INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/107

TOGO

April 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR AUGMENTATION OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TOGO

In the context of the Sixth Review under the Extended Credit Facility and Request for Augmentation of Access, 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 April 3, 2020, following discussions that ended on March 25, 2020, 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 March 26, 2020.
- A **Debt Sustainability Analysis** 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*
*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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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes the Sixth Review under Togo's ECF Arrangement and Augments Disbursement to Address the Impact of COVID-19

FOR IMMEDIATE RELEASE

- The Executive Board decision allows an immediate disbursement of US$131.3 million to Togo, which is almost four times larger than previously foreseen.
- The augmentation of access will help the authorities address the human and economic implications of COVID-19 pandemic.
- After three years of implementation of the Fund-supported program, performance is satisfactory in most sectors; reforms encountered delays in the financial sector.

Washington, DC – April 3, 2020 The Executive Board of the International Monetary Fund (IMF) completed the sixth and final 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 96.63 million (about US$131.3 million), bringing total disbursements under the arrangement to SDR 247.65 million (about US$336.4 million).

Togo's three-year arrangement of SDR 176.16 million (about US$239.3 million, 120 percent of Togo's quota) was approved on May 5, 2017 (see Press Release No.17/151). In completing the sixth review, the Executive Board also approved the authorities' request for an augmentation of access under the ECF arrangement of 48.7 percent of Togo's quota (SDR 71.49 million or about US$97.1 million) to address the urgent financing need stemming from the authorities' efforts and plans to control the spread of COVID-19 and mitigate its economic impacts.

Togo made significant progress during 2017-19 under the Fund-supported program in several areas, while reforms remain incomplete in a key sector. Economic recovery was firming up but has recently been hindered by the COVID-19 pandemic. Growth projections for 2020 have been significantly revised downwards. The fiscal deficit and the balance of payment financing gap are expected to widen substantially due to revenue loss, higher healthcare spending, and weaker exports.

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. While the economic recovery was firming up, it has recently been hindered by the COVID-19 pandemic. The macroeconomic outlook is subject to a high degree of uncertainty.

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

“The authorities are taking immediate actions to address the human and economic implications of the COVID-19 pandemic while safeguarding the hard-won fiscal achievements. During 2017-19, Togo has been complying with the WAEMU convergence criterion of a fiscal deficit not exceeding 3 percent of GDP. For 2020, the fiscal deficit and the balance of payments financing gap are forecast to widen due to additional healthcare spending and other impacts of COVID-19 on the economy. Nonetheless, public debt is still projected to remain on a downward path.

“Structural reforms are progressing on revenue administration and public financial management. Progress has been made on collection of tax arrears, online submission of customs declarations, and steps toward program-based budgeting. It will be important to implement recommendations from a recent Tax Administration Diagnostic Assessment Tool, address remaining deficiencies in essential customs functions, and bolster voluntary compliance to ensure strong permanent revenue. Following up on key recommendations from the 2016 and 2019 Public Investment Management Assessments is also essential. In addition, pursuing a prudent borrowing policy and strengthening debt management capacity are necessary to safeguard debt sustainability.

“Togo is amongst the best performers in the improvement of the business environment in recent years. It will be important to pursue such reforms, including strengthening governance, and to implement the measures outlined in the National Development Plan to support strong and inclusive growth. Completing the delayed reforms of the two state-owned banks is paramount to safeguarding financial stability and preventing risks to the state budget.”

INTERNATIONAL MONETARY FUND

TOGO

March 26, 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR AUGMENTATION OF ACCESS

EXECUTIVE SUMMARY

Background: This report was initially prepared based on discussions with the Togolese authorities in end 2019 and early 2020 in the context of the sixth review of the ECF arrangement. The report has been revised to respond to the authorities' request received in recent weeks for augmentation of access to address the implications of COVID-19. Thus, the report covers both the program review and the implications of COVID-19, which is the most efficient approach to swiftly support Togo in the current context.

Recent developments: The economic recovery is firming up but has recently been clouded by the COVID-19. Fiscal consolidation and public debt reduction continued in 2019. Reforms are being pursued to boost domestic resource mobilization, strengthen the PFM system, and improve the business environment. However, the privatization of the two state-owned banks encountered further delays. Presidential elections took place in February 2020 without much disruption or violence; the incumbent President won a fourth term.

Program performance: Togo made significant progress during 2017-20 under the Fund-supported program in several areas, while reforms remain incomplete in a few sectors. For the period of the sixth and last program review, all end-September 2019 quantitative performance criteria (QPCs) were met as well as the end-October 2019 fiscal structural benchmarks (SBs). Performance at end-December 2019 has also been broadly satisfactory, with all ITs except one met. However, the SB on the privatization of the two state-owned banks was not met. The ECF arrangement was approved in May 2017 for a three-year period with total planned disbursements of SDR 176.16 million. The fifth review of the program was completed in October 2019.

COVID-19: For 2020, macroeconomic performance is being adversely impacted by the spread of COVID-19 around the world. Growth projections for 2020 have been revised from 5.5 percent to 3 percent. The fiscal deficit is expected to widen from an initial projection of 1.9 percent of GDP to 3.6 percent of GDP, due to higher healthcare spending and revenue loss. The balance of payments shows a financing gap of 1.7 percent of GDP. These macroeconomic projections are subject to a high degree of uncertainty given the

rapidly evolving impacts of the COVID-19. The authorities have requested an augmentation of access of 48.7 percent of quota (SDR 71.49 million) to address the urgent financing need stemming from their plan to control the spread of the COVID-19 and mitigate its economic implications.

Staff views: Staff supports the completion of the sixth and last review of the ECF arrangement considering the broadly satisfactory performance and implementation of measures. Staff supports the request for augmentation of access by 48.7 percent of quota to address the financing gap stemming from the COVID-19 outbreak.

Approved By
Dominique Desruelle and Ashvin Ahuja

Discussions on the sixth review under the ECF took place in Lomé during December 4-17, 2019 and continued until March 2020. 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 (Intern at the local office). Ms. Viseth contributed to the report. Ms. Ndome-Yandun, Ms. Kinvi-Boh and Ms. Vibar provided administrative assistance. Ms. Boukpessi (OED) also joined the mission. The mission met with Mr. Sani Yaya, Minister of Economy and Finance; Mr. Kossi Ténou, BCEAO National Director for Togo; other senior government officials, and senior staff at the BCEAO. 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. Context

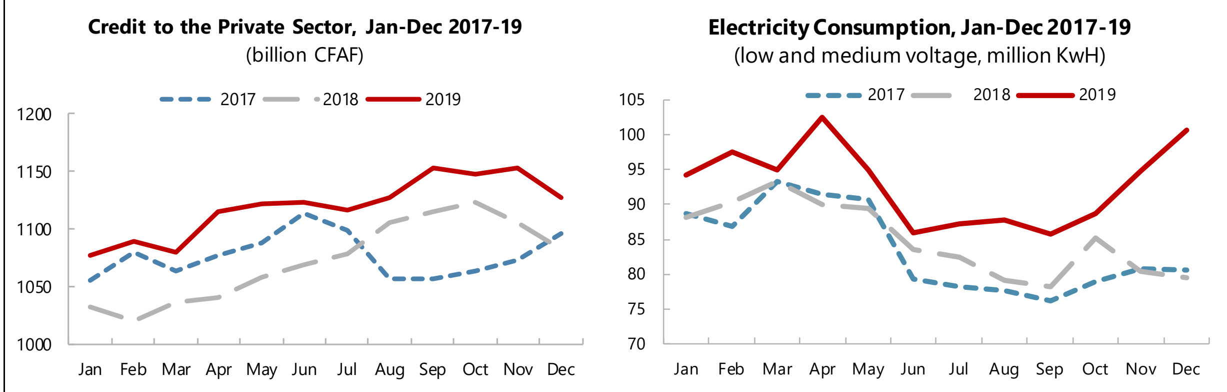
1. Togo experienced a volatile political situation during the implementation period of the Fund-supported program. In August 2017, at the start of the ECF arrangement, Togo experienced its most serious political protests in a decade as the opposition demanded political reforms, including a retroactive two-term limit to presidential mandates. This crisis disrupted economic activity and performance. The socio-political tensions have receded since mid-2018. The ruling party won large majorities in recent legislative and local elections. The newly elected Parliament approved a political reform bill that introduced two-term limits to the presidential and parliamentary mandates but not applied retroactively. Presidential elections took place in February 2020 without much disruption or violence; the incumbent President won a fourth term.

2. Despite the volatile socio-political context, the authorities' commitment to reforms under the Fund-supported program has been strong in most areas, with remaining challenges in some others (Annex I). The authorities halted the non-orthodox financing of public investment (pre-financing). They carried out a major fiscal consolidation and debt reduction. Much progress has also been accomplished on structural reforms with the implementation of revenue administration and PFM measures. Togo has been among the best performers in improving the business environment. However, measures to addresses the weaknesses of the two ailing public banks have been delayed with changes in the strategy; public investment and social spending have been constrained below optimal levels.

B. Recent Economic Developments

3. The economic recovery was firming up but has recently been hindered by the COVID-19 pandemic (Text Figure 1). Following a sharp deceleration in 2017 due to socio-political tensions, economic activities regained momentum in 2018-19. Economic growth is estimated to have accelerated from 4.9 percent in 2018 to 5.3 percent in 2019. Building and construction activities accelerated as cement production and sales expanded; traffic at the port and the airport continued to grow; electricity consumption was 27 percent higher at December 2019 relative to the same period in 2018. Credit to the private sector expanded by 4 percent at end-2019 (y-o-y). Meanwhile, there are signs of weaknesses in the export-oriented sectors; coffee and phosphate production has been markedly lower since the second quarter of 2019 compared to the same period in 2018. The trade balance is expected to have deteriorated slightly in 2019, as a result of less dynamic exports and sustained imports related to the National Development Plan, which should revert in the medium term. Headline inflation declined to -0.3 percent (y-o-y) in December 2019 due primarily to an abundant supply of agricultural products and a drop in communication costs, while core inflation dropped to 0.1 percent (y-o-y). Togo witnessed its first case of COVID-19 in early March 2020. The number of cases is increasing (Annex II).

Text Figure 1. Indicators of Economic Activity, 2017-19



Sources: Togolese authorities.

4. **The fiscal consolidation and public debt reduction continued in 2019** (Text Table 1). The overall fiscal deficit was reported at 1.7 percent of GDP at end-September 2019 (the program review test date) and 1.2 percent of GDP at end-December 2019 (excluding the transaction with the Social Security Fund, CNSS).[1] With this fiscal deficit outturn, Togo has been complying for three consecutive years—during the ECF-arrangement period—with the WAEMU convergence criterion of a fiscal deficit not exceeding 3 percent of GDP. Tax revenue collection improved by 0.7 percentage points of GDP from 2018 to 2019 but was below target due to lower-than-expected domestic tax collection. Current spending did not fall as much as envisaged in 2019, but it declined by 0.7 percentage points of GDP relative to 2018 as the authorities started to implement measures identified through a recently completed spending review. Also, capital spending (excluding the transaction with the Social Security Fund, CNSS) did not increase as much as planned in 2019, but it improved by 0.6 percentage points of GDP relative to 2018. Public debt declined from 76.2 percent of GDP at end-

Text Table 1: Fiscal Developments 2018-19

(percent of GDP)

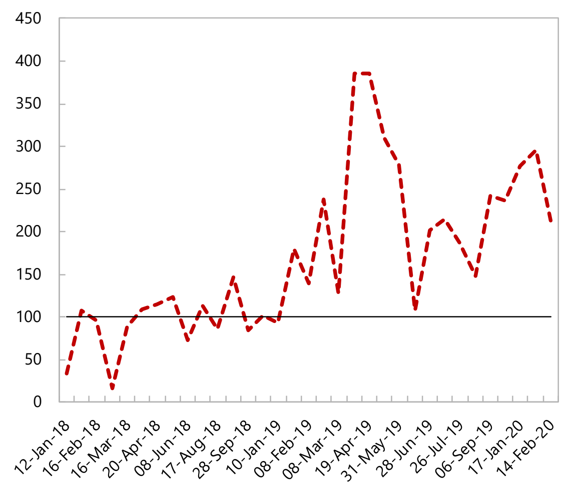
	2018	2019			
	Dec.	September		December	
	Actual	Rev. prog.	Actual	Rev. prog.	Est.
Revenue and grants	23.9	16.5	15.5	23.0	23.4
Revenue	20.3	13.9	14.3	19.9	19.5
of which: Tax revenue	16.5	12.5	12.6	17.6	17.2
Grants	3.6	2.6	1.2	3.1	3.8
of which: Budget support	1.1	0.0	0.0	0.6	1.9
Expenditure and net lending	24.7	20.3	17.2	25.8	21.2
Current expenditure	17.9	12.4	13.7	16.8	17.2
Capital expenditure	6.8	7.9	3.6	9.1	4.1
Domestically financed	2.4	3.4	1.4	4.2	0.2
of which: Transaction with CNSS	0.0	0.0	0.0	0.0	-3.3
Domestic primary balance	2.4	-0.1	1.6	1.4	4.8
Overall primary balance (commitment basis, incl. grants)	1.6	-1.9	0.6	-0.4	4.8
Overall balance (commitment basis, incl. grants)	-0.8	-3.8	-1.7	-2.9	2.1
Overall balance excl. transaction with CNSS	-0.8	-3.8	-1.7	-2.9	-1.2
Change in arrears and accounts payable and receivable	-3.4	0.3	0.3	0.0	-3.3
Overall balance (cash basis, incl. grants)	-4.2	-3.5	-1.4	-2.9	-1.2
Overall balance (cash basis, excl. grants)	-7.7	-6.1	-2.6	-5.9	-5.0
Financing	7.7	6.1	2.6	5.9	5.0
Domestic financing	2.0	1.1	0.6	0.2	-4.1
External financing	5.7	5.0	2.0	5.8	9.1
of which: Debt reprofiling	0.0	0.0	0.0	0.0	2.1
Total public debt (end-year)	76.2			72.2	70.9

Sources: Togolese authorities; and IMF staff estimates.

[1] In 2019Q4, the government sold (*i.e.* transferred the ownership) of some government buildings to the Social Security Fund (*Caisse Nationale de Sécurité Sociale*) to pay social security contributions arrears of government employees. This transaction is recorded as a negative investment spending and a reduction in arrears stock and debt. From the perspective of fiscal policy analysis, this transaction has been excluded to allow measuring accurately fiscal efforts.

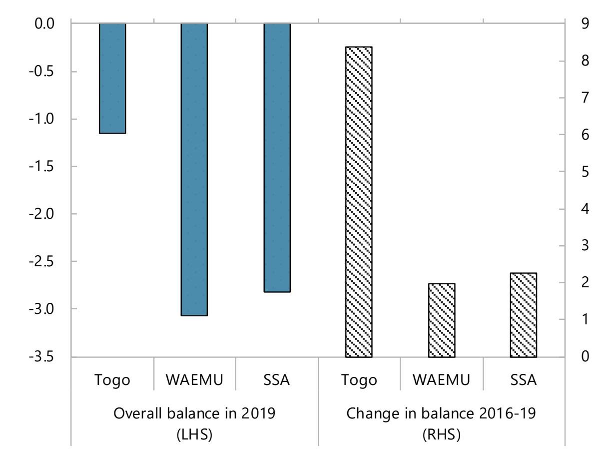
2018 to 70.9 percent of GDP at end-2019, driven mostly by the fiscal consolidation and repayment of debt arrears to CNSS. This end-year debt ratio includes external borrowing by the government in December 2019, in the context of a debt reprofiling operation. The related early repayment of domestic loans is expected to have reduced the debt ratio by 1.9 percentage points in January 2020. The subscription rate of government bonds in the regional market was favorable at an average of 224 percent in 2019 (Text Figure 2).

Text Figure 2. Treasury Bills Coverage Rate, 2018-20 (percent)



Sources: UMOA Titres; and IMF staff estimates.

Text Figure 3. Overall Balance, 2016-19 (percent of GDP)



Note: Excludes transaction with the Social Security Fund, CNSS.

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

C. Outlook and Risks

5. Macroeconomic performance in 2020 is being impacted significantly by the COVID-19 pandemic (Annex II). The baseline economic growth projection for 2020 has been revised downward from 5.5 percent before the pandemic outbreak to 3 percent now, as airport traffic is hindered by various bans and economic activity suffers from disruptions. Private consumption is expected to decline significantly in 2020, affecting more acutely the poor given their already-low level of consumption. The 2020 fiscal deficit and external financing gap are also larger in the current baseline scenario relative to previous projections, by 1.7 percentage points of GDP. Although lower goods exports might be offset by lower goods imports (especially as oil prices effects are favorable for oil importers), the fall in exports of services and FDI/portfolio inflows are expected to be large, thereby increasing external financing needs. More broadly, the COVID-19 could hamper further economic activity through a mix of confidence effects, containment efforts, supply disruptions, and behavioral changes (such as social distancing). These macroeconomic projections are subject to a high degree of uncertainty given the rapidly evolving impacts of the COVID-19.

6. For the medium term, as the impacts of COVID-19 dissipate and the authorities pursue current policies, the outlook is generally favorable, but risks remain skewed to the downside

(Text Table 2 and Annex III)**.** The medium-term growth is projected at around 5½ percent as the recent upgrading of public infrastructure and the steady improvement in the business environment are expected to boost productivity and motivate private investment. Driven by supply constraints, inflation is likely to approach 2 percent in 2020 and then remain at this level over the medium term. The overall fiscal deficit would remain within the WAEMU deficit criterion. The external current account deficit is projected to stabilize around 4 percent of GDP. Public debt would fall below 70 percent of GDP starting in 2020 and decline below the benchmark for countries with medium debt carrying capacity starting in 2022 (net present value of public debt of 55 percent of GDP). However, this medium-term outlook is subject to risks beyond COVID-19. At the national, the socio-political situation remains uncertain; at regional level, security and terrorism threats remain elevated; and global levels, protectionism and weak global growth may hinder Togo's performance.

Text Table 2. Selected Economic Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
		Est.					Proj.		
				(Percentage growth, unless otherwise indicated)					
Real GDP	5.6	4.4	4.9	5.3	3.0	4.0	5.5	5.5	5.5
Consumer price index (average)	0.9	-0.2	0.9	0.7	2.0	2.0	2.0	2.0	2.0
				(Percent of GDP, unless otherwise indicated)					
Domestic primary balance[1]	-4.5	0.8	2.4	1.5	0.9	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)[1]	-7.2	1.5	1.6	1.5	-0.7	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)[1]	-9.5	-0.3	-0.8	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3
Overall primary balance (cash basis, incl. grants)	-7.2	-0.3	-1.8	1.5	-0.7	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-9.5	-2.1	-4.2	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3
Current account balance	-9.8	-2.0	-3.5	-4.2	-4.9	-4.3	-4.4	-4.3	-4.1
Total public debt (including SOE debt)[2]	81.4	76.0	76.2	70.9	67.1	63.1	59.3	55.9	52.6
Total public debt (excluding SOE debt)	78.0	72.7	73.6	68.7	65.3	61.5	58.0	54.8	51.7

Sources: Togolese authorities; and IMF staff estimates and projections.
[1] Excluding transaction with the Social Security Fund, CNSS.
[2] Includes central government domestic arrears and state-owned enterprises debt.

PROGRAM PERFORMANCE

7. Program performance is satisfactory in most sectors, except on the bank privatization:

- All end-September 2019 quantitative performance criteria (QPCs) were met, including the domestic primary balance and net domestic financing (Table 6). The indicative targets (ITs) on total fiscal revenue and non-accumulation of net domestic arrears were also met. The IT on social spending was missed by 0.6 percent of GDP. The authorities met all continuous QPCs.

- At end-December 2019, all ITs except one were met based on preliminary data, including the domestic primary balance and net domestic financing. The IT on social spending was also met as the corrective measures introduced recently seem to have started bearing results. The ambitious revenue target for 2019 was missed, although tax revenue collection improved relative to 2018.

- All five end-October structural fiscal benchmarks (SBs) were met, including those on revenue administration, steps towards program budgeting, and the public investment plan (Table 9).

- The end-December SB on a milestone for the privatization of the two state-owned banks was not completed; reforms in this area have been delayed during the program period (please see section D below).

POLICY DISCUSSIONS

Policy discussions for the sixth and final program review focused on safeguarding the hard-won gains under the current Fund-supported program while addressing the implications of COVID-19 in the near term. Prior to the COVID-19 outbreak, the following key areas were covered: (i) pursuing fiscal consolidation to reduce debt vulnerabilities while addressing the spread of COVID-19 and protecting social spending; (ii) implementing measures recommended by the recent TADAT and PIMA; (iii) advancing program-based budgeting and strengthening the public investment program, and (iv) completing the privatization of the two public banks. Since the start of the COVID-19 outbreak, discussions focused on immediate measures to mitigate its human and economic implications.

A. Fiscal Policy

8. **The 2020 fiscal framework builds on the hard-won fiscal achievements in recent years.** The 2020 budget approved by Parliament on December 18, 2019 aims at an overall fiscal deficit of 1.9 percent of GDP. This target is supported by both revenue and expenditure measures. On the revenue side, the authorities expect significant yields (about 0.4 percent of GDP) from the recently introduced property tax, motor vehicle tax, and import lump sum deposits.[2] In addition, tighter customs controls and the recovery of tax arrears will support tax revenue. On the spending side, the recently completed spending review suggested potential long-term savings (up to 1.1 percent of GDP) from the clean-up of unduly paid salaries and pensions, better prioritization of subsidies and of spending on goods and services, and reduced prices on goods and services. Furthermore, the strengthening of public procurement, with support from World Bank technical assistance, could also generate fiscal savings.[3] The 2020 fiscal target reflects a continuation of the fiscal consolidation efforts and is expected to reduce public debt below 70 percent of GDP by end-2020.

9. **At the same time, the spread of the COVID-19 to Togo requires additional high priority healthcare spending for mitigation purposes** (Annex II)**.** Given its position as a regional transportation hub (serving as a base of a pan-African airline company) and strong trade ties with China, Togo is particularly exposed to the COVID-19. Togo was among the first sub-Saharan African

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[2] Importers deemed to be inactive in connection with other taxes are requested to deposit an amount equal to 15 percent of the import value.

