET1, AT1, and Tier2 capital for the noncompliance with regulatory limits increase the need for minimum regulatory capital to cover these risks.

[2] See the Selected Issues Paper on "State-Owned Banks, Privatization and Macro-Financial Performance in SSA" accompanying the Fourth Review combined with Art-IV Staff Report.

18. **Governance could be improved by effectively implementing recently-adopted institutional and legal frameworks (MEFP ¶22).** Although corruption vulnerabilities remain significant, the authorities have taken several measures in recent years aimed at improving governance. A new criminal code was adopted in 2015; non-transparent pre-financing of public

investment projects was phased out in 2017; the anti-corruption agency (HAPLUCIA) was launched in 2017; a new AML/CFT law was adopted in 2018; and the first two commercial courts to deal with business conflicts will be made fully operational.[8] These governance and anti-corruption legal frameworks should be enforced, and the new institutions should become fully operational. AML/CFT efforts should be intensified, in line with the findings of the recent multisectoral national risk assessment; timely implementation of the relevant action plan is important considering the upcoming evaluation by the GIABA in 2020.[9] The asset declaration legislation should also be strengthened and enforced.

PROGRAM MODALITIES AND OTHER ISSUES

19. All quantitative performance criteria and structural benchmarks remain unchanged from the fourth review, except the end-December 2019 SB on the banks (MEFP ¶24). The last quantitative PCs to be assessed at the sixth and final review cover end-September 2019. At end-December 2019, modification is proposed for the IT on the domestic primary balance to accommodate the election-related spending; modification is also proposed on the IT on net domestic financing to accommodate the election-related spending and the postponement of the last ECF disbursement to early 2020. The program is fully financed with firm commitments from development partners for the remainder of the program including the World Bank, the European Union, and the African Development Bank, while ECF disbursements will fill the remaining financing needs.

20. Safeguards assessment: The 2018 update safeguards assessment of the BCEAO found that the central bank had maintained a strong control environment, audit arrangements were in broad conformity with international standards, and the financial statements were prepared in accordance with the International Financial Reporting Standards. The BCEAO has recently enhanced the oversight role of its audit committee in line with the assessment recommendations.

21. Togo's capacity to repay the Fund remains strong. Obligations to the Fund would peak in 2025 at 2.5 percent of government revenue or 0.5 percent of GDP (Table 7).

22. Capacity development in fiscal year 2020 is focused on revenue administration, fiscal policy, public financial management, and statistics. Technical assistance from the IMF has helped support the reform agenda (Annex II).

[8] AML/CFT refers to Anti-Money Laundering and Combating the Financing of Terrorism. HAPLUCIA refers to "*Haute Autorité de Prévention et de Lutte contre la Corruption et les Infractions Assimilées*".

[9] The multisectoral national risk assessment on money laundering and terrorist financing carried out with the support of the World Bank was finalized. The summary of this assessment should be made public and the recommended action plan implemented swiftly to address the identified vulnerabilities, particularly in preparation for the next GIABA assessment. All legislation pertaining to the 2018 Anti-Money Laundering/Combating the Financing of Terrorism Act (AML/CFT) should be adopted and the National Coordination Committee should be formalized. The recommendations of the 2018 report of the United Nations Counter-Terrorism Executive Directorate (CTED) should be implemented.

STAFF APPRAISAL

23. The economic recovery seems to be taking hold. Economic growth is projected to accelerate to 5.3 percent in 2019 and hover around 5½ percent over the medium term. Large public investment projects completed in recent years (new roads and expanded port and airport) as well as continuing improvement in the business environment are expected to boost domestic and foreign private investment. The current account deficit is projected to remain in the range of 5 percent of GDP over the medium term as an expanding production of light manufacturing is likely to both reduce imports and support exports.

24. The economic potential remains clouded by downside risks. At the national level, although socio-political tensions have abated, uncertainty remains, including risks related to the presidential elections scheduled for 2020 and the outcome of the privatization of the two state-owned banks. At the regional level, security risks—including terrorism threats—have increased. At the global level, risks could originate from rising protectionism and retreat from multilateralism, a possibly sharp rise in risk premia on global financial markets, further build-up of financial vulnerabilities, and a weaker-than-expected global growth.

25. Staff commends the authorities' broadly satisfactory performance under the Fund-supported program. All end-June 2019 and continuous performance criteria have been met as well as four out of five structural benchmarks. The overall fiscal deficit stood at 0.2 percent of GDP at end-June 2019; revenue collection overperformed the program target. Reforms are progressing on tax policy, revenue and customs administration, and public expenditure management. While the authorities remain committed to privatize the two public banks, the privatization process encountered delays and the tenders for privatization were launched only in September 2019.

26. Staff welcomes the authorities' determination to pursue fiscal consolidation and debt reduction. The 2019 supplementary budget caps the overall fiscal deficit at 2.9 percent of GDP. The draft 2020 budget aims at reaching an overall fiscal deficit slightly below 2 percent of GDP. Under these deficit ceilings, Togo will continue to comply with the WAEMU convergence criterion of an overall deficit not exceeding 3 percent of GDP. Togo is currently assessed at moderate risk of external debt distress and high risk of overall public debt distress, notably owing to a high level of domestic debt. The continued fiscal consolidation is expected to bring total public debt below the benchmark of medium debt carrying capacity over time. The planned debt reprofiling should help reduce the present value of public debt but safeguard measures are needed to address risks related to the operation.

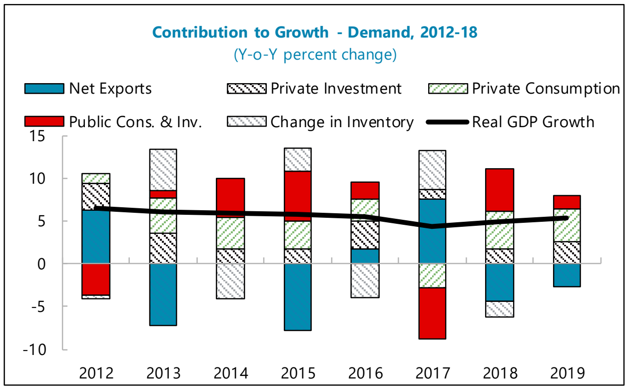
27. Staff commends the implementation of structural reforms, which should be pursued. The revenue authority is implementing measures identified from a recent tax administration diagnostic assessment (TADAT). Efforts are underway to improve voluntary tax compliance. Online tax payments and declarations as well as dematerialization of customs procedures are also being enhanced. The program-based budget will be rolled-out in parallel with the traditional input-based budget presentation in 2020; the full switch will take place in 2021. Significant progress has been made on the improvement of the business environment. It will be important to persevere with the reforms outlined in the National Development Plan and the Compact with Africa to promote private investment. The recently adopted legal framework on governance and anti-corruption should be fully enforced and the related institutions should become fully functional.

28. Staff urges decisive progress on addressing the weaknesses of the two public banks. The privatization of the first public bank through a direct sale could not be completed and the authorities have opted for an open tender, following the same procedure used for the other public bank. The first of two steps of the launch of the banks tenders was completed but with delay. In the meantime, the authorities should closely monitor the liquidity situation of both banks. A successful completion of their privatization is expected to ensure financial stability, minimize costs to the State budget, and ensure transparency. The authorities should monitor broader financial sector developments and take corrective actions as needed, such as on non-performing loans which remained high at 17 percent of gross loans at end-June 2019.

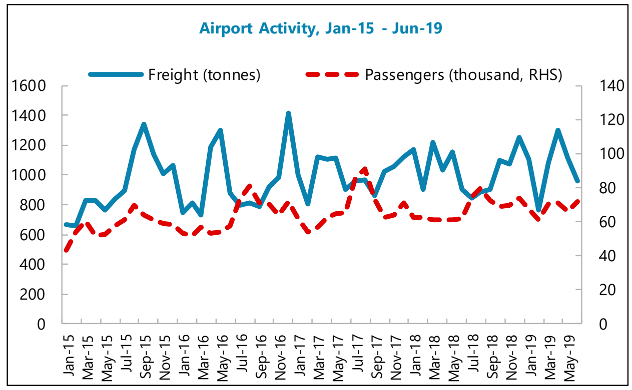
29. Staff recommends the completion of the fifth ECF review. Program performance has been broadly satisfactory. The LOI/MEFP sets out appropriate policies to achieve the program objectives and the capacity to repay the Fund is adequate.

Figure 1. Togo: Real Sector Developments

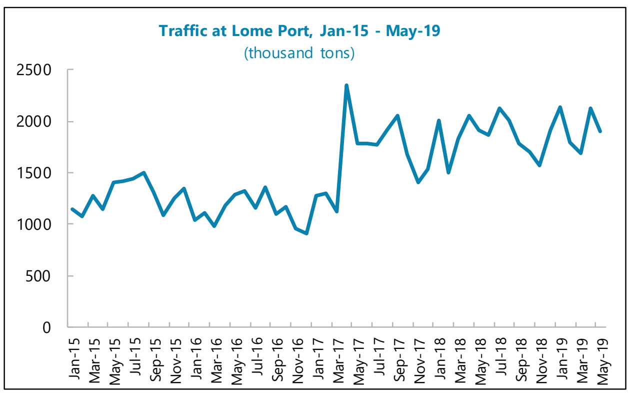
The economic recovery is taking hold...



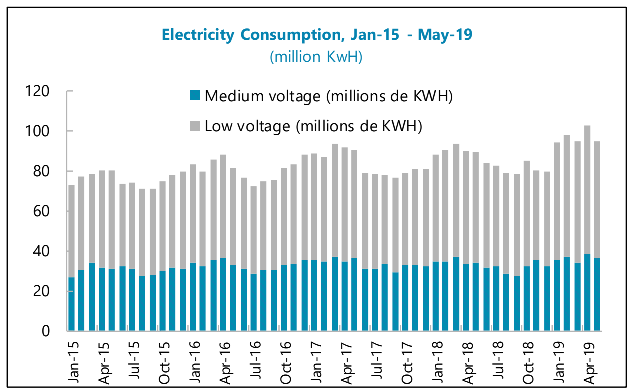
...as airport activity picked up in early-2019...



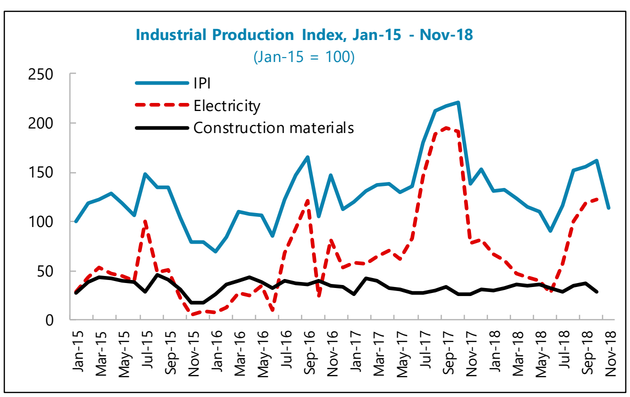
...and the traffic at Lomé port has continued to expand.



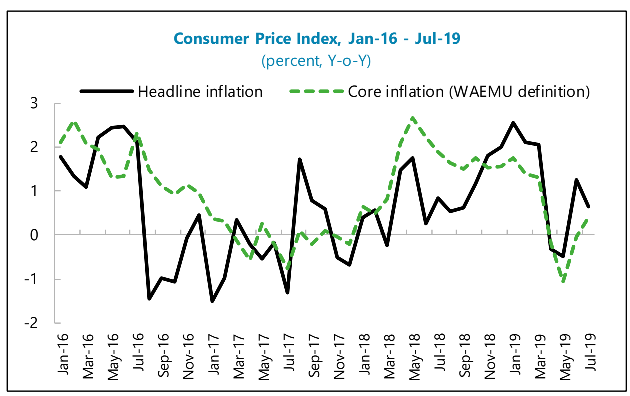
The consumption of electricity has exceeded previous levels...



...while industrial production in 2019 is still uncertain[1].



Inflation is broadly in positive territory.

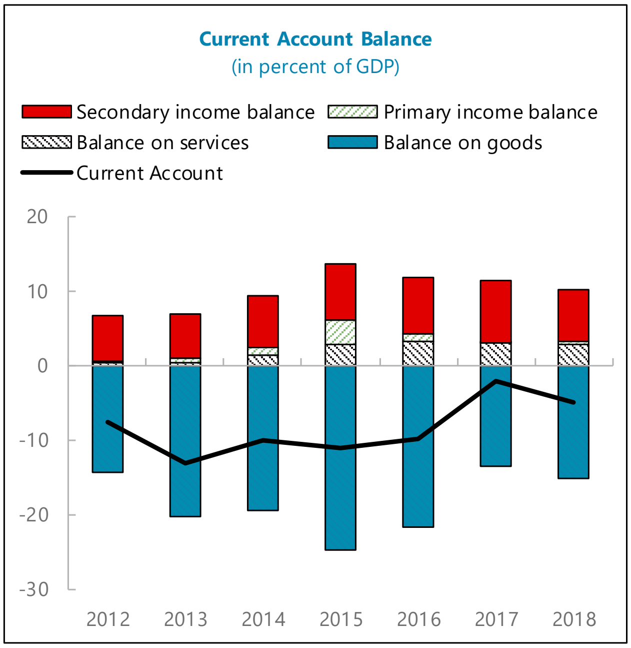


Source:INSEED; PAL; BCEAO; Togolese authorities; and IMF staff estimates.

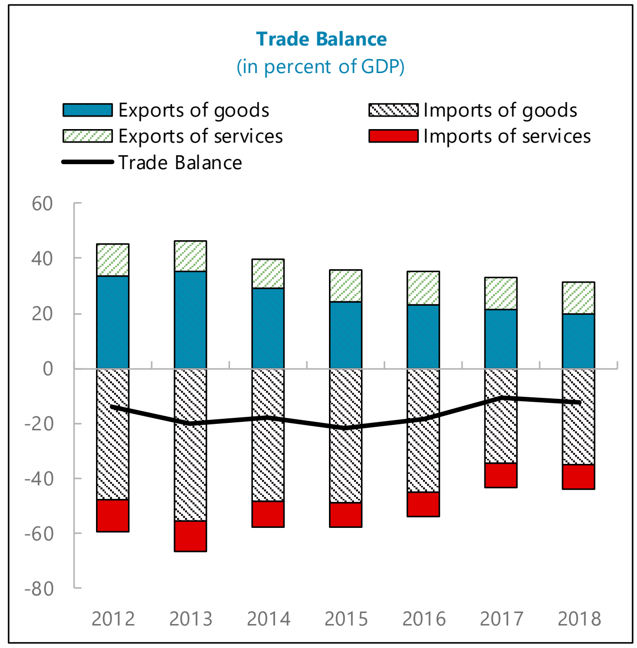
[1] Data for industrial production in 2019 is not yet available.

Figure 2. Togo: External Sector Developments

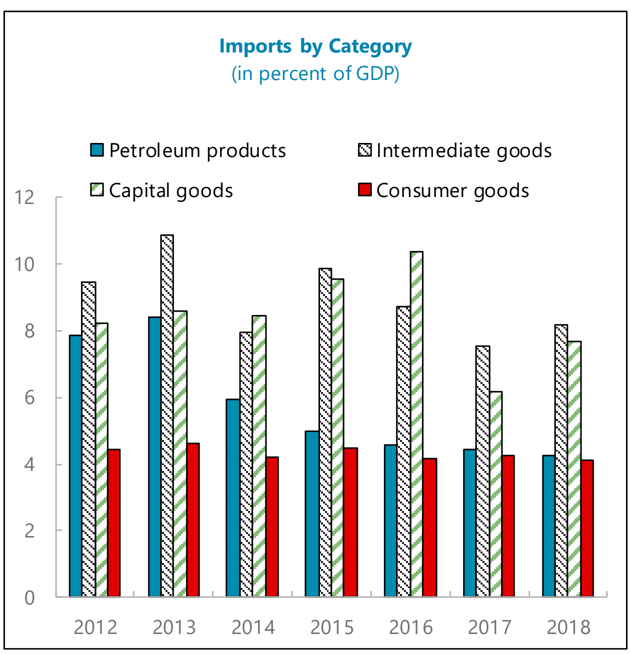
The current account deficit improved significantly in 2017-2018…



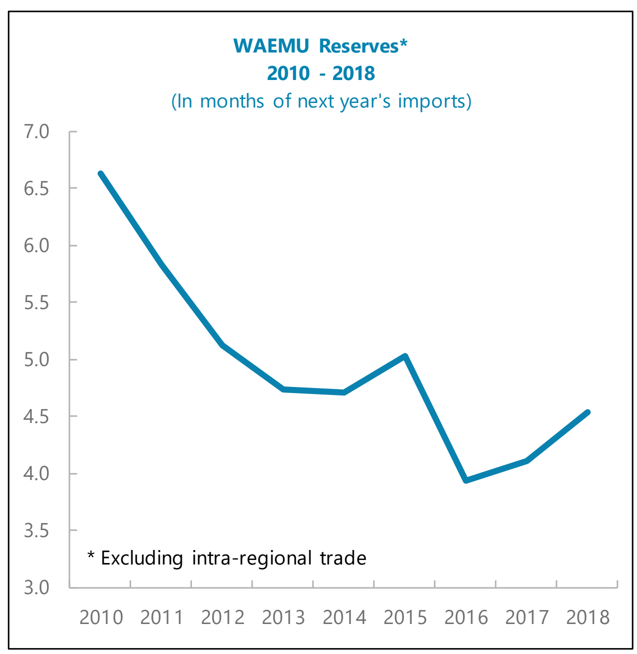
…on the back of a strengthening trade balance, driven by…



…the reduction of intermediate and capital goods imports related to public and private investments.



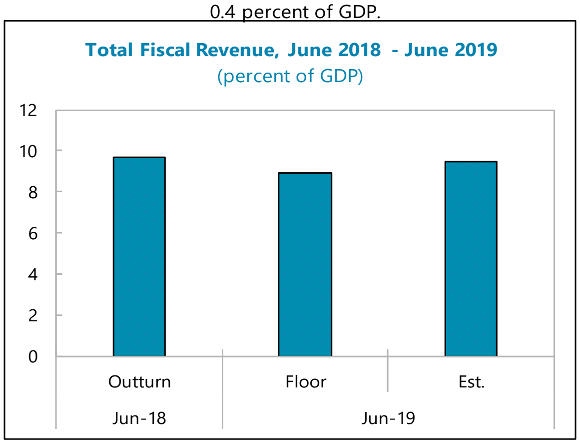
Togo's reduced current account deficit in 2018 helped strengthen regional reserves.



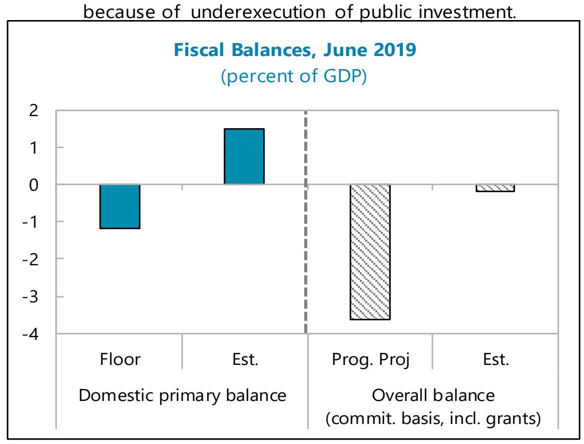
Sources: Togolese authorities; and IMF staff estimates.
Note: 2018 figures are staff estimates.

Figure 3. Togo: Fiscal, Monetary, and Banking Sector Developments

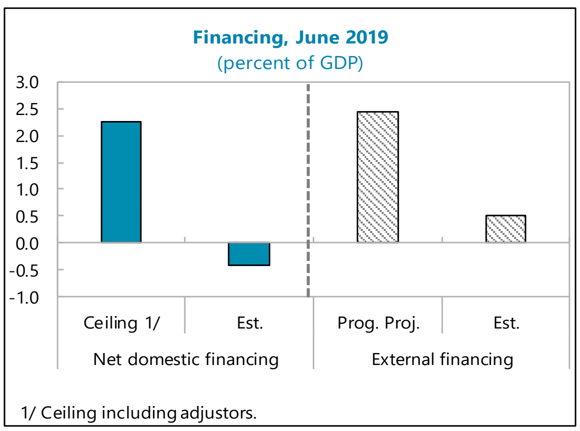
Revenue collections were on target in June, with strong customs revenue collections exceeding their target by about 0.4 percent of GDP.



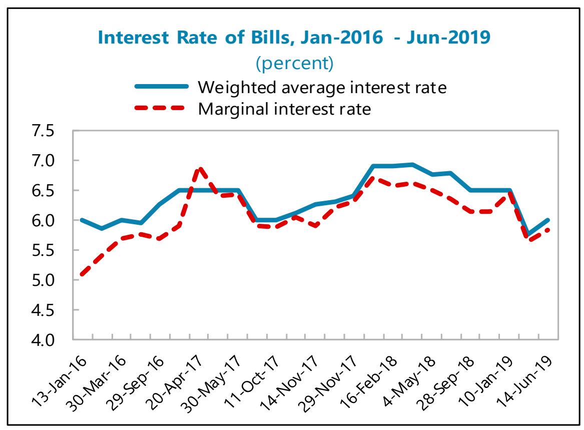
The projected balances were met with a significant margin on both the overall balance and the domestic primary balance because of underexecution of public investment.



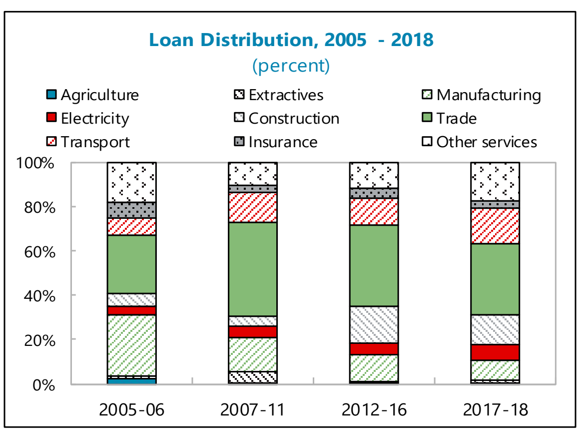
Both external and domestic financing were significantly less than projected.



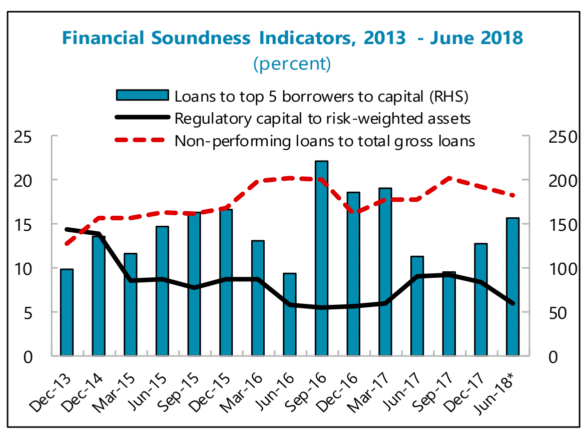
Interests rates on bills issued in the regional maket are broadly stable.



Although some diversification is noted relative to the past, loans remain concentrated on a few sectors.