[3] Furthermore, while capital spending is kept unchanged in the current projections relative to the adopted budget, the execution may be lower as the authorities focus their efforts on COVID-19.

countries where the virus was detected. As the country has limited health care capacity, it is highly vulnerable to a spread of the virus. Beyond the human tolls, a spread of the virus can cause significant macroeconomic disruptions. The authorities have developed an action plan against COVID-19 and are seeking support from development partners. The authorities' plan comprises three main pillars: prevention, detection, and treatment. Prevention includes controls at airport/port/borders, communication, training, and social distancing. Detection consists of tests and identification of potential cases. Treatment covers confinement, dedicated hospitals, mobile clinics, and special equipment. The immediate and direct costs of this plan is estimated at CFAF 21 billion (about $35 million or 0.6 percent of GDP). Beyond this near-term plan, the authorities also intend to improve key health infrastructure to strengthen resilience against pandemics and chronic diseases. The overall financing need is estimated at about CFAF 70 billion (about $130 million or 2 percent of GDP). The authorities are in discussions with development partners to cover some items under this plan and has currently secured financing of about CFAF 7 billion; they also plan to partly cover the costs of this plan with own resources. To accommodate the COVID-19 spending needs (1.3 percent of GDP) and the revenue loss linked to slower economic growth (0.4 percent of GDP), the projected overall fiscal deficit for 2020 has been revised by 1.7 percentage points of GDP, from 1.9 to 3.6 percent of GDP. The revised debt path remains on a downward trend, from 70.9 percent of GDP in 2019 to a projected 67.1 percent of GDP at end-2020.

10. Measures to improve the execution of social protection programs are advancing, which will also help protect the vulnerable population against the implications of COVID-19. The recent overhaul in the management of a key social program is expected to accelerate its implementation.[4] The deployment of a monitoring system for social expenditure is being accelerated and the data processing capacity strengthened. A coordination process was initiated among various stakeholders (i.e. ministry of finance, line ministries, development partners). A manager is being appointed at the ministry of finance to monitor the execution of social spending. Monthly coordination is underway between the sectoral ministries and the ministry of finance on commitment plan, procurement plan, and cash plan, including on social spending. The execution of social spending is being prioritized among investment spending. Those measures will also cushion the fall in income and consumption for the vulnerable population due to the COVID-19.

11. Beyond 2020, the medium-term fiscal framework aims at continuing debt reduction to preserve long-term fiscal and external sustainability (Text Table 3)**.** Togo is assessed at moderate risk of external debt distress and high risk of overall debt distress, unchanged from the last ECF review (DSA Appendix). The medium-term projections are anchored on a primary surplus of 1 percent of GDP, which would keep the overall deficit below 2 percent of GDP. By the end of the projection period, the combination of continued fiscal consolidation and sustained GDP growth is expected to substantially reduce total public debt, which would decline below the benchmark for countries with medium debt carrying capacity starting in 2022. Nonetheless, weaknesses in the

[4] The management of a social program, *Programme d'Urgence de Développement Communautaire,* has been shifted from a centrally-based non-government entity to decentralized elected officials.

financial sector could create fiscal costs that would delay the decline in the debt path by about one year.

Text Table 3: Compliance with the WAEMU Convergence Criteria, 2016-24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Est.				Projections				
First-order criteria									
Overall balance/GDP (≥-3 percent)[1]	-9.5	-0.3	-0.8	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3
Average consumer price inflation (≤ 3 percent)	0.9	-0.2	0.9	0.7	2.0	2.0	2.0	2.0	2.0
Total debt/GDP (≤ 70 percent)[2]	78.0	72.7	73.6	68.7	65.3	61.5	58.0	54.8	51.7
Second-order criteria									
Wages and salaries/ tax revenue (≤ 35 percent)	41.1	42.9	40.7	38.9	39.6	39.3	39.1	38.6	38.3
Tax revenue/GDP (≥ 20 percent)	16.8	16.1	16.5	17.2	17.5	17.7	17.8	18.0	18.1

Sources: Togolese authorities and IMF staff estimates and projections.

[1] Excluding transaction with the Social Security Fund, CNSS.

[2] Includes central government domestic arrears and excludes debt by state-owned enterprises.

B. Structural Fiscal Reforms

12. The authorities plan to pursue necessary reforms to boost and ensure the durability of domestic resource mobilization.

- **Implementing the reform measures identified in the recent Tax Administration Diagnostic Assessment Tool (TADAT) assessment.** The August 2019 TADAT evaluation identified the main strengths and weaknesses in Togo's tax administration. Significant progress has been made on the creation and the harmonization of tax identification numbers, efforts towards voluntary compliance, tele-procedures to reduce compliance cost, withholding and provisional deposits to secure revenue collection, and internal controls. Moreover, the recent launch of a new electronic payment system for large and medium-sized companies will help improve overall management. Online reporting is progressively extended to all companies, which will allow online telepayment and online request for tax clearance in order to reduce the time spent by taxpayers on tax obligations and support the private sector. The main weaknesses are related to the following areas: the current system does not allow an automatic processing of some key functions, such as filing, tax control, disputes, and tax arrears recovery. The revenue authority (OTR) does not assess tax collection against potential. It does not have an automated accounting system. An IMF technical assistance team is currently working with the authorities to design a plan and start implementation of corrective measures in these areas.

- **Addressing deficiencies in essential customs functions.** The authorities are in the process of finalizing the action plan for the complete dematerialization of customs declarations and supporting documents and the activation of the corresponding ASYCUDA World functionality. Further progress will be made to improve customs valuations procedures, including cross checks with international databases to prevent customs under-valuations, advance/early declaration procedures, internalization of the valuation function, and use of the transaction value.

- **Bolstering voluntary compliance to ensure strong permanent revenue while improving services to private sector agents.** The modernization of OTR is expected to continue, while fully exploiting the synergies from the merger of tax and customs entities. The revenue authorities' priorities for 2020 are aligned with the main TADAT recommendations. Moreover, advancing the land reform will require immediate bold measures on the OTR side, including (i) estimate the cadastral values of the properties surveyed; (ii) digitize cadastral plans; and (iii) set up a land information system. The tax base can be further broadened by identifying and formalizing informal operators as well as identifying and registering overnight taxpayers who are not registered. Finally, tax expenditures need to be assessed, appended to the budget law, and contained, thus contributing to increase the level and permanency of revenue.

13. The authorities plan to build on the strong PFM progress accomplished in recent years and embark on a next wave of reforms.

- **Implementing key recommendations of the 2016 PIMA and 2019 PIMA follow-up assessments.** The recent PIMA follow-up assessment recommends to better align the public investment program (PIP) to realistic medium-term resource envelopes; continue applying the cost-benefit methodology to select investment projects; integrate decision-making structures of PPPs into those of conventionally-funded projects; and gradually extend the scope of the PIP to coordinate the investment policy of the central government and other public sector entities such as local authorities and public enterprises. A PIP committee was set up and is operational. Medium-term PIPs were prepared for 2019-21 and 2020-22. For 2020-22, an investment project can be included in the PIP and the budget under the condition that it has been selected through the recently developed cost-benefit methodological guide. The authorities are taking the necessary measures to improve the execution rate of the investment budget, which has been improving but remains relatively low.

- **Testing program budgeting in 2020 to prepare for a full shift in 2021.** Good progress has been made on this vast reform.[5] The authorities are committed to preparing the 2021-23 budget directly in program-based format. The full shift in 2021 requires to swiftly finalize rewriting the information system to make it operational.[6] Meanwhile, the decentralization of

[5] The dedicated officials in line ministries have been trained; the 2020 budget was presented to Parliament under both the traditional and program-based format.

[6] In case the rewritten information system is not ready by June 2020, the upgraded information system will need to be used for the transition, while finalizing the rewriting in parallel.

oversight functions should be completed through the appointment of controllers delegated to sectoral ministries.

- **Strengthening further cash management and expanding the TSA.** The authorities' efforts to synchronize the commitment, procurement, and cash plans have resulted in a marked reduction of payment arrears. Such efforts should be strengthened to address remaining issues such as procurement delays and deviation of actual spending from forecasts. Moreover, the TSA reform should be completed.[7]

C. Borrowing Policies and Debt Management

14. Pursuing a prudent borrowing policy and strengthening debt management capacity are necessary to safeguard debt sustainability. The medium-term fiscal framework aims at bringing the present value (PV) of total public debt below the threshold for countries with medium debt-carrying capacity of 55 percent of GDP by 2022. The Medium-Term Debt Management Strategy will be refined with more detailed guidelines for specific indicators (interest rates, refinancing, foreign-currency risks, etc.). The authorities will also establish a more systematic exchange of information between all stakeholders and debt service forecasts will be fully integrated with budget forecasts to reduce discrepancies between forecasts and performance.

15. The authorities have carried out a first tranche of a debt reprofiling operation, reducing slightly the net present value (NPV) of total public debt while preserving the external debt risk rating, in line with the Fund-supported program. With a guarantee from the African Trade Insurance Agency, they borrowed EUR 103.6 million (CFAF 68 billion) externally in December 2019 at an interest rate of 4.68 percent, maturity of 10 years, and grace period of 2 years; they used the proceeds to repay CFAF 66.6 billion of domestic and regional debt in January 2020 with interest rates of about 7 percent and maturity of 3 and 8 years. Based on information received from the authorities, the operation reduces the NPV of total public debt marginally, smoothens debt service payment in the near future, alleviates the risk of fiscal crowding out, and strengthens the regional foreign exchange reserves at the time of the transaction. It also entails risks, including higher external debt indicators and higher rollover risk in international markets, which will need to be appropriately managed. The recent turbulence in global financial markets is likely to narrow the room for additional external financing in the near future.

D. Financial Sector Policies

16. The privatization of the two state-owned banks encountered delays but the authorities remain committed to this reform. Following the prequalification notice published in September 2019, the authorities received prequalification proposals in early December 2019. As some information was missing in some proposals, the interested bidders were given until mid-January

[7] The immediate step involves integrating, following appropriate studies, the Treasury bank accounts at BCEAO, including those of autonomous bodies and local authorities accounts as well as donor project accounts (in consultation with donors).

2020 to provide the required information. The authorities' transaction advisors reviewed the proposals to select the prequalified bidders who will be allowed to participate in the final tendering process. Whereas the tendering process was envisaged to be pursued in December 2019 (structural benchmark), the transaction advisors recommended waiting until after the Presidential elections in February 2020, as the uncertainty surrounding the elections may interfere with the potential bidders' decisions. After the Presidential elections, the privatization tender still could not be launched as the global financial uncertainty stemming from the COVID-19 is deemed unfavorable for such a tender. Instead, the authorities sent a confidentiality agreement to the pre-qualified buyers in March 2020 allowing access to the data room. This approach allows moving the process forward while mitigating risks under the current global environment. In collaboration with the BCEAO and the WAMU Banking Commission, it would be paramount to ascertain that the selected buyer is fit and proper; the banks' liquidity situation should also be monitored closely; and the senior management of the two public banks should keep all stakeholders informed of developments.

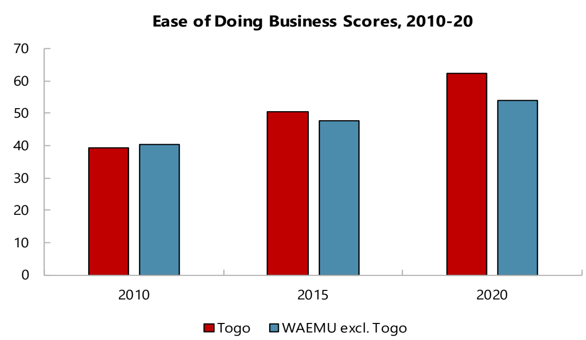
17. Efforts should be stepped up to reduce NPLs and assess banks' compliance with the Basel II-III regulatory standards. The system's NPL ratio remains elevated at 17 percent at end-June 2019 (and about 13 percent excluding the two state-owned banks), above the WAEMU average of 11.7 percent. The NPL resolution mechanism is weak; the recovery rate by the state-owned entity SRT (*Société de Recouvrement du Togo*) of NPLs from previous rounds of privatization was less than 10 percent during the last decade. The legal and institutional frameworks for NPL recovery should be strengthened, including enforcing the BCEAO instruction on the accounting and reporting of NPLs, finalizing the full application of the revised accounting framework for banks (such as writing off of NPLs not recovered after 5 years), and designing a strategy to improve the efficiency and governance of the publicly-owned debt collection agency (SRT). A strategy needs to be designed to address the potential implications of COVID-19 on the financial system, particularly NPLs. The loan concentration ratio of the banking system was 169 percent at end-2018, significantly above the regulatory ceiling of 65 percent and the WAEMU average 82.6 percent. The overall capital adequacy ratio dropped to 5.9 percent in 2018 due primarily to the significant regulatory capital needs at the two state-owned banks; excluding the two state-owned banks, this ratio sits comfortably at 16.1 percent. The move to Basel II/III since January 2018 has revealed more strikingly existing weaknesses in the two public banks. Furthermore, the credit Information Bureau (BIC) and capacity building for commercial courts should be strengthened. The BIC's coverage of adult population (currently at 16 percent) could further be expanded by encouraging customers, through communication campaigns, to give their prior consent to the sharing of their credit information; and by setting up a collaborative work forum for banks and BIC to provide relevant information.

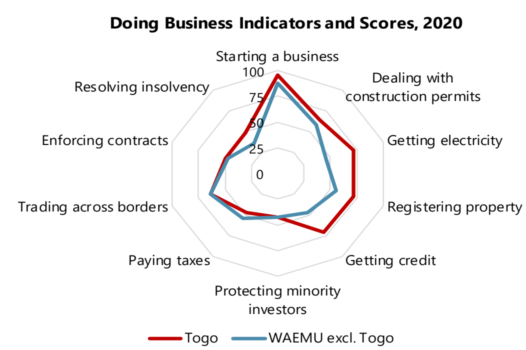
E. Business Environment and Governance

18. While business environment indicators have improved significantly, there is potential for further gains. Togo's World Bank Doing Business indicators, which were in line with the WAEMU average ten years ago, are now well ahead among low income countries (Text Figure 4). The overall score has improved from 48.9 in the 2018 report to 62.3 in the 2020 report. The performance is particularly strong in registering property (time reduced from 283 to 35 days), starting a business (cost reduced by 88 percent), getting electricity (cost reduced by 58 percent), and dealing with construction permits (cost reduced by 29 percent). This progress shows the authorities' strong commitment to undertake the reforms necessary for the implementation of the National Development Plan, which puts private sector at the core of the structural transformation of the economy for inclusive growth and sustainable job creation. Nevertheless, several obstacles to private sector development need to be addressed, including by strengthening insolvency resolution (for instance, informal debt restructuring, or the regulation of insolvency professionals), and improving legal frameworks. According to the OECD trade facilitation indicators, Togo is below best practice on automation of border procedures, appeal procedures, and advance rulings.[8]

Text Figure 4. Togo: Doing Business Indicators, 2010-20

(0 = lowest, 100 = best performance)





Sources: Doing Business Database.

19. Strengthening governance institutions and reducing corruption vulnerabilities remain important. Governance surveys indicate generally weak market trust in Togo's judiciary and divergence between the existing legal framework and actual practice. Three governance laws are under preparation: a law on asset declaration (adopted by the Cabinet in November 2019 and pending Parliamentary approval), a framework law on the fight against corruption that will expand the definition of corruption, and a code of conduct for civil servants. The new law on asset declaration should be fully implemented, while ensuring international good practice, including on comprehensiveness of disclosed information and its publication and verification.[9] The authorities would be well advised to swiftly adopt the legal framework for the United Nations (UN) Convention Against Corruption, as well as the code of ethics and conduct. Several recommendations of the 2018 report of the UN Counter-Terrorism Executive Directorate remain to be implemented, including the protection of whistleblowers, the recovery of assets, and international cooperation. It will also be

[8] The time needed for declaration and clearance is reduced when the Customs administration offers binding decisions in advance.

[9] Draft law adopted by the government in Cabinet as of November 27, 2019 setting the conditions for the declaration of property and assets of high officials, senior officials and other public officials.

important to fully operationalize the anti-corruption agency HAPLUCIA and all commercial courts to deal with business conflicts.

20. Actions to fight money laundering/financing of terrorism (ML/FT) will be pursued, in accordance with the regulatory provisions in force within WAEMU. A workshop in December 2019 validated and amended the national risk assessment on ML/FT that has been carried out with World Bank support. Togo is assessed to have a high level of overall ML vulnerability because of: (i) the non-adoption of certain essential texts for the appropriate application of the uniform WAEMU law on AML/CFT; (ii) capacity weaknesses in the institutions responsible for the fight against ML; (iii) the ignorance of the vast majority of financial institutions and all of the designated non-financial businesses and professions of the anti-money laundering system and their obligations; (iv) insufficient AML/CFT supervision of the financial sector and non-existing supervision of the non-financial sector; and (v) a large informal sector with widespread use of cash for transactions, which makes illicit financial flows easier. The Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA) launched a mutual evaluation of Togo's AML/CFT regime in December 2019.

PROGRAM MODALITIES AND OTHER ISSUES

21. The authorities request, and staff supports, an augmentation of access. The authorities have requested an augmentation of access under the current ECF arrangement by 48.7 percent of quota (SDR 71.49 million) to address the urgent financing need stemming from their plan to control the spread of the COVID-19 and mitigate its economic implications. They have requested that this amount be disbursed upon completion of this 6th review of the ECF arrangement. Staff supports this request. The program is fully financed.

22. Development partners are collaborating with the Togolese authorities to address their challenges. In particular, the World Bank is currently preparing a financial package of CFAF 7 billion to address some of the most urgent items under the authorities' COVID-19 plan. Further support, including from other partners, will also likely come.

23. Safeguards assessment. The last safeguards assessment of the BCEAO completed in 2018 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 International Financial Reporting Standards (IFRS). The BCEAO enhanced the oversight role of its audit committee and is making progress to strengthen its risk management function in line with the recommendations of the assessment. The central bank's financial statements continue to be published on a timely basis.

24. Togo's capacity to repay the Fund is adequate. Obligations to the Fund, including the proposed augmentation, would peak in 2026 at 3.3 percent of government revenue or 0.7 percent of GDP (Table 7).

25. Capacity development in fiscal year 2020 is focused on revenue administration, fiscal policy, public financial management, and statistics. Technical assistance from the IMF is supporting the reform agenda under the Fund-supported program and beyond (Annex IV). On revenue administration, near-term technical assistance will support the authorities in designing and implementing measures based on the recent TADAT as well as provide capacity building on tax policy issues. PFM technical assistance will primarily support the authorities on a parallel testing of the program-based budgeting in 2020 and a full shift in 2021. Staff is also preparing a framework to respond to the authorities' request for a resident advisor on debt management.

26. Successor program: the Togolese authorities expressed intention to request a successor program after the completion of this sixth and last program review.

STAFF APPRAISAL

27. The economic recovery was firming up but has recently been hindered by the COVID-19 pandemic. Economic growth is estimated to have accelerated from 4.9 percent in 2018 to 5.3 percent in 2019. For 2020, due to the adverse impacts of the COVID-19 on economic activity, the growth projection has been revised downward to 3 percent. The fiscal deficit and the balance of payments financing gap are also projected to widen by about 1.7 percentage points of GDP relative to previous baseline projections, based on information available at this stage. These macroeconomic projections are subject to a high degree of uncertainty given the rapidly evolving impacts of the COVID-19. If COVID-19 persists and spreads further, the 2020 macroeconomic performance may worsen even more. In the medium-term, as the COVID-19 dissipates, economic growth is projected to hover around 5½ percent, supported by recent public infrastructure upgrades and business environment improvement. Nonetheless, medium-term risks remain tilted to the downside due to local socio-political uncertainty, regional security threats, and global weak growth.

28. Staff commends the authorities' broadly satisfactory performance under the Fund-supported program. Most quantitative performance criteria (QPCs), indicative targets (ITs), and structural benchmarks (SBs) were met. The overall fiscal deficit (excluding the transaction with CNSS) is estimated at 1.2 percent of GDP at end-2019; Togo has been complying for a third consecutive year—i.e. during the ECF-arrangement period—with the WAEMU convergence criterion of a fiscal deficit not exceeding 3 percent of GDP. Structural reforms on revenue administration and public financial management are progressing as planned, including tax arrears collection, online submission of customs declaration, and key steps towards program-based budgeting. However, reforms related to the state-owned public banks encounter delays.

29. Staff welcomes authorities' plan to address the human and economic implications of the COVID-19 pandemic and commitment to build on the hard-won fiscal achievements of the last few years. Based on information available at this stage, the 2020 fiscal deficit is forecast to widen to 3.6 percent of GDP to accommodate additional healthcare spending related to COVID-19 and other adverse impacts on the economy. Public debt is projected to decline below 70 percent of GDP by end-2020. Beyond 2020, the medium-term projections are anchored on a primary surplus of

1 percent of GDP, which would keep the overall deficit below 2 percent of GDP. This fiscal framework is expected to reduce public debt below the benchmark for countries with medium debt-carrying capacity starting in 2022 and keep debt on a downward path thereafter.

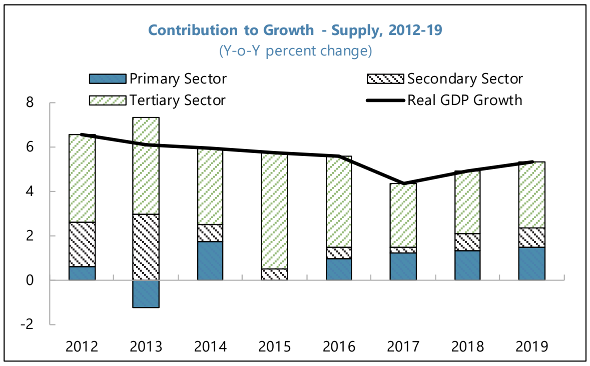
30. Staff welcomes authorities' commitment to pursue revenue administration and PFM reforms and urges the authorities to accelerate reforms in the financial sector. The revenue authority (OTR) will design and implement measures identified in a recent Tax Administration Diagnostic Assessment Tool (TADAT), address deficiencies in essential customs functions, and bolster voluntary compliance to ensure strong permanent revenue. The authorities will follow up on key recommendations from the 2016 and 2019 PIMA assessments to improve the efficiency of public investment programs. Staff encourages parallel testing of program-based budgeting in 2020 and a full shift in 2021. It would be important to build on the significant achievements in the improvement of the business environment and implement the reforms outlined in the National Development Plan. Finally, it would be paramount to complete the reforms of the two state-owned banks to safeguard financial stability and prevent risks to the state budget; this reform encountered multiple delays during the ECF arrangement

31. Staff recommends the completion of the sixth and final review of the ECF arrangement and supports the request for augmentation of access. Program performance has been broadly satisfactory. Going forward, the LOI/MEFP sets out appropriate policies. The capacity to repay the Fund is adequate. The augmentation of access would help the authorities address the human and economic implications of the COVID-19 pandemic.