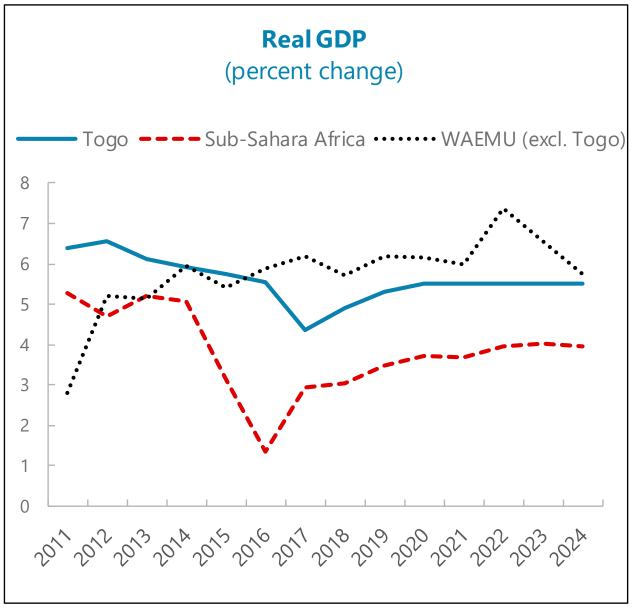
NPLs remain high; capital cushions are diminishing; and concentration remains elevated.



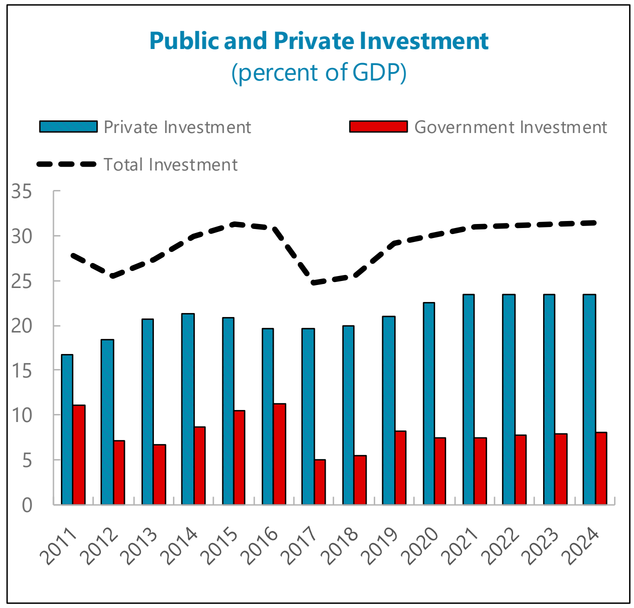
Sources: UMOA Titres; BCEAO; Togolese authorities; and IMF staff estimates.
* Year of first reporting in accordance with Basel II / III and Revised Chart of Accounts (Interim Data)

Figure 4. Togo: Medium-Term Economic Prospects, 2011–24

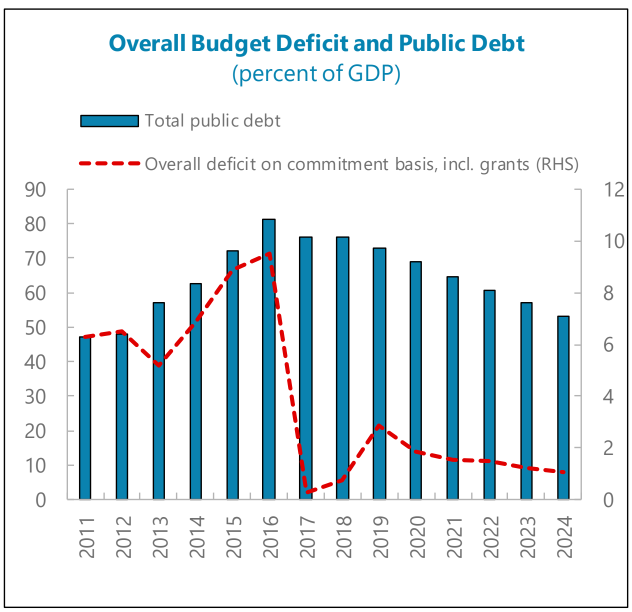
While Togo is expected to continue growing faster than Sub-Saharan Africa, growth is slightly slower than the rest of WAEMU.



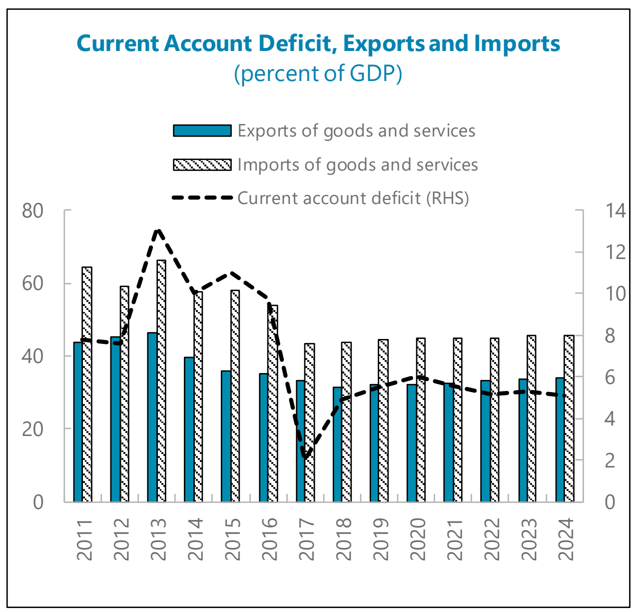
The driver of growth is expected to shift from public to private investment, as the former is returning to its level before the surge.



As fiscal consolidation is expected to continue, public debt should follow a downward path.



The external current account is expected to converge to its fundamentals as government imports are contained.



Sources: Togolese authorities; World Economic Outlook; and IMF staff estimates.

Table 1. Togo: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
		Estimates				Projections			
	(Percentage change, unless otherwise indicated)								
National income, prices, and exchange rates									
Real GDP	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5
Real GDP per capita	2.9	1.8	2.3	2.7	2.9	2.9	2.9	2.9	2.9
GDP deflator	1.5	0.9	1.7	2.1	2.8	2.9	2.9	2.9	2.9
Consumer price index (average)	0.9	-0.2	0.9	1.4	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	2,649	2,789	2,975	3,199	3,469	3,767	4,089	4,440	4,821
Exchange rate CFAF/US$ (annual average level)	592.8	580.9	555.2	…	…	…	…	…	…
Real effective exchange rate (appreciation = –)	-2.3	0.7	-1.2	…	…	…	…	…	…
Terms of trade (deterioration = –)	-1.4	25.3	-5.9	0.0	1.6	1.0	3.2	0.6	0.8
	(Percentage change of beginning-of-period broad money)								
Monetary survey									
Net foreign assets	5.8	1.7	0.5	1.7	1.7	1.7	1.6	1.6	1.5
Net credit to government	-2.3	9.5	2.7	0.3	0.5	0.1	0.1	0.1	0.1
Credit to nongovernment sector	7.5	1.7	3.1	3.9	8.2	8.2	8.1	8.3	8.5
Broad money (M2)	12.6	10.0	9.0	9.2	9.3	9.3	9.3	9.3	9.4
Velocity (GDP/end-of-period M2)	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	(Percent of GDP, unless otherwise indicated)								
Investment and savings									
Gross domestic investment	33.5	25.9	26.8	30.1	31.8	32.7	32.9	33.2	33.3
Government	13.9	6.3	6.8	9.1	9.3	9.3	9.5	9.8	9.9
Nongovernment	19.6	19.6	20.0	21.0	22.5	23.4	23.4	23.4	23.4
Gross national savings	23.7	23.9	21.8	24.5	25.8	27.1	27.8	27.9	28.2
Government	4.3	6.0	6.0	6.2	7.4	7.7	8.1	8.5	8.8
Nongovernment	19.4	17.9	15.8	18.4	18.4	19.4	19.7	19.4	19.4
Government budget									
Total revenue and grants	21.6	21.4	23.9	23.0	23.7	23.9	24.2	24.4	24.6
Revenue	18.7	18.2	20.3	19.9	20.0	20.3	20.5	20.8	21.0
Tax revenue	16.8	16.1	16.5	17.6	17.8	18.0	18.2	18.4	18.6
Total expenditure and net lending	31.1	21.6	24.7	25.8	25.6	25.5	25.6	25.7	25.7
Domestic primary balance[1]	-4.5	0.8	2.4	1.4	2.6	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)	-7.2	1.5	1.6	-0.4	1.0	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)	-9.5	-0.3	-0.8	-2.9	-1.9	-1.5	-1.5	-1.2	-1.1
Overall primary balance (cash basis, incl. grants)	-7.2	-0.3	-1.8	-0.4	1.0	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-9.5	-2.1	-4.2	-2.9	-1.9	-1.5	-1.5	-1.2	-1.1
External sector									
Current account balance	-9.8	-2.0	-4.9	-5.5	-6.0	-5.5	-5.2	-5.3	-5.1
Exports (goods and services)	35.3	33.1	31.3	32.1	32.0	32.5	33.1	33.5	34.0
Imports (goods and services)	-53.7	-43.5	-43.6	-44.6	-45.0	-44.9	-45.0	-45.5	-45.8
External public debt[2]	20.2	20.1	20.5	22.2	21.9	21.5	21.1	20.5	19.8
External public debt service (percent of exports)[2]	4.9	5.9	4.9	3.9	3.9	3.6	3.8	4.4	4.8
Domestic public debt[3]	61.2	55.8	55.7	50.9	47.0	43.2	39.7	36.5	33.5
Total public debt[4]	81.4	76.0	76.2	73.1	68.9	64.7	60.8	57.0	53.3
Total public debt (excluding SOEs)[5]	78.0	72.7	73.6	70.9	67.1	63.2	59.6	56.0	52.5

Sources: Togolese authorities and IMF staff estimates and projections.

[1] Revenue minus expenditure, excluding grants, interest, and foreign-financed expenditure.

[2] Includes state-owned enterprise external debt.

[3] Includes prefinancing debt, domestic arrears and state-owned enterprise domestic debt.

[4] Includes prefinancing debt, domestic arrears and state-owned enterprise debt.

[5] Includes prefinancing debt and domestic arrears.

Table 2a. Togo: Central Government Financial Operations, 2018–24

(billions of CFA Francs)

	2018	2019				2020		2021	2022	2023	2024
	Dec.	June	December			Dec.		Dec.	Dec.	Dec.	Dec.
	Out.	Est.	Budget	Rev. prog.	Proj.	4th Rev.	Proj.	Projections			
Revenue and grants	710.8	317.5	800.0	767.1	734.4	845.7	821.8	901.5	988.8	1,084.7	1,186.9
Total revenue	604.9	303.0	668.7	635.9	635.9	703.4	695.3	764.1	839.7	922.8	1,011.1
Tax revenue	491.9	266.7	585.1	563.0	563.0	612.7	617.3	679.5	745.9	819.0	896.7
Tax administration (CI)	259.8	142.9	342.0	313.5	307.1	344.5	339.8	377.7	418.3	463.2	510.5
Customs administration (CDII)	232.1	123.8	243.1	249.5	255.9	268.2	277.6	301.8	327.6	355.7	386.2
Nontax revenue	113.0	36.3	83.6	72.9	72.9	90.7	78.0	84.7	93.7	103.8	114.4
Grants	105.9	14.5	131.3	131.2	98.4	142.3	126.5	137.3	149.1	161.9	175.8
Budget support	33.2	0.0	20.4	20.4	20.4	22.1	16.1	17.5	19.0	20.6	22.4
Project	72.7	14.5	110.9	110.9	78.0	120.2	110.4	119.9	130.1	141.3	153.4
Expenditure and net lending	733.8	324.1	813.9	852.3	826.4	918.4	886.8	959.4	1,048.7	1,140.0	1,238.9
Current expenditure	532.2	264.0	529.4	529.4	536.4	588.8	565.3	610.6	659.4	706.6	760.3
Primary current spending	461.8	227.4	451.2	451.2	458.2	491.9	465.4	515.0	559.2	607.1	659.2
Wages and salaries	200.4	99.0	215.2	215.2	215.2	233.6	235.8	257.8	279.9	303.9	329.9
Goods and services	144.9	67.7	111.2	111.2	118.2	124.2	101.6	118.0	128.1	139.1	151.1
Transfers and subsidies	116.5	60.7	124.8	124.8	124.8	134.0	128.0	139.2	151.1	164.1	178.2
Interest	70.4	36.6	78.2	78.2	78.2	96.9	99.9	95.6	100.2	99.5	101.2
Domestic debt	61.6	32.2	66.8	66.8	66.8	88.3	89.8	85.4	88.3	86.0	86.0
External debt	8.8	4.4	11.3	11.3	11.3	8.6	10.1	10.2	11.9	13.5	15.1
Public investment	201.7	60.1	284.5	322.9	290.0	329.6	321.5	348.8	389.3	433.3	478.6
Domestically financed	70.8	28.6	95.3	133.7	133.7	125.2	138.7	140.2	162.9	187.5	211.7
Foreign financed	130.9	31.5	189.2	189.2	156.4	204.4	182.8	208.6	226.4	245.9	266.9
Domestic primary balance	72.3	47.0	122.2	51.0	44.0	86.3	91.2	108.9	117.6	128.2	140.3
Overall primary balance (commitment basis, incl. grants)	47.3	30.0	64.3	-7.0	-13.9	24.3	34.9	37.7	40.3	44.2	49.1
Overall balance (commitment basis, incl. grants)	-23.0	-6.6	-13.9	-85.1	-92.1	-72.6	-65.0	-57.9	-59.9	-55.3	-52.0
Overall balance (commitment basis, excl. grants)	-128.9	-21.1	-145.2	-216.4	-190.5	-215.0	-191.5	-195.2	-209.0	-217.2	-227.8
Change in arrears and accounts payable and receivable	-100.8	18.1	-35.4	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable	-64.8	-17.9	-35.4	-35.4	-35.4	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts receivable	36.0	-36.0	0.0	-36.0	-36.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall primary balance (cash basis, incl. grants)	-53.4	48.1	28.9	-6.3	-13.3	24.3	34.9	37.7	40.3	44.2	49.1
Overall balance (cash basis, incl. grants)	-123.8	11.5	-49.3	-84.5	-91.5	-72.6	-65.0	-57.9	-59.9	-55.3	-52.0
Overall balance (cash basis, excl. grants)	-229.7	-3.0	-180.6	-215.7	-189.9	-215.0	-191.5	-195.2	-209.0	-217.2	-227.8
Financing	189.7	3.2	120.5	153.5	149.2	215.0	171.2	195.2	209.0	217.2	227.8
Domestic financing (net)	59.3	-13.1	-56.4	-23.3	5.2	22.3	8.6	1.3	2.1	1.3	1.6
External financing (net)	130.4	16.3	176.9	176.9	144.1	192.7	162.6	194.0	206.9	215.9	226.2
Grants	105.9	14.5	131.2	131.2	98.4	142.3	126.5	137.3	149.1	161.9	175.8
Budget support loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	58.2	17.0	78.3	78.3	78.3	84.1	72.4	88.7	96.3	104.6	113.5
Amortization (incl. IMF repayments)	-33.7	-15.2	-32.7	-32.7	-32.7	-33.7	-36.3	-32.1	-38.5	-50.6	-63.1
Financing gap/unidentified financing	40.0	-0.2	60.1	62.2	40.6	0.0	20.3	0.0	0.0	0.0	0.0
IMF-ECF	40.0	0.0	60.1	62.2	40.6	…	20.3	…	…	…	…
Memorandum Item:											
Nominal GDP (CFAF billions)	2,975.0	3,198.6	3,198.6	3,198.6	3,198.6	3,469.2	3,469.2	3,766.6	4,089.5	4,440.0	4,820.6

Sources: Togolese authorities and IMF staff estimates and projections.

Table 2b. Togo: Central Government Financial Operations, 2018–24

(percent of GDP)

	2018	2019				2020		2021	2022	2023	2024
	Dec.	June	December			Dec.		Dec.	Dec.	Dec.	Dec.
	Out.	Est.	Budget	Rev. prog.	Proj.	4th Rev.	Proj.	Projections			
Revenue and grants	23.9	9.9	25.0	24.0	23.0	24.4	23.7	23.9	24.2	24.4	24.6
Total revenue	20.3	9.5	20.9	19.9	19.9	20.3	20.0	20.3	20.5	20.8	21.0
Tax revenue	16.5	8.3	18.3	17.6	17.6	17.7	17.8	18.0	18.2	18.4	18.6
Tax administration (CI)	8.7	4.5	10.7	9.8	9.6	9.9	9.8	10.0	10.2	10.4	10.6
Customs administration (CDII)	7.8	3.9	7.6	7.8	8.0	7.7	8.0	8.0	8.0	8.0	8.0
Nontax revenue	3.8	1.1	2.6	2.3	2.3	2.6	2.2	2.2	2.3	2.3	2.4
Grants	3.6	0.5	4.1	4.1	3.1	4.1	3.6	3.6	3.6	3.6	3.6
Budget support	1.1	0.0	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Project	2.4	0.5	3.5	3.5	2.4	3.5	3.2	3.2	3.2	3.2	3.2
Expenditures and net lending	24.7	10.1	25.4	26.6	25.8	26.5	25.6	25.5	25.6	25.7	25.7
Current expenditures	17.9	8.3	16.6	16.6	16.8	17.0	16.3	16.2	16.1	15.9	15.8
Primary current spending	15.5	7.1	14.1	14.1	14.3	14.2	13.4	13.7	13.7	13.7	13.7
Wages and salaries	6.7	3.1	6.7	6.7	6.7	6.7	6.8	6.8	6.8	6.8	6.8
Goods and services	4.9	2.1	3.5	3.5	3.7	3.6	2.9	3.1	3.1	3.1	3.1
Transfers and subsidies	3.9	1.9	3.9	3.9	3.9	3.9	3.7	3.7	3.7	3.7	3.7
Interest	2.4	1.1	2.4	2.4	2.4	2.8	2.9	2.5	2.5	2.2	2.1
Domestic debt	2.1	1.0	2.1	2.1	2.1	2.5	2.6	2.3	2.2	1.9	1.8
External debt	0.3	0.1	0.4	0.4	0.4	0.2	0.3	0.3	0.3	0.3	0.3
Public investment	6.8	1.9	8.9	10.1	9.1	9.5	9.3	9.3	9.5	9.8	9.9
Domestically financed	2.4	0.9	3.0	4.2	4.2	3.6	4.0	3.7	4.0	4.2	4.4
Foreign financed	4.4	1.0	5.9	5.9	4.9	5.9	5.3	5.5	5.5	5.5	5.5
Domestic primary balance	2.4	1.5	3.8	1.6	1.4	2.5	2.6	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)	1.6	0.9	2.0	-0.2	-0.4	0.7	1.0	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)	-0.8	-0.2	-0.4	-2.7	-2.9	-2.1	-1.9	-1.5	-1.5	-1.2	-1.1
Overall balance (commitment basis, excl. grants)	-4.3	-0.7	-4.5	-6.8	-6.0	-6.2	-5.5	-5.2	-5.1	-4.9	-4.7
Change in arrears and accounts payable and receivable	-3.4	0.6	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable	-2.2	-0.6	-1.1	-1.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts receivable	1.2	-1.1	0.0	-1.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall primary balance (cash basis, incl. grants)	-1.8	1.5	0.9	-0.2	-0.4	0.7	1.0	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-4.2	0.4	-1.5	-2.6	-2.9	-2.1	-1.9	-1.5	-1.5	-1.2	-1.1
Overall balance (cash basis, excl. grants)	-7.7	-0.1	-5.6	-6.7	-5.9	-6.2	-5.5	-5.2	-5.1	-4.9	-4.7
Financing	6.4	0.1	3.8	4.8	4.7	6.2	4.9	5.2	5.1	4.9	4.7
Domestic financing (net)	2.0	-0.4	-1.8	-0.7	0.2	0.6	0.2	0.0	0.1	0.0	0.0
External financing (net)	4.4	0.5	5.5	5.5	4.5	5.6	4.7	5.1	5.1	4.9	4.7
Grants	3.6	0.5	4.1	4.1	3.1	4.1	3.6	3.6	3.6	3.6	3.6
Budget support loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	2.0	0.5	2.4	2.4	2.4	2.4	2.1	2.4	2.4	2.4	2.4
Amortization (incl. IMF repayments)	-1.1	-0.5	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9	-0.9	-1.1	-1.3
Financing gap/unidentified financing	1.3	0.0	1.9	1.9	1.3	0.0	0.6	0.0	0.0	0.0	0.0
IMF-ECF	1.3	0.0	1.9	1.9	1.3	...	0.6	...	...	...	...
Memorandum Item:											
Nominal GDP (CFAF billions)	2,975.0	3,198.6	3,198.6	3,198.6	3,198.6	3,469.2	3,469.2	3,767	4,089	4,440	4,821

Sources: Togolese authorities and IMF staff estimates and projections.

Table 3. Togo: Balance of Payments, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024
	Estimates		Projections					
				(Billions of CFA Francs)				
Current account balance	-56.1	-146.7	-176.5	-207.9	-208.5	-211.0	-234.0	-246.9
Trade balance on goods	-373.8	-450.6	-482.2	-533.6	-553.3	-582.7	-636.2	-685.0
Of which: petroleum products, net	-97.1	-99.6	-102.4	-105.0	-109.8	-117.6	-128.0	-141.7
Exports	591.5	588.6	654.3	707.7	782.7	869.8	959.7	1,061.5
Imports	965.3	1,039.2	1,136.5	1,241.2	1,336.1	1,452.5	1,596.0	1,746.6
Services, net	82.3	83.6	81.5	85.5	86.2	97.6	105.8	117.3
Primary income, net	2.9	10.8	6.9	9.7	11.3	11.5	11.8	12.4
Secondary income, net	232.5	209.5	217.3	230.5	247.3	262.6	284.6	308.3
Capital account balance	141.4	171.5	209.2	209.2	219.1	229.7	241.1	253.4
Current and capital account balance	85.3	24.9	32.7	1.3	10.5	18.7	7.1	6.4
Financial account (- = inflow)	117.8	53.0	61.7	1.0	-18.6	-12.2	-25.5	-37.2
Direct investment, net	-70.3	-74.3	-85.9	-103.7	-121.2	-142.0	-160.2	-178.4
Portfolio investment, net	176.6	25.1	11.3	9.0	2.7	-0.4	-4.3	-8.9
Of which: general government, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	11.6	102.2	136.3	95.7	99.9	130.3	139.0	150.1
Of which: general government, net	-79.1	-130.4	-176.9	-162.6	-194.0	-206.9	-215.9	-226.2
Errors and omissions	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-30.2	-28.1	-29.0	0.2	29.2	30.8	32.6	43.6
Financing	-10.1	-11.9	-11.7	-20.5	-29.2	-30.8	-32.6	-43.6
Change NFA[1]	-10.1	-11.9	-11.7	-20.5	-29.2	-30.8	-32.6	-43.6
Financing gap	40.3	40.0	40.6	20.3	0.0	0.0	0.0	0.0
IMF ECF	40.3	40.0	40.6	20.3	…	…	…	…
				(Percent of GDP)				
Current account balance	-2.0	-4.9	-5.5	-6.0	-5.5	-5.2	-5.3	-5.1
Trade balance on goods	-13.4	-15.1	-15.1	-15.4	-14.7	-14.2	-14.3	-14.2
Of which: petroleum products, net	-3.5	-3.3	-3.2	-3.0	-2.9	-2.9	-2.9	-2.9
Exports	21.2	19.8	20.5	20.4	20.8	21.3	21.6	22.0
Imports	34.6	34.9	35.5	35.8	35.5	35.5	35.9	36.2
Services, net	3.0	2.8	2.5	2.5	2.3	2.4	2.4	2.4
Primary income, net	0.1	0.4	0.2	0.3	0.3	0.3	0.3	0.3
Secondary income, net	8.3	7.0	6.8	6.6	6.6	6.4	6.4	6.4
Capital account balance	5.1	5.8	6.5	6.0	5.8	5.6	5.4	5.3
Current and capital account balance	3.1	0.8	1.0	0.0	0.3	0.5	0.2	0.1
Financial account (- = inflow)	4.2	1.8	1.9	0.0	-0.5	-0.3	-0.6	-0.8
Direct investment, net	-2.5	-2.5	-2.7	-3.0	-3.2	-3.5	-3.6	-3.7
Portfolio investment, net	6.3	0.8	0.4	0.3	0.1	0.0	-0.1	-0.2
Of which: general government, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	0.4	3.4	4.3	2.8	2.7	3.2	3.1	3.1
Of which: general government, net	-2.8	-4.4	-5.5	-4.7	-5.1	-5.1	-4.9	-4.7
Errors and omissions	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-1.1	-0.9	-0.9	0.0	0.8	0.8	0.7	0.9
Financing	-0.4	-0.4	-0.4	-0.6	-0.8	-0.8	-0.7	-0.9
Change in NFA[1]	-0.4	-0.4	-0.4	-0.6	-0.8	-0.8	-0.7	-0.9
Financing gap	1.4	1.3	1.3	0.6	0.0	0.0	0.0	0.0
IMF ECF	1.4	1.3	1.3	0.6	…	…	…	…
Memorandum items:								
BCEAO NFA (in months of next year's WAEMU imports)	4.1	4.5	…	…	…	…	…	…
BCEAO NFA (in million USD)	12,963	14,858	…	…	…	…	…	…
BCEAO NFA (in percent of broad money)	38.7	39.7	…	…	…	…	…	…

Sources: Togolese authorities and IMF staff estimates and projections.
[1]In line with WAEMU BoP methodology, includes commercial bank NFA and Togoloese public sector NFA holdings at the BCEAO.