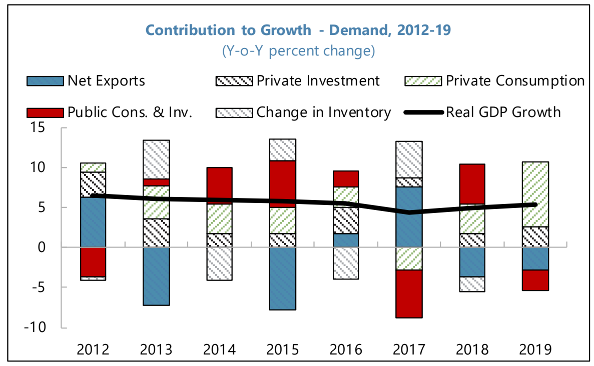
32. Staff also recommends that Togo be placed on the standard 12-month cycle for Article IV Consultations.

Figure 1. Togo: Real Sector Developments

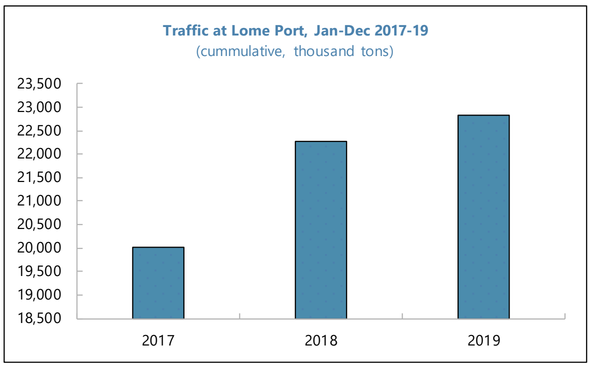
The economic recovery is firming up...



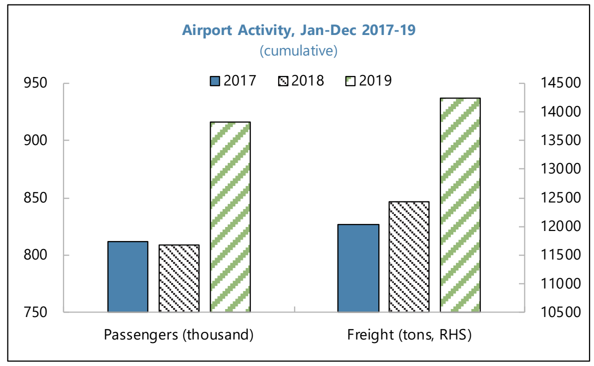
...as private consumption and investment continue growing.



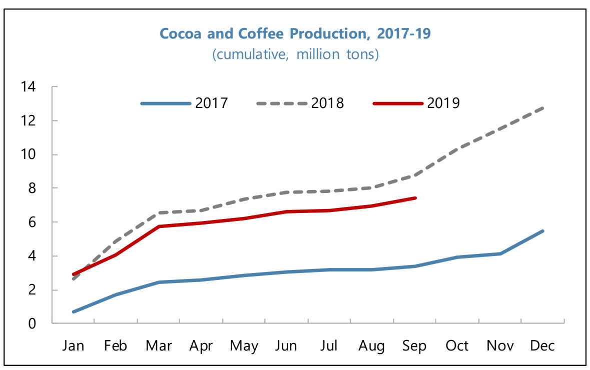
The traffic at Lomé port has continued to expand...



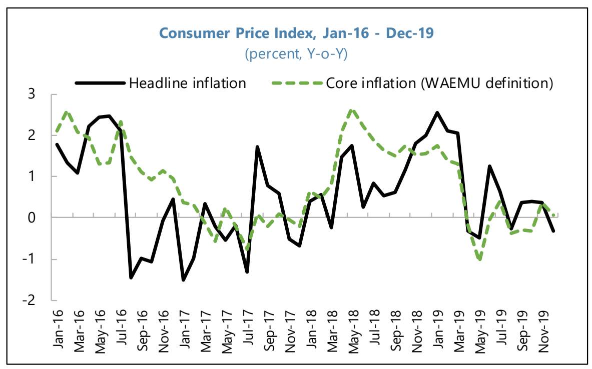
...and airport activity has picked up in 2019.



Production of cocoa and coffee weakened.



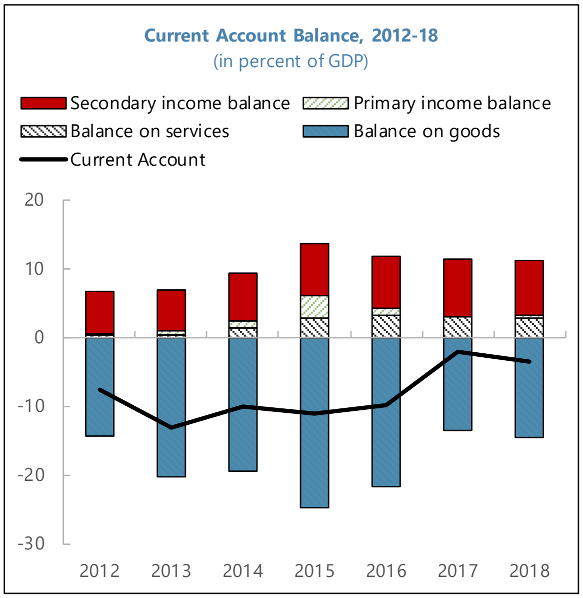
Inflation is broadly in positive territory.



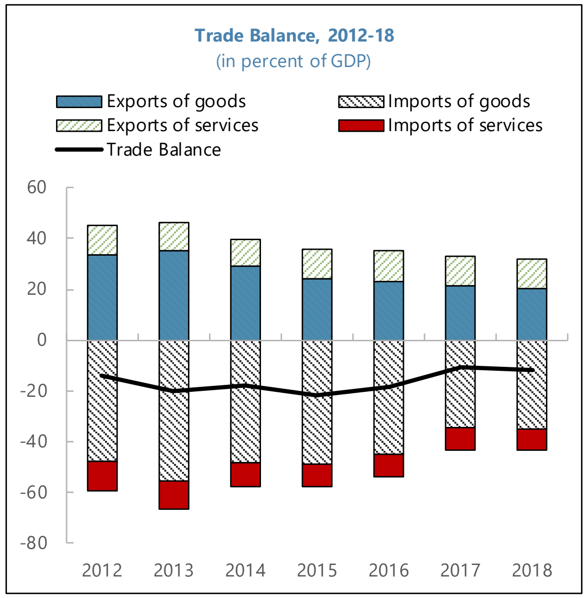
Sources: INSEED; PAL; BCEAO; Togolese authorities; and IMF staff estimates.

Figure 2. Togo: External Sector Developments

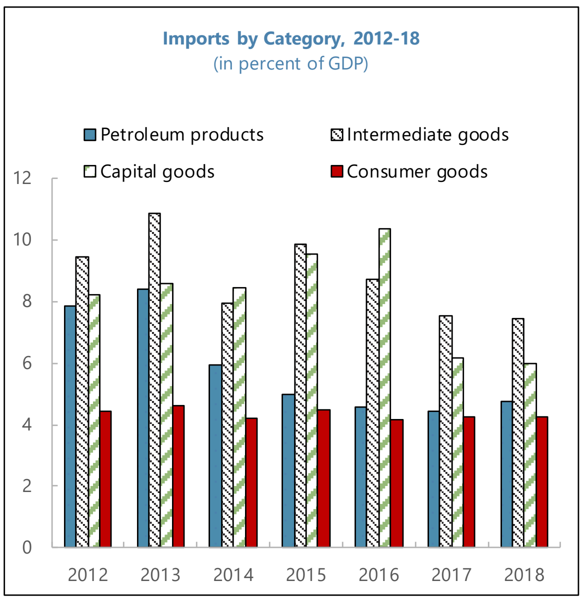
The current account deficit improved significantly in 2017-2018...



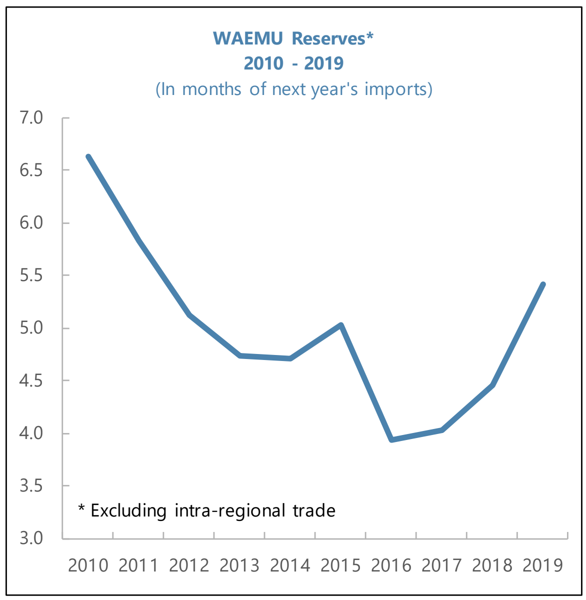
...on the back of a strengthening trade balance, driven by...



...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.

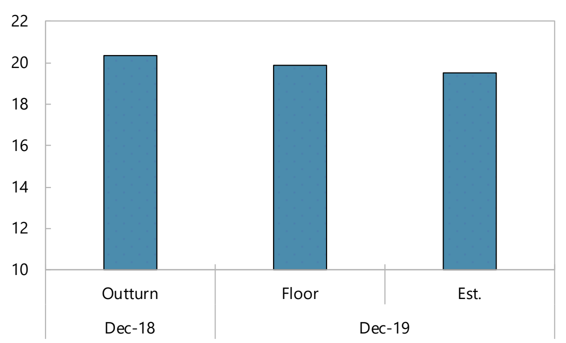


Sources: Togolese authorities; and IMF staff estimates.

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

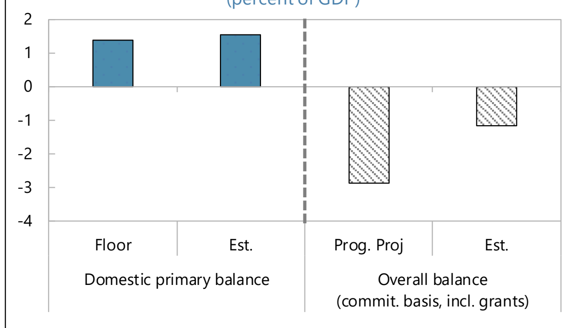
Tax revenues improved in 2019, but total revenues fell because gains from large nontax revenues in 2018 were not repeated in 2019 and weaknesses in domestic taxes in 2019.

Total Fiscal Revenue, December 2018 and 2019
(percent of GDP)



The projected fiscal balances were met because of underexecution of public investment and larger-than-projected budget support grants.

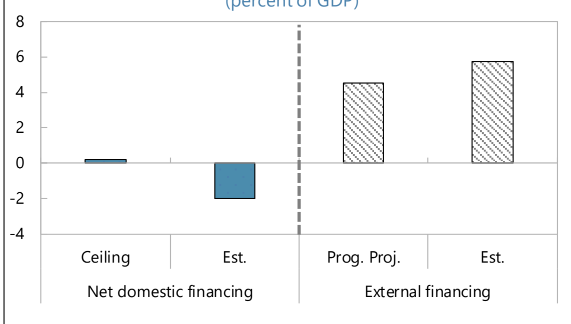
Fiscal Balances, December 2019[1]
(percent of GDP)



1/ Fiscal balances excl. transaction with the Social Security Fund, CNSS.

External financing was higher than projected because of budget support grants and loans.

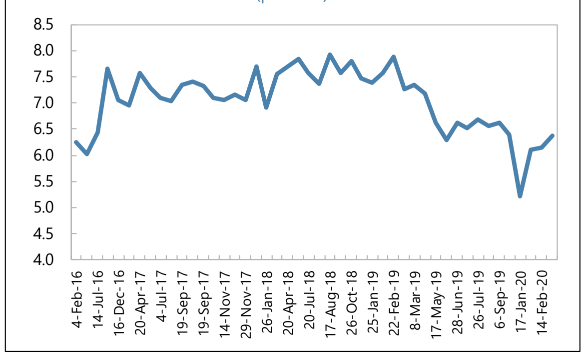
Financing, December 2019[1]
(percent of GDP)



1/ Financing excl. debt reprofiling operation.

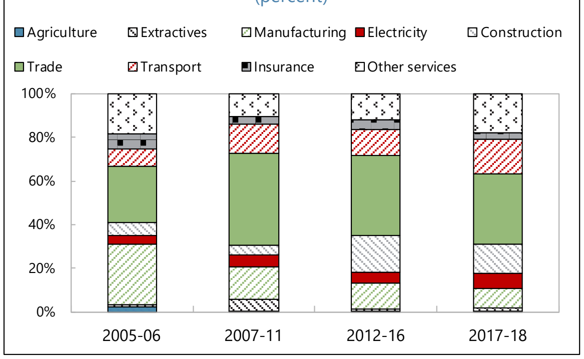
Interests rates on bonds issued by Togo in the regional market have decreased in 2019.

Interest Rate of Bonds, Jan-2016 - Feb-2020
(percent)



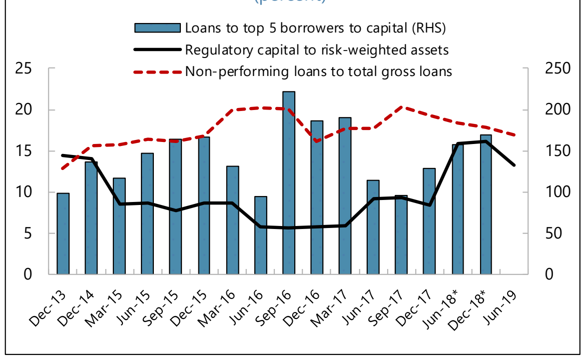
Although some diversification is noted relative to the past, loans remain concentrated on a few sectors.

Loan Distribution, 2005 - 2018
(percent)



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

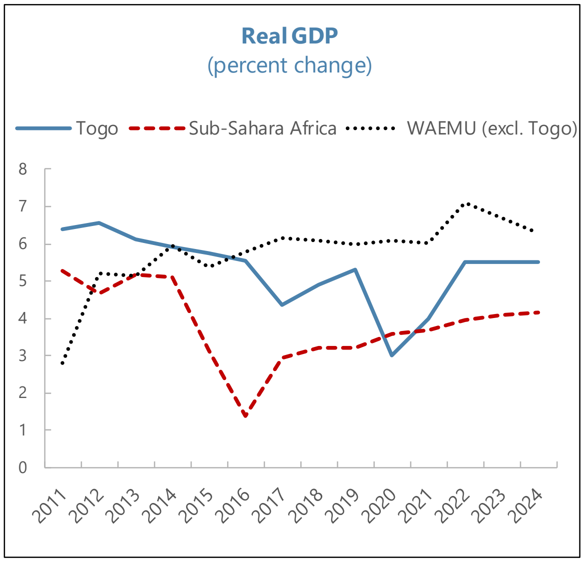
Financial Soundness Indicators, 2013 - Jun. 2019
(percent)



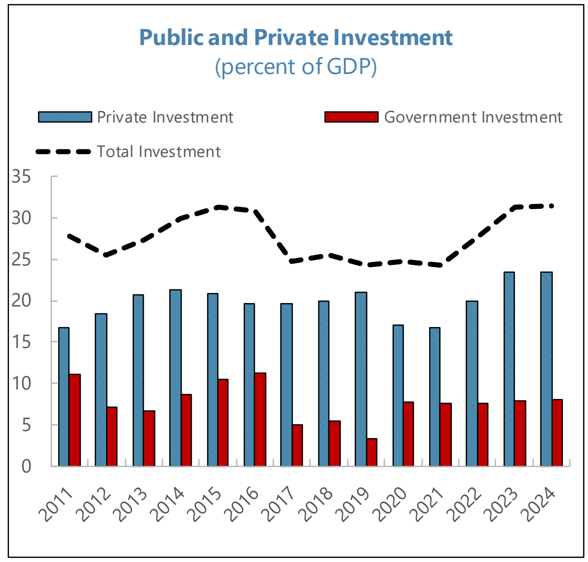
Sources: UMOA Titres; BCEAO; Togolese authorities; and IMF staff estimates.
* Year of first reporting in accordance with Basel II / III and Revised Chart of Accounts (Interim Data)

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

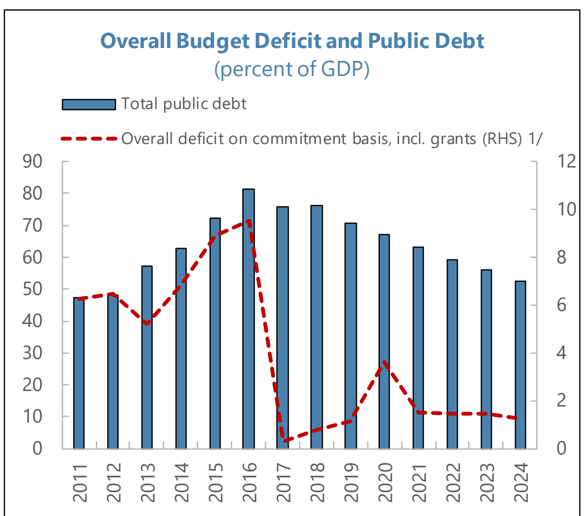
While Togo is expected to continue growing faster than Sub-Saharan Africa, growth is slightly slower than the rest of WAEMU.



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

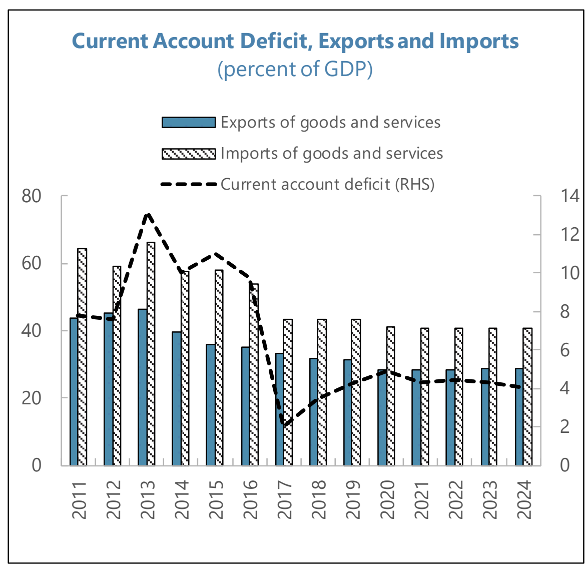


As fiscal consolidation is expected to continue, public debt should follow a downward path.



1/ Excluding transaction with the Social Security Fund, CNSS.

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	3.0	4.0	5.5	5.5	5.5
Real GDP per capita	2.9	1.8	2.3	2.7	0.5	1.4	2.9	2.9	2.9
GDP deflator	1.5	0.9	1.7	2.1	4.6	4.4	2.9	2.9	2.9
Consumer price index (average)	0.9	-0.2	0.9	0.7	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	2,649	2,789	2,975	3,199	3,446	3,742	4,062	4,411	4,789
Exchange rate CFAF/US$ (annual average level)	592.8	580.9	555.2	585.9	...	...	...	...	...
Real effective exchange rate (appreciation = –)	-2.3	0.7	-1.3	...	...	...	...	...	...
Terms of trade (deterioration = –)	-2.6	26.1	-1.4	-3.0	1.3	0.8	3.7	0.7	1.1
	(Percentage change of beginning-of-period broad money)								
Monetary survey									
Net foreign assets	5.8	1.7	0.5	10.1	1.2	1.5	2.0	1.9	1.8
Net credit to government	-2.3	9.5	2.7	-9.7	0.6	0.0	0.3	0.6	0.6
Credit to nongovernment sector	7.5	1.7	3.1	4.4	10.2	8.3	7.7	7.4	7.8
Broad money (M2)	12.6	10.0	9.0	4.5	13.5	9.3	9.3	9.3	9.4
Velocity (GDP/end-of-period M2)	1.9	1.8	1.7	1.8	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	25.1	26.6	26.0	29.5	33.1	33.3
Government	13.9	6.3	6.8	4.1	9.6	9.3	9.5	9.7	9.9
Nongovernment	19.6	19.6	20.0	21.0	17.0	16.7	20.0	23.4	23.4
Gross national savings	23.7	23.9	23.3	20.8	21.6	21.7	25.0	28.8	29.2
Government	4.3	6.0	6.0	6.2	5.9	7.8	8.0	8.3	8.6
Nongovernment	19.4	17.9	17.3	14.6	15.7	13.9	17.0	20.5	20.6
Government budget									
Total revenue and grants	21.6	21.4	23.9	23.4	23.8	23.9	24.1	24.3	24.5
Revenue	18.7	18.2	20.3	19.5	19.7	19.9	20.0	20.3	20.5
Tax revenue	16.8	16.1	16.5	17.2	17.5	17.7	17.8	18.0	18.1
Total expenditure and net lending[1]	31.1	21.6	24.7	24.5	27.4	25.4	25.5	25.8	25.7
Domestic primary balance[1]	-4.5	0.8	2.4	1.5	0.9	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)[1]	-7.2	1.5	1.6	1.5	-0.7	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)[1]	-9.5	-0.3	-0.8	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3
Overall primary balance (cash basis, incl. grants)	-7.2	-0.3	-1.8	1.5	-0.7	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-9.5	-2.1	-4.2	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3
External sector									
Current account balance	-9.8	-2.0	-3.5	-4.2	-4.9	-4.3	-4.4	-4.3	-4.1
Exports (goods and services)	35.3	33.1	31.8	31.3	28.4	28.4	28.5	28.6	28.8
Imports (goods and services)	-53.7	-43.5	-43.5	-43.4	-41.3	-40.7	-40.8	-40.8	-40.8
External public debt[2]	20.2	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0
External public debt service (percent of exports)[2]	4.9	5.9	4.8	4.9	4.8	4.4	5.1	5.8	6.3
Domestic public debt[3]	61.2	55.8	55.7	47.1	42.0	38.6	35.6	33.0	30.6
Total public debt[4]	81.4	76.0	76.2	70.9	67.1	63.1	59.3	55.9	52.6
Total public debt (excluding SOEs)[5]	78.0	72.7	73.6	68.7	65.3	61.5	58.0	54.8	51.7
Memorandum item:									
Private consumption (percent of GDP)	73.7	65.9	66.4	67.7	51.3	57.9	63.8	63.9	63.2

Sources: Togolese authorities and IMF staff estimates and projections.

[1] Excluding transaction with the Social Security Fund, CNSS.