Table 4. Togo: Monetary Survey, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024
	Estimates		Projections					
	(Billions of CFA Francs)							
Net foreign assets	552.5	560.2	589.9	622.3	656.5	692.7	730.8	770.9
BCEAO	89.1	66.1	69.6	73.5	77.5	81.8	86.3	91.0
Assets	528.4	426.3	426.3	426.3	426.3	426.3	426.3	426.3
Liabilities	-439.3	-360.2	-356.7	-352.8	-348.8	-344.5	-340.0	-335.3
Commercial banks	463.4	494.1	520.2	548.9	579.0	610.9	644.5	679.9
Assets	773.8	748.2	740.4	740.4	740.4	740.4	740.4	740.4
Liabilities	-310.5	-254.1	-220.2	-191.6	-161.4	-129.5	-95.9	-60.5
Net domestic assets	1064.6	1213.0	1343.7	1489.1	1648.5	1823.8	2016.0	2231.0
Credit to government (net)	166.5	209.2	214.4	223.0	224.3	226.4	227.7	229.3
BCEAO	-10.3	26.6	19.6	19.6	19.6	19.6	19.6	19.6
Commercial banks	176.8	182.6	194.8	203.4	204.7	206.8	208.1	209.7
Credit to nongovernment sector	1176.9	1225.7	1292.6	1445.1	1611.5	1792.1	1992.6	2219.5
of which: Credit to private sector	1099.3	1085.7	1200.4	1336.9	1486.3	1648.0	1827.3	2026.0
Other items (net)	138.1	82.6	17.1	25.1	25.4	24.4	25.0	29.0
Shares and other equities	140.7	139.3	146.3	153.9	161.9	170.4	179.3	188.7
Total broad money liabilities	1617.0	1773.2	1933.5	2111.4	2305.1	2516.4	2746.8	3001.9
Money supply (M2)	1561.5	1702.0	1858.6	2032.3	2221.6	2428.4	2653.9	2904.0
Currency Outside Depository Corporations	299.8	336.0	341.0	345.2	349.5	351.8	354.1	356.2
Transferable Deposits	539.8	556.5	620.5	654.9	684.5	710.2	727.7	738.9
Other Deposits	722.0	809.5	897.1	1032.2	1187.6	1366.4	1572.2	1808.9
Non-liquid liabilities (excl. from broad money)	55.5	71.2	74.9	79.1	83.4	88.0	92.8	98.0
	(Annual change, as a percent of beginning-of-period broad money)							
Net foreign assets	1.7	0.5	1.7	1.7	1.7	1.6	1.6	1.5
BCEAO	0.1	-1.5	0.2	0.2	0.2	0.2	0.2	0.2
Commercial banks	1.6	2.0	1.5	1.5	1.5	1.4	1.4	1.3
Net domestic assets	8.9	9.5	7.7	7.8	7.8	7.9	7.9	8.1
Credit to government (net)	9.5	2.7	0.3	0.5	0.1	0.1	0.1	0.1
Credit to nongovernment sector	1.7	3.1	3.9	8.2	8.2	8.1	8.3	8.5
Other items (net)	1.6	-3.6	-3.8	0.4	0.0	0.0	0.0	0.2
Shares and other equities	0.7	-0.1	0.4	0.4	0.4	0.4	0.4	0.4
Total broad money liabilities								
Money supply (M2)	10.0	9.0	9.2	9.3	9.3	9.3	9.3	9.4
Currency Outside Depository Corporations	3.8	2.3	0.3	0.2	0.2	0.1	0.1	0.1
Transferable Deposits	1.8	1.1	3.8	1.9	1.5	1.2	0.7	0.4
Other Deposits	4.4	5.6	5.1	7.3	7.6	8.0	8.5	8.9
Non-liquid liabilities (excl. from broad money)	0.6	1.0	0.2	0.2	0.2	0.2	0.2	0.2
Memorandum items:								
Velocity (GDP/end-of-period M2)	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
	(Percent of GDP)							
Net foreign assets	19.8	18.8	18.4	17.9	17.4	16.9	16.5	16.0
BCEAO	3.2	2.2	2.2	2.1	2.1	2.0	1.9	1.9
Assets	18.9	14.3	13.3	12.3	11.3	10.4	9.6	8.8
Liabilities	-15.8	-12.1	-11.2	-10.2	-9.3	-8.4	-7.7	-7.0
Commercial banks	16.6	16.6	16.3	15.8	15.4	14.9	14.5	14.1
Assets	27.8	25.1	23.1	21.3	19.7	18.1	16.7	15.4
Liabilities	-11.1	-8.5	-6.9	-5.5	-4.3	-3.2	-2.2	-1.3
Net domestic assets	38.2	40.8	42.0	42.9	43.8	44.6	45.4	46.3
Credit to government (net)	6.0	7.0	6.7	6.4	6.0	5.5	5.1	4.8
BCEAO	-0.4	0.9	0.6	0.6	0.5	0.5	0.4	0.4
Commercial banks	6.3	6.1	6.1	5.9	5.4	5.1	4.7	4.3
Credit to nongovernment sector	42.2	41.2	40.4	41.7	42.8	43.8	44.9	46.0
of which: Credit to private sector	39.4	36.5	37.5	38.5	39.5	40.3	41.2	42.0
Other items (net)	5.0	2.8	0.5	0.7	0.7	0.6	0.6	0.6
Shares and other equities	5.0	4.7	4.6	4.4	4.3	4.2	4.0	3.9
Total broad money liabilities	58.0	59.6	60.4	60.9	61.2	61.5	61.9	62.3
Money supply (M2)	56.0	57.2	58.1	58.6	59.0	59.4	59.8	60.2
Currency Outside Depository Corporations	10.7	11.3	10.7	10.0	9.3	8.6	8.0	7.4
Transferable Deposits	19.4	18.7	19.4	18.9	18.2	17.4	16.4	15.3
Other Deposits	25.9	27.2	28.0	29.8	31.5	33.4	35.4	37.5
Non-liquid liabilities (excl. from broad money)	2.0	2.4	2.3	2.3	2.2	2.2	2.1	2.0

Sources: Central Bank of West African States and IMF staff estimates and projections.

Table 5. Togo: Financial Soundness Indicators of the Banking System, 2014–18Q2
(Percent)

	2014	2015	2016	2017	2018Q2*
Capital adequacy[1]					
Regulatory capital to risk-weighted assets	14.0	8.7	5.8	8.4	6.0
Regulatory Tier 1 capital to risk-weighted assets	12.5	8.0	4.6	7.4	4.4
Common Equity Tier 1 to risk-weighted assets (solvency ratio)[2]	n.a.	n.a.	n.a.	n.a.	4.3
Provisions to total assets	16.7	14.0	13.9	16.1	13.9
Capital to assets	5.7	4.3	2.9	4.3	3.5
Asset quality and composition					
Loans to total assets	56.5	55.5	49.1	46.8	46.2
Loans to top 5 borrowers to capital	136.3	166.6	186.0	128.7	157.2
Sectoral distribution of credit (percent of total credit)[3]					
Agriculture and fishing	0.3	0.3	0.3	0.2	0.3
Extracting industries	0.7	0.8	0.8	1.8	1.7
Manufacturing	11.5	11.6	9.2	9.4	7.4
Electricity, gas, and water	4.4	3.7	6.0	8.9	6.7
Building and construction	18.0	22.7	21.4	13.1	11.7
Commerce	37.2	33.6	34.6	33.8	31.9
Transport and Communication	12.0	11.2	10.6	14.1	16.2
Services	3.5	2.9	2.5	3.6	2.7
Collectives and Social Services	12.5	13.3	14.8	15.0	21.3
Non-performing loans to total gross loans	15.6	16.8	16.2	19.3	18.3
Bank provisions to non-performing loans	69.2	66.2	77.3	77.8	81.9
Non-performing loans net of provisions to total loans	5.4	6.4	4.2	5.0	3.9
Non-performing loans net of provisions to capital	53.3	82.1	70.8	54.4	51.3
Earnings and profitability[4]					
Average cost of funds	3.1	2.8	3.1	3.3	n.a.
Average lending rate	9.9	7.8	7.8	8.2	n.a.
Average interest rate spread[5]	6.8	5.0	4.7	4.9	n.a.
Return on assets (ROA)	0.7	0.6	2.6	1.1	n.a.
Return on equity (ROE)	11.9	11.7	98.6	28.1	n.a.
Non interest expenses to net banking income	64.5	64.1	64.3	63.8	n.a.
Personnel expenses to net banking income	27.0	26.7	26.7	27.1	n.a.
Liquidity					
Liquid assets to total assets (liquid asset ratio)	26.3	24.8	17.6	19.5	17.4
Liquid assets to deposits	38.5	37.2	28.5	30.9	26.4
Loans to deposits ratio	92.7	93.9	90.6	87.2	82.4
Deposits to total liabilities ratio	68.3	66.5	61.9	63.1	65.9
Demand deposits to total liabilities[6]	29.8	27.0	26.6	25.8	27.4
Term deposits and loans to total liabilities	38.5	39.5	35.3	37.3	38.6

Source: BCEAO

* Year of first reporting in accordance with Basel II / III and Revised Chart of Accounts (Interim Data)

1/ Raw data collected from the banking system

2 / Data reported from June 2018.

3/ Credits reported to the Central Risk Office

4/ Income statement items at semi-annual frequency

5/ Excluding tax on banking transactions

6/ Including savings accounts

Table 6. Togo: Quantitative Performance Criteria and Indicative Targets, March and June 2019
(Billions of CFA Francs)

	2019							
	End-March				End-June			
	Indicative Targets	Adjusted	Actual	Status	Performance Criteria	Adjusted	Actual	Status
Performance criteria								
Domestic primary fiscal balance (floor)	-21.9		-5.1	Met	-38.0		47.1	Met
Non-accumulation of arrears on external public debt[1]	0.0		0.0	Met	0.0		0.0	Met
Net domestic financing (ceiling)[2]	75.0	75.0	35.4	Met	72.4	72.4	-13.1	Met
Government contracting or guaranteeing of nonconcessional external debt (ceiling)	0.0		0.0	Met	0.0		0.0	Met
Government guaranteeing of domestic loans to suppliers and contractors (ceiling)[1]	0.0		0.0	Met	0.0		0.0	Met
Government guarantees on bank prefinancing for public investments (ceiling)[1]	0.0		0.0	Met	0.0		0.0	Met
Indicative targets								
Total fiscal revenue (floor)	127.2		133.9	Met	286.1		303.0	Met
Total domestically financed social spending (floor)	37.2		49.4	Met	109.3		87.8	Not met
Net domestic arrears accumulation (ceiling)[3]	0.0	0.0	-2.5	Met	0.0	0.0	-17.9	Met
Memorandum Item								
Overall primary balance[4]	-41.5		-33.0		-77.2		-6.5	
Government contracting or guaranteeing of nominal concessional external debt	19.6		7.6		39.2		17.0	
NPV of new non-concessional external debt contracted as a result of debt management operations (maximum)	260.3		0.0		260.3		0.0	

Sources: Togolese authorities; and IMF staff estimates.

[1] Continuous performance criterion and cumulated from the approval of the arrangement on May 5, 2017.

[2] Performance criteria and indicative targets for 2019 are adjusted upwards to offset deviations from projected external program financing, subject to a cap of CFAF 10 billion.

[3] Indicative targets calculated cumulatively from the beginning of 2019. Indicative targets will be adjusted for one half of the deviation from projected external program financing.

[4] With arrears repayment as envisaged in the 2019 budget.

Table 7. Togo: Indicators of Capacity to Repay the Fund, 2019–30[1]

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Projections						
Fund obligations based on existing and prospective credit												
In millions of SDRs												
Principal	2.3	7.5	1.8	2.5	12.6	20.1	35.2	35.2	32.7	22.7	15.1	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit												
In millions of SDRs	2.3	7.5	1.8	2.5	12.6	20.1	35.2	35.2	32.7	22.7	15.1	0.0
In billions of CFAF	1.9	6.0	1.4	2.0	10.1	16.1	28.1	28.1	26.1	18.1	12.0	0.0
In percent of government revenue	0.3	0.9	0.2	0.2	1.1	1.6	2.5	2.3	1.9	1.2	0.7	0.0
In percent of exports of goods and services	0.2	0.5	0.1	0.1	0.7	1.0	1.6	1.4	1.2	0.8	0.5	0.0
In percent of debt service[2]	2.7	8.1	1.9	2.3	8.8	11.5	17.6	15.7	14.1	10.2	6.9	0.0
In percent of GDP	0.1	0.2	0.0	0.0	0.2	0.3	0.5	0.5	0.4	0.3	0.2	0.0
In percent of quota	1.6	5.1	1.2	1.7	8.6	13.7	24.0	24.0	22.3	15.4	10.3	0.0
Outstanding IMF credit												
In millions of SDRs	185.4	177.9	176.2	173.6	161.1	140.9	105.7	70.5	37.7	15.1	0.0	0.0
In billions of CFAF	149.7	143.5	141.4	139.0	128.8	112.4	84.3	56.2	30.1	12.0	0.0	0.0
In percent of government revenue	23.5	20.6	18.5	16.6	14.0	11.1	7.5	4.5	2.2	0.8	0.0	0.0
In percent of exports of goods and services	14.6	12.9	11.6	10.3	8.7	6.9	4.7	2.8	1.4	0.5	0.0	0.0
In percent of debt service[2]	216.8	191.7	188.4	155.1	112.9	80.6	52.8	31.4	16.3	6.8	0.0	0.0
In percent of GDP	4.7	4.1	3.8	3.4	2.9	2.3	1.6	1.0	0.5	0.2	0.0	0.0
In percent of quota	126.3	121.2	120.0	118.3	109.7	96.0	72.0	48.0	25.7	10.3	0.0	0.0
Net use of IMF credit (millions of SDRs)												
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	7.5	1.8	2.5	12.6	20.1	35.3	35.3	32.7	22.7	15.1	0.0	0.0
Memorandum items:												
Nominal GDP (in billions of CFAF)	3,199	3,469	3,767	4,089	4,440	4,821	5,234	5,683	6,170	6,699	7,273	7,896
Exports of goods and services (in billions of CFAF)	1,026	1,112	1,224	1,353	1,488	1,640	1,799	1,975	2,168	2,380	2,613	2,867
Government revenue (in billions of CFAF)	636	695	764	840	923	1,011	1,128	1,249	1,383	1,532	1,699	1,882
Debt service (in billions of CFAF)[2 3]	69	75	75	90	114	140	160	179	185	177	175	160
CFAF/SDR (period average)	807	806	803	801	800	798	798	798	798	798	798	798

Sources: IMF staff estimates and projections.

[1] Includes proposed extension and augmentation of access.

[2] Total debt service includes IMF repurchases and repayments.

Table 8. Togo: Schedule of Disbursements Under ECF Arrangement 2017–19

Amount	Availability date	Conditions for disbursement[1]
SDR 25.17 million (17.1 percent of quota)	May 5, 2017	Following Executive Board Approval of an ECF arrangement
SDR 25.17 million (17.1 percent of quota)	September 15, 2017	Observance of continuous and end-June 2017 performance criteria and completion of the first review under the arrangement
SDR 25.17 million (17.1 percent of quota)	March 15, 2018	Observance of continuous and end-December 2017 performance criteria and completion of the second review under the arrangement
SDR 25.17 million (17.1 percent of quota)	September 15, 2018	Observance of continuous and end-June 2018 performance criteria and completion of the third review under the arrangement
SDR 25.17 million (17.1 percent of quota)	March 15, 2019	Observance of continuous and end-December 2018 performance criteria and completion of the fourth review under the arrangement
SDR 25.17 million (17.1 percent of quota)	September 15, 2019	Observance of continuous and end-June 2019 performance criteria and completion of the fifth review under the arrangement
SDR 25.14 million (17.1 percent of quota)	December 15, 2019	Observance of continuous and end-September 2019 performance criteria and completion of the sixth review under the arrangement
SDR 176.16 million (120 percent of quota)	Total amount of the arrangement	

Sources: Togolese authorities; and IMF staff estimates.

[1] In addition to the generally applicable conditions under the Extended Credit Facility

Annex I. Risk Assessment Matrix[1]

Nature/Sources of Risk	Relative likelihood	Expected Impact if Realized	Policies to Mitigate Risks
		External Risks	
Rising protectionism and retreat from multilateralism (ST, MT).	***High***	***High*** • Reduced global policy collaboration and regional integration may limit international aid, FDI, trade flows, and growth.	• Ensure prudent budgetary management to contain financing need; bolster regional policy coordination and regional trade.
Sharp rise in risk premia (ST).	***High***	***High*** • The government may have difficulties to raise full financing. • Higher rates would increase debt servicing costs, putting pressure on the budget.	• Bolster investors' confidence by implementing a credible medium-term fiscal adjustment strategy.
Further build-up of financial vulnerabilities (MT)	***High***	***High*** • The turn in the monetary policy cycle toward easing might encourage risk taking and increase leverage	• As above, implement a credible and prudent medium term fiscal and debt management strategy
Weaker-than-expected global growth (ST, MT).	***High/Medium***	***High/Medium*** • Exports and growth would be adversely affected, particularly through the impact on key trading partners such as Ghana and Nigeria. The impact would be somewhat mitigated as Togo's exports are diversified by product and destination.	• Implement competitiveness enhancing structural reforms, and further diversify export market locations.
		Regional and Domestic Risks	
Surge of insecurity in the region (ST, MT)	***High***	***High*** • Private investments (domestic and foreign) and tourism would decline; growth of some trading partners would slow; security-related budgetary spending may increase; financing from the regional market may tighten.	• Ensure prudent budgetary management to contain financing need.
Socio-political tensions (ST, MT)	***Medium***	***High*** • Economic activity and growth would slow down; spending pressure may intensify to address social demands; support for structural reforms may dwindle.	• Accelerate measures towards growth-inclusiveness; communicate and discuss structural reforms with key stakeholders.
Lingering weaknesses of public banks (ST, MT)	***Medium***	***Medium*** • The two public banks would endanger financial stability and weigh on the budget.	• Accelerate the privatization of the public banks to fit-and-proper buyers.
Setback in fiscal adjustment and reforms (ST)	***Medium***	***Medium*** • Pressures may arise from various interest groups to continue large public works and delay structural reforms such as the opening-up of key sectors to private investments.	• Persevere in fiscal consolidation and accelerate structural reforms. Put in place social programs to address potential adverse impact of reforms on the most vulnerable groups of the population.
Power-supply shortfall (ST, MT).	***Low***	***Medium*** • Planning and regulatory inaction, combined with poor management of utilities, may lead to widespread power cuts. This will create costs to the budget and inhibit economic growth.	• Invest in power generation capacity and reform pricing policies to promote private sector participation in the sector. Public sector entities should be current on their bills to prevent accumulation of arrears.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex II. Capacity Development Strategy

As a low-income fragile country, Togo faces capacity and institution building challenges. An extensive agenda of IMF Technical Assistance (TA) has been implemented since the beginning of the Fund-supported program. This assistance is coordinated with the IMF-supported program and covers the areas of revenue administration, public financial management (PFM), financial sector, and statistics. The implementation of the TA recommendations has been somewhat uneven so far, due mostly to capacity constraints.

The priorities under the Fund-supported program and recent economic developments require extensive capacity development (CD). The key policy priorities under the authorities' program supported by the ECF are to (i) pursue fiscal consolidation to ensure debt sustainability; (ii) enhance fiscal governance on revenue administration and PFM; and (iii) solve the problems of the two public banks to ensure financial stability and prevent future fiscal costs. Recent developments call for continued CD: revenue is lower than projected at the start of the ECF arrangement; despite marked progress, several PFM reforms remain to be completed; fiscal and economic statistics are weak and inconsistent; and banking sector reforms are delayed and NPLs are high.

Despite progress made by the authorities in the areas where the IMF provided CD, some obstacles to effective absorption of CD remain. Since the start of the current ECF arrangement, TA has been focused on: (i) tax policy; (ii) tax and customs administration; (iii) public investment management; (iv) cashflow and debt management; (v) fiscal accounting and reporting; (vi) public financial management; and (vii) statistics. The implementation of CD recommendations has been uneven across sectors; obstacles are mostly related to capacity weaknesses, insufficient prioritization, and internal coordination issues. Notwithstanding the priority given to revenue mobilization, revenue performance has improved more slowly than expected.

Key CD Priorities and Objectives for FY2020:

Priorities	Objectives
Revenue administration	(i) Increase domestic revenue generation, including by reduced tax exemptions; (ii) modernize customs administration, including extension of SYDONIA World to cover all clearance phases; (iii) comprehensive diagnostic through TADAT; and (iv) coordination/synchronization of tax and customs databases.
Fiscal policy	Strengthen the fiscal/tax policy unit at the Ministry of Finance.
Public financial management	(i) Improve public investment efficiency, including implementation of the methodological guide for prioritization of investment based on a cost-benefit analysis; (ii) improve the coverage and quality of fiscal reporting; and (iii) implement program-based budgeting.
Statistics	(i) Strengthen the compilation and dissemination of macroeconomic data and financial statistics; and (ii) participation in GDDS.

Authorities' Views

The authorities agree with the thrust of the CD strategy. They see the CD as being aligned with their reform agenda. The CD from the IMF has helped in the design and implementation of their reform agenda by providing specific measures and supporting the roll-out. The implementation and absorption of the recommendations could be improved through more training and outreach. The authorities are requesting strong TA support on debt management, through a resident advisor; discussions are underway between AFR and MCM.

Appendix I. Letter of Intent

MINISTRY OF ECONOMY AND FINANCE

OFFICE OF THE MINISTER

N°................../MEF/CAB

REPUBLIC OF TOGO
Travail-Liberté-Patrie

Lomé, October 4, 2019

To

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva:

1. The government requests the completion of the fifth review under Togo's ECF arrangement based on a satisfactory implementation of the program. We met all end-June 2019 and continuous quantitative performance criteria (QPCs) as well as four structural benchmarks (SBs). Despite delays in the financial sector reforms, we keep our commitment to bring the privatization process for the two public banks close to an end. The government remains committed to continue addressing the high debt level and raise permanent revenues. In line with the ECF-supported program, the fiscal consolidation started in 2017 was sustained through the first half of 2019. Domestic primary balance and net domestic financing outperformed targets by considerable margins. To address the reliance on one-off and uncertain revenue sources and safeguard the hard-won fiscal consolidation gains, we are taking measures to bolster permanent revenue. We are committed to sustain the current policies in the second half of 2019, thus bringing Togo in compliance with the WAEMU deficit criterion of 3 percent of GDP for the third year in a row. Furthermore, we will continue to focus our policies on sustainable and inclusive growth, including the protection of social spending despite the fiscal consolidation.

2. We remain committed to advance the structural reform agenda. In addition to the measures in the first half of 2019, we will take further measures to improve revenue collection, strengthen customs procedures, and reduce vulnerabilities to corruption, namely: (i) formalize the creation and reinforce the risk-analysis role of the Revenue Collection and Receivables Recovery Unit in order to increase the recovery rate of tax arrears (SB at end-October); (ii) start deploying hardware and software for the establishment of cash registers, formulate a strategy for the selection of risk-based spot checks, and appoint focal points in the large and medium-sized taxpayers' unit to centralize the results of spot checks (SB at end-October); and (iii) make mandatory the online submission of declarations and supporting documents for customs clearance of imports for the 30 largest importers or filers (SB at end-October), with a view to achieve total dematerialization of customs declarations. Moreover, we will design and implement an action plan based on the main findings of the recent TADAT evaluation. With a view to the transition to the program budgeting which improves public spending efficiency and effectiveness, we will (i) revise and enforce the multi-year public investment program (SB at end-October); (ii) develop a standard framework of performance indicators to define guiding principles and train stakeholders in ministries and institutions (SB end-October).

3. We are pursuing our efforts to restore financial stability by finalizing the privatisation of the two public banks. For the privatization of the first public bank, we switched from a direct sale to an open tender process, following a similar process as for the other public bank. We published in international media outlets the prequalification notice for the privatization tender of the two public banks (prior action). Based on the timeline set out by our transaction advisor, we request modification of the end-December SB on the bank privatization. A successful completion of the privatization of the two public banks is expected to ensure financial stability, minimize costs to the State budget, and ensure transparency. We will closely monitor the liquidity situation of the public banks, the broader financial sector developments and take corrective actions as needed.

4. We are advancing with the debt reprofiling operation with the objective to reduce the present value of the public debt stock and mitigate the rollover risk. With support from a World Bank policy-based guarantee and possibly an insurance from the African Trade Insurance Agency (ATI), this operation consists of borrowing externally at more favorable terms to repay outstanding domestic/regional debt. The new loan will have longer maturity, which reduces the medium-term rollover risk. The operation will reduce the risk of fiscal crowding out, and add resources to the regional foreign exchange reserves. Nonetheless, we recognize the risks involved in this operation and will take the necessary safeguards measures.

5. We are confident that the policies set out in the attached MEFP will enable us to achieve our program objectives. However, we will take any further measures that may become necessary for this purpose. We will consult with IMF staff on the adoption of such measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations. We will provide such information as the IMF may request in connection with progress in implementing our economic and financial policies. We authorize the publication of the staff report for the fifth review under the ECF arrangement, this letter of intent, and the attached MEFP and technical memorandum of understanding.

Very truly yours,
/s/
Sani Yaya

Minister of Economy and Finance

Attachment I. Memorandum of Economic and Financial Policies

1. **This Memorandum informs on recent economic developments, reports on performance under the program supported by the ECF arrangement, and describes the authorities' policies going forward.** It takes stock of performance criteria and structural benchmarks at end-June 2019 and sets targets for end-December 2019, including a proposed modification of two end-December 2019 indicative targets.

RECENT ECONOMIC DEVELOPMENTS

2. **The economic recovery is underway.** Following a sharp deceleration in 2017 due to socio-political tensions, economic activities regained momentum in 2018. This momentum continued in the first half of 2019. Economic growth is projected to slightly accelerate to 5.3 percent in 2019 from 4.9 percent in 2018. The export-oriented sectors — phosphate, coffee, cocoa, and cotton — continued to show robust performance. Agricultural production and energy generation accelerated in the first half of 2019. Credit to the private sector expanded by about 5 percent in January-June 2019 relative to the same period in 2018. Headline inflation stood at 0.6 percent at end-July 2019 (year-on-year). The external position remains at a comfortable level.

3. **The fiscal consolidation effort that started in 2017 was sustained through the first half of 2019.** The overall fiscal balance was estimated at -0.2 percent of GDP at end-June 2019. Revenue collections were on target. Overall expenditure was less than programmed, due primarily to backloaded execution of domestically as well as foreign financed investment projects. The subscription rate of government bonds in the regional market has remained favorable at an average of 224 percent in the first half of 2019.

PROGRAM IMPLEMENTATION

4. **We met all end-June 2019 and continuous quantitative performance criteria (QPCs).** We met the performance criterion on the domestic primary balance and the net domestic financing. For the first half of 2019, we achieved a domestic primary fiscal surplus of 0.9 percent of GDP, outperforming the programmed floor by 2.7 percentage points of GDP. We also managed to contain the net domestic financing under the ceiling. We have not contracted any non-concessional external debt and have met all our debt service obligations. Moreover, we did not issue any guarantees to domestic suppliers or contractors, nor did we pre-finance any public investment. Furthermore, we have met the indicative target for domestic revenue and have not accumulated any domestic arrears. Nevertheless, the indicative target for social expenditure was not met as a result of the under-execution of investment projects, some shortcomings of the reporting system, and a change in the strategic framework for an important social program (PUDC).

5. **We met all end-June structural benchmarks (SBs) on revenue administration and public financial management.** To improve our revenue collection efforts, we set up a 10-15

percent down payment on the value of imports made by inactive agents at the level of the Tax Commission. We also prohibited the removal of imported merchandise by agents and/or owners who have outstanding tax arrears. To improve the overall efficiency of public spending, we have prepared and adopted the multi-year economic budget programming document for 2020-2022. which was the subject of a budget policy discussion at the National Assembly.

6. The financial sector reform has been delayed but we remain committed to carry out the process to the end. The direct sale of the first public bank could not be completed by end-June 2019 as agreed in the MEFP of the fourth ECF program review. In line with the corresponding SB, we submitted to Fund staff a revised strategy for the privatization of the first public bank which consists in launching by end-August 2019 a call for tenders and finalizing the privatization process by end-December 2019. However, based on the schedule set by our transaction advisor, we were unable to meet the end-August timeline. We will launch the tenders for the two public banks before the approval of the fifth review of the current ECF program by the IMF Board.

ECONOMIC OUTLOOK AND POLICIES FOR 2019-20

Medium-term Outlook and Risks

7. Growth is expected to approach 5½ percent over the medium term. The ongoing growth momentum is expected to continue. The large public investment completed in recent years as well as the recent improvement in the business environment are expected to boost private investment in the medium term. Inflation is expected to be around 2 percent over the medium term and the fiscal deficit to remain around 1-2 percent of GDP, that are within the WAEMU convergence criteria. The current account deficit would remain in the range of 5 percent of GDP due to lower imports of consumer goods as well as increased exports. Downside risks include, at the national level, delays in the financial sector reforms which could pose fiscal risks; at the regional level, stepped up security risks and terrorism threats; and at the global level, uncertainty related to rising protectionism and retreat from multilateralism, a sharp increase in the risk premium on financial markets, increased financial vulnerabilities at the global level, and weaker-than-expected global growth.

Fiscal Policy

8. We will persevere in our fiscal consolidation efforts to safeguard the 2019 program targets. The measures resulting from the recent public expenditure review exercise will help achieve the year-end spending targets. These measures seek, among other things, to reduce costs through centralized procurement and the revision of reference prices for major public procurements, the cleaning-up of the government payroll, the bundled management of property leases, the purchase of fuel and air tickets from a single vendor on a discount basis, the large-scale procurement of certain drugs from the Global Fund, the removal of certain exemptions, the improved collection and management of the road fund, and reduced subsidies for certain entities.

We will pursue our revenue collection efforts (see below) to achieve our end-year targets . Our overall budget deficit target for 2019 will increase from 2.7 percent of GDP to 2.9 percent of GDP to take into account some spending initially programmed for 2020. This target takes also into account the emergency expenditures agreed during the fourth program review.

9. **Our fiscal framework for 2020 envisages further fiscal consolidation to achieve an overall fiscal deficit of 1.9 percent of GDP.** This target includes a reduction of expenditures programmed for 2020 but already taken into account in the 2019 supplementary budget. This continued effort will bring the overall fiscal consolidation to about 7.5 percentage points of GDP during the entire ECF program period. Beyond 2020, the overall fiscal deficit is projected to remain below 2 percent of GDP. This fiscal deficit is consistent with the WAEMU convergence criterion. It should help keep the debt trajectory on a downward path, falling below 70 percent from 2020 and below the initial benchmark suggested by the Debt Sustainability Analysis (DSA) as from 2027-28.

Fiscal Management and Institutions

10. **We will pursue strong reform measures to further boost revenue in the second half of 2019 and beyond.** As outlined in the MEFP of the third and fourth ECF program reviews, we are implementing tax policy measures to accelerate permanent revenue collection. We are also making efforts to contain tax expenditures, which are expected to contribute to increase the level and permanency of revenue. Tax expenditures declined from 4.3 percent of GDP throughout 2016 (before the start of the ECF-supported program) to 1.9 percent of GDP in 2018. This helped to increase slightly actual (*liquid*) tax revenue by about 0.5 percent of GDP in 2018 despite the decrease of gross tax revenues. We will assess tax expenditures and append this assessment as an annex to the budget law.

11. **We will pursue the reform agenda on revenue administration.** To complement the measures recently implemented, we will increase the number of spontaneous tax payments by strengthening voluntary compliance measures. These measures aim to: (1) improve service to users (clear instructions, simplified forms, modern procedures, provision of information, assistance and guidance); (2) inform taxpayers and effectively enforce the obligation to report third-party transactions; (3) ensure close monitoring of pending disputes through the dispute settlement mechanism (Appeal Committee); (4) regularly monitor the time taken to investigate contentious claims in order to speed up the resolution of contentious cases as quickly as possible; (5) use taxpayers' monthly returns to set up an effective risk management system based on audits (spot checks). Also, the IT system will be improved to give more taxpayers the possibility to file their returns online, as well as to automatically isolate and track incorrect tax returns. This will fast-track the collection of disputed tax arrears. We will also finalize the action plan for the complete dematerialization of customs declarations and supporting documents and the activation of the corresponding ASYCUDA World functionality.

12. **We will take full advantage of the potential benefits of merging the tax and customs administrations into a single entity (the *Office Togolais des Recettes*)** by developing and

implementing an action plan based on the main findings of the recent TADAT evaluation. In particular, we will (i) conduct, with the support of technical assistance, a tax compliance gap analysis to measure the extent of revenue loss in relation to tax potential; (ii) continue to promote tax compliance by monitoring the timeliness and rate of responses to taxpayer telephone enquiries; and (iii) strengthen control of non-tax filers by improving the information system used by the OTR to automatically isolate and track those who fail to file taxes. We will expand online filing systems for at least half of the large companies (200 companies) by December 2019 and start extending online tax-return filing to medium-sized companies**.**

13. **We will strengthen internal controls over all OTR services.** We will strengthen internal controls in all OTR departments through the Audit, Quality Assurance and Anti-Corruption Divisions. To increase the effectiveness of internal controls, in addition to audits, OTR through the Quality Assurance Division will intensify ongoing and routine quality controls of services to ensure that the execution of activities complies with legal and regulatory obligations as well as as internal procedures, and to apportion responsibilities in the event irregularities are identified. In addition to the investigation missions on whistleblowing cases, the OTR will audit staff identified through on-going and systematic audits of the quality of their services in order to propose targeted training actions or sanctions if necessary.

14. **On PFM reforms, our efforts going forward will focus on the introduction of multi-year and program-based budgeting.** Significant progress has been made on PFM since the start of the ECF program, including arrears management, prioritization of investment, and gradual implementation of a treasury single account. Our efforts will now focus on program-based budgeting, which is a requirement under the organic budget law. The main objectives of this reform are to strengthen budget preparation and increase expenditure efficiency. We will meet the prerequisites for a smooth transitioning towards the programme-based budget by operating concurrently with the input-based budget in 2020 and by fully switching to programme-based budgeting from 2021, including upgrading the information system by making it operational for the transitioning towards the programme-based budget, by providing the required human resources capacity and by decentralizing oversight functions through the designation of focal points in sectoral ministries. Furthermore, in order to improve the efficiency of public investment in programme-based budgeting, we are in the process of revising and making the multi-year public investment programme mandatory.

15. **We have made progress on the budget timetable and on budget execution reports**. We met the deadline for submission of the draft budget to the National Assembly, as required by the Constitution and the organic budget law. We have also started to meet our obligations to publish budget execution reports. We will keep up our efforts and submit the 2020 Finance Bill to the National Assembly in October 2019. We will also publish the quarterly budget execution reports which we will forward to the National Assembly. We will also establish legal and institutional framework for Public-Private Partnership (PPP) management, including the preparation of a specific PPP legislation (PPP Act) to ensure that PPPs do not pose risks to public finances; we will ensure that the PPP unit within the Public Debt Directorate is provided with the necessary legal and

institutional tools and becomes operational. We will further expand the coverage of the Treasury Single Account (TSA), including by completing, after appropriate studies, the integration of Treasury bank accounts at BCEAO, including those of autonomous bodies and local authorities accounts as well as donor project accounts (in consultation with donors).

Borrowing Policies and Debt Management

16. **Debt reduction remains our key priority to safeguard long-term fiscal and external sustainability.** Due to the high level of domestic debt, Togo is assessed as presenting a moderate risk of external debt distress and a high risk of overall public debt distress. Our fiscal strategy aims at bringing total public debt below the initial threshold benchmark by 2027-28 (*i.e.* 38 percent of GDP at Present Values—PV— terms, that is about 45 percent of GDP in nominal terms). In addition, we are making efforts to improve debt management. Accordingly, the new Debt Management Directorate has been revamped and is being staffed. We will strive to make it operational quickly and strengthen its debt management practices. Debt service forecasts will be fully integrated with budget forecasts in order to reduce discrepancies between forecasts and performance. In addition, we will set up a website to improve debt reporting and transparency.

17. **Improving debt service forecasts is a priority and will require better coordination to ensure that the entire administration uses the same consolidated forecasts**. The Debt Directorate will endeavour to maintain regular contact with project coordinators and the Budget and Finance Directorate General (DGBF) to ensure that their disbursement forecasts correspond to the information contained in the debt database. Also, the Development Policy Planning Directorate (DPPD) and the DGBF will inform the Debt Directorate of any changes in their disbursement forecasts. The Debt Directorate will also validate the debt database with donors on a regular basis and perform an annual reconciliation of all loans. We are also taking steps to make debt data more accessible, including by developing a new website containing information on public debt. This will give investors additional information on Togo's economic situation and make the government more accountable to citizens.

18. **We are advancing with the debt reprofiling operation with the objective to reduce the PV of the public debt stock and mitigate the rollover risk.** With support from a World Bank policy-based guarantee and possibly an insurance from the African Trade Insurance Agency (ATI), this operation consists of borrowing externally at more favorable terms to repay outstanding domestic/regional debt. In addition, the new loan will have longer maturity, which reduces the medium-term rollover risk. The operation will reduce the risk of fiscal crowding out and add resources to the regional foreign exchange reserves. Nonetheless, we recognize the risks involved in this operation and will take the necessary safeguards measures. We will select the debt instruments to be retired with a view to maximizing the PV reduction and avoiding inflated payback premiums. We will strengthen debt management capacity considering new risks from higher international market exposure. We will cap the size of the operation so as not to worsen the level of vulnerability due to our external debt level. We will pay particular attention to the potential risks arising from this operation.

Financial Sector Policies

19. We are pursuing our efforts to restore financial stability by finalizing the privatisation of the two public banks. We remain committed to make decisive progress in addressing the problems of these two public banks to safeguard financial stability and minimize costs to the State budget while ensuring transparency of the process. For the first public bank, the planned direct sale could not be completed as we were not able to reach an agreement with the potential buyer. We have decided to move to an open tendering process, as agreed with the IMF in the fourth review of the ECF-supported program. Thus, we launched the tenders for the two public banks in September, slightly behind the the schedule agreed for end of August (prior action). We will ensure that the senior management of these two public banks keep BCEAO and the Banking Commission informed of any developments. In addition, we will closely monitor the liquidity situation of banks in close collaboration with the BCEAO and the Banking Commission.

20. We remain aware of the importance of closely monitoring the risks related to financial sector weaknesses especially the risks arising from compliance with the capital requirement and risk management together with an already high loan concentration. We will closely monitor broader financial sector developments and take immediate corrective actions as needed. The overall capital adequacy ratio (per the new BCEAO regulation on capital, aligned to international Basel II/III standards) dropped from 8.4 percent at end-2017 to 2.9 percent at end-December 2018. Excluding the two public banks, this ratio is 15.8 percent. Beyond the two state-owned banks, capital restoration calls were made for two non-systemic private banks which are currently undergoing restructuring, after being taken over by private strategic investors.

21. We are committed to undertake measures to address the high rate of NPLs, in particular by enforcing the BCEAO instruction on the accounting and reporting of NPLs, finalizing the full application of the revised accounting framework for banks, in particular the item on the writing off of debts of NPLs not recovered after 5 years; and by strengthening the powers of debt collection agencies. This also involves support to the Credit Information Bureau (BIC) and capacity building for commercial courts. With regard to the credit bureau, we will encourage customers, through communication campaigns, to give their prior consent to the sharing of their credit information; and we will set up a collaborative work forum for banks and BIC to provide relevant information. As of December 2018, the rate of non-performing loans in our banking system remains high (17.8 percent) and these loans are concentrated in a few banks, including the two public banks.

Structural Reforms and Inclusive Growth

22. Our efforts to improve the business environment have begun to yield tangible results and we are committed to staying this course Togo made great strides in recent years to improve the business environment and was amongst the countries with the largest improvement under the latest Doing Business Indicators. We improved our rankings from 156th in 2017 to 137th in 2018, advancing by 19 places in one year. Recently, we have put in place mechanisms and procedures to facilitate land registration. We will continue to carry out land reforms and improve the land management system. We will accelerate the implementation of the reforms outlined in the National Development Plan (NDP) and Compact with Africa (CwA) to bolster private investment and promote inclusive growth. We will take actions to enforce governance and anti-corruption legal frameworks and operationalize the institutions that were set up in recent years, including the new Commercial Courts. We will closely examine the legal framework for asset declaration and the transposition of the United Nations Convention on Corruption.

23. We will continue the fight against money laundering/terrorist financing (AML/CFT), in accordance with the regulatory provisions in force within WAEMU. The multisectoral national risk assessment on money laundering and terrorist financing carried out with the support of the World Bank was finalized. We stand ready to publish the summary of this assessment and to implement the recommended action plan to address the identified vulnerabilities, particularly in preparation for the next GIABA assessment. We undertake to adopt all the implementing legislation for the 2018 Anti-Money Laundering/Combating the Financing of Terrorism Act (AML/CFT) and to formalize the National Coordination Committee. We will also implement the recommendations of the 2018 report of the United Nations Counter-Terrorism Executive Directorate (CTED) and encourage the strengthening of AML/CFT supervision of banks by the CB-UMOA.

PROGRAM MONITORING AND DATA PRODUCTION ISSUES

24. The program will continue to be reviewed based on quantitative performance criteria, indicative targets, and structural benchmarks (Tables 1 and 2). All quantitative performance criteria and structural benchmarks remain unchanged from the MEFP of the fourth ECF program review, except the end-December 2019 SB on the banks that has been revised. At end-December 2019, modification is proposed for the IT on the domestic primary balance to accommodate the election-related spending; modification is also proposed on the IT on net domestic financing to accommodate the election-related spending and the postponement of the last ECF disbursement to early 2020. The performance criteria and indicators are defined in the attached Technical Memorandum of Understanding (TMU), along with the relevant adjustors. As agreed previously, the program will end in early-2020 and the last quantitative PCs will be for the final test date at end-September 2019.

25. We will continue to strengthen the institutional capacity to ensure adequate monitoring of the program. The Permanent Secretariat for Reform Policies and Financial Programs (*Secrétariat permanent chargé des politiques de réformes et des programmes financiers—SP-PRPF*) will provide (i) technical program monitoring and quarterly progress reports; (ii) liaison between national structures, technical and financial partners; and (iii) coordination of technical assistance. We recognize the weaknesses of our statistics and will take remedial measures in this regard including strengthening the staffing within the National Statistics and Accounting Institute (*Institut national de la Statistique et des Études économiques et démographiques—INSEED*). We have already reduced the lags in the production of final national accounts. We will take steps to avoid any delay in the production of final national accounts. In addition, efforts are being made to improve GDP estimates by rebasing the GDP according to the 2008 SCN of the accounts for the new base year (2016). We will continue to improve data quality. We have made progress in compiling and producing fiscal reports, particularly the government financial operations table (*Tableau des Opérations Financières de l'Etat*). We will ensure that the budget projections for the following year are based on estimates of budget execution of the current year.

26. We will make full use of technical assistance from various sources to build our institutional capacity. Our capacity building efforts are consistent and in synergy with the objectives of the ECF-supported program. We work closely with IMF technical assistance in the following areas: tax and customs administration, public financial management (including program budget and selection of public investments), debt management, and the generation and publication of statistics.

27. We are confident that the economic policy measures outlined in this memorandum will achieve the objectives of our ECF-supported program. We stand ready, however, to take any further measures that may become necessary to ensure the success of its policies, after consultation with the IMF. During the program period, we will neither introduce nor intensify restrictions on payments and transfers for current international transactions or introduce or modify any multiple currency practice without the IMF's prior approval, conclude bilateral payment agreements that are incompatible with Article VIII of the IMF's Articles of Agreement, or introduce or intensify import restrictions for balance of payments reasons.