[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.	Sep.	December		Dec.		Dec.	Dec.	Dec.	Dec.
	Act.	Act.	5th Rev.	Est.	Budget	Proj	Projections			
Revenue and grants	710.8	496.2	734.4	746.9	833.4	818.5	895.1	977.6	1,072.1	1,172.9
Total revenue	604.9	457.4	635.9	624.5	694.8	679.9	744.6	814.2	894.7	980.2
Tax revenue	491.9	403.2	563.0	551.4	617.5	603.0	661.2	722.6	793.2	868.4
Tax administration (CI)	259.8	210.4	307.1	292.5	339.8	327.2	363.8	399.7	442.6	487.8
Customs administration (CDII)	232.1	192.8	255.9	258.9	277.6	275.8	297.4	322.9	350.6	380.6
Nontax revenue	113.0	54.2	72.9	73.1	77.3	76.8	83.4	91.6	101.5	111.8
Grants	105.9	38.8	98.4	122.4	138.6	138.6	150.5	163.4	177.4	192.6
Budget support	33.2	0.0	20.4	62.1	16.5	16.5	17.9	19.4	21.1	22.9
Project	72.7	38.8	78.0	60.4	122.1	122.1	132.6	144.0	156.3	169.7
Expenditure and net lending	733.8	542.9	826.4	678.8	900.5	943.5	951.9	1,036.5	1,136.0	1,233.0
Current expenditure	532.2	437.3	536.4	548.9	571.2	614.2	603.2	652.2	708.1	759.6
Primary current spending	461.8	361.5	458.2	463.1	471.2	514.2	509.0	552.7	600.0	651.5
Wages and salaries	200.4	160.8	215.2	214.6	239.1	239.1	260.0	282.3	306.5	332.8
Goods and services	144.9	92.8	118.2	125.9	100.9	143.9	106.3	115.4	125.3	136.0
Transfers and subsidies	116.5	107.9	124.8	122.6	131.3	131.3	142.7	155.0	168.3	182.7
Interest	70.4	75.8	78.2	85.9	99.9	99.9	94.2	99.5	108.1	108.1
Domestic debt	61.6	67.8	66.8	77.0	89.8	89.8	81.6	85.4	92.2	90.7
External debt	8.8	8.0	11.3	8.9	10.1	10.1	12.6	14.2	15.8	17.4
Public investment	201.7	105.5	290.0	129.7	329.4	329.4	348.7	384.3	427.9	473.5
Domestically financed	70.8	35.0	133.7	7.3	134.9	134.9	127.4	144.1	167.1	190.3
excl. CNSS operation	70.8	35.0	133.7	112.3	134.9	134.9	127.4	144.1	167.1	190.3
Foreign financed	130.9	70.5	156.4	122.5	194.5	194.5	221.3	240.3	260.9	283.2
Net Lending	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Domestic primary balance	72.3	60.8	44.0	154.0	88.7	30.8	108.2	117.5	127.6	138.5
excl. CNSS operation	72.3	60.8	44.0	49.0	88.7	30.8	108.2	117.5	127.6	138.5
Overall primary balance (commitment basis, incl. grants)	47.3	29.1	-13.9	154.0	32.8	-25.1	37.4	40.6	44.1	47.9
Overall balance (commitment basis, incl. grants)	-23.0	-46.7	-92.1	68.1	-67.1	-125.0	-56.8	-58.9	-64.0	-60.2
excl. CNSS operation	-23.0	-46.7	-92.1	-36.9	-67.1	-125.0	-56.8	-58.9	-64.0	-60.2
Overall balance (commitment basis, excl. grants)	-128.9	-85.5	-190.5	-54.3	-205.7	-263.7	-207.3	-222.3	-241.4	-252.8
Change in arrears and accounts payable and receivable	-100.8	7.8	0.6	-105.6	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable	-64.8	-28.2	-35.4	-141.6	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts receivable	36.0	-36.0	-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	36.9	-13.3	48.4	32.8	-25.1	37.4	40.6	44.1	47.9
Overall balance (cash basis, incl. grants)	-123.8	-38.9	-91.5	-37.5	-67.1	-125.0	-56.8	-58.9	-64.0	-60.2
Overall balance (cash basis, excl. grants)	-229.7	-77.7	-189.9	-159.9	-205.7	-263.7	-207.3	-222.3	-241.4	-252.8
Financing	189.7	57.4	149.2	119.2	185.4	185.1	207.3	222.3	241.4	252.8
Domestic financing (net)	59.3	13.3	5.2	-131.7	-109.3	10.4	0.7	5.9	15.4	15.5
External financing (net)	130.4	44.1	144.1	250.9	294.7	174.7	206.6	216.4	225.9	237.3
Grants	105.9	38.8	98.4	122.4	138.6	138.6	150.5	163.4	177.4	192.6
Budget support loan	0.0	0.0	0.0	36.8	0.0	0.0	0.0	0.0	0.0	0.0
Debt reprofiling	0.0	0.0	0.0	68.0	120.0	0.0	0.0	0.0	0.0	0.0
Project loans	58.2	31.7	78.3	62.1	72.4	72.4	88.7	96.3	104.6	113.5
Amortization (incl. IMF repayments)	-33.7	-26.4	-32.7	-38.4	-36.3	-36.3	-32.6	-43.3	-56.0	-68.8
Financing gap/unidentified financing	40.0	20.3	40.6	40.7	20.3	78.5	0.0	0.0	0.0	0.0
IMF-ECF	40.0	20.3	40.6	40.8	20.3	78.5	…	…	…	…
Memorandum Item:										
Nominal GDP (CFAF billions)	2,975.0	3,198.6	3,198.6	3,198.6	3,469.2	3,446.2	3,741.6	4,062.3	4,410.6	4,788.6

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.	Sep.	December		Dec.		Dec.	Dec.	Dec.	Dec.
	Act.	Act.	5th Rev.	Est.	Budget	Proj.	Projections			
Revenue and grants	23.9	15.5	23.0	23.4	24.0	23.8	23.9	24.1	24.3	24.5
Total revenue	20.3	14.3	19.9	19.5	20.0	19.7	19.9	20.0	20.3	20.5
Tax revenue	16.5	12.6	17.6	17.2	17.8	17.5	17.7	17.8	18.0	18.1
Tax administration (CI)	8.7	6.6	9.6	9.1	9.8	9.5	9.7	9.8	10.0	10.2
Customs administration (CDII)	7.8	6.0	8.0	8.1	8.0	8.0	7.9	7.9	7.9	7.9
Nontax revenue	3.8	1.7	2.3	2.3	2.2	2.2	2.2	2.3	2.3	2.3
Grants	3.6	1.2	3.1	3.8	4.0	4.0	4.0	4.0	4.0	4.0
Budget support	1.1	0.0	0.6	1.9	0.5	0.5	0.5	0.5	0.5	0.5
Project	2.4	1.2	2.4	1.9	3.5	3.5	3.5	3.5	3.5	3.5
Expenditures and net lending	24.7	17.0	25.8	21.2	26.0	27.4	25.4	25.5	25.8	25.7
Current expenditures	17.9	13.7	16.8	17.2	16.5	17.8	16.1	16.1	16.1	15.9
Primary current spending	15.5	11.3	14.3	14.5	13.6	14.9	13.6	13.6	13.6	13.6
Wages and salaries	6.7	5.0	6.7	6.7	6.9	6.9	6.9	6.9	6.9	6.9
Goods and services	4.9	2.9	3.7	3.9	2.9	4.2	2.8	2.8	2.8	2.8
Transfers and subsidies	3.9	3.4	3.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Interest	2.4	2.4	2.4	2.7	2.9	2.9	2.5	2.4	2.4	2.3
Domestic debt	2.1	2.1	2.1	2.4	2.6	2.6	2.2	2.1	2.1	1.9
External debt	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Public investment	6.8	3.3	9.1	4.1	9.5	9.6	9.3	9.5	9.7	9.9
Domestically financed	2.4	1.1	4.2	0.2	3.9	3.9	3.4	3.5	3.8	4.0
excl. CNSS operation	2.4	1.1	4.2	3.5	3.9	3.9	3.4	3.5	3.8	4.0
Foreign financed	4.4	2.2	4.9	3.8	5.6	5.6	5.9	5.9	5.9	5.9
Domestic primary balance	2.4	1.9	1.4	4.8	2.6	0.9	2.9	2.9	2.9	2.9
excl. CNSS operation	2.4	1.9	1.4	1.5	2.6	0.9	2.9	2.9	2.9	2.9
Overall primary balance (commitment basis, incl. grants)	1.6	0.9	-0.4	4.8	0.9	-0.7	1.0	1.0	1.0	1.0
Overall balance (commitment basis, incl. grants)	-0.8	-1.5	-2.9	2.1	-1.9	-3.6	-1.5	-1.4	-1.4	-1.3
excl. CNSS operation	-0.8	-1.5	-2.9	-1.2	-1.9	-3.6	-1.5	-1.4	-1.4	-1.3
Overall balance (commitment basis, excl. grants)	-4.3	-2.7	-6.0	-1.7	-5.9	-7.7	-5.5	-5.5	-5.5	-5.3
Change in arrears and accounts payable and receivable	-3.4	0.2	0.0	-3.3	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable	-2.2	-0.9	-1.1	-4.4	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts receivable	1.2	-1.1	-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	1.2	-0.4	1.5	0.9	-0.7	1.0	1.0	1.0	1.0
Overall balance (cash basis, incl. grants)	-4.2	-1.2	-2.9	-1.2	-1.9	-3.6	-1.5	-1.4	-1.4	-1.3
Overall balance (cash basis, excl. grants)	-7.7	-2.4	-5.9	-5.0	-5.9	-7.7	-5.5	-5.5	-5.5	-5.3
Financing	6.4	1.8	4.7	3.7	5.3	5.4	5.5	5.5	5.5	5.3
Domestic financing (net)	2.0	0.4	0.2	-4.1	-3.1	0.3	0.0	0.1	0.3	0.3
External financing (net)	4.4	1.4	4.5	7.8	8.5	5.1	5.5	5.3	5.1	5.0
Grants	3.6	1.2	3.1	3.8	4.0	4.0	4.0	4.0	4.0	4.0
Budget support loan	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Debt reprofiling	0.0	0.0	0.0	2.1	3.5	0.0	0.0	0.0	0.0	0.0
Project loans	2.0	1.0	2.4	1.9	2.1	2.1	2.4	2.4	2.4	2.4
Amortization (incl. IMF repayments)	-1.1	-0.8	-1.0	-1.2	-1.0	-1.1	-0.9	-1.1	-1.3	-1.4
Financing gap/unidentified financing	1.3	0.6	1.3	1.3	0.6	2.3	0.0	0.0	0.0	0.0
IMF-ECF	1.3	0.6	1.3	1.3	0.6	2.3	…	…	…	…
Memorandum Item:										
Nominal GDP (CFAF billions)	2,975.0	3,198.6	3,198.6	3,198.6	3,469.2	3,446.2	3,742	4,062	4,411	4,789

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	-102.7	-135.9	-169.3	-161.6	-179.7	-190.7	-194.4
Trade balance on goods	-373.8	-434.6	-479.0	-521.3	-545.5	-595.5	-642.5	-686.8
Of which: petroleum products, net	-97.1	-95.5	-95.3	-62.8	-66.6	-76.6	-85.6	-93.9
Exports	591.5	600.4	631.9	612.9	665.5	724.0	792.0	868.4
Imports	965.3	1,035.1	1,110.9	1,134.3	1,211.0	1,319.5	1,434.6	1,555.2
Services, net	82.3	86.9	91.0	77.2	87.1	94.1	103.0	113.8
Primary income, net	2.9	10.7	12.1	12.5	12.0	12.5	13.1	14.1
Secondary income, net	232.5	234.3	240.1	262.3	284.8	309.2	335.7	364.5
Capital account balance	141.4	175.7	162.5	223.6	234.1	245.4	257.4	270.4
Current and capital account balance	85.3	73.1	26.7	54.3	72.5	65.6	66.7	76.0
Financial account (- = inflow)	117.8	99.1	95.5	136.1	72.9	49.8	40.3	50.5
Direct investment, net	-70.3	139.5	114.0	128.3	114.5	81.4	88.4	96.0
Portfolio investment, net	176.6	91.9	59.0	62.5	58.7	55.3	52.2	49.5
Other investment, net	11.6	-132.4	-77.5	-54.6	-100.3	-86.9	-100.3	-95.0
Of which: general government, net	-79.1	-130.4	-250.9	-174.7	-206.6	-216.4	-225.9	-237.3
Errors and omissions	2.2	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-30.2	-23.0	-68.8	-81.8	-0.4	15.8	26.4	25.5
Financing	-10.1	-17.0	28.1	3.3	0.4	-15.8	-26.4	-25.5
Change NFA[1]	-10.1	-17.0	28.1	3.3	0.4	-15.8	-26.4	-25.5
Financing gap	40.3	40.0	40.8	78.5	0.0	0.0	0.0	0.0
IMF ECF	40.3	40.0	40.8	78.5	…	…	…	…
Of which: Proposed ECF augmentation	0.0	0.0	0.0	58.1	…	…	…	…
	(Percent of GDP)							
Current account balance	-2.0	-3.5	-4.2	-4.9	-4.3	-4.4	-4.3	-4.1
Trade balance on goods	-13.4	-14.6	-15.0	-15.1	-14.6	-14.7	-14.6	-14.3
Of which: petroleum products, net	-3.5	-3.2	-3.0	-1.8	-1.8	-1.9	-1.9	-2.0
Exports	21.2	20.2	19.8	17.8	17.8	17.8	18.0	18.1
Imports	34.6	34.8	34.7	32.9	32.4	32.5	32.5	32.5
Services, net	3.0	2.9	2.8	2.2	2.3	2.3	2.3	2.4
Primary income, net	0.1	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Secondary income, net	8.3	7.9	7.5	7.6	7.6	7.6	7.6	7.6
Capital account balance	5.1	5.9	5.1	6.5	6.3	6.0	5.8	5.6
Current and capital account balance	3.1	2.5	0.8	1.6	1.9	1.6	1.5	1.6
Financial account (- = inflow)	4.2	3.3	3.0	4.0	1.9	1.2	0.9	1.1
Direct investment, net	-2.5	4.7	3.6	3.7	3.1	2.0	2.0	2.0
Portfolio investment, net	6.3	3.1	1.8	1.8	1.6	1.4	1.2	1.0
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	-4.4	-2.4	-1.6	-2.7	-2.1	-2.3	-2.0
Of which: general government, net	-2.8	-4.4	-7.8	-5.1	-5.5	-5.3	-5.1	-5.0
Errors and omissions	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-1.1	-0.8	-2.2	-2.4	0.0	0.4	0.6	0.5
Financing	-0.4	-0.6	0.9	0.1	0.0	-0.4	-0.6	-0.5
Change in NFA[1]	-0.4	-0.6	0.9	0.1	0.0	-0.4	-0.6	-0.5
Financing gap	1.4	1.3	1.3	2.3	0.0	0.0	0.0	0.0
IMF ECF	1.4	1.3	1.3	2.3	…	…	…	…
Of which: Proposed ECF augmentation	0.0	0.0	0.0	1.7	…	…	…	…
Memorandum items:								
BCEAO NFA (in months of next year's WAEMU imports)	4.0	4.5	5.4	…	…	…	…	…
BCEAO NFA (in million USD)	12,963	14,858	17,547	…	…	…	…	…
BCEAO NFA (in percent of broad money)	29.4	31.1	34.1	…	…	…	…	…

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
		Actual				Projections		
				(Billions of CFA Francs)				
Net foreign assets	551.5	559.7	731.3	753.2	783.3	826.4	871.9	919.8
BCEAO	88.1	65.7	249.2	256.7	267.0	281.6	297.1	313.5
Assets	529.1	426.7	784.7	784.7	784.7	784.7	784.7	784.7
Liabilities	-441.0	-361.1	-535.5	-528.0	-517.7	-503.1	-487.6	-471.2
Commercial banks	463.4	494.1	482.0	496.5	516.4	544.8	574.7	606.3
Assets	773.8	748.2	800.7	796.6	796.6	796.6	796.6	796.6
Liabilities	-310.5	-254.1	-318.6	-300.1	-280.3	-251.9	-221.9	-190.3
Net domestic assets	1065.6	1213.4	1145.1	1366.5	1528.5	1696.6	1881.2	2088.1
Credit to government (net)	166.5	209.2	44.8	55.2	55.9	61.9	77.3	92.8
BCEAO	-10.3	26.6	-114.8	-48.2	-48.2	-48.2	-48.2	-48.2
Commercial banks	176.8	182.6	159.6	103.4	104.2	110.1	125.5	141.0
Credit to nongovernment sector	1176.9	1225.7	1301.3	1482.6	1649.9	1819.5	1998.1	2202.9
of which: Credit to private sector	1099.3	1085.7	1130.5	1336.9	1486.3	1648.0	1827.3	2026.0
Other items (net)	137.1	82.1	59.1	25.1	25.4	24.4	25.0	29.0
Shares and other equities	140.7	139.3	141.8	146.1	152.0	160.3	169.2	178.5
Total broad money liabilities	1617.0	1773.2	1876.4	2119.7	2311.8	2523.0	2753.1	3007.9
Money supply (M2)	1561.5	1702.0	1778.4	2018.8	2206.9	2412.3	2636.3	2884.7
Currency Outside Depository Corporations	299.8	336.0	339.2	344.3	347.9	349.4	350.8	352.0
Transferable Deposits	539.8	556.5	597.9	713.8	761.9	810.0	854.8	898.9
Other Deposits	722.0	809.5	841.3	960.7	1097.1	1252.9	1430.7	1633.9
Non-liquid liabilities (excl. from broad money)	55.5	71.2	98.0	100.9	104.9	110.7	116.8	123.2
				(Annual change, as a percent of beginning-of-period broad money)				
Net foreign assets	1.7	0.5	10.1	1.2	1.5	2.0	1.9	1.8
BCEAO	0.0	-1.4	10.8	0.4	0.5	0.7	0.6	0.6
Commercial banks	1.6	2.0	-0.7	0.8	1.0	1.3	1.2	1.2
Net domestic assets	9.0	9.5	-4.0	12.5	8.0	7.6	7.7	7.8
Credit to government (net)	9.5	2.7	-9.7	0.6	0.0	0.3	0.6	0.6
Credit to nongovernment sector	1.7	3.1	4.4	10.2	8.3	7.7	7.4	7.8
Other items (net)	1.5	-3.5	-1.4	-1.9	0.0	0.0	0.0	0.2
Shares and other equities	0.7	-0.1	0.2	0.2	0.3	0.4	0.4	0.4
Total broad money liabilities								
Money supply (M2)	10.0	9.0	4.5	13.5	9.3	9.3	9.3	9.4
Currency Outside Depository Corporations	3.8	2.3	0.2	0.3	0.2	0.1	0.1	0.0
Transferable Deposits	1.8	1.1	2.4	6.5	2.4	2.2	1.9	1.7
Other Deposits	4.4	5.6	1.9	6.7	6.8	7.1	7.4	7.7
Non-liquid liabilities (excl. from broad money)	0.6	1.0	1.6	0.2	0.2	0.3	0.3	0.2
Memorandum items:								
Velocity (GDP/end-of-period M2)	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.7
				(Percent of GDP)				
Net foreign assets	19.8	18.8	22.9	21.9	20.9	20.3	19.8	19.2
BCEAO	3.2	2.2	7.8	7.4	7.1	6.9	6.7	6.5
Assets	19.0	14.3	24.5	22.8	21.0	19.3	17.8	16.4
Liabilities	-15.8	-12.1	-16.7	-15.3	-13.8	-12.4	-11.1	-9.8
Commercial banks	16.6	16.6	15.1	14.4	13.8	13.4	13.0	12.7
Assets	27.8	25.1	25.0	23.1	21.3	19.6	18.1	16.6
Liabilities	-11.1	-8.5	-10.0	-8.7	-7.5	-6.2	-5.0	-4.0
Net domestic assets	38.2	40.8	35.8	39.7	40.9	41.8	42.7	43.6
Credit to government (net)	6.0	7.0	1.4	1.6	1.5	1.5	1.8	1.9
BCEAO	-0.4	0.9	-3.6	-1.4	-1.3	-1.2	-1.1	-1.0
Commercial banks	6.3	6.1	5.0	3.0	2.8	2.7	2.8	2.9
Credit to nongovernment sector	42.2	41.2	40.7	43.0	44.1	44.8	45.3	46.0
of which: Credit to private sector	39.4	36.5	35.3	38.8	39.7	40.6	41.4	42.3
Other items (net)	4.9	2.8	1.8	0.7	0.7	0.6	0.6	0.6
Shares and other equities	5.0	4.7	4.4	4.2	4.1	3.9	3.8	3.7
Total broad money liabilities	58.0	59.6	58.7	61.5	61.8	62.1	62.4	62.8
Money supply (M2)	56.0	57.2	55.6	58.6	59.0	59.4	59.8	60.2
Currency Outside Depository Corporations	10.7	11.3	10.6	10.0	9.3	8.6	8.0	7.4
Transferable Deposits	19.4	18.7	18.7	20.7	20.4	19.9	19.4	18.8
Other Deposits	25.9	27.2	26.3	27.9	29.3	30.8	32.4	34.1
Non-liquid liabilities (excl. from broad money)	2.0	2.4	3.1	2.9	2.8	2.7	2.6	2.6

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

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

(In Percent)

	2014	2015	2016	2017	2018*
Capital adequacy[1]					
Regulatory capital to risk-weighted assets	14.0	8.7	5.8	8.4	16.1
Regulatory Tier 1 capital to risk-weighted assets	12.5	8.0	4.6	7.4	14.1
Common Equity Tier 1 to risk-weighted assets (solvency ratio)[2]	n.a.	n.a.	n.a.	n.a.	14.1
Provisions to total assets	16.7	14.0	13.9	16.1	17.5
Capital to assets	5.7	4.3	2.9	4.3	7.1
Asset quality and composition					
Loans to total assets	56.5	55.5	49.1	46.8	47.0
Loans to top 5 borrowers to capital	136.3	166.6	186.0	128.7	169.0
Sectoral distribution of credit (percent of total credit)[3]					
Agriculture and fishing	0.3	0.3	0.3	0.2	0.1
Extracting industries	0.7	0.8	0.8	1.8	1.5
Manufacturing	11.5	11.6	9.2	9.4	8.8
Electricity, gas, and water	4.4	3.7	6.0	8.9	4.6
Building and construction	18.0	22.7	21.4	13.1	13.5
Commerce	37.2	33.6	34.6	33.8	30.7
Transport and Communication	12.0	11.2	10.6	14.1	17.6
Services	3.5	2.9	2.5	3.6	3.0
Collectives and Social Services	12.5	13.3	14.8	15.0	20.2
Non-performing loans to total gross loans	15.6	16.8	16.2	19.3	17.8
Bank provisions to non-performing loans	69.2	66.2	77.3	77.8	78.6
Non-performing loans net of provisions to total loans	5.4	6.4	4.2	5.0	4.4
Non-performing loans net of provisions to capital	53.3	82.1	70.8	54.4	61.7
Earnings and profitability[4]					
Average cost of funds	3.1	2.8	3.1	3.3	3.0
Average lending rate	9.9	7.8	7.8	8.2	7.8
Average interest rate spread[5]	6.8	5.0	4.7	4.9	4.8
Return on assets (ROA)	0.7	0.6	2.6	1.1	0.8
Return on equity (ROE)	11.9	11.7	98.6	28.1	14.3
Non interest expenses to net banking income	64.5	64.1	64.3	63.8	65.2
Personnel expenses to net banking income	27.0	26.7	26.7	27.1	27.0
Liquidity					
Liquid assets to total assets (liquid asset ratio)	26.3	24.8	17.6	19.5	17.1
Liquid assets to deposits	38.5	37.2	28.5	30.9	25.6
Loans to deposits ratio	92.7	93.9	90.6	87.2	82.0
Deposits to total liabilities ratio	68.3	66.5	61.9	63.1	66.7
Demand deposits to total liabilities[6]	29.8	27.0	26.6	25.8	27.0
Term deposits and loans to total liabilities	38.5	39.5	35.3	37.3	39.7

Source: BCEAO

* Year of first reporting in accordance with Basel II / III and Revised Chart of Accounts. CAR ratio excludes the two banks with negative shareholders' equity.