Table 1. Togo: Quantitative Performance Criteria and Indicative Targets, March and June 2019
(Billions of CFA Francs)

	2019							
	End-March				End-June			
	Indicative Targets	Adjusted	Actual	Status	Performance Criteria	Adjusted	Actual	Status
Performance criteria								
Domestic primary fiscal balance (floor)	-21.9		-5.1	Met	-38.0		47.1	Met
Non-accumulation of arrears on external public debt[1]	0.0		0.0	Met	0.0		0.0	Met
Net domestic financing (ceiling)[2]	75.0	75.0	35.4	Met	72.4	72.4	-13.1	Met
Government contracting or guaranteeing of nonconcessional external debt (ceiling)	0.0		0.0	Met	0.0		0.0	Met
Government guaranteeing of domestic loans to suppliers and contractors (ceiling)[1]	0.0		0.0	Met	0.0		0.0	Met
Government guarantees on bank prefinancing for public investments (ceiling)[1]	0.0		0.0	Met	0.0		0.0	Met
Indicative targets								
Total fiscal revenue (floor)	127.2		133.9	Met	286.1		303.0	Met
Total domestically financed social spending (floor)	37.2		49.4	Met	109.3		87.8	Not met
Net domestic arrears accumulation (ceiling)[3]	0.0	0.0	-2.5	Met	0.0	0.0	-17.9	Met
Memorandum Item								
Overall primary balance[4]	-41.5		-33.0		-77.2		-6.5	
Government contracting or guaranteeing of nominal concessional external debt	19.6		7.6		39.2		17.0	
NPV of new non-concessional external debt contracted as a result of debt management operations (maximum)	260.3		0.0		260.3		0.0	

Sources: Togolese authorities; and IMF staff estimates.

[1] Continuous performance criterion and cumulated from the approval of the arrangement on May 5, 2017.

[2] Performance criteria and indicative targets for 2019 are adjusted upwards to offset deviations from projected external program financing, subject to a cap of CFAF 10 billion.

[3] Indicative targets calculated cumulatively from the beginning of 2019. Indicative targets will be adjusted for one half of the deviation from projected external program financing.

[4] With arrears repayment as envisaged in the 2019 budget.

Table 2. Togo: Quantitative Performance Criteria and Indicative Targets, September and December 2019

(Billions of CFA Francs)

	2019		
	End-September	End-December	
	Performance Criteria	Indicative Targets	Proposed Indicative Targets
Performance criteria			
Domestic primary fiscal balance (floor)	-3.2	51.0	44.0
Non-accumulation of arrears on external public debt[1]	0.0	0.0	0.0
Net domestic financing (ceiling)[2]	53.3	-22.7	5.2
Government contracting or guaranteeing of nonconcessional external debt (ceiling)[3]	0.0	0.0	0.0
Government guaranteeing of domestic loans to suppliers and contractors (ceiling)[1]	0.0	0.0	0.0
Government guarantees on bank prefinancing for public investments (ceiling)[1]	0.0	0.0	0.0
Indicative targets			
Total fiscal revenue (floor)	445.1	635.9	635.9
Total domestically financed social spending (floor)	164.0	218.6	218.6
Net domestic arrears accumulation (ceiling)[4]	0.0	0.0	0.0
Memorandum Item			
Overall primary balance	-61.9	-7.0	-13.9
Government contracting or guaranteeing of nominal concessional external debt[5]	58.8	78.3	78.3
NPV of new non-concessional external debt contracted as a result of debt management operations (maximum)	260.3	260.3	260.3

Sources: Togolese authorities; and IMF staff estimates.

[1] Continuous performance criterion and cumulated from the approval of the arrangement on May 5, 2017.

[2] Performance criteria and indicative targets will be adjusted downwards by the amount corresponding to the debt management operations as described in the TMU, and subject to the constraint that these operations do not increase the net present value of the public debt stock. The adjustor is capped at the nominal equivalent of 260.3 billion CFA francs in net-present-value terms. Performance criteria will be adjusted upwards as well to offset deviations from projected external program financing, subject to a cap of CFAF 10 billion.

[3] Continous performance criterion. Performance criteria will be adjusted upwards by the amount corresponding to the debt management operations as described in the TMU, and subject to the constraint that these operations do not increase the net present value of the public debt stock. The adjustor is capped at the nominal equivalent of 260.3 billion CFA francs in net-present-value terms.

[4] Indicative targets calculated cumulatively from the beginning of each calendar year. Indicative targets will be adjusted for one half of the deviation from projected external program financing.

[5] Calculated cumulatively from the beginning of each calendar year.

Table 3. Togo: Structural Benchmarks for the 5th Review			
Measures	**Rationale**	**Deadline**	**Status**
Revenue administration			
Set up a lump sum deposit of 10 to 15 percent on imports made by agents deemed by OTR to be inactive in connection with other taxes.	Improve tax revenue collection	End-June 2019	Met
Prohibit the customs clearance of imported merchandise by agents and/or owners who have outstanding tax arrears.	Improve tax revenue collection	End-June 2019	Met
Expenditure management			
Develop a document for program-based budget covering 2020-22.	Improve public expenditure efficiency and effectiveness	End-June 2019	Met
Financial sector			
Submit a revised strategy for the privatization of the first public bank which consists of launching by end-August 2019 a call for tenders and finalizing the privatization process by end-December 2019.	Ensure financial stability and prevent risks to the budget	End-June 2019	Met
Launch the tenders for the two public banks	Ensure financial stability and prevent risks to the budget	Prior action	Met

Table 4. Togo: Structural Benchmarks for the 6th Review		
Measures	**Rationale**	**Deadline**
Revenue administration		
Formalize the creation and reinforce the risk-analysis role of the Revenue Collection and Receivables Recovery Unit in order to increase the recovery rate of tax arrears (from 66 percent in 2017 to 70 percent in 2019 for the large taxpayers' unit and from 48 percent in 2017 to 60 percent in 2019 for the medium-sized taxpayers' unit).	Improve tax revenue collection.	End-October 2019
(I) Start deploying hardware and software for the establishment of cash registers; (ii) formulate a strategy for the selection of risk-based spot checks; and (iii) appoint focal points in the large and medium-sized taxpayers' unit to centralize the results of spot checks.	Reduce non-paying VAT returns (zero or credit) to improve tax revenue collection.	End-October 2019
Make mandatory the online submission of declarations and supporting documents for customs clearance of imports for the 30 largest importers or filers.	Improve customs duty collection and border procedures and reduce vulnerabilities to corruption.	End-October 2019
Expenditure and investment management		
Revise and enforce the multi-year public investment program.	Improve efficiency of investment.	End-October 2019
With a view to the transition to the program budgeting, develop a standard framework of performance indicators to define guiding principles and train stakeholders in ministries and institutions.	Optimize the use of budgetary resources.	End-October 2019
Financial sector		
Close the submission of preliminary bidding documents for the privatization of both public banks.	Ensure financial stability and prevent risks to the budget	End-December 2019

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the structural and quantitative benchmarks and performance criteria to monitor the program supported by the Extended Credit Facility from the completion of the fifth review through the end of the program. It also specifies the periodicity and the deadlines for the transmission of data to Fund staff for program monitoring purposes.

2. Unless otherwise specified, the government is defined in this TMU as the central administration of the Togolese Republic. It does not include any political subdivisions, the Central Bank of West African States (BCEAO), or any public entity with a separate legal personality.

3. Unless otherwise indicated, public entities are defined in this TMU as majority government-owned companies, and other public entities receiving earmarked tax and quasi-tax revenues.

DEFINITION OF TERMS

For program purposes, the definition of **debt** is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014.[1]

(a) For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms; the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected

[1] http://www.imf.org/external/pp/longres.aspx?id=4927

service life of the property, while the lessor retains the title to the property. For these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

4. **Public debt** includes obligations of the central government and public entities.

5. **Domestic debt** is defined as debt contracted or serviced in the franc of the Financial Community of Africa (CFAF), while external debt is defined as debt contracted or serviced in a currency other than the CFAF.

A debt is considered contracted for purposes of the program at the time of issuance of a "no objection" opinion by the Supreme Court, where such an opinion is required under domestic law. Otherwise, a debt will be considered contracted when it enters into effect.

QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

6. For program monitoring purposes, periodic quantitative indicative targets (ITs) are set for end-December 2019.

The ITs are:

(a) a floor on domestic primary fiscal balance;
(b) a ceiling on net domestic financing;
(c) a floor on total fiscal revenue;
(d) a floor on total domestically-financed social spending;
(e) a ceiling on net domestic arrears accumulation.

There are also continuous performance criteria (PCs) that include:

(a) a zero ceiling on accumulation of arrears on external public debt;
(b) a ceiling on government contracting or guaranteeing of non concessional external debt;
(c) a zero ceiling on government guaranteeing of domestic loans to suppliers and contractors;
(d) a zero ceiling on government guarantees on bank prefinancing for public investments.

A. Domestic Primary Fiscal Balance (floor)

Definition

7. **The domestic primary fiscal balance** is defined as the difference between (i) the government's fiscal revenue and (ii) total fiscal expenses, net of interest and capital spending financed by donors and lenders. The balance will be calculated cumulatively from the beginning of the calendar year. The balances at end-December 2019 (indicative targets) must comply with the objectives indicated in Table 1 of the attachments to the MEFP. The data are sourced from the Government Financial Operations Table (*Tableau des opérations financières de l'État* – TOFE), prepared monthly by the Directorate-General of Economic Studies and Analyzes of the Ministry of Economy and Finance (statistical TOFE). The statistical TOFE will be prepared by the Directorate of Economy in close cooperation with revenue offices and the Treasury. The data provided by the Directorate of Economy will take precedence for program purposes.

Reporting Deadlines

8. Detailed data concerning the domestic primary fiscal balance will be reported monthly within eight weeks of the end of the month.

B. Arrears on External Public Debt

Definition

9. The government will not accumulate payment arrears on external public debt (continuous performance criterion). For purposes of the PC on the non-accumulation of new external payment arrears, arrears are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This PC excludes arrears on external financial obligations of the government subject to rescheduling. This criterion excludes arrears on debts subject to dispute or renegotiation. The source of the data is the Public Debt Directorate.

C. Net Domestic Financing (ceiling)

Definition

10. **Government net domestic financing** is defined as the sum of (i) net credit from the banking sector to the government; (ii) net domestic nonbank financing of the government; and (iii) unidentified financing. The net domestic financing will be calculated cumulatively from the beginning of the calendar year. Net domestic financing at end-December 2019 (indicative target) must be equal to or less than the amount indicated in Table 1 appended to the MEFP.

11. Adjustors. The ceiling on net domestic financing will be adjusted downwards by the amount of domestic debt retired as a result of debt management operations. For the purposes of this performance criterion, the definition of "debt-management operations" in paragraph 19, below, shall apply. The adjustor related to debt-management operations is capped at the nominal equivalent of the net present value of CFAF 260.3 billion after converting the nonconcessional external debt into CFA francs using the prevailing exchange rate at the time of the transaction. The ceiling on net domestic financing shall also be adjusted upwards to make up for gaps between projected and actual external financing for the program, subject to a cap of CFAF 10 billion.

12. Net credit from the banking sector to the government is equal to the balance of government claims and debts to national banking institutions in Togo. Government claims include balances in the Togolese Treasury, Treasury deposits in the central bank, Treasury deposits in commercial banks (excluding the deposits of other arms of government, such as deposits from projects financed with external resources and CNSS accounts), and blocked accounts. Government debts to the banking system include assistance from the central bank (excluding BCEAO credits to the government tied to IMF financing), assistance from commercial banks (including government securities denominated in CFA francs held by commercial banks), and deposits in postal checking accounts.

13. Net domestic nonbank financing of the government includes: (i) changes in the balance of government securities issued in CFA francs (including on the WAEMU regional financial market) not held by Togolese commercial banks, calculated on the basis of the initial amount underwritten; (ii) changes in the deposit accounts of Treasury correspondents; (iii) changes in various deposit accounts, including trustee accounts (*comptes de consignation*) in the Treasury and accounts in which fines and sentences are deposited pending distribution; (iv) repayment of other domestic public debt (including bank loans to the economy assumed by the government and securitized arrears) to nonbank entities (including nonresidents); and income from privatization. The assumption or securitization of debts and arrears by the government is not included in the definition of net domestic financing, whereas the repayment of that debt by the government is included.

14. Unidentified financing is the difference between total financing (net domestic financing plus exceptional financing) and the overall balance on a cash basis (including grants and changes in arrears).

15. Net credit from the banking sector to the government is calculated by the TOFE unit, whereas Treasury bill and bond amounts are determined by the Agence UMOA-Titres. Net domestic nonbank financing of the government is calculated by the Togolese Treasury. Their data will take precedence for program purposes. Data are reported in the Government Financial Operations Table (statistical TOFE) prepared monthly by the Directorate of Economy of the Ministry of Economy and Finance.

Reporting Deadlines

16. Data concerning net domestic financing of the government will be reported monthly within eight weeks of the end of the month.

17. Details concerning any domestic borrowing by the government will be reported every month within six weeks of the end of the month. Data on domestic borrowing will be categorized as short term (less than one year) and long term (one year or more). This rule will also be applied to government-guaranteed domestic loans to government suppliers and contractors. Data on domestic borrowing will be primarily based on the estimates of the Debt unit.

D. Government or Government-Guaranteed Non-Concessional External Debt

Definition

18. Other than as specified below, the government undertakes not to contract or financially guarantee any new nonconcessional external debt at maturities of one year or more (continuous performance criterion). Nonconcessional external debt is defined as all external debt with a grant element of less than 35 percent (http://www.imf.org/external/np/pdr/conc/calculator/default.aspx). The level of concessionality of loans is calculated based on a discount rate of 5 percent. This performance criterion applies not only to the debt as defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014, but also to any commitment contracted or guaranteed for which no value has been received. However, this criterion does not apply to rescheduling that take the form of new debts, or to bond borrowing, Treasury bills, and Sukuk or other instruments issued in CFA francs on the WAEMU regional financial market. For the purposes of this performance criterion, "government" is understood to cover not only the definition given in paragraph 2 above, but also public institutions of an industrial or commercial nature (*établissements publics à caractère industriel et commercial* – EPIC), public administrative agencies (*établissements publics administratifs* – EPA), public scientific and technical institutions, public professional establishments, public health agencies, local authorities, public enterprises, national corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

19. This performance criterion will be adjusted upwards by the amount of nonconcessional external borrowing used for debt-management operations that improves the overall public debt profile. For debt-management operations executed in 2019 or 2020, this adjustor will be capped at the nominal equivalent of the net present value of CFA francs 260.3 billion after converting the nonconcessional external debt into CFA francs using the prevailing exchange rate at the time of the transaction. For the purposes of this performance criterion, "debt-management operations" will be limited to the exchange of domestic debt for nonconcessional external debt. The NPV of the domestic debt to be reprofiled shall be calculated as the sum of the discounted debt service flows using a discount rate of 5 percent. The NPV of the external debt to be acquired shall be calculated in the same manner. The net effect of a debt-management operation will be calculated as the difference between, on the one hand, the NPV of the domestic debt to be reprofiled, and on the other hand, the sum of the net cost of the domestic debt repurchase, the NPV of the external debt to be acquired, and any fees associated with the external debt issuance. The net effect of a debt-management operation must be to either reduce or leave unchanged the total stock of public debt in NPV terms. Should any operation involving the contracting or guaranteeing of nonconcessional external debt lead to an increase in the stock of debt in NPV terms, the operation will not be considered as a debt-management operation and would constitute a non-observance of this performance criterion. Before undertaking any debt-management operations, the government will consult with the IMF staff and will provide IMF staff with data on the terms of the debt to be exchanged and the terms of the new non-concessional debt to be contracted, along with data on all fees and costs associated with the transaction, as well as any costs and fees associated with compensating current domestic bondholders and lenders for not holding the debt which will be retired to maturity.

E. Government-Guaranteed Domestic Loans to Suppliers and Contractors

Definition

20. The government is committed to not providing any new financial guarantees for domestic loans to its suppliers or contractors (continuous performance criterion). The concept of "government" used for this performance criterion includes the definition of government in paragraph 2, public institutions of an industrial or commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutes, public vocational establishments, public health agencies, local authorities, public enterprises, national corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

F. Government Guarantees on Bank Pre-financing for Public Investments

21. The government undertakes not to guarantee any new bank pre-financing for public investments (continuous performance criterion). In a typical pre-financing arrangement, a private company granted a public works contract by the government obtains a loan from a domestic commercial bank or a group of commercial banks. The Ministry of Economy and Finance guarantees this loan and, at the same time, signs an unconditional and irrevocable *substitution of debtor* agreement to service all principle and interest, which are paid automatically from the Treasury account at the BCEAO. The concept of "government" used for this performance criterion includes the definition of government in paragraph 2, public institutions of an industrial or commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutions, public professional establishments, public health agencies, local authorities, public enterprises, national corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

G. Total Fiscal Revenue (Floor)

Definition

22. Total fiscal revenue includes tax and nontax revenue, and excludes external grants, the revenue of autonomous agencies, and income from privatization. The data are calculated by revenue offices and reported in the Government Financial Operations Table (statistical TOFE) prepared monthly by the Directorate of Economy of the Ministry of Economy and Finance. The revenue is reflected on a cash basis.

23. The revenue will be calculated cumulatively from the beginning of the calendar year. Revenue collections at end-December 2019 must be equal to or greater than the amount indicated in Table 1 attached to the MEFP. The revenue floor is an indicative target for the entire duration of the program.

Reporting Deadlines

24. This information will be reported monthly to the IMF within four weeks of the end of the month.

H. Domestically-Financed Social Spending (Floor)

Definition

25. Total (current and capital) domestically-financed social spending is calculated for each category of current and capital accounts (wages, goods and services, transfers and subsidies, other) and capital accounts financed with domestic resources. In a national context, social spending is considered to be public expenditure targeting the following social sectors: (1) Ministry of Education: primary and secondary education, technical and vocational training, and higher education with respect to scholarships and relief allowances: (i) scholarships are awarded to students in need who are pursuing their undergraduate degree (article 21 of Decree No. 2011-173/PR of November 30, 2011, regarding the reform of the scholarship, internship, and relief allowance system, and article 1 of Decree No. 2011-174/PR of November 30, 2011, establishing the scholarship, internship, and relief allowance rates); (ii) relief allowances are granted to students recognized as belonging to a disadvantaged or vulnerable category (article 31 of Decree No. 2011-173/PR of November 30, 2011, regarding the reform of the scholarship, internship, and relief allowance system, and article 2 of Decree No. 2011-174/PR of November 30, 2011, establishing the scholarship, internship, and relief allowance rates); (2) Ministry of Health; (3) Ministry of Social Action, Advancement of Women, and Literacy; (4) Ministry of Grassroots Development, Crafts, Youth, and Youth Employment; (5) Ministry of Agriculture, Livestock, and Fisheries; (6) Ministry of Mines and Energy (rural electrification projects); (7) Emergency Program for Community Development (*Programme d'Urgence de Développement Communautaire* – PUDC); involved in financing basic socio-economic development actions through socio-economic projects and infrastructure in rural and semi-urban areas (schools, health centers, drinking water and basic sanitation points, rural roads, hydro-agricultural schemes, infrastructure for storing and processing agricultural products, rural electrification, and more generally access to all sources of energy); (8) Support Program for Vulnerable Populations (*Programme d'Appui aux Populations Vulnérables* –PAPV). Total current and capital social expenditure financed with owner equity covers spending financed with domestic resources, including revenue, domestic financing, and general foreign budgetary support, and excludes all social spending financed with project-specific grants or loans. The source of the data is SIGFiP, from the Directorate-General of Budget and Finance (Ministry of Economy and Finance) prepared at monthly intervals.

26. Social spending will be calculated cumulatively from the beginning of the calendar year. Social spending financed with domestic resources at end-December 2019 must be equal to or greater than the amount indicated in Table 1 attached to the MEFP. The data provided by the Directorate-General of Budget and Finance and the Directorate-General of Economic Studies and Analyzes will take precedence for program purposes. The floor on (current and capital) social expenditure financed with domestic resources is an indicative target for the entire program period.

Reporting Deadlines

27. The data on social expenditure financed with domestic resources will be reported every month within eight weeks of the end of the month.

I. Net Domestic Arrears Accumulation (Ceiling)

Definition

28. Domestic payment arrears consist of domestic debt obligations of the government to nonfinancial public and private entities and the domestic debt service (excluding the BCEAO) that have not been paid within 90 days after the contractual due data (taking into account any contractual grace periods). This definition includes, but is not limited to: (i) old domestic financial and commercial arrears (to domestic private-sector suppliers); (ii) old arrears to CNSS (*Caisse Nationale de Sécurité Sociale*) and CRT (*Caisse de Retraite du Togo*); (iii) outstanding debts of liquidated companies (TOGOPHARMA, SOTOCO, OTP, IFG, FER, FICAO, and LIMUSCO); and (iv) balances of accounts payable (*instances de paiements*) reported in the Government Financial Operations Table (statistical TOFE) that have not been paid 90 days after the due date.

29. The net accumulation of domestic arrears will be calculated cumulatively from the beginning of each calendar year. The amount at end-December 2019 must be less or at most equal to the amount indicated in Table 1 attached to the MEFP. The arrears ceiling is an indicative target for the entire duration of the program after the completion of the fifth review.

30. **Adjustors.** The ceiling on net accumulation of domestic arrears will be adjusted upward by one half of the amount of any shortfall between the actual and the programmed level of external financing for the program. In the event that the actual external financing for the program exceeds the programmed levels, the ceiling for the net accumulation of domestic arrears will be adjusted downward by one half of the amount of any excess financing.

Reporting Deadlines

31. The data on net accumulation of domestic arrears will be reported every month within four weeks of the end of the month.

STRUCTURAL BENCHMARKS

32. For the end-October 2019 structural benchmark on improving tax revenue collection, the Revenue Authority will formalize the creation, by Act of the Commissioner-General, and reinforce the risk-analysis role of the Unit for Revenue Collection and the Payables to be recovered in order to increase the recovery rate of tax arrears from 66 percent in 2017 to 70 percent in October 2019 for large companies (DGE) and from 48 percent in 2017 to 60 percent in October 2019 for the medium-sized companies (DME). The recovery rate is calculated as the amount of collected tax arrears at end-October 2019 divided by the amount of recoverable tax arrears at end-October 2019. The recoveries to be included in the numerator of the formula for calculating the recovery rate will be sourced from the statistics of collected tax arrears at end-October 2019. The tax arrears to be included in the denominator of the formula for calculating the recovery rate will be obtained from the statistics of recoverable tax arrears at end-October 2019, previously audited by the Revenue Collection and Receivables Recovery Unit.

33. For the end-October 2019 structural benchmark on reducing non-paying VAT returns (zero or credit) to improve tax revenue collection, the Revenue Authority will (I) start deploying hardware and software for the establishment of cash registers; (ii) formulate a strategy for the selection of risk-based spot checks; and (iii) appoint focal points in the DGE/DME to centralize the results of spot checks.

34. For the end-October 2019 structural benchmark on improving customs duty collection and border procedures, the customs administration will make mandatory the online submission of declarations and attached documents for the consumption of imports for the 30 largest importers or registrants, by enabling this feature in ASYCUDA World. The authorities will also perform an analysis of the capacity of the customs IT system and prepare an action plan for the complete dematerialization of all customs declarations.

35. For the end-October 2019 structural benchmark on improving the efficiency of investment, the multi-year public investment program will be revised and enforced by ensuring coherence with the realistic resource envelopes of the medium-term budgetary framework, which would make it binding for the following year and indicative for the two years thereafter. The authorities will also accelerate the implementation of the recommendations of the public investment management assessment ("PIMA").

36. For the end-October 2019 structural benchmark on the budgetary resources' optimization and the transition to the program budgeting, the authorities will develop a standard framework of performance indicators to define guiding principles and train stakeholders in ministries and institutions. Reflections to include specific gender- budgeting indicators will also be initiated.

37. For the end-December 2019 structural benchmark on the two public banks, the authorities will close the submission of preliminary bidding documents for the privatization of both public banks.

Reporting Deadlines

The cash management, commitment and procurement plans will be reported every month within four weeks of the end of the month.

INTERNATIONAL MONETARY FUND

TOGO

October 4, 2019

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS UPDATE[1]

Approved By
Dominique Desruelle (IMF) and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association

Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	Moderate[2]
Overall risk of debt distress	High
Granularity in the risk rating	Substantial space to absorb shocks on external debt
Application of judgment	Yes: Historical vulnerability to multiple shocks

This Debt Sustainability Analysis (DSA) update confirms Togo's moderate risk of external debt distress and high risk of overall public debt distress—unchanged from the previous DSA published in June 2019. While the mechanical results point to a low risk of external debt distress, judgment was applied given domestic debt vulnerabilities; external debt distress is therefore considered to be moderate. The overall risk of debt distress is assessed as high considering that the PV of total PPG debt-to-GDP ratio breaches the debt distress benchmark through 2022 under the baseline. This analysis highlights the need for sustained fiscal consolidation, improved debt management, and strong macroeconomic policies to reduce the public debt to prudent levels over the medium term.

[1] This DSA was prepared jointly with the World Bank and in collaboration with the Togolese authorities.

[2] Togo's Composite Indicator (CI) is 2.86, which corresponds to a medium debt-carrying capacity as confirmed by the April 2019 WEO data and 2017 Country Policy and Institutional Assessment (CPIA).

BASELINE SCENARIO

1. The revised baseline macroeconomic assumptions for the present DSA are as follows. Real GDP growth and inflation are expected to be slightly higher than in the June 2019 forecast over the projection period; the primary fiscal surplus remains around 1.0 percent of GDP over the medium term, bringing the NPV of public debt comfortably below the benchmark for a country with medium debt-carrying capacity over the medium term. The current account balance is about 0.4 percentage point of GDP higher in 2019, essentially due to lower projected imports, and is expected to stabilize around a deficit of 5 percent of GDP over the medium term (Text Table 1).

2. Under the baseline scenario, all Togo's external debt indicators continue to remain below their indicative policy-relevant thresholds (Table 1, Figure 1). The PV of public and publicly guaranteed (PPG) external debt is projected at 16.6 percent of GDP in 2019 and will decrease to around 12.3 percent of GDP by 2029. The ratio of the PV of PPG external debt relative to exports is projected at 51.6 percent of GDP in 2019 and to decrease to 34.1 percent of GDP by 2029, below its indicative threshold. Similarly, debt service indicators remain well below their thresholds; the external debt service-to-exports ratio is projected between 3 to 5 percent and the external debt service-to-revenue ratio between 4 to 8 percent. Moreover, all external debt indicators remain below their respective thresholds under the alternative scenarios. Improvements in debt-management practices envisaged in the authorities' Fund-supported program and under technical assistance provided by the World Bank will give further resilience to shocks affecting debt service needs.

Text Table 1. Togo: Key Macroeconomic Assumptions

	2017-19	2020-29
Real GDP Growth (percent)		
DSA Update October 2019	4.9	5.5
DSA June 2019	4.8	5.4
Inflation (average, Y-o-Y percent change)		
DSA Update October 2019	0.7	2.0
DSA June 2019	0.7	2.0
Total Revenue (percent of GDP)[1]		
DSA Update October 2019	23.1	25.1
DSA June 2019	23.1	26.8
Fiscal Primary Balance (commitment basis, incl. grants, percent of GDP)		
DSA Update October 2019	0.9	1.0
DSA June 2019	0.9	1.0
Exports of goods and services (percent of GDP)		
DSA Update October 2019	32.1	34.1
DSA June 2019	32.2	34.2
Current Account Balance (percent of GDP)		
DSA Update October 2019	-4.4	-4.7
DSA June 2019	-4.3	-4.6

Sources: Togolese authorities and Staff calculations.

[1] Total revenue, including grants.

3. Under the historical scenario, several external debt indicators breach their respective thresholds in outer years. The PV of debt-to-export ratio breaches the threshold from 2028, and the PV of debt-to-GDP from 2023. The debt service-to-revenue ratio breaches the threshold in 2029. However, the debt service-to-exports ratio remains below the threshold during the projection period. All external debt indicators remain below their respective thresholds under the most extreme shock scenario.

4. The assumptions for the baseline scenario deviate from historic outcomes in key areas:

- Non-interest current account deficit. Togo's large non-interest current account deficits during the last ten years were primarily driven by imports for big public investment projects, which led to an excessive accumulation of public debt. The current fiscal consolidation and reforms to improve the investment and debt management capacity aim to keep public investment within limits that do not jeopardize debt sustainability.
- Export growth. Export growth is higher in the baseline scenario based on policy commitments in the National Development Plan, which is aiming to make Togo a regional commercial and transportation hub and a manufacturing base. The reforms have started to have an impact, as demonstrated by recent significant improvements under the World Bank's Doing Business Indicators.
- Non-debt carrying flows. The baseline projects average FDI inflows of 3.5 percent of GDP compared to historical outflows of 2.6 percent of GDP on average. The reliability of the historic numbers is in doubt because years with reported large FDI outflows coincided with large negative residuals, which suggests unreported non-debt carrying capital inflows in those years.

5. Togo's overall public debt dynamics highlight heightened vulnerabilities, with the debt-to-GDP ratio remaining above the indicative benchmark through 2022 (Figure 2). Under the baseline scenario, overall public debt is now forecasted at 73.1 percent of GDP in 2019, falling below 70 percent from 2020. By 2039, repayment of arrears coupled with significant fiscal consolidation is expected to significantly reduce domestic debt and total public and publicly guaranteed debt. Under the most extreme shock scenario, the ratio of PV of overall public debt-to-GDP would briskly rose in 2021 and decline below the indicative benchmark in 2026. Under the historical scenario, this ratio would remain above the indicative threshold during the entire projection period.

ALTERNATIVE SCENARIOS

A. Debt Reprofiling

6. The authorities plan to proceed with a debt reprofiling operation in the second half of 2019. The operation, supported by a Policy-Based Guarantee (PBG) from the World Bank, is expected to take place by end-2019. It currently envisages the issuance of new external debt at more favorable terms to repay outstanding domestic or regional debt. The ECF arrangement (2nd review) allows a debt reprofiling operation of up to about 8 percent of GDP, which was determined as the amount that keeps the external debt risk rating unchanged at moderate. In the reprofiling scenario presented in Tables 5 and 6, staff has assumed that the authorities would repay a total amount of USD 316 million (5.8 percent of GDP) of domestic debt. The interest rate on the new borrowing is assumed to be lower by about 300 basis points relative to the domestic/regional loans to be repaid; and the duration is expected to be twice longer. Under this scenario, Togo's debt sustainability improves slightly. The PV of public debt would decline to 22.8 percent of GDP in 2039 compared with 25.3 percent of GDP in the baseline. The PV of PPG external debt would be slightly higher at 14.6 percent of GDP in 2039 compared with 13.6 percent of GDP in the baseline. Alternative scenarios reveal breaches under standard stress tests. Under the most extreme shock scenario, the PV of PPG external debt-to-GDP would get very close to the threshold but only temporarily (Figure 6).

Because of the debt reprofiling, the total debt service-to-revenue ratio would decrease next year and then decline gradually from 45 percent in 2021 to 19 percent by 2029 (Figure 7).

7. While the debt reprofiling operation has several potential benefits, there are also risks. In addition to the benefits noted above (lower interest rate and a longer duration that reduces the medium-term rollover risk), the loan reduces the risk of fiscal crowding out, and increases the regional foreign exchange reserves. At the same time, the operation entails various risks, including (i) higher external debt ratios; and (ii) greater exchange rate risks. These risks are manageable given Togo's low share of external public debt (22 percent of GDP) and the Euro denomination of the external commercial loan. Procedures are in place to manage execution risks from this operation.

8. To reap maximum benefits from the debt reprofiling operation and minimize the associated risks, safeguards measures are necessary. The size of the operation should be capped below a limit that does not lead to a deterioration of the external debt distress rating. The operation should be conducted only for debt management purposes; *i.e.* the operation should lead to a reduction of the present value of debt. The operation should target the least favorable domestic/regional loans (in terms of interest rate and maturity) and loans that do not require early repayment penalties. Finally, the authorities' debt management capacity should be strengthened to ensure sound debt management in the medium and long term given higher exposure to international market risks (such as risks related to the exchange rate, interest rate, and investor base).

B. A Financial Sector Contingency

9. The weaknesses in the financial sector, including those related to the two state-owned banks, may create fiscal costs. Staff has developed a scenario assuming such fiscal costs, which are spread out over two years in 2020-21 (Figure 8). In this scenario, the planned decrease in the public debt is delayed by about one year and future debt service payments are higher, particularly over 2024-26.

RISK RATING AND VULNERABILITIES

10. Togo remains at a high risk of overall public debt distress. Togo had the largest overall debt-to-GDP ratio in WAEMU in 2018, at 76.2 percent of GDP (73.2 percent excluding debt of state-owned enterprises). In the baseline scenario, the ratio of PV of overall public debt-to-GDP stands above the indicative benchmark through 2022—but on a steady declining trend, under the assumption of a continued primary surplus at about 1 percent of GDP and substantial reduction in domestic debt. The analysis highlights the need for sustained fiscal consolidation, improved debt management, and macroeconomic policies to reduce the level of public debt to prudent levels over the medium term.

11. Fund and Bank staffs are of the view that the risk of external debt distress should be maintained at moderate, unchanged from the rating at the time of the last DSA of June 2019. All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2019-39) under the baseline, the most extreme stress test, and the debt reprofiling scenario. However, while these mechanical results point to a low risk of external debt distress, judgment was applied given vulnerabilities arising from the high domestic debt. Such vulnerabilities could, for instance, lead to a reprofiling operation that is larger than the current debt reprofiling scenario. This analysis also highlights the need for sustained fiscal consolidation, improved debt management, and strong macroeconomic policies to reduce the public debt to prudent levels over the medium term.

AUTHORITIES' VIEWS

12. **The authorities broadly agreed with staff's assessment of Togo's public debt situation and recommendations.** They concurred with staff's assessment of risk ratings and distress level. Given that Togo's current level of debt is still the highest among WAEMU members and the overall risk of debt distress remains high, they recognize that the fiscal consolidation must continue to bring public debt down below the relevant benchmark. The authorities are making efforts to improve debt management, including bringing the new debt department to full operation with adequate staffing.

Text Table 2. Togo: Public Debt Coverage and Design of Contingent Liability Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	X

1	The country's coverage of public debt	The central government, government-guaranteed debt, non-guaranteed SOE debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	0.0	All SOE debt is already included in the country's coverage of public debt.
4	PPP	35	percent of PPP stock	6.8	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			11.8	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Text Table 3. Togo: Calculation of the CI Score

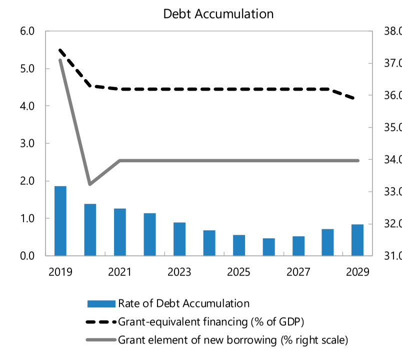
Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.4	3.1	1.2	41%
Real growth rate (in percent)	2.7	5.3	0.1	5%
Import coverage of reserves (in percent)	4.1	40.2	1.6	56%
Import coverage of reserves^2 (in percent)	-4.0	16.2	-0.6	-22%
Remittances (in percent)	2.0	4.8	0.1	3%
World economic growth (in percent)	13.5	3.6	0.5	17%
CI Score			2.89	100%
CI rating			Medium	

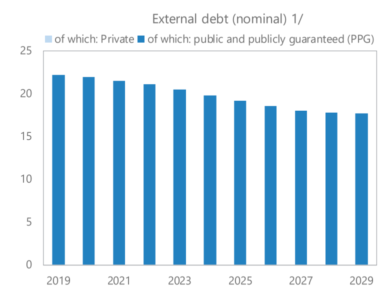
Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	20.2	20.1	20.5	22.2	21.9	21.5	21.1	20.5	19.8	17.7	19.8	20.7	19.8
of which: public and publicly guaranteed (PPG)	20.2	20.1	20.5	22.2	21.9	21.5	21.1	20.5	19.8	17.7	19.8	20.7	19.8
Change in external debt	-1.5	0.0	0.3	1.7	-0.2	-0.4	-0.4	-0.6	-0.7	-0.1	0.2		
Identified net debt-creating flows	15.2	-1.9	0.3	1.8	1.9	1.2	0.6	0.6	0.4	0.8	1.3	9.4	0.8
Non-interest current account deficit	9.4	1.6	4.6	5.3	5.7	5.3	4.9	5.0	4.8	5.2	5.7	7.4	5.1
Deficit in balance of goods and services	18.4	10.5	12.3	12.5	12.9	12.4	11.9	11.9	11.8	12.1	12.4	16.6	12.1
Exports	35.3	33.1	31.3	32.1	32.0	32.5	33.1	33.5	34.0	35.9	40.6		
Imports	53.7	43.5	43.6	44.6	45.0	44.9	45.0	45.5	45.8	48.0	53.0		
Net current transfers (negative = inflow)	-7.6	-8.3	-7.0	-6.8	-6.6	-6.6	-6.4	-6.4	-6.4	-6.3	-5.9	-7.7	-6.5
of which: official	-1.6	-2.2	-1.1	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-0.5		
Other current account flows (negative = net inflow)	-1.3	-0.5	-0.7	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-1.4	-0.6
Net FDI (negative = inflow)	6.8	-2.5	-2.5	-2.7	-3.0	-3.2	-3.5	-3.6	-3.7	-3.8	-3.8	2.6	-3.5
Endogenous debt dynamics 2/	-1.0	-1.0	-1.8	-0.8	-0.9	-0.8	-0.8	-0.7	-0.7	-0.6	-0.6		
Contribution from nominal interest rate	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4		
Contribution from real GDP growth	-1.1	-0.8	-0.9	-1.1	-1.1	-1.1	-1.1	-1.1	-1.0	-0.9	-1.0		
Contribution from price and exchange rate changes	-0.3	-0.6	-1.2	...	...	...	...	...	...	...	...		
Residual 3/	-16.6	1.9	0.0	-0.1	-2.1	-1.6	-1.0	-1.2	-1.1	-0.9	-1.1	-13.2	-1.1
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	15.1	16.6	16.6	16.3	15.9	15.4	14.7	12.3	13.6		
PV of PPG external debt-to-exports ratio	...	...	48.2	51.6	51.8	50.1	48.2	46.0	43.3	34.1	33.5		
PPG debt service-to-exports ratio	4.9	5.9	4.9	3.9	3.9	3.6	3.8	4.4	4.8	3.8	2.5		
PPG debt service-to-revenue ratio	9.3	10.7	7.5	6.3	6.3	5.7	6.1	7.1	7.8	5.8	4.1		
Gross external financing need (Billion of U.S. dollars)	0.2	0.3	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.3	3.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.5
GDP deflator in US dollar terms (change in percent)	1.3	2.9	6.4	-2.9	2.6	3.9	3.7	3.5	3.7	2.9	2.9	-0.6	2.6
Effective interest rate (percent) 4/	1.8	2.0	1.7	1.3	1.3	1.4	1.5	1.6	1.7	2.0	2.0	1.5	1.7
Growth of exports of G&S (US dollar terms, in percent)	5.3	0.6	5.5	4.8	8.1	11.2	11.4	10.6	11.0	9.8	10.8	4.6	9.6
Growth of imports of G&S (US dollar terms, in percent)	-0.7	-12.9	11.8	4.5	9.1	9.5	9.5	10.4	10.2	9.6	10.4	4.4	9.2
Grant element of new public sector borrowing (in percent)	...	...	...	37.1	33.2	34.0	34.0	34.0	34.0	34.0	34.0	...	34.2
Government revenues (excluding grants, in percent of GDP)	18.7	18.2	20.3	19.9	20.0	20.3	20.5	20.8	21.0	23.4	24.2	17.9	21.3
Aid flows (in Billion of US dollars) 5/	0.3	0.4	0.4	0.3	0.2	0.3	0.3	0.3	0.4	0.5	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.5	4.5	4.4	4.4	4.4	4.4	4.2	2.3	...	4.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	70.1	71.8	74.1	74.1	74.1	74.1	72.8	59.4	...	73.4
Nominal GDP (Billion of US dollars)	4	5	5	5	6	6	7	8	8	13	29		
Nominal dollar GDP growth	6.9	7.4	11.6	2.2	8.2	9.6	9.4	9.2	9.4	8.6	8.6	5.1	8.3
Memorandum items:													
PV of external debt 7/	...	...	15.1	16.6	16.6	16.3	15.9	15.4	14.7	12.3	13.6		
In percent of exports	...	...	48.2	51.6	51.8	50.1	48.2	46.0	43.3	34.1	33.5		
Total external debt service-to-exports ratio	4.9	5.9	4.9	3.9	3.9	3.6	3.8	4.4	4.8	3.8	2.5		
PV of PPG external debt (in Billion of US dollars)			0.8	0.9	1.0	1.1	1.1	1.2	1.2	1.6	4.0		
(PVt-PVt-1)/GDPt-1 (in percent)				1.9	1.4	1.3	1.1	0.9	0.7	0.8	1.3		
Non-interest current account deficit that stabilizes debt ratio	10.9	1.7	4.3	3.6	6.0	5.7	5.3	5.6	5.5	5.3	5.6		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes debt of the central government and public entities.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

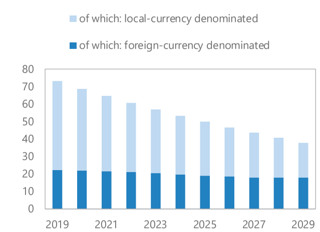
Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

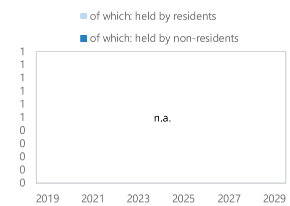
(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2039	Historical	Projections
Public sector debt 1/	81.4	76.0	76.2	73.1	68.9	64.7	60.8	57.0	53.3	49.9	46.7	43.7	40.8	37.9	31.5	64.8	54.3
of which: external debt	20.2	20.1	20.5	22.2	21.9	21.5	21.1	20.5	19.8	19.1	18.5	18.0	17.8	17.7	19.8	20.7	19.8
Change in public sector debt	9.2	-5.4	0.2	-3.1	-4.1	-4.2	-3.9	-3.8	-3.7	-3.3	-3.2	-3.0	-2.9	-2.8	0.5		
Identified debt-creating flows	5.5	-5.7	-1.8	-2.8	-3.9	-4.0	-3.7	-3.6	-3.5	-3.2	-3.1	-2.9	-2.8	-2.7	0.5	-6.0	-3.3
Primary deficit	7.2	-1.5	-1.6	0.4	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	2.0	3.3	-0.9
Revenue and grants	21.6	21.4	23.9	24.0	23.7	23.9	24.2	24.4	24.6	25.2	25.6	26.1	26.5	26.7	25.7	20.5	25.0
of which: grants	2.9	3.2	3.6	4.1	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.4	1.5		
Primary (noninterest) expenditure	28.7	19.9	22.3	24.4	22.7	22.9	23.2	23.4	23.6	24.2	24.6	25.1	25.5	25.7	27.6	23.8	24.1
Automatic debt dynamics	-1.7	-4.2	-1.4	-2.1	-2.9	-3.0	-2.7	-2.6	-2.5	-2.2	-2.1	-1.9	-1.8	-1.7	-1.5		
Contribution from interest rate/growth differential	-2.2	-2.3	-2.3	-2.4	-2.6	-2.6	-2.4	-2.3	-2.2	-1.7	-1.5	-1.4	-1.3	-1.3	-1.0		
of which: contribution from average real interest rate	1.6	1.1	1.2	1.4	1.2	1.0	1.0	0.9	0.8	1.1	1.1	1.0	0.9	0.9	0.6		
of which: contribution from real GDP growth	-3.8	-3.4	-3.6	-3.8	-3.8	-3.6	-3.4	-3.2	-3.0	-2.8	-2.6	-2.4	-2.3	-2.1	-1.6		
Contribution from real exchange rate depreciation	0.5	-1.9	0.9	...	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.8	-0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
2018 revenue arrears paid in 2019	0.0	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.7	0.3	2.0	0.0	-0.5	-0.6	-0.5	-0.5	-0.5	-0.7	-0.7	-0.6	-0.6	-0.6	-0.5	4.4	-0.5
Sustainability indicators																	
PV of public debt-to-GDP ratio 2/	...	...	71.3	67.5	63.5	59.4	55.6	51.9	48.2	44.8	41.6	38.5	35.4	32.5	25.3		
PV of public debt-to-revenue and grants ratio	...	...	298.4	281.6	268.1	248.3	230.0	212.2	195.8	177.9	162.2	147.6	133.6	121.5	98.7		
Debt service-to-revenue and grants ratio 3/	55.5	101.7	57.7	38.6	47.3	50.1	34.8	35.6	35.1	33.1	32.0	27.9	26.6	21.8	12.1		
Gross financing need 4/	19.1	20.3	13.4	8.6	10.2	11.0	7.4	7.7	7.6	7.4	7.2	6.3	6.1	4.8	5.1		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.5
Average nominal interest rate on external debt (in percent)	1.8	2.1	1.6	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.0	2.0	1.5	1.7
Average real interest rate on domestic debt (in percent)	3.0	1.9	2.6	2.9	2.8	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.6	1.5	2.6
Real exchange rate depreciation (in percent, + indicates depreciation)	2.7	-10.0	4.7	...	...	...	...	...	...	...	...	...	...	...	...	2.2	...
Inflation rate (GDP deflator, in percent)	1.5	0.9	1.7	2.1	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	1.4	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	7.1	-27.7	17.6	15.3	-2.0	6.7	6.7	6.6	6.3	8.2	7.2	7.6	7.2	6.3	5.5	10.1	6.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.1	3.9	-1.8	3.5	3.1	3.2	2.9	2.8	2.7	2.4	2.2	2.1	1.9	1.8	1.5	0.0	2.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Togo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	17	17	16	16	15	15	14	13	13	12	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	17	22	28	34	**40**	**46**	**52**	**58**	**63**	**68**	**73**
B. Bound Tests											
B1. Real GDP growth	17	17	17	16	16	15	14	14	13	13	13
B2. Primary balance	17	18	20	20	19	19	19	18	18	17	17
B3. Exports	17	20	27	27	26	24	23	22	21	20	19
B4. Other flows 3/	17	26	34	33	32	30	29	28	26	25	23
B5. One-time 30 percent nominal depreciation	17	21	16	16	16	15	14	13	13	13	13
B6. Combination of B1-B5	17	27	32	30	29	28	27	26	24	23	22
C. Tailored Tests											
C1. Combined contingent liabilities	17	20	19	19	18	18	18	17	17	16	16
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	52	52	50	48	46	43	41	39	37	35	34
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	52	69	87	104	121	136	152	167	180	**192**	**204**
B. Bound Tests											
B1. Real GDP growth	52	52	50	48	46	43	41	39	37	35	34
B2. Primary balance	52	57	61	59	57	55	55	53	50	49	48
B3. Exports	52	73	116	110	105	98	93	88	83	78	73
B4. Other flows 3/	52	81	106	100	95	89	85	80	75	70	65
B5. One-time 30 percent nominal depreciation	52	52	40	38	37	35	33	31	29	28	28
B6. Combination of B1-B5	52	87	92	108	103	97	92	87	81	76	71
C. Tailored Tests											
C1. Combined contingent liabilities	52	61	59	57	54	53	52	50	47	46	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	4	4	4	4	4	5	5	5	5	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	4	4	4	5	7	8	9	10	11	11	12
B. Bound Tests											
B1. Real GDP growth	4	4	4	4	4	5	5	5	5	4	4
B2. Primary balance	4	4	4	4	5	5	5	6	5	5	5
B3. Exports	4	5	6	7	7	8	8	8	8	8	8
B4. Other flows 3/	4	4	4	5	6	6	6	6	7	7	6
B5. One-time 30 percent nominal depreciation	4	4	4	3	4	5	5	5	5	4	3
B6. Combination of B1-B5	4	4	5	6	7	7	7	8	8	8	7
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	4	4	5	5	5	5	5	5	4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	6	6	6	6	7	8	8	8	8	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	6	6	7	8	11	13	14	15	17	17	**18**
B. Bound Tests											
B1. Real GDP growth	6	6	6	6	7	8	8	8	8	7	6
B2. Primary balance	6	6	6	7	8	8	9	9	9	8	7
B3. Exports	6	6	6	8	9	9	10	10	9	9	8
B4. Other flows 3/	6	6	7	9	10	10	10	10	11	11	10
B5. One-time 30 percent nominal depreciation	6	8	7	7	8	9	10	10	9	7	6
B6. Combination of B1-B5	6	7	7	9	9	10	10	10	11	10	9
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	6	7	7	8	8	9	8	7	6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