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, September and December 2019
(Billions of CFA Francs)

	2019							
	End-September				End-December			
	Performance Criteria	Adjusted	Actual	Status	Indicative Targets	Adjusted	Estimate	Prel. Status
Performance criteria								
Domestic primary fiscal balance (floor)[1]	-3.2	-3.2	52.3	Met	44.0	44.0	49.0	Met
Non-accumulation of arrears on external public debt[2]	0.0		0.0	Met	0.0		0.0	Met
Net domestic financing (ceiling)[3, 4]	53.3	53.3	20.1	Met	5.2	5.2	-63.7	Met
Government contracting or guaranteeing of nonconcessional external debt (ceiling)[2, 5]	0.0		0.0	Met	0.0		68.0	Met
Government guaranteeing of domestic loans to suppliers and contractors (ceiling)[2]	0.0		0.0	Met	0.0		0.0	Met
Government guarantees on bank prefinancing for public investments (ceiling)[2]	0.0		0.0	Met	0.0		0.0	Met
Indicative targets								
Total fiscal revenue (floor)	445.1		457.4	Met	635.9		624.5	Not met
Total domestically financed social spending (floor)	164.0		143.8	Not met	218.6		222.4	Met
Net domestic arrears accumulation (ceiling)[6]	0.0		-131.8	Met	0.0	-73.2	-141.6	Met
Memorandum Item								
Overall primary balance[1]	-61.9		20.7		-13.9		49.0	
Government contracting or guaranteeing of nominal concessional external debt	58.8		31.7		78.3		98.9	
NPV of new non-concessional external debt contracted as a result of debt management operations (maximum)	260.3		0.0		260.3		66.5	

Sources: Togolese authorities; and IMF staff estimates.

[1] Fiscal balance excl. transaction with the Social Security Fund, CNSS.

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

[3] 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.

[4] Financing in December 2019 excluding debt reprofiling operation.

[5] Nonconcessional borrowing in 2019 part of a debt reprofiling operation as allowed under the program.

[6] 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.

Table 7. Togo: Indicators of Capacity to Repay the Fund, 2020-34[1]

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
								Projections							
Fund obligations based on existing and prospective credit															
In millions of SDRs															
Principal	5.2	1.8	2.5	12.6	20.1	39.9	49.5	47.0	37.0	29.4	9.7	0.0	0.0	0.0	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	0.0	0.0	0.0
Total obligations based on existing and prospective credit															
In millions of SDRs	5.2	1.8	2.5	12.6	20.1	39.9	49.5	47.0	37.0	29.4	9.7	0.0	0.0	0.0	0.0
In billions of CFAF	4.2	1.4	2.0	10.2	16.3	32.3	40.1	38.0	29.9	23.8	7.8	0.0	0.0	0.0	0.0
In percent of government revenue	0.6	0.2	0.2	1.1	1.7	3.0	3.3	2.8	2.0	1.4	0.4	0.0	0.0	0.0	0.0
In percent of exports of goods and services	0.4	0.1	0.2	0.8	1.2	2.1	2.4	2.1	1.5	1.1	0.3	0.0	0.0	0.0	0.0
In percent of debt service[2]	5.3	1.8	2.0	8.1	10.8	18.4	18.8	17.1	13.9	11.1	4.3	0.0	0.0	0.0	0.0
In percent of GDP	0.1	0.0	0.1	0.2	0.3	0.6	0.7	0.6	0.4	0.3	0.1	0.0	0.0	0.0	0.0
In percent of quota	3.5	1.2	1.7	8.6	13.7	27.2	33.7	32.0	25.2	20.0	6.6	0.0	0.0	0.0	0.0
Outstanding IMF credit															
In millions of SDRs	249.4	247.7	245.1	232.6	212.4	172.6	123.0	76.0	39.1	9.7	0.0	0.0	0.0	0.0	0.0
In billions of CFAF	202.7	200.2	197.9	187.7	171.6	139.6	99.5	61.5	31.6	7.8	0.0	0.0	0.0	0.0	0.0
In percent of government revenue	29.8	26.9	24.3	21.0	17.5	12.8	8.2	4.6	2.1	0.5	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	20.7	18.8	17.1	14.9	12.4	9.3	6.1	3.4	1.6	0.4	0.0	0.0	0.0	0.0	0.0
In percent of debt service[2]	255.2	252.0	196.0	149.1	113.7	79.5	46.8	27.6	14.7	3.7	0.0	0.0	0.0	0.0	0.0
In percent of GDP	5.9	5.3	4.9	4.3	3.6	2.7	1.8	1.0	0.5	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	169.9	168.7	167.0	158.4	144.7	117.5	83.8	51.8	26.6	6.6	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (millions of SDRs)															
Disbursements	96.6	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
Repayments and repurchases	7.5	1.8	2.5	12.6	20.1	39.9	49.5	47.0	37.0	29.4	9.7	0.0	0.0	0.0	0.0
Memorandum items:															
Nominal GDP (in billions of CFAF)	3,446	3,742	4,062	4,411	4,789	5,199	5,645	6,129	6,654	7,225	7,844	8,516	9,246	10,039	10,899
Exports of goods and services (in billions of CFAF)	979	1,063	1,156	1,262	1,380	1,509	1,642	1,788	1,947	2,120	2,299	2,502	2,712	2,952	3,199
Government revenue (in billions of CFAF)	680	745	814	895	980	1,094	1,210	1,339	1,483	1,645	1,823	2,022	2,233	2,422	2,627
Debt service (in billions of CFAF)[2 3]	79	79	101	126	151	176	213	223	215	214	182	169	177	187	199
CFAF/SDR (period average)	813	808	807	807	808	809	809	809	809	809	809	809	809	809	809

Sources: IMF staff estimates and projections.

[1] Includes proposed extension and augmentation of access.

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

[3] Includes state-owned enterprises debt.

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 96.63 million (25.14 + 71.49) (65.8 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 247.65 million (176.16 + 71.49) (168.7 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

Table 9. Togo: Structural Benchmarks for the 6th Review			
Measures	**Rationale**	**Deadline**	**Status**
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	Met
(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	Met
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	Met
Expenditure management			
Revise and enforce the multi-year public investment program.	Improve efficiency of investment.	End-October 2019	Met
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	Met
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	Not met

Annex I. Assessment of Progress under the ECF Arrangement 2017-20

Togo achieved a major fiscal consolidation and debt reduction under the Fund-supported program. Significant progress has also been made on revenue administration and public financial management. Furthermore, Togo has been amongst the best improvers of business environment in recent years. However, reforms in the financial sector have been delayed and economic growth has remained below initial expectations.

1. **The fiscal deficit narrowed by 8.3 percentage points of GDP during the program period.** This magnitude of fiscal consolidation is remarkably large from a cross-country perspective. While the overall fiscal deficit reached 9.5 percent of GDP in 2016, it is estimated to have dropped to 1.2 percent of GDP in 2019 (excluding the transaction with the social security fund, CNSS). Spending was curtailed significantly, including by the phasing out of pre-financing of public investment, which is a non-orthodox practice that led to a surge of public debt before the Fund-supported program. As a result, public debt declined from 81 percent of GDP at end-2016 to 70.9 percent of GDP at end-2019, which is close to the objective at program approval (69 percent of GDP), especially as the early reimbursement of domestic loans in January 2020 (as part of the debt reprofiling operation that was initiated in December 2019) should reduce the debt ratio further by almost 2 percentage points of GDP. Apart from the external loan related to the reprofiling operation, the authorities have refrained from contracting new non concessional external debt.

2. **The revenue administration made good progress to strengthen revenue collection and improve taxpayer services.** Foregone revenue, mostly through tax and customs duty exemptions, have been reduced from 4.3 percent of GDP to 2.3 percent of GDP during 2016-2019. The progress was accomplished through a customs post-clearance audit program and a stricter control in key sectors such as phosphate, clinker, cement, and iron. The recovery rate of tax arrears improved from 66 to 71 percent for the large taxpayers' unit and from 48 to 72 percent for the medium-sized taxpayers' unit during the same period. A closer collaboration has been pursued between the tax and customs administration to ensure that economic agents comply with their obligations at both collection entities; customs clearance is prohibited for importers with outstanding tax arrears and a lump sum clearance deposit is required for importers deemed inactive with the tax administration. Electronic processing of customs clearance is progressing to minimize human interference and corruption opportunities as well as improve taxpayer services and reduce compliance costs.

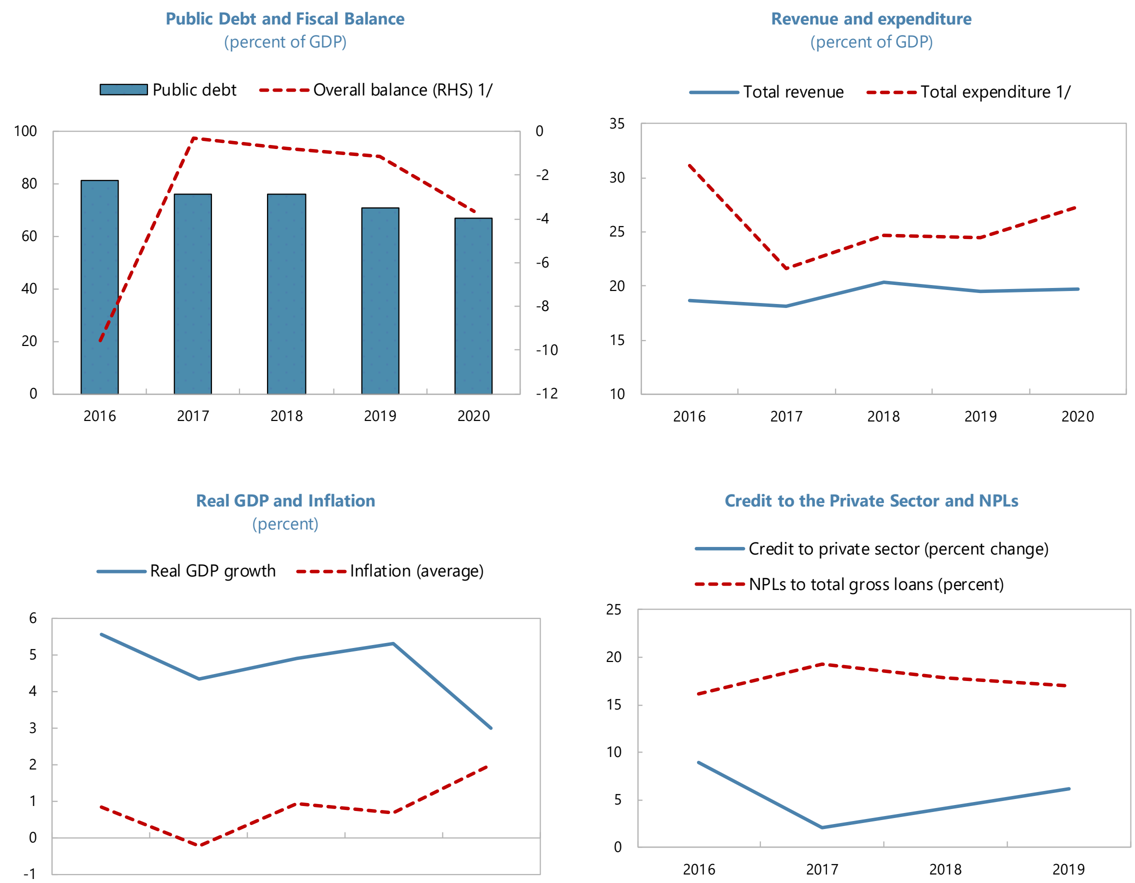
3. **Bold PFM measures have been implemented.** Following an independent audit and an aggressive reimbursement plan, the stock of government payment arrears was reduced significantly. As the authorities developed and coordinated monthly commitment, procurement, and cash plans, no new arrears have been accumulated in 2019. A manual was prepared for a cost-benefit analysis of public investment projects; only projects that have been selected and prioritized through this analysis can be included in the public investment program and in the budget. Several government accounts in commercial banks have been transferred to the Treasury Single Account to improve

treasury management, reduce idle resources, and minimize borrowing costs. Debt management has been centralized to a new Directorate; a new procedure manual has been introduced and the medium-term debt strategy (MTDS) is updated on a regular basis. Preparations for program-based budgeting are underway.

4. **The business environment has markedly improved but economic growth has remained below initial program projections.** Togo's overall score according to the World Bank's Doing Business Indicators has improved from 48.9 in the Doing Business 2018 report to 62.3 in the 2020 report, which made Togo one of the top-ten improvers in the 2020 report and the top reformer in Sub-Saharan Africa. One of the two newly established commercial courts (for Lomé) has started operations. On governance, the anti-corruption agency HAPLUCIA became operational in 2018 and three new laws are under preparation: a law setting the conditions for the declaration of property and assets of high-ranked officials; a framework law on the fight against corruption; and a code of conduct for civil servants. However, economic growth averaged 4.9 percent during 2017-19, relative to the program's target of 5.2 percent. The lower-than-envisaged growth was primarily attributed to the uncertainty stemming from the protracted 2017-18 socio-political tensions.

5. **Reforms in the financial sector have been delayed and remain incomplete.** Two state-owned banks have exhibited weaknesses for an extended period. The initial program envisaged merging these two banks, overhauling its governance, and recapitalizing by the government. After some actions had been undertaken towards this plan, the authorities decided to change their strategy and opted for a privatization of the banks, with a view to minimizing budgetary cost, withdrawing the government from banking sector operations, and providing the private sector the opportunity to fully play its role. The process has not been completed yet and the weaknesses in the two state-owned banks persist.

Annex I. Figure 1. Togo: Program Indicators, 2016-20



Note: The 2019 figure for NPLs to total gross loans is for end-June 2019.

Source: Togolese authorities; and IMF staff estimates.
1/ Excluding transaction with the Social Security Fund, CNSS.

Annex II. Implications of COVID-19

The Facts:

1. COVID-19 is the latest in a series of diseases that have moved from animals into human populations, rapidly spreading and causing serious outbreaks across all continents. On March 11, the World Health Organization (WHO) declared COVID-19 a pandemic, changing the global focus from containment to mitigation. The first case in Togo was recorded on March 6, 2020, which has now increased to about twenty cases.

Potential Implications in Togo:

2. Togo is vulnerable to an outbreak due primarily to its position as a regional logistical hub, its strong trade ties with China, and its insufficient preparedness. A local outbreak will weaken economic activity from both supply and demand sides. On the supply side, activities in the services sectors, primarily those related to airport, port and tourism, will be the most affected. Lomé is the hub of an important pan-African airline company; traffic at Lomé airport will likely fall following travel bans across the region and across continents. The port of Lomé is also an important transit for merchandises to land-locked neighboring countries; the reduced trade flows across the world will hinder the port activity. The retails industry sector will also be affected as China is the main origin of Togo's imports, accounting for about a quarter of total imports; the current disruptions in China will undermine Togolese importers' ability to supply local markets. On the demand side, the resulting loss of income and the uncertain business environment will affect the private sector through lower consumption and investment. More broadly, the COVID-19 could cause further disruptions to economic activity through the combination of confidence effects, containment efforts, supply disruptions, and behavioral changes (such as social distancing). In the health sector, according to the Global Health Security Index, Togo is ranked among the countries that are the least prepared for outbreaks such as the COVID-19. An outbreak will widen the fiscal deficit and worsen balance of payments.

Authorities' Plan and Financing Need

3. The Togolese authorities set up a committee and developed an action plan to tackle the COVID-19. The plan aims primarily at revamping the health system and containing/mitigating the spreading of the virus. At this stage, the direct cost of this plan is estimated at CFAF21 billion (about USD35 million or 0.6 percent of GDP) (see table below). Including some other costs, such as the strengthening of the resilience of the health system and the adverse impacts on economic activity, the authorities estimate the overall financing need at about CFAF70 billion (about USD130 million or 2 percent of GDP). The authorities are in discussions with development partners to cover some items under this plan and has currently secured financing of about CFAF 7 billion. To accommodate the additional spending needs, the projected overall fiscal deficit for 2020 has been revised by 1.7 percentage points of GDP, from 1.9 to 3.6 percent of GDP. The COVID-19 pandemic is also weakening Togo's external balance. While lower domestic demand and lower oil prices will reduce imports, higher health-related purchases are expected to increase imports by a larger magnitude. Moreover, lower growth and external demand in trading partners will weaken exports, FDI, and portfolio flows, compared to the baseline. The additional balance of payments financing need is estimated at about CFAF 58 billion (or 1.7 percent of GDP). Accordingly, the access under the ECF arrangement could be augmented by this amount, which corresponds to about 48.7 percent of Togo's quota.

Annex II. Table 1. Togo: COVID-19 Measures

(billion CFAF)

Measures	Cost estimates
Surveillance	0.13
Laboratory	0.99
Points of Entry	0.37
Communication	0.23
Case Management	2.63
Infection Prevention and Control	0.14
Coordination	0.13
Rehabilitation of hospitals in main cities to enhance resilience against pandemics and chronic diseases	16.06
Total	**20.69**

Annex III. Risk Assessment Matrix[1]

Nature/Sources of Risk	Relative likelihood	Expected Impact if Realized	Policies to Mitigate Risks
External Risks			
More severe Covid-19 pandemic	***High (ST)***	***High*** • Causes widespread and prolonged disruptions to economic activity directly, through global trade and supply chain spillovers, and via confidence effects on financial markets and investment.	• Reallocate fiscal spending to the health sector and make appeal for additional concessional external financing.
Rising protectionism and retreat from multilateralism.	***High (ST, MT)***	***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	***High (ST)*** ***Medium (MT)***	***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.
Weaker-than-expected global growth.	***High (ST,MT)***	***High*** • Exports and growth would be adversely affected, particularly through the impact on Ghana and Nigeria (key trading partners). The impact would be 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	***High (ST, MT)***	***High*** • Declining private investments (domestic and foreign) and tourism; slower growth of some trading partners; higher security-related budgetary spending; financing from the regional market may tighten.	• Ensure prudent budgetary management to contain financing need.
Socio-political tensions	***Medium (ST, MT)***	***Medium*** • 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	***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	***Medium (ST)***	***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 on the most vulnerable groups of the population.

[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 IV. Capacity Development Strategy

1. **The CD strategy is aligned with the authorities' policy objectives.** The policy priorities, set out at the start of the ECF arrangement in 2017, are to reduce the overall fiscal deficit substantially to ensure long-term debt and external sustainability; refocus policies on sustainable and inclusive growth through targeted social and infrastructure spending; and resolve existing financial sector weaknesses, especially in the two public banks. The current CD strategy gives priority to measures that aim to (i) improve fiscal revenue and particularly domestic revenue generation, which is weaker than projected at the start of the ECF arrangement in 2017; (ii) strengthen budget preparation, particularly to improve efficiency and safeguard fiscal space for social spending and public investment; (iii) build capacity at the new Debt Directorate and develop a medium-term debt strategy in line with best international practice; and (iv) improve economic data compilation and dissemination. Capacity building in customs administration will both support revenue generation and help Togo keep its position as an efficient and competitive regional transportation hub. While the current CD strategy is mainly a continuation of the previous strategy, the financial sector TA needs will be covered by the 2020 WAEMU FSAP.

Key overall CD priorities going forward

Priorities	Objectives
Tax Administration Core Functions	Increase domestic revenue generation, including by rationalizing tax expenditure and operationalizing the tax policy unit; develop and implement post-TADAT strategy; and reap the full benefits from merging the tax and customs directorates.
Customs Administration Core Functions	Facilitate trading across borders including through automation of customs clearance procedures to reduce opportunities for corruption; risk-based selection of merchandise to improve the efficiency of controls and the accuracy of declarations; and cross checks with international databases to prevent customs under-valuation.
Budget preparation	Accelerate implementation of PIMA recommendations; improve public investment efficiency, including by revising and enforcing the multi-year public investment program; and prepare the 2021 budget directly in program-based format.
Debt Management	Further refine the medium-term debt strategy, including more detailed guidelines for the preferred direction of specific indicators (interest rates, refinancing, foreign currency risks, etc.), and train the staff at the new Debt Directorate.
Statistics	Pursue improvement and publication of key statistics (e-GDSS); follow up on the GDP rebasing.

Main risks and mitigation

2. **The implementation of the TA recommendations has been somewhat uneven so far, due mostly to capacity constraints and lack of resources.** To mitigate these risks, Fund staff will discuss the importance and the sequencing of TA both with technical counterparts and political decision makers. Resident advisors in key areas would be essential to help relax capacity constraints; outreach to Togo's development partners could help increase available TA funding, including for long-term resident advisors. The authorities have requested a resident advisor in debt management.

Authorities' views

3. **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.