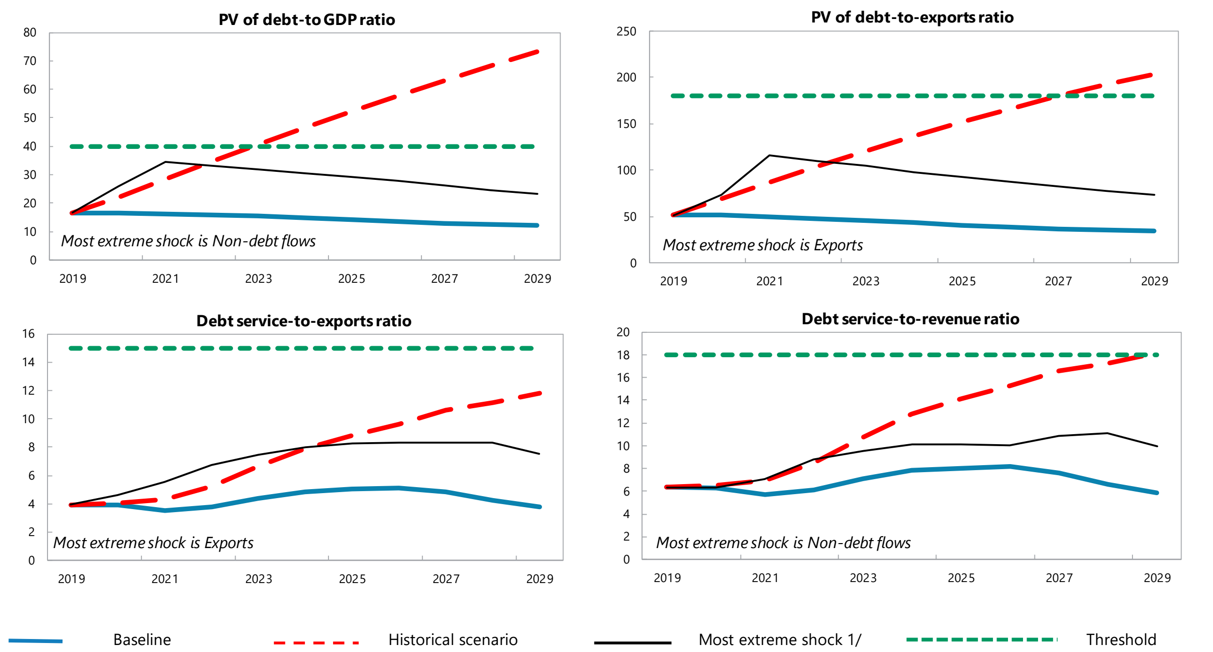
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Togo: Sensitivity Analysis for Key Indicators of Public Debt 2019–29

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**68**	**64**	**59**	**56**	**52**	**48**	**45**	**42**	**38**	**35**	**32**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**68**	**67**	**67**	**67**	**66**	**66**	**65**	**65**	**65**	**64**	**64**
B. Bound Tests											
B1. Real GDP growth	**68**	**64**	**61**	**58**	54	51	48	45	42	39	36
B2. Primary balance	**68**	**70**	**73**	**69**	**65**	**60**	**56**	53	49	46	42
B3. Exports	**68**	**67**	**70**	**65**	**61**	**57**	53	50	46	42	39
B4. Other flows 3/	**68**	**73**	**77**	**73**	**68**	**64**	**60**	**56**	52	48	44
B5. One-time 30 percent nominal depreciation	**68**	**64**	**58**	53	48	43	39	34	30	26	22
B6. Combination of B1-B5	**68**	**67**	**63**	53	49	46	42	39	37	34	31
C. Tailored Tests											
C1. Combined contingent liabilities	**68**	**74**	**70**	**66**	**62**	**57**	53	50	46	43	40
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	282	268	248	230	212	196	178	162	148	134	122
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	282	284	279	274	269	264	257	251	245	239	235
B. Bound Tests											
B1. Real GDP growth	282	271	255	238	221	206	189	174	160	147	136
B2. Primary balance	282	296	303	283	264	246	224	206	189	173	159
B3. Exports	282	283	290	270	250	231	211	193	177	160	145
B4. Other flows 3/	282	307	324	301	279	259	237	218	199	180	163
B5. One-time 30 percent nominal depreciation	282	272	244	221	198	176	155	135	117	99	84
B6. Combination of B1-B5	282	284	265	220	203	187	169	154	142	128	116
C. Tailored Tests											
C1. Combined contingent liabilities	282	313	291	271	252	233	212	195	178	163	149
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	39	47	50	35	36	35	33	32	28	27	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	39	48	52	37	38	38	37	36	33	33	28
B. Bound Tests											
B1. Real GDP growth	39	48	51	36	36	36	35	34	30	28	24
B2. Primary balance	39	47	52	38	39	45	50	42	32	32	30
B3. Exports	39	47	51	36	37	36	34	33	29	29	24
B4. Other flows 3/	39	47	51	37	38	37	35	34	31	30	25
B5. One-time 30 percent nominal depreciation	39	45	48	34	35	35	32	31	28	26	21
B6. Combination of B1-B5	39	46	49	34	34	34	32	31	29	27	22
C. Tailored Tests											
C1. Combined contingent liabilities	39	47	52	37	38	48	45	35	30	31	28
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 1. Togo: Indicators of Public Guaranteed External Debt Under Alternatives Scenarios, 2019–29 1/



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6

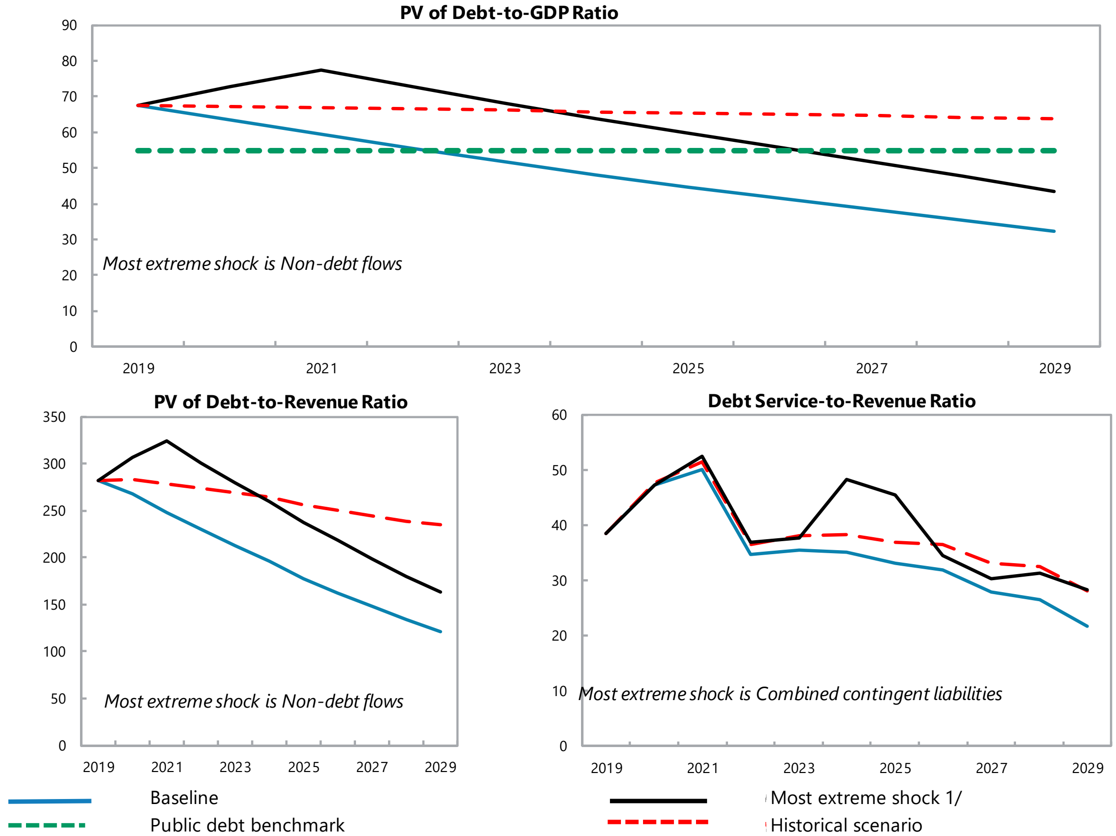
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Togo: Indicators of Public Debt Under Alternative Scenarios, 2019–29



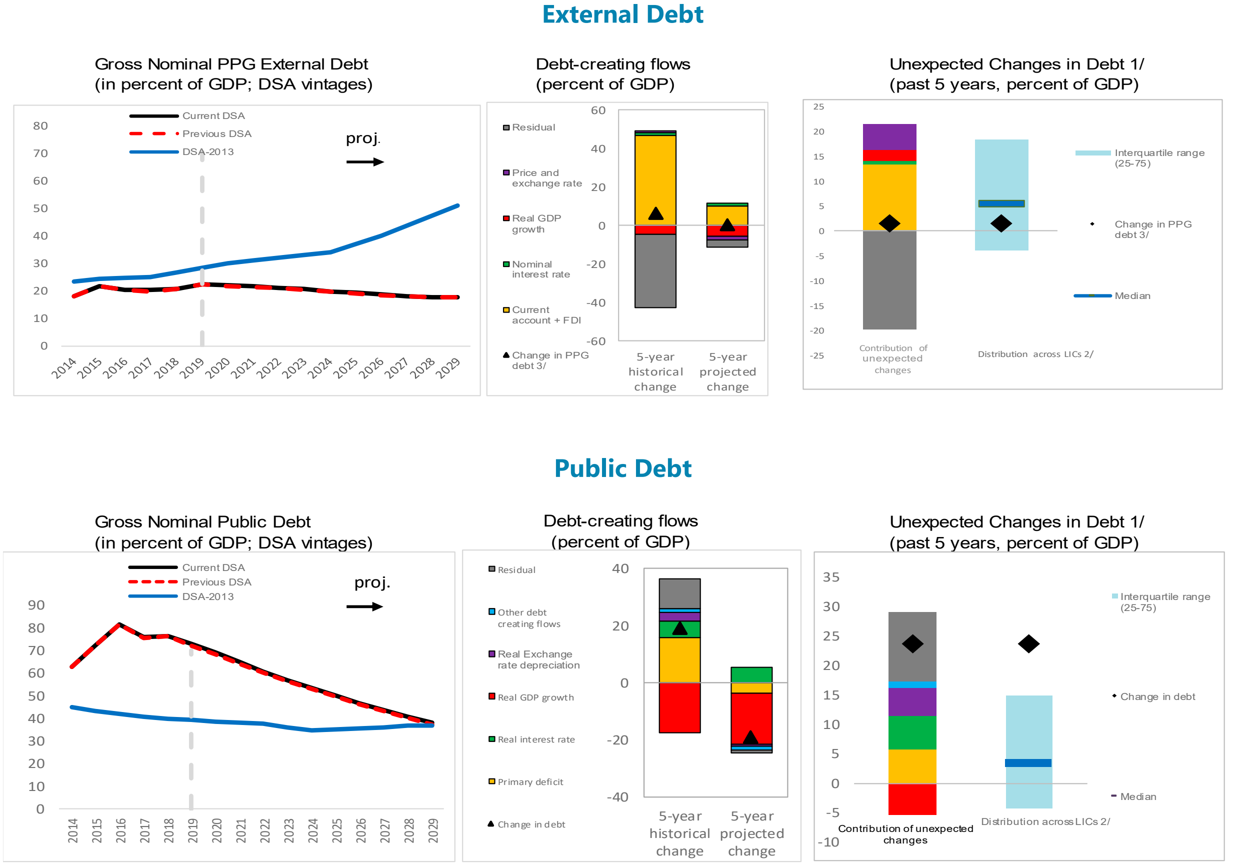
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	35%	35%
Domestic medium and long-term	65%	65%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.7%	3.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Togo: Drivers of Debt Dynamics – Baseline Scenario



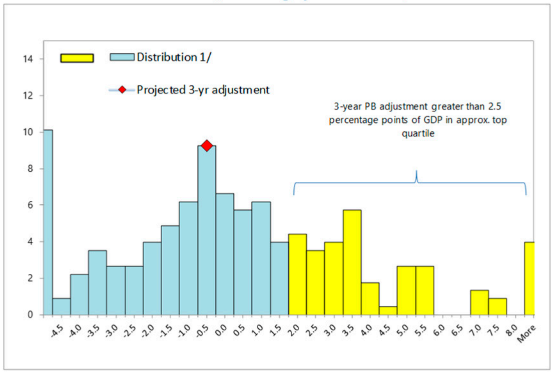
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

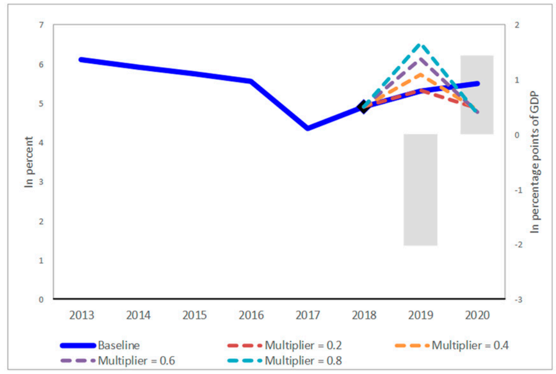
Figure 4. Togo: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



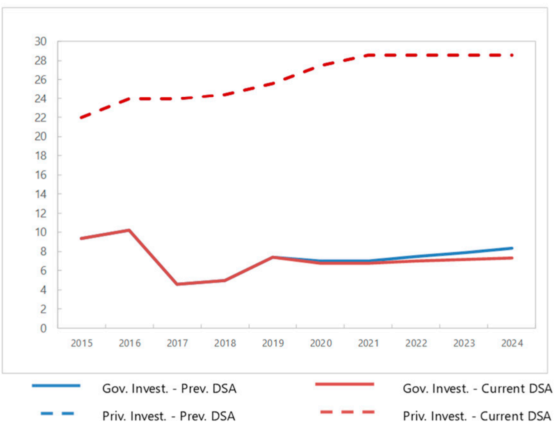
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

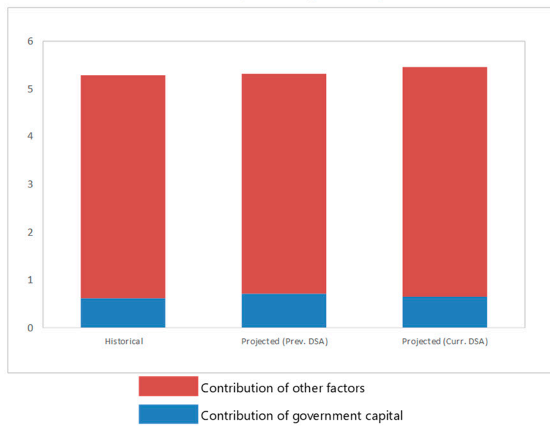


Figure 5. Togo: Qualification of the Moderate Category, 2019–29 [1/]

Sources: Country authorities; and staff estimates and projections.

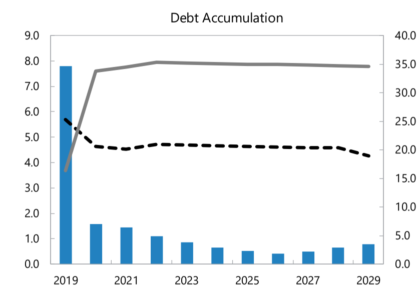
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

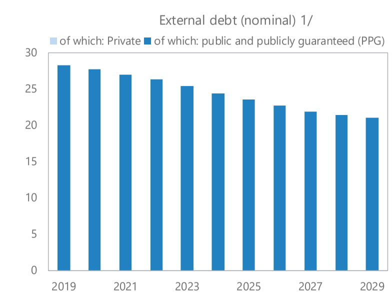
Table 5. Togo: External Debt Sustainability Framework, Debt Reprofiling Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	20.2	20.1	20.5	28.2	27.7	27.0	26.3	25.4	24.4	21.1	21.1	20.7	24.5
of which: public and publicly guaranteed (PPG)	20.2	20.1	20.5	28.2	27.7	27.0	26.3	25.4	24.4	21.1	21.1	20.7	24.5
Change in external debt	-1.5	0.0	0.3	7.7	-0.5	-0.7	-0.7	-0.9	-1.0	-0.3	0.0		
Identified net debt-creating flows	15.2	-1.9	0.3	1.8	1.8	1.1	0.5	0.5	0.2	0.7	1.2	9.4	0.7
Non-interest current account deficit	9.4	1.6	4.6	5.3	5.7	5.2	4.8	4.9	4.7	5.1	5.7	7.4	5.0
Deficit in balance of goods and services	18.4	10.5	12.3	12.5	12.9	12.4	11.9	11.9	11.8	12.1	12.4	16.6	12.1
Exports	35.3	33.1	31.3	32.1	32.0	32.5	33.1	33.5	34.0	35.9	40.6		
Imports	53.7	43.5	43.6	44.6	45.0	44.9	45.0	45.5	45.8	48.0	53.0		
Net current transfers (negative = inflow)	-7.6	-8.3	-7.0	-6.8	-6.6	-6.6	-6.4	-6.4	-6.4	-6.3	-5.9	-7.7	-6.5
of which: official	-1.6	-2.2	-1.1	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-0.5		
Other current account flows (negative = net inflow)	-1.3	-0.5	-0.7	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-1.4	-0.6
Net FDI (negative = inflow)	6.8	-2.5	-2.5	-2.7	-3.0	-3.2	-3.5	-3.6	-3.7	-3.8	-3.8	2.6	-3.5
Endogenous debt dynamics 2/	-1.0	-1.0	-1.8	-0.8	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7		
Contribution from nominal interest rate	0.4	0.4	0.3	0.3	0.5	0.5	0.5	0.5	0.5	0.4	0.4		
Contribution from real GDP growth	-1.1	-0.8	-0.9	-1.1	-1.4	-1.4	-1.4	-1.3	-1.3	-1.1	-1.1		
Contribution from price and exchange rate changes	-0.3	-0.6	-1.2	...	...	...	...	...	...	...	...		
Residual 3/	-16.6	1.9	0.0	6.0	-2.3	-1.8	-1.2	-1.3	-1.3	-1.0	-1.2	-13.2	-0.7
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	15.1	22.4	22.1	21.5	20.7	19.7	18.6	14.6	14.6		
PV of PPG external debt-to-exports ratio	...	...	48.2	69.7	69.0	66.2	62.4	58.8	54.7	40.8	35.9		
PPG debt service-to-exports ratio	4.9	5.9	4.9	3.9	4.7	4.3	5.9	6.2	6.5	4.8	2.6		
PPG debt service-to-revenue ratio	9.3	10.7	7.5	6.3	7.5	6.8	9.4	10.0	10.5	7.3	4.5		
Gross external financing need (Billion of U.S. dollars)	0.2	0.3	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.4	3.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.5
GDP deflator in US dollar terms (change in percent)	1.3	2.9	6.4	-2.9	2.6	3.9	3.7	3.5	3.7	2.9	2.9	-0.6	2.6
Effective interest rate (percent) 4/	1.8	2.0	1.7	1.3	2.0	2.0	2.1	2.1	2.1	2.1	2.0	1.5	2.0
Growth of exports of G&S (US dollar terms, in percent)	5.3	0.6	5.5	4.8	8.1	11.2	11.4	10.6	11.0	9.8	10.8	4.6	9.6
Growth of imports of G&S (US dollar terms, in percent)	-0.7	-12.9	11.8	4.5	9.1	9.5	9.5	10.4	10.2	9.6	10.4	4.4	9.2
Grant element of new public sector borrowing (in percent)	...	...	...	16.4	33.8	34.5	35.3	35.2	35.1	34.6	34.0	...	33.1
Government revenues (excluding grants, in percent of GDP)	18.7	18.2	20.3	19.9	20.0	20.3	20.5	20.8	21.0	23.4	24.2	17.9	21.3
Aid flows (in Billion of US dollars) 5/	0.3	0.4	0.4	0.3	0.2	0.3	0.3	0.3	0.4	0.5	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.7	4.6	4.5	4.7	4.7	4.7	4.3	2.3	...	4.7
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	41.2	70.6	72.9	70.7	71.0	71.4	71.2	59.4	...	68.8
Nominal GDP (Billion of US dollars)	4	5	5	5	6	6	7	8	8	13	29		
Nominal dollar GDP growth	6.9	7.4	11.6	2.2	8.2	9.6	9.4	9.2	9.4	8.6	8.6	5.1	8.3
Memorandum items:													
PV of external debt 7/	...	...	15.1	22.4	22.1	21.5	20.7	19.7	18.6	14.6	14.6		
In percent of exports	...	...	48.2	69.7	69.0	66.2	62.4	58.8	54.7	40.8	35.9		
Total external debt service-to-exports ratio	4.9	5.9	4.9	3.9	4.7	4.3	5.9	6.2	6.5	4.8	2.6		
PV of PPG external debt (in Billion of US dollars)			0.8	1.2	1.3	1.4	1.5	1.5	1.6	1.9	4.2		
(PVt-PVt-1)/GDPt-1 (in percent)				7.8	1.6	1.4	1.1	0.9	0.6	0.8	1.3		
Non-interest current account deficit that stabilizes debt ratio	10.9	1.7	4.3	-2.5	6.2	5.9	5.5	5.8	5.8	5.5	5.7		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes debt of the central government and public entities.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

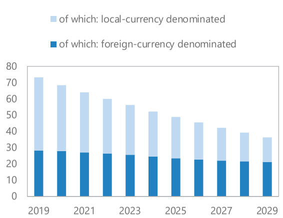
Table 6. Togo: Public Sector Debt Sustainability Framework, Debt Reprofiling Scenario, 2016–39