Appendix I. Letter of Intent

MINISTRY OF ECONOMY AND FINANCE

OFFICE OF THE MINISTER

N°………………/MEF/CAB

REPUBLIC OF TOGO
Travail-Liberté-Patrie

Lomé, March 25, 2020

To

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

Dear Ms. Georgieva:

1. The government requests the completion of the sixth and last review under Togo's ECF arrangement and requests augmentation of access to address the impacts of COVID-19. The implementation of the program was satisfactory. We met all continuous and quantitative performance criteria (QPCs) at end-September 2019 as well as the five structural fiscal benchmarks (SBs). We met seven out of nine indicative targets at end-December 2019. Despite delays in financial sector reforms, we keep our commitment to move forward on the privatization of the two public banks. We remain committed to continue reducing public debt level and bolster permanent revenues while stepping up health spending to address the effects of the ongoing COVID-19 pandemic. 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 decisively advance the structural reform agenda. Following up on a recent TADAT, we will pursue measures to improve further revenue collection, modernize core customs procedures, and reduce vulnerabilities to corruption. We will continue to broaden the tax base, encourage voluntary compliance, and improve taxpayer services. Building on progress in recent years, we will embark on the next phase of PFM reforms. We will conduct a parallel test of program-based budgeting in 2020 and will make the full shift in 2021. We will follow up on measures proposed by the 2016 and 2019 PIMAs.

3. We are pursuing our efforts to restore financial stability by finalizing the privatisation of the two public banks as soon as the international financial conditions become favorable. A prequalification notice for the privatization of the two public banks was announced in international financial news outlets. We received prequalifying offers and are in the process of allowing shortlisted bidders to access the datarooms of the two banks to allow them to prepare offers. We are committed to a successful completion of this privatization to ensure financial stability, minimize costs to the State budget, and allow the private sector to fully play its role. Meanwhile, we will closely monitor the liquidity situation of these banks as well as the broader financial sector developments and take corrective actions as needed.

4. Building on our progress, we will continue to implement several structural reforms to improve the business environment, attract investment, and support growth. We will accelerate the implementation of the reforms included in the National Development Plan (NDP) and Compact with Africa (CwA) to bolster private investment and promote inclusive growth. We will continue to address the obstacles to private sector development. We will accelerate institutional reforms to strengthen governance and reduce corruption vulnerabilities.

5. We will continue a prudent borrowing policy to safeguard debt sustainability. We have carried out a debt reprofiling operation to reduce the present value of the public debt stock and mitigate the rollover risk while preserving the external debt risk rating, in line with the ECF-supported program. We recognize the risks involved in this operation and will take the necessary safeguards measures. We will continue the debt reprofiling operation only if it reduces the NPV of total public debt and does not worsen the external debt risk rating. At the same time, we are strengthening our debt management capacity.

6. We are requesting an augmentation of access of 48.7 percent of our quota (SDR 71.67 million) under the current ECF arrangement to address the urgent financing need stemming from our efforts and plans to control the spread of COVID-19 and mitigate its economic impact in Togo, as outlined in the attached letter. We are also discussing with other partners potential financial support amounting to an expected immediate disbursement of about CFAF4 billion at this stage.

7. 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 sixth review under the ECF arrangement, this letter of intent, and the attached MEFP and technical memorandum of understanding.

Very truly yours,

Minister of Economy and Finance
/s/
Sani Yaya

Attachment I. Memorandum of Economic and Financial Policies

1. This Memorandum sets out our economic program for the remainder of the ECF arrangement and provides indications on our policies thereafter. Our program, based on the National Development Plan and supported by the IMF, focuses on (i) reducing the fiscal deficit to safeguard debt and external sustainability; (ii) supporting sustainable and inclusive growth; and (iii) resolving the existing weaknesses in the financial sector, especially in the two state-owned banks.

2. We made significant progress since the ECF-supported program started. The ECF arrangement has succeeded in addressing large macroeconomic imbalances by means of a significant fiscal consolidation. This continued effort resulted in an overall fiscal consolidation of 8.3 percentage points of GDP (from a deficit of 9.5 percent in 2016 to 1.2 percent of GDP in 2019, excluding the transaction with the Social Security Fund). Public debt is on a firm downward path. The external position is broadly consistent with fundamentals and desirable policy settings; while the current account may have deteriorated in 2019, it is expected to gradually improve over the medium term, as a result of increasing exports, gradually offsetting the effect of sustained imports related to the implementation of the 2018-2022 National Development Plan. Structural reforms in tax and customs administration, public financial and investment management, and business climate have progressed well. Challenges remain in financial sector reforms, particularly on the two state-owned banks.

3. The measures outlined in this final-review memorandum aim at preserving the hard-won gains under the ECF-supported program while addressing the implications of the Covid-19 pandemic. Our fiscal policy will aim at pursuing fiscal consolidation to reduce debt vulnerabilities while stepping up health spending to address COVID-19 and protecting social spending. On structural fiscal policies, we will implement measures recommended by the recent TADAT and PIMA to strengthen tax and customs administration and public investment processes; we will advance program-based budgeting. In the financial sector, we will complete as soon as feasible the privatization of the two public banks to restore their financial viability, safeguard the stability of the financial system, and minimize risks to the State budget. The significant progress in the improvement of the business environment will be pursued further to foster private sector dynamism and promote higher and inclusive private sector-led economic growth.

I. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

4. The economic recovery is well underway supported by domestic demand-led pickup, albeit with signs of weaknesses in the export-oriented sectors in 2019 and the impacts of the COVID-19 in 2020. Following a sharp deceleration in 2017 due to socio-political tensions, economic activities regained momentum in 2018-19. Building and construction activities have accelerated as evidenced by an expanding cement production; traffic at the port and the airport continues to grow; and electricity consumption exceeds levels in previous years. Credit to the private sector expanded by 4.1 percent in December 2019 (y-o-y). However, coffee production and extraction of phosphate may have been lower than in 2018. The trade balance is expected to have deteriorated in 2019, as a result of less dynamism in some export sectors and sustained imports, which should revert in the medium term. Headline inflation declined to -0.3 percent (y-o-y) in December mainly as a result of lower food prices following abundant agricultural supply and a drop of communication costs.

5. **Fiscal consolidation efforts continued through September and December 2019**. The overall fiscal deficit is estimated at 1.7 percent of GDP at end-September 2019 and 1.2 percent of GDP at end-December 2019 (excluding the transaction with the social security fund). Togo has been complying for three consecutive years—during the ECF program period—with the WAEMU convergence criterion on the fiscal balance. At end-December 2019, tax revenue collection improved relative to 2018 but underperformed the ambitious target, due primarily to lower-than-expected collection of domestic taxes. Overall expenditure was below projected levels; current expenditure was reduced relative to 2018 as we started implementation of measures identified through the recent spending review. Capital expenditure (excluding the transaction with the Social Security Fund) increased. The subscription rate of government bonds in the regional market remained favorable at an average of 224 percent in 2019.

6. **Growth is expected to hover around 5½ percent over the medium term but has recently been clouded by uncertainty around the impact of the covid-19 pandemic.** We foresee the ongoing growth momentum to continue beyond 2020, provided the impact of covid-19 pandemic is contained. The recent upgrading of the public infrastructures, and major improvements in the business environment will boost productivity, support investment and private sector development. Inflation is expected to hover around 2 percent in the medium term, and the fiscal deficit to remain within the WAEMU deficit criterion. The external current account deficit is projected to be around 4 percent of GDP in the medium term, with both imports and exports recovering from the Coronavirus crisis and increasing exports gradually offsetting sustained imports related to the PND. While the overall risk of public debt distress remains high, debt indicators are improving, and the risk of external debt distress remains moderate.[1] We recognize that our economic program faces domestic and external risks.

II. PROGRAM IMPLEMENTATION

7. **We met all continuous and end-September 2019 quantitative performance criteria (QPCs) as well as the indicative target (IT) on total fiscal revenue.** As of September 2019, we achieved a domestic primary fiscal surplus of 1.2 percent of GDP, outperforming the programmed floor by 1.7 percentage points of GDP. We also managed to contain the net domestic financing under the ceiling. 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

[1] The term debt distress refers to terminology used by the IMF and the World Bank in the context of debt sustainability analysis.

total fiscal revenue and have not accumulated any domestic arrears. Nevertheless, the indicative target for social expenditure was missed again by 0.6 percent of GDP. At end-December 2019, we met eight out of nine ITs, including the domestic primary balance, net domestic financing, and social spending. The ambitious revenue target for 2019 was missed, although revenue collection improved relative to 2018. We have not accumulated any external arrears and have not contracted or guaranteed any non-concessional external debt apart from the external borrowing linked to the debt reprofiling operation.

8. We met the five end-October structural fiscal benchmarks (SBs), including those on revenue administration, the transition to program budgeting, and the public investment plan. To step up the recovery rate of tax arrears, we established the Revenue Collection and Receivables Recovery Unit and reinforced its risk-analysis mandate. As a result of this measures, the recovery rate of tax arrears increased from 66 percent in 2017 to 71 percent at end-September 2019 for the large taxpayers' unit and from 48 percent in 2017 to 72 percent at end-September 2019 for the medium-sized taxpayers' unit. At end-November 2019, CFAF 25 billion (0.8 percent of GDP) of tax arrears were collected. We took measures to reduce non-paying VAT returns, including deploying hardware and software for the setting-up of the first 31 cash registers, formulating a strategy for the selection of risk-based spot checks; and appointing focal points in the large and medium-sized taxpayers' unit to centralize the results of spot checks. To improve customs duty collection and border procedures, we made mandatory the online submission of declarations and supporting documents for customs clearance of imports for the 30 largest importers or filers. In preparation for the shift to program budgeting, we developed a standard framework of performance indicators to define guiding principles and trained stakeholders in ministries and institutions. Important measures were taken to revise and enforce the multi-year public investment program (PIP) in 2019. An inter-ministerial PIP committee is operational. The revised PIP for 2020-2022 is integrated into the budget preparation schedule. We met the SB on ensuring the coherence of the multi-year public investment program with the realistic envelopes of the medium-term 2020-2022 budgetary framework. Efforts were made to make the 2020-2022 medium-term budget framework envelopes consistent with the 2020-2022 PIP. These efforts will continue for the next PIPs. We continue to work with TA experts to better ensure the credibility and effectiveness of the PIP and accelerate the implementation of PIMA recommendations.

9. In the financial sector, the reforms to address the weaknesses of the two public banks encountered delays but we are committed to finalize their privatization. The process for the two privatization tenders was initiated in September 2019. An international prequalification notice was posted in financial news outlets. We received prequalifying offers in December 2019. Following the Presidential elections in February 2020, a confidentiality agreement was sent to prequalified bidders in March 2020 to allow them secured access to the data rooms of the two banks and meetings with management. The launch of the final tender and submission of final/binding offers by the shortlisted bidders are planned in the coming months as soon as the context becomes favorable.

III. ECONOMIC POLICIES

A. Fiscal Policy

10. We pursued our fiscal consolidation efforts in 2019 by strongly enforcing revenue measures and controlling current spending to safeguard the program targets. Budget execution outturns in September and December 2019 were in line with program targets. Based on preliminary data, the overall fiscal deficit at end-December 2019 stood at 1.2 percent of GDP (excluding the CNSS transaction), outperforming the deficit ceiling of 2.9 percent of GDP. The revenue measures recently adopted (property tax collections based on the land survey, import deposits, cross-checks between tax and customs administrations, and stricter customs valuations controls) and the recovery of tax arrears started to strengthen revenue collection in the second half of 2019. Although we did not reach the tax collection target at end-December 2019, it improved relative to 2018. Non-tax revenue declined due to a substantial one-off collection in 2018. We reduced current spending below its 2018 level as we started to implement the package of measures proposed by the recently completed spending review. Among these measures, priority has been given to those that can yield the largest savings in the near term: reduced reference prices for most procurement contracts; centralized negotiation and management of building rental contracts and centralized purchases of air travel tickets and fuel; medical purchases channeled through the Global Fund; better prioritization of spending on goods and services and subsidies; and a payroll clean-up based on the civil servants' census. We will operationalize the fiscal policy unit at the Ministry of Finance, responsible for collecting information (tax and customs administration), studies, and proposals for tax reforms.

11. For 2020, our primary focus is to preserve the hard-won fiscal achievements in recent years while allowing room for additional health expenditure to address the adverse impacts of Covid-19. The 2020 budget approved by Parliament envisaged continued fiscal consolidation to achieve an overall fiscal deficit of 1.9 percent of GDP. This budget would limit primary current spending at 13.6 percent of GDP (1.8 percent of GDP less than in 2019) through (i) discontinuing urgent spending of 0.9 percent of GDP (from 1.2 to 0.3 percent of GDP) in 2020; (ii) savings from measures in the recently completed spending review; and (iii) actions to strengthen the quality and efficiency of public procurement with technical assistance from the World Bank. This budget plans on improving tax revenue by about 0.6 percent of GDP to reach 17.8 percent of GDP in 2020, with customs collections stabilizing at around 8 percent of GDP and domestic tax collections supported by continuing tax administration reforms, tax policy measures, and continued recovery of part of the large stock of tax arrears (please see below).

12. We will need to adjust the above 2020 fiscal framework to accommodate additional health spending related to COVID-19. Given Togo's position as regional logistic hub, our strong commercial ties with the affected countries (China, EU), and the weaknesses in our healthcare system (low access of population to medical services and the lack of specialized care), we are putting emphasis on prevention and preparedness. We set up a high-level committee and developed an action plan that includes multi-sectoral coordination; public awareness; epidemiological surveillance (border health screening, COVID-19 hotline); and patient care at entry points (gear and isolation facilities). We are facing challenges related to diagnostic testing, availability of emergency personnel and equipment, and the detection/isolation of virus carriers. So far, twenty infected cases have been detected in Togo and we are trying to prevent further transmission. At this stage, the required additional health spending is estimated at about CFAF 20 billion. We also plan to improve the health system to strengthen resilience against pandemic and chronic diseases. The total cost is estimated at about CFAF70 billion (or about 2 about 2 percent of GDP). We envisage that the 2020 fiscal deficit may widen to about 3.7 percent of GDP.

13. Beyond 2020, we will persevere in fiscal consolidation to reduce public debt, by keeping the overall fiscal deficit below 2 percent of GDP, well within the WAEMU convergence criterion (a deficit ceiling of 3 percent of GDP). This will help keep the debt trend on a downward path, falling below 70 percent of GDP (including SOEs) starting in 2020 and declining below the benchmark for countries with medium debt carrying capacity (net present value of public debt of 55 percent of GDP) starting in 2022. Once debt has declined to a sufficiently low level, the fiscal balance will gradually be relaxed to address development needs.

14. We will aim to further reduce fiscal risks and will prepare contingency measures as needed. Weaknesses in the financial sector, including those related to the two weak public banks, could create fiscal costs. We will take all necessary measures to mitigate such risks and will undertake a thorough analysis of the modalities of such measures to ensure minimizing costs to the budget, not only in the short run but also overtime. Moreover, as agreed at the time of the fifth review, we will also establish a 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 is provided with the necessary legal and institutional tools and becomes operational. The PPP projects will gradually be included in the PIP, following a positive decision taken in the budget process and the application of the same review standards as conventionally funded projects.

15. We are strengthening our social protection programs while supporting the most vulnerable groups of the population. We have redesigned the management of a key social development program (the *Programme d'Urgence de Développement Communautaire*); its management has been shifted from a centrally-based non-government entity to decentralized elected officials. This management change is expected to accelerate the execution rate and improve the targeting of this program. We will accelerate the deployment of a monitoring system for social expenditure and strengthen the data processing capacity. A coordination process was initiated among various stakeholders (i.e. ministry of finance, line ministries, development partners), to identify and implement further corrective measures, such as such as the appointment of a manager dedicated to monitoring the execution of social spending at the level of the Ministry of Finance; the monthly coordination between the sectoral ministries and the Ministry of Finance of the commitment plans, procurement plans, and cash plan; and prioritizing the execution of social spending among investment spending.

B. Structural Fiscal Policies

16. We are pursuing strong reform measures to further boost the level and permanency of domestic resource mobilization. This work continues to be supported by IMF technical assistance and the recent deployment of the Tax Administration Diagnostic Assessment Tool (TADAT). We have made significant progress on revenue administration, including the creation and harmonization of tax identification numbers, voluntary compliance, tele-procedures to reduce compliance cost, withholding and provisional deposits to secure revenue collection, and internal controls against corruption. Moreover, we expect that OTR substantially increases the number of compliant taxpayers following the implementation by the customs administration of the 15-percent deposit on imports by inactive taxpayers at the tax administration as well as the customs clearance restriction on imports belonging to tax debtors to support the recovery enforcement. The recent launch of the new electronic payment system for the large and medium-sized companies will be very important to improve the overall management. By end-December 2019 we expect that 200 large enterprises use the electronic payment. We will extend the online reporting to all companies, make online telepayment and online request for tax clearance to reduce the time spent by taxpayers on tax obligations and support the private sector. We will also propose a solution to collect revenue directly on the treasury single account in collaboration with the central bank (BCEAO), the Directorate General of the Treasury and Public Accounting (DGTCP), and the international trade one-stop shop (SEGUCE).

17. We will address deficiencies in essential customs functions. We will finalize the action plan for the complete dematerialization of customs declarations and supporting documents and the activation of the corresponding ASYCUDA World functionality. We will tackle the deficiencies related to the risk-based selection of merchandise to improve the efficiency of controls and the accuracy of declarations. All customs clearance procedures will be progressively automated to reduce opportunities for corruption and strengthen traceability of goods placed in the free port. We will also cross check with international databases to prevent customs under-valuations. We will further improve customs valuation procedures by implementing advance declaration procedures; internalizing the valuation function; and applying the transaction value.

18. To ensure strong permanent revenue in the medium and long run, we will bolster voluntary compliance. We will continue to modernize the tax and customs administrations and fully exploit the synergies from merging tax and customs. Our priorities for 2020 will focus on (i) automatic processing of some key functions of revenue administration, such as filing, tax control, disputes, and tax arrears recovery; (ii) development of a model for forecasting tax and customs revenues; (iii) advance the land reform; (iv) broaden the tax base; (v) an automated accounting system that ensures the accuracy and completeness of the accounting of tax revenue; (iv) audits of operational and financial activities by an external state auditing entity; (vi) conduct a study of the perception of corruption across the OTR (vii) publication of financial and operational reports and the strategic plan. On land reform, we will estimate the cadastral values of the properties surveyed, digitize cadastral plans and set up a land information system. We will conduct a tax census; control and approve the remainder of the area plans during the transitional period of the one-stop shop (*Guichet foncier unique*, GFU) et continue land surveys on Greater Lomé by calculation of the cadastral values of the buildings of Greater Lomé. We will continue to broaden the tax base by identifying and formalizing informal operators as well as identifying and registering overnight taxpayers who are not registered. We are also making efforts to contain tax expenditures, which are expected to contribute to increase the level and permanency of revenue. We will assess tax expenditures and append this assessment as an annex to the budget law.

19. On the PFM front, we will now focus on getting ready to switch to program budgeting starting with 2021. We will prepare the 2021-23 budget directly in program-based format while strengthening the multi-year public investment program. The prerequisites for the shift to program budgeting are in place at the technical level and we will reinforce the drive to complete this PFM reform. We will swiftly finalize rewriting the information system to make it operational for the shift to the program-based budget in 2021. In case the rewritten information system is not ready by June 2020, we will use the upgraded IS for the transition, while finalizing rewriting it in parallel. We will provide the required human resources capacity and decentralize oversight functions through the appointment of controllers delegated to sectoral ministries.

20. We will accelerate implementation of key recommendations of the 2016 PIMA and the recent PIMA follow-up report on how to rationalize the public investment program (PIP). A PIP committee was set up and is operational. Medium-term PIPs were prepared for 2019-21 and 2020-22. For 2019-21, a circular mandated that only investment projects in the PIP can be included in the budget. In addition, for 2020-22, another circular mandated that the cost-benefit analysis in the recently developed methodological guide should be strictly applied before a project can be considered into the PIP. Moreover, we are taking the necessary measures to improve the execution rate of the investment budget and will make efforts to better align the PIP to realistic medium-term resource envelopes. We will integrate decision-making structures of PPPs into those of conventionally funded projects. We will gradually extend the scope of the PIP to coordinate the investment policy of the central government and other public sector entities such as local authorities and public enterprises.

21. We will further strengthen cash management and gradually expand the coverage of the Treasury Single Account (TSA). Cash management will be strengthened by fully anchoring the cash flow plan with the commitment plan and procurement plans of the line ministries. The collaboration among the various line ministries will be strengthened to significantly reduce delays in public procurement and respect the procurement and commitment plans so that the spending forecasts (as reflected in the cash flow plans) are in line with actual spending by the line ministries. Moreover, we will complete, 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).

C. Borrowing Policies and Debt Management

22. We will continue a prudent borrowing policy to safeguard debt sustainability. Due to the high level of domestic debt, we will aim at bringing total public debt below 70 percent of GDP starting in 2020 and below the benchmark for countries with medium debt carrying capacity (net present value of public debt of 55 percent of GDP) starting in 2022. In addition, we will not contract any non-concessional external debt, except for the purpose of a possible debt reprofiling operation (see below), and we will continue to meet all our debt service obligations. We will not issue any guarantees to domestic suppliers or contractors, nor will we pre-finance any public investment. We will continue repayment of domestic arrears and will strive to not accumulate any new domestic arrears.

23. We have carried out the first tranche of a debt reprofiling operation, reducing slightly the net present value (NPV) of total public debt while preserving the external debt risk rating. With a guarantee from the African Trade Insurance Agency, we borrowed EUR 103.6 million (CFAF 68 billion) externally in December 2019 at an interest rate of 4.68 percent, maturity of 10 years, and grace period of 2 years. With the proceeds, we repaid CFAF66.6 billion of domestic and regional debt with interest rates of about 7 percent and maturity of 3 and 8 years in January 2020. This operation has reduced the NPV of total public debt marginally and will smoothen debt service payments in the near future, alleviate the risk of fiscal crowding out, and strengthen the regional foreign exchange reserves at the time of the transaction. Nonetheless, we recognize the risks involved in this operation and will take the necessary safeguards measures.

24. We are strengthening our debt management capacity. We will continue to improve the Medium-Term Debt Strategy, including refining the guidelines for the preferred direction of specific indicators (interest rates, refinancing, foreign currency risks, etc.). We will maintain a systematic exchange of information on project loan disbursements between all stakeholders. We will strive to make the new Debt Management Directorate fully operational 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.

D. Financial Sector Policies

25. We are pursuing our efforts to strengthen financial stability by completing the privatization process of the two state-owned banks. After receiving the prequalifying offers, given that some information is missing on some offers, prequalifying bidders were given until mid-January to add the required information. We will evaluate these initial bids to select the prequalified bidders who will be allowed to participate in the final tendering process. Given the Presidential election period in February 2020 and the uncertainty created by the COVID-19 on the global financial conditions, the final tendering process could not be launched yet. Instead, we sent to the prequalified bidders the confidentiality agreement, which is a condition to access the data room. We will pay attention to the fit-and-proper requirement for successful privatization bids, given the systemic importance of the two public banks combined (i.e., 17.5 percent of market share at end-September 2019). We will closely monitor the liquidity situation of banks in close collaboration with the BCEAO and the WAMU Banking Commission. We will ensure that the senior management of these two public banks keep BCEAO and the Banking Commission informed of any developments.

26. We remain aware of the importance of closely monitoring risks related to financial sector vulnerabilities. Such risks may primarily arise from compliance with the capital and liquidity requirements, risk management, together with an already high loan concentration. The system NPL ratio continues to be elevated at 17 percent in June 2019 (and at 13 percent excluding the two state-owned banks), above the WAEMU average of 11.7 percent. The NPL resolution mechanism is weak; the recovery rate by the state-owned entity SRT (*Société de Recouvrement du Togo*) of NPLs from previous rounds of privatization was less than 10 percent during the last decade. The loan concentration rate of the banking system at end-2018 was 169 percent, significantly above the regulatory 65 percent ceiling and the 82.6 percent WAEMU average. The overall capital adequacy ratio dropped to 5.9 percent in 2018 due primarily to the significant regulatory capital needs at the two publicly owned banks; excluding the two state-owned banks, this ratio is sits comfortably at 16.1 percent. The move to Basel II/III since January 2018 has revealed more strikingly existing weaknesses in the two public banks, compared to the past when more lenient standards were applied. Beyond the two state-owned banks, the WAMU Banking Commission issued injunctions in 2018 and made capital restoration calls toward two very small private banks which are currently undergoing restructuring in order to be taken over by private strategic investors. In the meantime, one of these small banks has restored compliance with regulatory standards.

27. We will put emphasis on reducing NPLs and assessing banks' compliance with the Basel II-III regulatory standards. Priority will be given to strengthening the legal and institutional frameworks for NPL recovery, including enforcing the BCEAO instruction on the accounting and reporting of NPLs, finalizing the full application of the revised accounting framework for banks, including the item on the writing off of debts of NPLs not recovered after 5 years; and designing a strategy to improve the efficiency and governance of publicly-owned debt collection agency (SRT). We will further support the Credit Information Bureau (BIC) and capacity building for commercial courts. Regarding the credit bureau, we will continue to increase the adult population coverage ratio (currently at 16 percent) by encouraging 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.

E. Structural Policies

28. Building on our progress, we will continue to implement several structural reforms to improve the business environment, attract investment, and support growth. Our efforts to improve the business environment have been confirmed by Togo's Doing Business Indicators and we are committed to staying this course. We have made great strides to improve the business environment and are amongst the countries with the largest improvement under the current Doing

Business Indicators. Togo's summary business score that was in line with the WAEMU average ten years ago is now well ahead. Our rankings have improved from 156 in 2017 to 137 in 2018 and to 97 in 2019. The largest improvements were in the areas of registering property and dealing with construction permits (gained 56 and 47 places, respectively), starting a business (49 places), and getting electricity (42 places). We will continue to address the obstacles to private sector development, including by accelerating land reforms, strengthening insolvency resolution (for instance, informal debt restructuring, or the regulation of insolvency professionals), and facilitating trading across borders. We will continue to improve access to credit by relaxing the constraints to financial inclusion for firms. We will accelerate the implementation of the reforms included in the National Development Plan (NDP) and Compact with Africa (CwA) to bolster private investment and promote inclusive growth.

29. We will accelerate institutional reforms to strengthen governance and reduce corruption vulnerabilities. We will ensure a fair and effective execution of existing laws and regulations and fully operationalize the new anti-corruption agency and the first two commercial courts to deal with business conflicts. We will also strengthen and enforce the legal framework for asset declaration–framework pertaining to the draft law adopted by the government as of November 27, 2019 setting the conditions for the declaration of property and assets of high officials, senior officials and other public officials– and will adopt the legal framework for the United Nations Convention on Corruption, as well as the code of ethics and conduct. These pieces of legislation will aim at meeting international good practices, including on comprehensiveness of disclosed information, its publication and verification.

30. We will continue the fight against money laundering/financing of terrorism (ML/FT), in accordance with the regulatory provisions in force within WAEMU. We will publish the summary of the multisectoral national risk assessment on ML/FT carried out with the support of the World Bank. We will implement the recommended action plan to address the identified vulnerabilities, particularly in preparation for the assessment by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA). We undertake to adopt all the implementing legislation related to the 2018 Act on Anti-Money Laundering/Combating the Financing of Terrorism (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 banks to strengthen their AML/CFT efforts.

IV. PROGRAM FINANCING AND MONITORING

31. We will continue monitoring our policy implementation using the framework of the ECF-supported program. Even beyond the ECF-supported program, we will continue using the domestic primary balance and the net domestic financing as key indicators to guide our fiscal policy. We will also continue to monitor closely the revenue collection as well as social spending indicators.

32. We are requesting an augmentation of access under the current ECF arrangement to

address the implications of COVID-19. We request that financial support equivalent to SDR 25.1 million plus an augmentation of this drawing of 48.7 percent of our quota be made available in the form of budget support under the sixth (and last) review of the program. The amount of the augmentation (SDR 71.67 million) will be used to fill in the financing gap stemming from the COVID-19 pandemic in Togo.

33. We will pursue the strengthening of our institutional capacity. 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 monitoring of our policies and quarterly progress reports; (ii) liaison between national structures and technical and financial partners; and (iii) coordination of technical assistance. We will take remedial measures to improve the quality of statistics including by 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. In addition, efforts are being made to improve GDP estimates by rebasing the GDP according to the 2008 system of national accounts for the new base year (2016). First estimates will be available in the first half of 2020. We will continue to improve data quality. The presentation of fiscal data, particularly the government financial operations table (*Tableau des Opérations Financières de l'Etat*), has been refined and the quality of balance of payments data has improved.

34. We will make full use of technical assistance from various sources to strengthen 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-based budgeting and selection of public investments), debt management, and the generation and publication of statistics.

35. 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. For the remainder of 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, September and December 2019

(Billions of CFA Francs)

	2019							
	End-September				End-December			
	Performance Criteria	Adjusted	Actual	Status	Indicative Targets	Adjusted	Estimate	Prel. Status
Performance criteria								
Domestic primary fiscal balance (floor)[1]	-3.2	-3.2	52.3	Met	44.0	44.0	49.0	Met
Non-accumulation of arrears on external public debt[2]	0.0		0.0	Met	0.0		0.0	Met
Net domestic financing (ceiling)[3, 4]	53.3	53.3	20.1	Met	5.2	5.2	-63.7	Met
Government contracting or guaranteeing of nonconcessional external debt (ceiling)[2, 5]	0.0		0.0	Met	0.0		68.0	Met
Government guaranteeing of domestic loans to suppliers and contractors (ceiling)[2]	0.0		0.0	Met	0.0		0.0	Met
Government guarantees on bank prefinancing for public investments (ceiling)[2]	0.0		0.0	Met	0.0		0.0	Met
Indicative targets								
Total fiscal revenue (floor)	445.1		457.4	Met	635.9		624.5	Not met
Total domestically financed social spending (floor)	164.0		143.8	Not met	218.6		222.4	Met
Net domestic arrears accumulation (ceiling)[6]	0.0		-131.8	Met	0.0	-73.2	-141.6	Met
Memorandum Item								
Overall primary balance[1]	-61.9		20.7		-13.9		49.0	
Government contracting or guaranteeing of nominal concessional external debt	58.8		31.7		78.3		98.9	
NPV of new non-concessional external debt contracted as a result of debt management operations (maximum)	260.3		0.0		260.3		66.5	

Sources: Togolese authorities; and IMF staff estimates.

[1] Fiscal balance excl. transaction with the Social Security Fund, CNSS.

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

[3] 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.

[4] Financing in December 2019 excluding debt reprofiling operation.

[5] Nonconcessional borrowing in 2019 part of a debt reprofiling operation as allowed under the program.

[6] 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.

Table 2. Togo: Structural Benchmarks for the 6th (Final) Review			
Measures	**Rationale**	**Deadline**	**Status**
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	Met
(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	Met
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	Met
Expenditure and investment management			
Revise and enforce the multi-year public investment program.	Improve efficiency of investment.	End-October 2019	Met
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	Met
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	Not met.

INTERNATIONAL MONETARY FUND

TOGO

March 26, 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR AUGMENTATION OF ACCESS—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
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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) confirms Togo's moderate risk of external debt distress and high risk of overall public debt distress—unchanged from the previous DSA update published in October 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 present value (PV) of total public and publicly guaranteed (PPG) debt-to-GDP ratio breaches the debt distress benchmark through 2021 under the baseline scenario. This analysis highlights the need for sustained fiscal consolidation, improved debt management, and strong macroeconomic policies to reduce 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 2.91, which corresponds to a medium debt-carrying capacity as confirmed by the October 2019 WEO data and the 2018 Country Policy and Institutional Assessment (CPIA).

PUBLIC DEBT COVERAGE

1. **Togo's public debt includes obligations of the central government and public entities.** Debt data include external and domestic obligations of the central government, including arrears to suppliers and guaranteed debt, as well as external and domestic debt of state-owned enterprises (SOEs). As such, it also includes debt of the Caisse Nationale de Sécurité Sociale (Social Security Fund), which is considered as an SOE. As for local authorities, they cannot contract new debt, and the central government is in the process of identifying residual local debt that is gradually repaid, akin to arrears to the national electricity company that have been totally reimbursed. The Central Bank of the currency union (BCEAO) does not issue debt on behalf of its member countries. Domestic debt is defined as debt denominated in franc de la Communauté Financière d'Afrique (CFAF), while external debt is defined as debt contracted or serviced in a currency other than the CFAF. The choice of coverage based on currency, rather than residency, is due to the difficulty of monitoring the residency of creditors for debt traded in the WAEMU regional market.

Text Table 1. Togo: Public Debt Coverage

	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	X
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)	X
8	Non-guaranteed SOE debt	X

1	The country's coverage of public debt	The central government plus social security, central bank, 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%.

BACKGROUND ON DEBT

2. **After a peak in 2016, the debt ratio fell significantly from 81.4 percent of GDP in 2016 to 70.9 percent of GDP in 2019, owing to the important fiscal consolidation.** Togo's domestic debt burden reflects previously high deficits and recognition of government debt of accumulated liabilities from pre-financing, liquidated loss-making SOEs, and arrears accumulation. Weak public fiscal management, including limited debt management capacity, has played a role in these developments. While total external debt has slightly increased since 2016 (notably through a reprofiling operation and multilateral lending), domestic debt has declined gradually from a record high of 61.2 percent of GDP in 2016 to 47.1 percent of GDP in 2019, driven down mainly by the reimbursement of domestic arrears (including CNSS in 2019[3]) and early repayment

[3] The repayment of arrears owed to the social security fund (CNSS) is recorded as a disinvestment (negative item) under domestically-financed capital expenditure in line with GFSM 1986 guidelines.

of costlier domestic obligations. Its composition has evolved towards more Treasury bonds (emprunts obligataires) and less commercial loans (banking system, Text Table 2).

3. In 2020, the debt ratio is expected to be further reduced by about 4 percentage points. This would be mainly due to the early reimbursement of domestic loans, notably enabled by the reprofiling operation (1.9 percentage points)[4], and GDP growth, despite the detrimental effect of the Coronavirus outbreak on growth. The external debt ratio is expected to increase in 2020, from 23.7 percent of GDP at end-2019 to 25.2 percent of GDP at end-2020. The projected increase in official external financing (including additional IMF ECF financing) would be partly offset by a reduction in external borrowing from commercial banks—assuming no other reprofiling operations are implemented in 2020. As the government borrowed externally in December 2019 to reimburse domestic loans in January 2020, the proceeds of the external loan are supposed to have been saved as financial assets in 2019, with the reimbursement being financed by a reduction in financial assets in 2020.[5] Any further accumulation of financial assets would contribute to increase the debt ratio, compared to the projections. By the end of the projection period, continued fiscal consolidation is expected to substantially reduce domestic debt and total public and publicly guaranteed (PPG) debt.

Text Table 2. Togo: Composition of Public Debt, 2016 - 2019

	End-2016			End-2017			End-2018			End-2019		
	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP
Total Public Debt	**2,155**	**100.0**	**81.4**	**2,118**	**100.0**	**76.0**	**2,266**	**100.0**	**76.2**	**2,266**	**100.0**	**70.9**
Total Central Government	2,066	95.8	78.0	2,028	95.7	72.7	2,191	96.7	73.6	2,197	96.9	68.7
Total SOEs	90	4.2	3.4	90	4.3	3.2	74	3.3	2.5	70	3.1	2.2
External Debt	**535**	**24.8**	**20.2**	**562**	**26.5**	**20.1**	**610**	**26.9**	**20.5**	**759**	**33.5**	**23.7**
Central Government	**519**	**24.1**	**19.6**	**550**	**26.0**	**19.7**	**601**	**26.5**	**20.2**	**750**	**33.1**	**23.5**
Multilateral	168	7.8	6.3	204	9.6	7.3	238	10.5	8.0	331	14.6	10.3
o/w IMF	42	2.0	1.6	68	3.2	2.4	94	4.2	3.2	127	5.6	4.0
Bilateral[1]	43	2.0	1.6	41	1.9	1.5	41	1.8	1.4	32	1.4	1.0
Paris Club	6	0.3	0.2	6	0.3	0.2	6	0.3	0.2	6	0.3	0.2
Non-Paris Club	37	1.7	1.4	35	1.7	1.3	35	1.5	1.2	26	1.2	0.8
Commercial Banks	308	14.3	11.6	305	14.4	10.9	322	14.2	10.8	387	17.1	12.1
SOEs	**16**	**0.7**	**0.6**	**12**	**0.6**	**0.4**	**9**	**0.4**	**0.3**	**8**	**0.4**	**0.3**
Multilateral	3	0.1	0.1	2	0.1	0.1	2	0.1	0.1	2	0.1	0.1
Commercial	14	0.6	0.5	9	0.4	0.3	7	0.3	0.2	6	0.3	0.2
Domestic Debt	**1,621**	**75.2**	**61.2**	**1,556**	**73.5**	**55.8**	**1,656**	**73.1**	**55.7**	**1,508**	**66.5**	**47.1**
Central Government	**1,547**	**71.8**	**58.4**	**1,478**	**69.8**	**53.0**	**1,590**	**70.2**	**53.5**	**1,446**	**63.8**	**45.2**
T-Bills (Bons du Tresor)	189	8.7	7.1	148	7.0	5.3	127	5.6	4.3	51	2.3	1.6
Bonds (Emprunts Obligataires)[1]	574	26.6	21.7	807	38.1	28.9	958	42.3	32.2	1,070	47.2	33.4
Domestic Arrears	334	15.5	12.6	310	14.6	11.1	225	10.0	7.6	85	3.8	2.7
Pre-2006	173	8.0	6.5	173	8.2	6.2	155	6.8	5.2	49	2.2	1.5
Post-2006	122	5.6	4.6	100	4.7	3.6	34	1.5	1.2	-	0.0	0.0
Liquidated SOEs	39	1.8	1.5	36	1.7	1.3	36	1.6	1.2	36	1.6	1.1
Banking System	451	20.9	17.0	213	10.1	7.6	280	12.4	9.4	240	10.6	7.5
SOEs	**74**	**3.4**	**2.8**	**79**	**3.7**	**2.8**	**66**	**2.9**	**2.2**	**61**	**2.7**	**1.9**

Sources: Togolese authorities and Staff calculations.
[1]Includes SUKUK.

[4] This is because the reprofiling operation has happened in two steps. The external borrowing has increased total public debt end December 2019, while the related reimbursement of domestic loans has happened in January 2020.

[5] The positive residuals seen in the historical decomposition of debt dynamics, before 2020 (Table 2), are explained by i) the so-called pre-financing of public investment which created discrepancies between debt and fiscal data when the stock of corresponding debt was added to government debt (2016); ii) differences in fiscal and debt data reporting (the former being reported on an "extended" calendar year), for 2018; and iii) the accumulation of financial assets as a result of the external borrowing in end-December, in the context of the reprofiling operation.

BACKGROUND ON MACRO FORECASTS

4. **The baseline macroeconomic assumptions for the present DSA rely on sustainable real GDP growth, price stability with inflation below the WAEMU criterion of 3 percent, a stabilizing current account deficit, and continued fiscal discipline.** The short-term projections have been lowered because of the Coronavirus outbreak, while long-term growth projections remain moderate—at an annual average of 3 percent for 2020, 4 percent in 2021 and 5.5 over 2022-30, supported by stronger private sector activity. The overall primary balance (commitment basis, including grants) is anchored on a surplus of 1.0 percent of GDP over 2021-30 to bring public debt comfortably below the debt distress threshold, after which it would decrease and approach a deficit of around 2 percent of GDP by 2040 to provide more space for social and investment spending while safeguarding debt vulnerabilities. Total PV of PPG debt would decline below the new benchmark (PV of debt-to-GDP ratio of 55 percent) in 2022; the PV of debt-to-GDP ratio is projected to decline further to 30.6 percent by 2030 and around 24.3 percent by 2040.[6] The current account deficit is projected to stabilize in the range of 4 percent of GDP over the medium term, as exports of cotton, phosphates, agriculture, and light manufacturing goods recover from the crisis and then continue to grow, gradually offsetting the effect of imports, which, after having recovered as well, should continue to be sustained in relation with the National Development Plan. Inflation is projected to remain below the WAEMU regional convergence criterion of 3 percent.[7]

Box 1. Main Assumptions in the Macroeconomic Framework

Real GDP growth is expected to be reduced in the near term, as a result of the Coronavirus outbreak, at 3 percent for 2020 and 4 percent in 2021. Over the long term (2022-40), potential growth is estimated at an annual average of 5.5 percent supported by structural reforms and stronger private sector activity.

Public investment is projected at 9.6 percent of GDP in 2020 and is projected to grow and reach 11 to 14 percent of GDP in the medium and long term. Project loans are expected to grow in line with GDP, while project grants grow in line with GDP up to 2028 and then remain constant in nominal terms. As a result, the share of domestically-financed investment grows over time.

Key commodity price projections (i.e., for oil, cotton, cocoa, and coffee) through 2025 are sourced from the April 2020 WEO and are assumed to remain constant in real terms for the remainder of the forecast period.

Medium-term inflation projections are unchanged from the previous DSA. Average inflation was 0.7 in 2019 slightly down from 0.9 percent in 2018 driven by lower costs for food, clothing, and communication. Inflation is expected to reach 2 percent in the medium-term, below the WAEMU convergence criteria.

Medium-term projections of total revenue and grants are similar to those in the previous DSA update in October 2019, due to higher grants projections that are offset by lower revenues expected as a result of the Coronavirus outbreak. Tax revenue projected at 17.5 percent of GDP in 2020 would meet the WAEMU

[6] At the time of program approval, the benchmark of PV of public debt-to-GDP ratio of 38 percent under the November 2013 LIC Debt Sustainability Framework (DSF) was expected to be reached by 2026. Under the new LIC DSF and following the upward adjustment of Togo's debt carrying capacity, the benchmark has been increased to 55 percent.

[7] Compared to the October 2019 DSA update, the key macroeconomic assumptions remain broadly unchanged, except to account for impacts of COVID-19 in 2020.

Box 1. Main Assumptions in the Macroeconomic Framework (continued)

revenue criteria of 20 percent of GDP in 2028 and then stabilize around 22 percent of GDP starting in 2031. Improved revenue performance is supported by several measures introduced recently by the authorities to bolster permanent revenue, on tax policy measures, tax administration reforms and efforts to recover large stocks of tax arrears. Such measures include the phasing out of reduced VAT rates, enhancement of property taxation, reduction of tax exemptions, cross-checking of taxpayers between tax and customs administrations, and control over import valuations. Total revenue and grants are projected to average about 25 percent of GDP over 2021-30.

Box 1. Table 1. Togo: Key Macroeconomic Assumptions (DSA October 2019 vs Current DSA)

	2020	2021-30
Real GDP Growth (percent)		
Current DSA	3.0	5.3
DSA Update October 2019	5.5	5.5
Inflation (average, percent change)		
Current DSA	2.0	2.0
DSA Update October 2019	2.0	2.0
Total Revenue (percent of GDP)[1]		
Current DSA	23.8	25.3
DSA Update October 2019	23.7	25.4
Fiscal Primary Balance (commitment basis, incl. grants, percent of GDP)		
Current DSA	-0.7	1.0
DSA Update October 2019	1.0	1.0
Exports of goods and services (percent of GDP)		
Current DSA	28.4	28.9
DSA Update October 2019	32.0	34.5
Current Account Balance (percent of GDP)		
Current DSA	-4.9	-4.0
DSA Update October 2019	-6.0	-5.3

Sources: Togolese authorities and Staff calculations.
[1] Total revenue, including grants.

The overall primary fiscal balance (commitment basis, including grants) is estimated to have remained broadly unchanged at 1.5 percent of GDP in 2019 (excluding the transaction with the social security fund) compared with 1.6 percent in 2018. It is projected at -0.7 percent of GDP in 2020, lower than in the latest DSA (as a result of the Coronavirus outbreak). Starting in 2021 and up to 2029, the overall primary fiscal balance is anchored on a surplus of 1 percent of GDP, after which it would decrease and approach a deficit of 2 percent of GDP by 2040.

The projected current account deficit has been reduced significantly, which is attributable to a downward revision of the reported deficit in 2018 (essentially due to higher secondary income), as well as to the effects of the Coronavirus outbreak, in 2020 and 2021. Compared to the last DSA, exports are expected to improve less rapidly over the medium term, which is partly offset by imports that are expected to be less dynamic as well. The current account deficit is assumed to have deteriorated in 2019, as a result of lower exports (due to lower export prices and production of main export goods) and still sustained imports related to the National Development Plan. In 2020, it is likely to deteriorate further, mainly due to lower exports of services linked to the Coronavirus outbreak, while the reduction in good exports is likely to be offset by the reduction in good imports. In the medium term, gradually increasing exports should allow the current account to improve gradually. The current account is projected to stabilize at about 4 percent of GDP over the medium to long term, ensuring consistency with the fundamentals and desirable policy settings.

Foreign direct investment has been very volatile over the past years and data for 2018 was revised substantially to a net FDI outflow, driven by Ecobank's acquisitions abroad. These net FDI outflows, as well as net portfolio outflows, are expected to decrease less rapidly as expected in 2020, as a result of the outbreak. Net FDI outflows are expected to decrease afterwards and stabilize at 2 percent of GDP in 2022 and evolve in line with GDP over the medium term. However, these FDI flows, as well as grants, are subject to significant risks, which may consequently alter the debt dynamics assumed in the baseline.