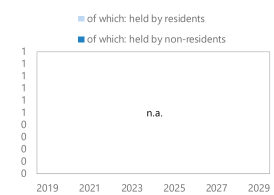
(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2039	Historical	Projections
Public sector debt 1/	81.4	76.0	76.2	73.0	68.6	64.1	60.1	56.1	52.3	48.8	45.5	42.3	39.3	36.4	29.4	64.8	53.3
of which: external debt	20.2	20.1	20.5	28.2	27.7	27.0	26.3	25.4	24.4	23.6	22.7	21.9	21.4	21.1	21.1	20.7	24.5
Change in public sector debt	9.2	-5.4	0.2	-3.1	-4.5	-4.4	-4.1	-4.0	-3.8	-3.5	-3.3	-3.1	-3.0	-2.9	0.4		
Identified debt-creating flows	5.5	-5.7	-1.8	-2.8	-4.3	-4.2	-3.8	-3.8	-3.7	-3.3	-3.2	-3.0	-2.9	-2.9	0.4	-6.0	-3.4
Primary deficit	7.2	-1.5	-1.6	0.4	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	2.0	3.3	-0.9
Revenue and grants	21.6	21.4	23.9	24.0	23.7	23.9	24.2	24.4	24.6	25.2	25.6	26.1	26.5	26.7	25.7	20.5	25.0
of which: grants	2.9	3.2	3.6	4.1	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.4	1.5		
Primary (noninterest) expenditure	28.7	19.9	22.3	24.4	22.7	22.9	23.2	23.4	23.6	24.2	24.6	25.1	25.5	25.7	27.6	23.8	24.1
Automatic debt dynamics	-1.7	-4.2	-1.4	-2.2	-3.3	-3.2	-2.9	-2.8	-2.6	-2.3	-2.2	-2.0	-1.9	-1.9	-1.5		
Contribution from interest rate/growth differential	-2.2	-2.3	-2.3	-2.5	-2.9	-2.7	-2.5	-2.4	-2.3	-1.6	-1.5	-1.4	-1.3	-1.3	-1.0		
of which: contribution from average real interest rate	1.6	1.1	1.2	1.3	0.9	0.8	0.9	0.7	0.7	1.1	1.0	0.9	0.9	0.8	0.6		
of which: contribution from real GDP growth	-3.8	-3.4	-3.6	-3.8	-3.8	-3.6	-3.3	-3.1	-2.9	-2.7	-2.5	-2.4	-2.2	-2.0	-1.5		
Contribution from real exchange rate depreciation	0.5	-1.9	0.9	...	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.8	-0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
2018 revenue arrears paid in 2019	0.0	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.7	0.3	2.0	0.1	-0.6	-0.7	-0.6	-0.6	-0.6	-0.8	-0.8	-0.7	-0.7	-0.7	-0.6	4.4	-0.6
Sustainability indicators																	
PV of public debt-to-GDP ratio 2/	...	...	71.3	67.3	62.9	58.5	54.4	50.3	46.4	42.8	39.3	36.1	32.9	29.9	22.8		
PV of public debt-to-revenue and grants ratio	...	...	298.4	280.6	265.4	244.6	224.8	205.9	188.4	169.8	153.6	138.5	124.2	111.8	88.9		
Debt service-to-revenue and grants ratio 3/	55.5	101.7	57.7	62.2	41.3	44.7	31.3	32.5	32.6	29.7	28.8	24.1	23.1	18.5	8.9		
Gross financing need 4/	19.1	20.3	13.4	14.2	8.8	9.7	6.6	6.9	7.0	6.5	6.4	5.3	5.1	4.0	4.3		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	5.6	4.4	4.9	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.5
Average nominal interest rate on external debt (in percent)	1.8	2.1	1.6	1.3	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	1.5	2.0
Average real interest rate on domestic debt (in percent)	3.0	1.9	2.6	2.7	2.3	2.2	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.1	2.1	1.5	2.3
Real exchange rate depreciation (in percent, + indicates depreciation)	2.7	-10.0	4.7	...	...	...	...	...	...	...	...	...	...	...	...	2.2	...
Inflation rate (GDP deflator, in percent)	1.5	0.9	1.7	2.1	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	1.4	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	7.1	-27.7	17.6	15.3	-2.0	6.7	6.7	6.6	6.3	8.2	7.2	7.6	7.2	6.3	5.5	10.1	6.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.1	3.9	-1.8	3.6	3.4	3.4	3.1	3.0	2.8	2.5	2.3	2.2	2.0	2.0	1.5	0.0	2.8
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

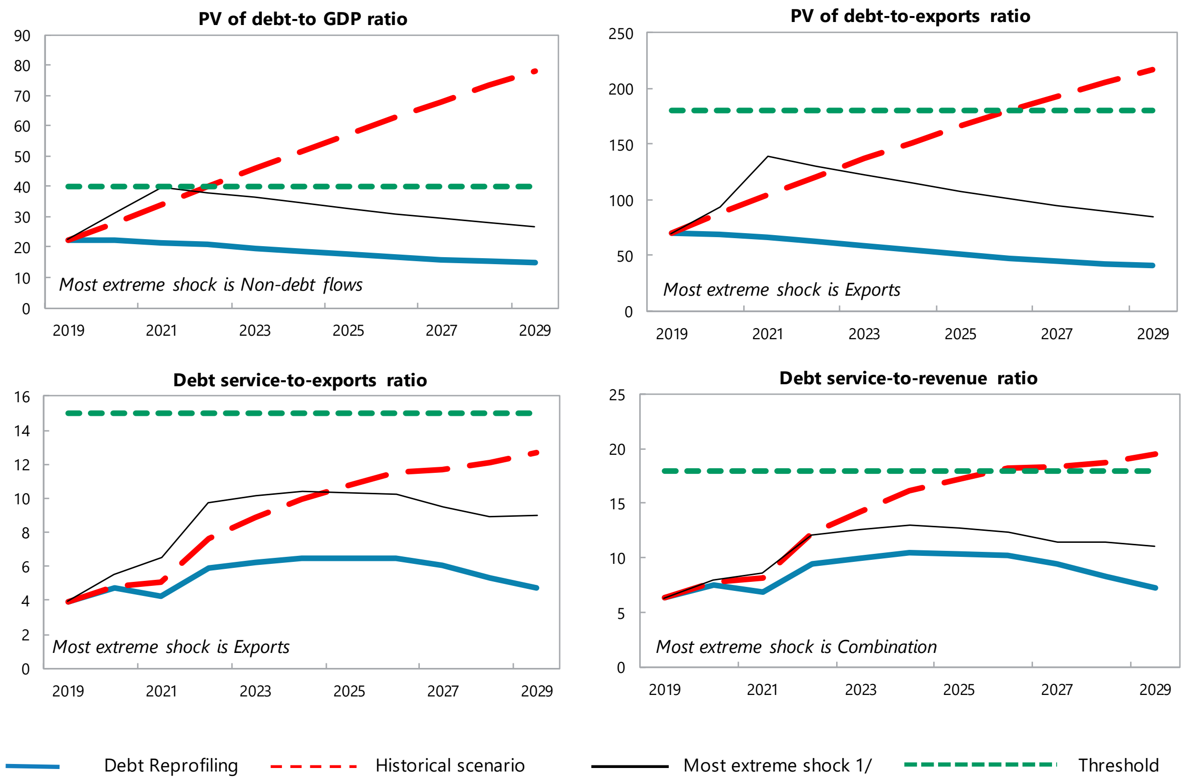
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 6. Togo: Indicators of Public Guaranteed External Debt Under Alternatives Scenarios for the Debt Reprofiling Scenario, 2019–29 1/



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.5%	2.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	7	7

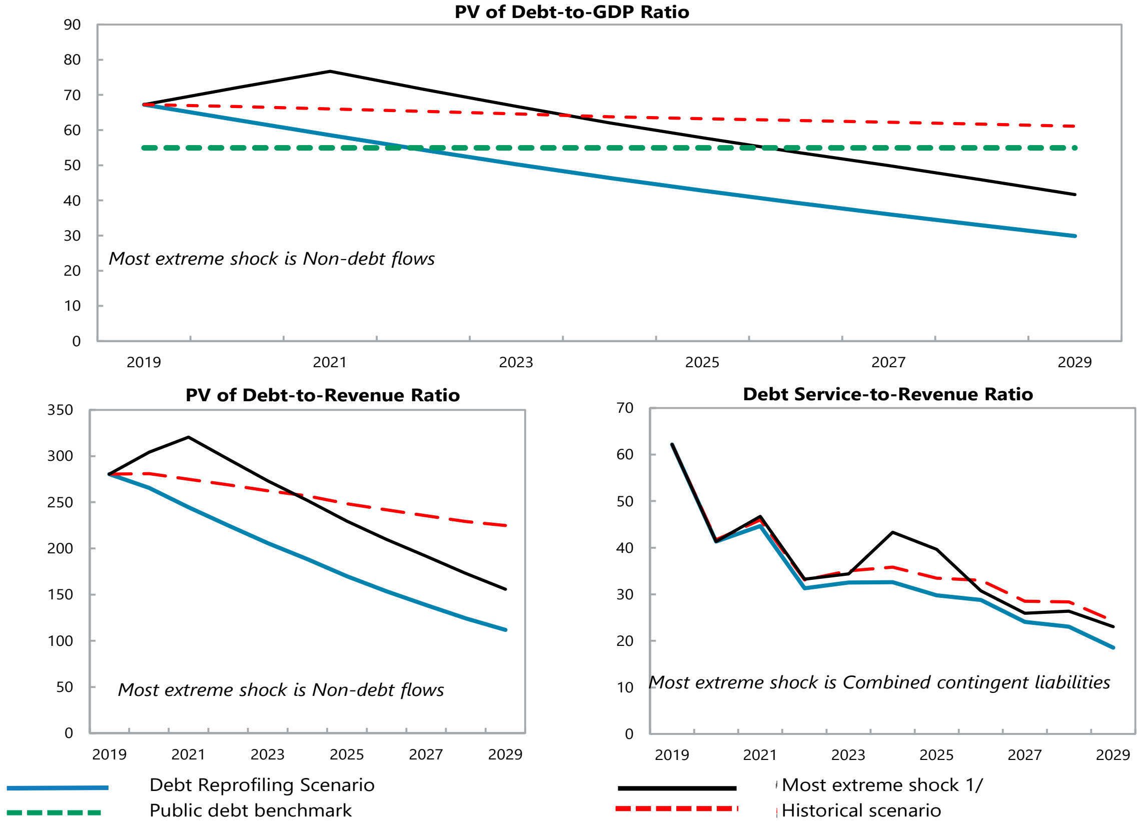
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 7. Togo: Indicators of Public Debt Under Alternative Scenarios for the Debt Reprofiling Scenario, 2019–29



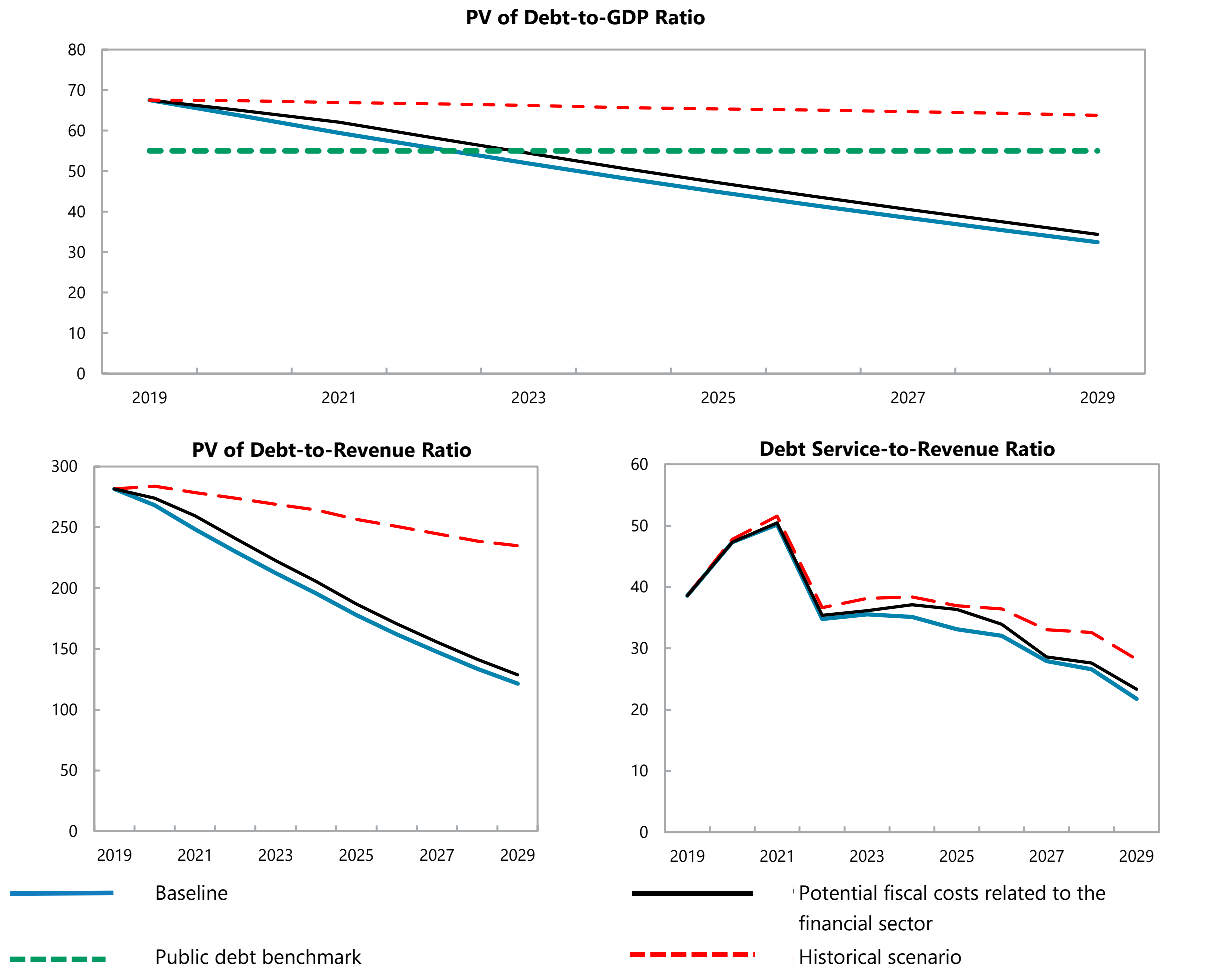
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	48%	48%
Domestic medium and long-term	52%	52%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.5%	2.5%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.7%	3.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 8. Togo: Indicators of Public Debt Under Alternative Scenarios, Including Potential Fiscal Costs Related to the Financial Sector, 2019–29



**Statement by Mr. Raghani, Executive Director for Togo,
and Mrs. Boukpessi, Advisor to the Executive Director
October 25, 2019**

1. The Togolese authorities would like to thank Staff for the candid and constructive discussions held in Lomé in the context of the Fifth Review under the Extended Credit Facility (ECF). They appreciate the continued support from Staff, Management and the Executive Board which has been instrumental to the satisfactory implementation of the ECF arrangement.

2. Togo continues to maintain a good track record of program ownership and implementation under the arrangement. The authorities have made commendable progress in safeguarding macroeconomic stability and advancing bold structural reforms, as embodied in the National Development Plan (NDP) –*Plan National de Développement*. Going forward, they are determined to build on the satisfactory performance under the ECF arrangement to make further inroads towards macroeconomic stability, address the financial sector's vulnerabilities and promote higher and more sustainable growth while responding to the country's social needs.

3. Against the backdrop of good program implementation and commitment to the program objectives, the authorities request the completion of the Fifth Review and continued support from the Fund. As indicated in their Memorandum of Economic and Financial Policies, (MEFP), all program targets for the following and last review will remain unchanged, except (i) the structural benchmark (SB) on two public banks to allow time for the submission of preliminary documents for their privatization; (ii) two indicative target (ITs) at end-December 2019 to accommodate election-related spending and the postponement to early 2020 of the last ECF disbursement. The authorities request the modification of these ITs and SB at end-December 2019.

Recent Developments and Program Performance

4. Togo's macroeconomic performance remains solid. Real GDP growth is projected to reach 5.3 percent in 2019 up from 4.9 percent in 2018, mainly driven by buoyant production in commodities notably phosphates, coffee, cocoa and cotton. Strong activity in the transportation sector (port and airport) is also expected to contribute to the 2019 growth. Inflation has remained subdued at 0.6 percent at end-July 2019.

5. On the fiscal front, Togo continues to comply with the WAEMU convergence criterion on the overall fiscal deficit of 3 percent of GDP. Indeed, the overall fiscal deficit has been reduced from 9.5 percent of GDP in 2016 and is expected to reach 2.9 percent

of GDP in 2019. Revenue mobilization objectives have been met while overall expenditure has been less than programmed, mostly on grounds of backloaded execution of domestically and foreign financed investment projects. Moreover, the ratio of public debt-to-GDP (excluding state-owned enterprise debt) is projected to decrease from 73.6 percent of GDP in 2018 to 70.9 percent by end-December 2019.

6. Performance under the program remains satisfactory. All end-June 2019 and continuous quantitative performance criteria (PCs) were met. As regard the ITs, total fiscal revenue exceeded the floor set under the program and domestic arrears were not accumulated. However, the IT on priority social spending for end-June 2019 was missed by 0.7 percent of GDP, due mainly to the change in the strategic framework for a key social program – *Programme d'Urgence de Développement Communautaire*– and the under-execution of some investment projects. On the structural front, all end-June SBs were met, except the one related to the revised strategy for the privatization of one of the two public banks. The open tender initially scheduled for end-August 2019 was successfully launched in September 2019 with the publication of the prequalification notice.

Medium-Term Outlook and Macroeconomic Policies Going forward

7. Togo's medium-term economic outlook is favorable, supported by the authorities' commitment to sound macroeconomic and structural policies. Real GDP is expected to continue growing notably on the back of the recent public infrastructure investments, the continued implementation of the NDP's projects and increased foreign direct investment.

8. The authorities acknowledge significant risks to the outlook, including rising trade protectionism, decelerating global growth, regional security threats and climate change. Against this background, they will endeavor to reinforce the economy's resilience to shocks. They will pursue the implementation of policies aimed at increasing fiscal sustainability, including through consolidation efforts to meet the WAEMU convergence criteria; strengthening debt sustainability; addressing financial vulnerabilities; and improving governance and the business environment.

Safeguarding Fiscal and Debt Sustainability

9. The authorities are determined to reinforce fiscal sustainability through sustained measures to enhance domestic revenue mobilization, rationalize expenditures while increasing social spending. As reflected in the 2019 supplementary budget approved last September, the overall deficit is expected to reach 2.9 percent of GDP from 2.7 percent at the time of the fourth review to take into account spending initially programmed for 2020 and emergency expenditures agreed during that review. The 2020 overall fiscal deficit is projected at 1.9 percent of GDP and beyond 2020, it should remain below the WAEMU convergence threshold.

10. On the revenue side, building on the recommendations of the recent Joint IMF - World Bank evaluation on the Tax Administration Diagnostic Assessment Tool (TADAT), the authorities will implement an action plan that includes among others, measures aimed at (i) expanding by December 2019 the online filing system to most of the large companies; (ii) extending online tax-return filing to medium-sized companies; (iii) increasing incentives for voluntary tax payments; and (iv) achieving a total dematerialization of customs procedures and declarations. Moreover, steps to continue reinforcing the revenue administration –*Office Togolais des Recettes*– and improving its efficiency will be pursued. Furthermore, the authorities are making substantial efforts to contain tax expenditures, which have already resulted in their reduction from 4.3 percent of GDP in 2016 to 1.9 percent in 2018. Altogether, these measures will help shift from the recent ad-hoc revenue to more permanent revenue sources.

11. Increasing the efficiency of government spending continues to rank high on the authorities' agenda, as demonstrated by recent measures in line with the 2018 comprehensive expenditure review. In addition, measures such as the centralization of procurement, the streamlining of the civil service payroll and the reduction in exemptions will rationalize and improve the quality of public expenditure. These will also strengthen the overall governance system and public financial management. The WAEMU's directive on program-based budget is currently being implemented with the adoption of the first program-based budget for 2020-22 by the cabinet last June. In order to enhance the management of the Treasury Single Account (TSA) and reduce borrowing costs, the authorities are gradually closing government accounts in commercial banks and transferring their balances to the TSA, while extending the latter's coverage to include other government entities.

12. To ensure fiscal sustainability while monitoring fiscal risks, the private sector also is called on to play a major role in the financing of projects under the authorities' NDP. The legal and institutional framework for Public-Private Partnerships (PPP) development was established while the unit in charge of PPP was created within the public debt directorate and has been provided with the necessary tools to become fully operational.

13. The authorities take note of the updated debt sustainability analysis which indicates that Togo's risk of external debt distress remains moderate while the risk of overall public debt distress is high. They will continue their efforts to strengthen long-term fiscal and debt sustainability. The public debt-to GDP ratio is projected to continue declining and meet the WAEMU debt convergence criterion of 70 percent of GDP by 2020. In addition to pursuing steadfast fiscal consolidation, the authorities will carry out a debt reprofiling operation with adequate safeguards measures to reduce the present value of the public debt stock and mitigate rollover risks. They reiterate their commitment to a prudent borrowing strategy and will continue to reinforce the capacities of the public debt directorate especially in view of the new risks stemming from higher international market exposure.

Strengthening Financial Stability

14. As the authorities endeavor to position Togo as a sub-regional financial center in the context of the NDP, they are resolutely committed to enhancing financial stability in coordination with the regional banking Commission and to tackling the high level of NPLs and other financial vulnerabilities. These include risks related to compliance with capital requirement, loan concentration and risk management.

15. Important strides are being made towards finalizing the privatization of the two state-owned banks while minimizing future risks to the budget. With the support of an international transaction advisor, the authorities have launched in September 2019 an open tender to pre-select investors for the two public banks.

Advancing Structural Reforms to Spur Private Investment and Promote Inclusive Growth

16. Togo's medium-term development agenda is guided by the NDP which aims to structurally transform the economy and achieve a stronger, more sustainable and inclusive growth, create jobs and improve the living standards of the population. The private sector is expected to take the lead, supported by actions to strengthen government institutions and continued implementation of business-friendly policies. The bold reforms of recent years to promote the business and investment climate are already bearing fruit, as reflected by the important gains in Togo's ranking in the World Bank's Doing Business over the last two years.

17. The authorities are mindful of the need of additional efforts to further ameliorate the business environment. They will pursue far-reaching structural reforms, including in land registration and management, customs procedures, and tax administration. Reforms under the Compact with Africa initiative will continue to boost private investment. Under the supervision of the anticorruption authority *–Haute Autorité de Prévention et de Lutte contre la Corruption et les Infractions Assimilées (HAPLUCIA) –,* forceful steps to strengthen institutions, governance and the anti-corruption legal framework are also being undertaken. As for the AMF/CFT regime, progress consistent with the WAEMU's regulatory provisions is being made. The authorities will implement an action plan aimed at addressing the vulnerabilities identified in the national multisectoral money laundering/ financing of terrorism risk assessment recently completed in collaboration with the World Bank.

Building Capacity

18. Continued capacity development is key in supporting the authorities' reform agenda. They welcome the Fund's tailored assistance in the areas of revenue administration, public financial management and statistics. They would like to emphasize the importance of having a resident advisor to help buttress debt management capacity.

Conclusion

19. Our Togolese authorities reiterate their commitment to achieve the ECF program objectives. They will pursue their fiscal consolidation efforts and implement reforms aimed at strengthening macroeconomic and financial stability, bringing public debt to sustainable levels while raising social spending and promoting more inclusive growth. In view of their satisfactory program performance, we would appreciate the Executive Board's completion of the fifth review under the ECF arrangement.