5. Togo's debt is projected to be financed through a mix of domestic and external financing sources:

- New external disbursements are expected to evolve in line with GDP, starting in 2021. However, while new external financing is assumed to come solely from official creditors until 2020 included (end of the current Extended Credit Facility), commercial banks are projected to provide one fifth of the new external financing starting in 2021. The grant element of new public sector external borrowing is projected to decrease from 35.3 percent in 2020 to around 32 percent in 2021 and to remain stable afterwards. On the domestic side, new domestic debt is assumed to be issued as a mix of bonds with a maturity of 1-3 years (15 percent of total), 4-7 years (60 percent of total), and over 8 years (25 percent of total). The total value of new domestic issuances is projected to decrease as a share of GDP from about 6 percent a year over 2020-25 to about 3 percent a year over 2036-40.

- The authorities launched a debt reprofiling operation in 2019 supported by a guarantee from the African Trade Insurance Agency (ATI). The reprofiling operation consisted of borrowing EUR 103.6 million (2.0 percent of GDP) externally at an interest rate of 4.7 percent, which is below the interest rate on the existing domestic and regional debt that was repaid in January 2020 (FCFA 65 bn, or 1.9 percent of GDP with interest rate of around 7 percent[8]). While the ECF program sets a zero ceiling on the contracting or guaranteeing of new non-concessional external debt, given the 'moderate' risk of external debt distress, and to alleviate the heavy debt service burden, the program conditionality on non-concessional borrowing was modified in 2018 on the basis that Togo can accommodate non-zero non-concessional borrowing limits if they are related to debt management operations, do not lead to an external risk rating downgrade, and reduce the NPV of total public debt. At the second review of the ECF arrangement, the authorities' program includes a debt reprofiling operation of up to CFAF 260 billion in total (about $447 million or 8 percent of GDP), the amount that was estimated to keep the external debt risk rating unchanged at moderate. The information received suggests that the recent operation complies with these criteria, embedding a marginalt reduction in the NPV of total public debt of FCFA 1.3 billion (EUR 2 million), or 0.04 percent of GDP. While the authorities might proceed with further debt reprofiling operations in 2020, the current DSA does not include any such assumptions.

6. The realism of the baseline scenario for external and public debt does not indicate any peculiarity compared to cross-country distributions or Togo's historical experience.

- **Drivers of debt dynamics** (Figure 3). The evolution of projections of external and public debt-to-GDP ratios are consistent in the current and previous DSA vintage, while they reflect major deviations from the DSA from 5 years past. This is because the public debt ratio increased significantly after 2013 and reached its highest level in 2016, which raised sustainability concerns. In terms of projections, the fiscal consolidation under the ECF arrangement, which aims at putting debt on a sustainable path, is the main reason why the current and recent DSA vintages deviate

[8] The two loans repaid in January 2020 are a debt obligation signed in 2018, with a remaining maturity of 3 years, and a BOAD loan signed in 2013, with a remaining maturity of 8 years.

from the DSA prepared in 2013. For external debt, projected debt levels remain broadly constant, while the projected debt creating flows deviate from the five-year historical change because of projected smaller current account deficits and smaller residuals. The small increase in external debt in 2019, compared to the last DSA, is due to the debt reprofiling operation launched in late 2019. In 2020, it is due to the ECF augmentation that was not expected in the last DSA. For total public debt, projected debt levels are declining because of real GDP growth and a positive primary balance[9], while the five-year historical change indicates a significant increase triggered by large primary deficits and a positive residual (primarily because of the past recognition of government guarantees related to pre-financing agreements). The slight decrease in the debt trajectory, compared to the previous DSA, is explained by a reduction in the debt ratio in 2019, compared to the previous DSA, which is essentially imputable to the repayment of arrears to the CNSS (partly offset by the ECF augmentation).

- **Planned fiscal adjustment.** The primary balance is projected at -0.7 percent of GDP in 2020 and is projected to stabilize at a surplus of about 1 percent of GDP in the medium term.

- **Fiscal adjustment and possible growth path** (Figure 4). Projected economic growth of 3 percent in 2020 is much lower than growth rates implied by the different multipliers (6.4 to 9.7 percent), which is due to the expected impact of the Coronavirus outbreak on growth. Growth is projected at 4 percent in 2021, which is still slightly below the potential growth rates based on plausible fiscal multipliers (5.6 to 6.6 percent).

- **Public investment and growth.** Public and private investment projections are significantly higher under the previous DSA than under the current DSA, which is mainly due to the effects of the Coronavirus outbreak (see Figure 4), and to a lesser extent to lower investment execution.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

7. Togo's debt carrying capacity remains unchanged at medium. The composite indicator (CI), which captures the impact of several factors through a weighted average of an institutional indicator[10], real GDP growth, remittances, international reserves, and world growth, remains constant at 2.91 (Text Table 3). This value is within the band in which the debt carrying capacity is classified as 'medium'. The debt carrying capacity, in turn, determines the PPG external debt thresholds and total public debt benchmarks (see Text Table 4).

8. Standardized stress tests are run to determine Togo's debt sustainability rating. The six standardized tests run to assess Togo's sustainability rating are assuming default shocks to real GDP growth,

[9] Other debt creating flows are also contributing to the reduction in the debt ratio over the next 5 years, mainly driven by the reimbursement of the CNSS arrears, which is recorded below the line and therefore integrated in other debt creating flows.

[10] The World Bank's Country Policy and Institutional Assessment (CPIA).

the primary balance, exports, other flows and the exchange rate. They also include a scenario of combined shocks. In addition, the contingent liability stress test assumes a shock of 11.8 percent of GDP. The shock includes the default value of 5 percent for financial markets, a 6.8 percent for risks associated with private-public partnerships (PPPs) given Togo's stock of such partnerships of around 20 percent of GDP, and 0 percent for SOE debt given that it is already included in public debt (Text Table 1). The baseline debt projections and the projections under these standardized stress tests are assessed against the thresholds that are determined by the medium debt carrying capacity of Togo, i.e. a threshold of 55 percent of GDP for the present value of total public debt over GDP (see Text Table 4 below). Togo does not have prominent economic features such as natural disasters, significant reliance on commodity exports, market financing, etc. that require additional tailored stress tests.

Text Table 3. Togo: Calculation of the Composite Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.4	3.2	1.2	42%
Real growth rate (in percent)	2.7	5.3	0.1	5%
Import coverage of reserves (in percent)	4.1	38.4	1.6	53%
Import coverage of reserves^2 (in percent)	-4.0	14.7	-0.6	-20%
Remittances (in percent)	2.0	5.6	0.1	4%
World economic growth (in percent)	13.5	3.5	0.5	16%
CI Score			2.91	100%
CI rating			Medium	

Text Table 4. Togo: Applicable Thresholds for 'Medium' Debt-Carrying Capacity

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

MODEL-BASED EXTERNAL DEBT SUSTAINABILITY ANALYSIS

9. The model still signals a low risk of external debt distress, as none of Togo's PPG external debt burden indicators breach their thresholds under the baseline nor under the most extreme shocks (Table 3, Figure 1). The PV of PPG external debt is projected at 19.5 percent of GDP in 2020 and will decrease to around 12.8 percent of GDP by 2030 in the baseline scenario. The ratio of the PV of PPG external debt relative to exports is projected at 68.6 percent of GDP in 2020 and to decrease to 43.5 percent of GDP by 2030, significantly below its indicative threshold. Similarly, debt service indicators remain well below their thresholds. Moreover, all external debt indicators remain below their respective thresholds under the stress test 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.

10. Under the historical scenario, which sets key macroeconomic parameters to their 10-year historical averages, external debt indicators breach their respective thresholds in outer years. In particular, the PV of debt-to-GDP breaches the threshold from 2026. All external debt indicators remain below their respective thresholds under the most extreme shock scenario.

11. The assumptions for the baseline scenario deviate from the historical scenario 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 seen for example in the World Bank's 2020 Doing Business Report, where Togo is one of the top ten improvers. Togo has also started to export new products (plastic products and organic produce, for example), which should help diversify exports.
- Non-debt carrying flows. The baseline projects average FDI outflows of 2 percent of GDP starting in 2021 compared to historical outflows of 3.7 percent of GDP on average. Net FDI outflows in 2018-19 were attributed to a specific company that is expected to continue with additional acquisitions abroad.[11]

[11] The large negative residuals seen in the breakdown of the external debt variation (Table 6) is likely to be linked to the recording of FDIs, for two reasons. First, the reliability of the historic numbers might be 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. Second, the external debt projections only cover public external debt, while FDIs are including net acquisitions by the private sector, which are creating unreported private (not public) sector external debt.

OVERALL PUBLIC DEBT SUSTAINABILITY ANALYSIS

12. **Togo's overall risk of public debt distress remains high, as the PV of total public debt remains above the indicative benchmark through 2022 (Table 4, Figure 2).** Under the baseline scenario, overall public debt is now forecasted at 67.1 percent of GDP in 2020, falling below 70 percent that year. By 2040, continued fiscal consolidation (primary surplus assumed at about 1 percent of GDP up to 2029) coupled with favorable growth rates are 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 rise in 2021 and decline below the indicative benchmark in 2025. Under the historical scenario, this ratio would remain above the indicative threshold during the entire projection period. The analysis highlights the need for sustained fiscal consolidation, improved debt management, and macroeconomic policies aiming to reduce the level of public debt to prudent levels over the medium term.

APPLICATION OF JUDGMENT

13. **Fund and Bank staff 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 update of October 2019.** All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2020-40) under the baseline and the most extreme stress test. 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, leading to the assessment of a moderate risk of external debt distress. Such vulnerabilities could arise because of risks related to local-currency debt owed to non-residents (currently integrated as domestic debt—defined on a currency basis), to possible further debt reprofiling operations, or to the need to incur fiscal costs to facilitate the privatization of the two public banks (see above).

RISK RATING AND VULNERABILITIES

14. **Togo remains at moderate risk of external public debt distress and high risk of overall public debt distress:**

- Togo's overall public debt stood at 70.9 percent of GDP at end-2019 (68.7 percent of GDP excluding debt of SOEs). The ratio of NPV of overall public debt-to-GDP remains above the indicative benchmark through 2021—but on a steady declining trend, under the assumption of a continued primary surplus of about 1 percent of GDP and substantial reduction in the domestic debt.
- For the external debt, under the baseline scenario, all PPG external debt sustainability indicators are expected to remain well below their indicative thresholds throughout the projection period (2020–40). While the mechanical results point to a low risk of external debt distress, judgment was applied given vulnerabilities arising from the existing high domestic debt, possible further debt

reprofiling operations, or the need to incur fiscal costs to ease the privatization process of the two public banks.

15. Togo is considered to have substantial space to absorb shocks on external debt (Figure 5). Under the granularity module used for countries rated at moderate risk of external debt distress, Togo is considered to have substantial space to absorb shocks, as all baseline external debt indicators are well below their respective thresholds, such that only shocks in the upper quartile of the observed distribution of shocks would downgrade Togo to high risk of debt distress.

AUTHORITIES' VIEWS

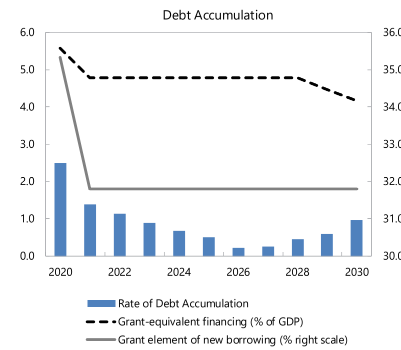
16. The authorities broadly agreed with staff's assessment of Togo's public debt situation and recommendations. They concurred with staff's assessment of risk ratings and distress level. Given that Togo's overall risk of debt distress remains high, they recognize that the fiscal consolidation must continue in order to bring public debt down below the relevant benchmark. Besides, they presented their 2020-24 medium-term debt strategy, which broadly intends to increase the share of foreign currency debt over total debt, towards 50 percent in 2024. This should be achieved notably through reprofiling operations and continued concessional external financing (from the World Bank and African Development Bank), as well as semi-concessional financing (Eximbank India, Kuwaiti Funds, and Saudi Funds for which projects are under execution). Domestic issuances are expected to cover the remaining financing needs, through a mix of 1 to 10-year maturity obligations. The average maturity of total debt is expected to increase from around 5 years in 2019 to 7 years in 2024.

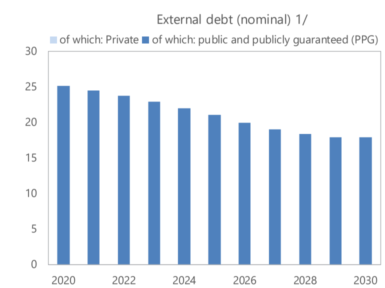
Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	21.0	17.9	19.7	18.1	21.1
of which: public and publicly guaranteed (PPG)	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	21.0	17.9	19.7	18.1	21.1
Change in external debt	0.0	0.3	3.2	1.4	-0.7	-0.7	-0.8	-0.9	-1.0	0.0	0.1		
Identified net debt-creating flows	-1.9	6.0	7.4	8.0	6.5	5.2	5.1	4.9	4.8	5.2	7.7	10.3	5.3
Non-interest current account deficit	1.6	3.2	4.0	4.6	4.0	4.1	4.0	3.7	3.5	3.7	6.2	7.2	3.7
Deficit in balance of goods and services	10.5	11.7	12.1	12.9	12.3	12.3	12.2	12.0	11.8	11.7	13.3	16.3	12.0
Exports	33.1	31.8	31.3	28.4	28.4	28.5	28.6	28.8	29.0	29.3	29.0		
Imports	43.5	43.5	43.4	41.3	40.7	40.8	40.8	40.8	40.8	41.0	42.3		
Net current transfers (negative = inflow)	-8.3	-7.9	-7.5	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.3	-6.2	-7.6	-7.6
of which: official	-2.2	-1.8	-2.0	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1	-1.7	-0.7		
Other current account flows (negative = net inflow)	-0.5	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	-1.5	-0.7
Net FDI (negative = inflow)	-2.5	4.7	3.6	3.7	3.1	2.0	2.0	2.0	2.0	2.0	2.0	3.7	2.3
Endogenous debt dynamics 2/	-1.0	-1.8	-0.1	-0.3	-0.6	-0.9	-0.8	-0.8	-0.7	-0.6	-0.6		
Contribution from nominal interest rate	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.4		
Contribution from real GDP growth	-0.8	-0.9	-1.1	-0.7	-0.9	-1.2	-1.2	-1.2	-1.1	-0.9	-1.0		
Contribution from price and exchange rate changes	-0.6	-1.2	0.7	...	...	...	...	...	...	...	...		
Residual 3/	1.9	-5.7	-4.2	-6.5	-7.1	-5.9	-6.0	-5.8	-5.7	-5.2	-7.6	-12.9	-5.9
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	...	...	18.4	19.5	19.0	18.5	17.8	17.0	16.1	12.8	14.0		
PV of PPG external debt-to-exports ratio	...	...	58.9	68.6	67.0	65.1	62.3	59.0	55.5	43.5	48.3		
PPG debt service-to-exports ratio	5.9	4.8	4.9	4.8	4.4	5.1	5.8	6.3	6.7	4.6	3.8		
PPG debt service-to-revenue ratio	10.7	7.5	7.8	6.9	6.2	7.2	8.1	8.9	9.3	5.7	4.5		
Gross external financing need (Billion of U.S. dollars)	0.3	0.0	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.4	1.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.4	4.9	5.3	3.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.1
GDP deflator in US dollar terms (change in percent)	2.9	6.4	-3.2	4.1	5.5	3.4	3.2	3.1	3.1	2.9	2.9	-0.5	3.4
Effective interest rate (percent) 4/	2.0	1.7	1.4	1.5	1.5	1.6	1.7	1.8	1.8	2.1	2.1	1.6	1.8
Growth of exports of G&S (US dollar terms, in percent)	0.6	7.3	0.2	-2.6	9.7	9.2	9.5	9.6	9.5	8.5	4.6	4.3	8.1
Growth of imports of G&S (US dollar terms, in percent)	-12.9	11.5	1.7	2.0	8.0	9.5	9.0	8.6	8.8	8.8	9.6	4.4	8.1
Grant element of new public sector borrowing (in percent)	...	...	...	35.3	31.8	31.8	31.8	31.8	31.8	31.8	31.9	...	32.1
Government revenues (excluding grants, in percent of GDP)	18.2	20.3	19.5	19.7	19.9	20.0	20.3	20.5	21.0	23.2	24.0	18.3	21.2
Aid flows (in Billion of US dollars) 5/	0.4	0.4	0.6	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.6	4.8	4.8	4.8	4.8	4.8	4.2	2.3	...	4.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	66.3	74.7	74.7	74.7	74.7	74.7	72.0	58.3	...	73.6
Nominal GDP (Billion of US dollars)	5	5	5	6	6	7	8	8	9	14	31		
Nominal dollar GDP growth	7.4	11.6	1.9	7.3	9.7	9.1	8.9	8.8	8.8	8.6	8.6	5.1	8.7
Memorandum items:													
PV of external debt 7/	...	...	18.4	19.5	19.0	18.5	17.8	17.0	16.1	12.8	14.0		
In percent of exports	...	...	58.9	68.6	67.0	65.1	62.3	59.0	55.5	43.5	48.3		
Total external debt service-to-exports ratio	5.9	4.8	4.9	4.8	4.4	5.1	5.8	6.3	6.7	4.6	3.8		
PV of PPG external debt (in Billion of US dollars)			1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.7	4.3		
(PVt-PVt-1)/GDPt-1 (in percent)				2.5	1.4	1.1	0.9	0.7	0.5	1.0	1.3		
Non-interest current account deficit that stabilizes debt ratio	1.7	2.8	0.7	3.1	4.6	4.8	4.8	4.6	4.5	3.8	6.1		

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.

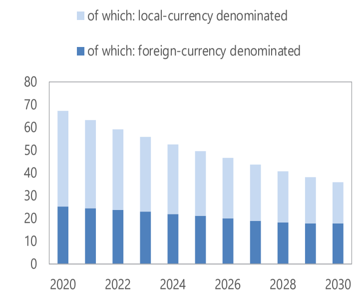
1/ Includes debt of the central government and public entities.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes 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.

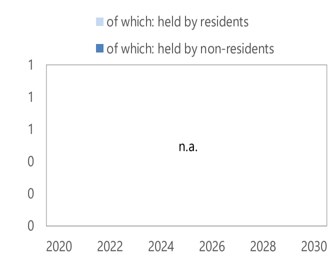
Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	76.0	76.2	70.9	67.1	63.1	59.3	55.9	52.6	49.5	35.8	30.1	**63.8**	**50.2**
of which: external debt	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	21.0	17.9	19.7	**18.1**	**21.1**
Change in public sector debt	-5.4	0.2	-5.3	-3.7	-4.1	-3.7	-3.4	-3.3	-3.1	-2.4	0.6		
Identified debt-creating flows	-5.7	-1.8	-7.8	-1.7	-3.8	-3.5	-3.2	-3.1	-3.0	-2.3	0.6	**0.8**	**-2.9**
Primary deficit	-1.5	-1.6	-4.8	0.7	-1.0	-1.0	-1.0	-1.0	-1.0	-0.8	2.0	**2.5**	**-0.8**
Revenue and grants	21.4	23.9	23.4	23.8	23.9	24.1	24.3	24.5	25.1	26.7	25.5	**21.2**	**25.1**
of which: grants	3.2	3.6	3.8	4.0	4.0	4.0	4.0	4.0	4.0	3.4	1.5		
Primary (noninterest) expenditure	19.9	22.3	18.5	24.5	22.9	23.1	23.3	23.5	24.1	25.9	27.4	**23.8**	**24.3**
Automatic debt dynamics	-4.2	-1.4	-1.9	-2.4	-2.8	-2.5	-2.2	-2.1	-2.0	-1.5	-1.4		
Contribution from interest rate/growth differential	-2.3	-2.3	-2.3	-1.5	-2.1	-2.2	-2.0	-1.9	-1.8	-1.4	-1.2		
of which: contribution from average real interest rate	1.1	1.2	1.6	0.6	0.5	1.0	1.1	1.0	1.0	0.6	0.3		
of which: contribution from real GDP growth	-3.4	-3.6	-3.8	-2.1	-2.6	-3.3	-3.1	-2.9	-2.7	-2.0	-1.5		
Contribution from real exchange rate depreciation	-1.9	0.9	0.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	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**
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		
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		
CNSS arrears repayment	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	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.3	2.0	2.5	-3.0	-1.0	-0.5	-0.4	-0.4	-0.4	-0.2	-0.2	**-1.7**	**-0.6**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	65.7	61.4	57.6	54.1	50.8	47.6	44.6	30.6	24.3		
PV of public debt-to-revenue and grants ratio	...	...	281.3	258.4	240.7	224.6	209.1	194.5	177.9	114.9	95.4		
Debt service-to-revenue and grants ratio 3/	101.7	57.7	66.5	52.7	46.7	53.3	32.2	36.7	32.8	21.3	12.1		
Gross financing need 4/	20.3	13.4	9.6	13.3	10.2	11.8	6.8	8.0	7.2	4.9	5.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.4	4.9	5.3	3.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	**5.7**	**5.1**
Average nominal interest rate on external debt (in percent)	2.1	1.6	1.5	1.5	1.5	1.6	1.7	1.8	1.8	2.1	2.1	**1.6**	**1.8**
Average real interest rate on domestic debt (in percent)	1.9	2.6	3.0	1.2	1.4	3.1	3.6	3.4	3.5	3.2	3.2	**1.8**	**2.9**
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.0	4.7	2.1	...	...	...	...	...	...	...	...	**3.2**	**...**
Inflation rate (GDP deflator, in percent)	0.9	1.7	2.1	4.6	4.4	2.9	2.9	2.9	2.9	2.9	2.9	**1.5**	**3.2**
Growth of real primary spending (deflated by GDP deflator, in percent)	-27.7	17.6	-12.5	36.0	-2.6	6.2	6.6	6.3	8.0	7.2	5.9	**6.5**	**8.7**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.9	-1.8	0.5	4.4	3.1	2.7	2.4	2.3	2.1	1.6	1.4	**0.9**	**2.4**
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		

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 plus social security, central bank, 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, 2020–30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	20	19	19	18	17	16	15	14	13	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	20	23	26	30	33	36	40	**43**	**46**	**49**	**52**
B. Bound Tests											
B1. Real GDP growth	20	19	19	18	17	16	15	14	14	13	13
B2. Primary balance	20	21	22	22	21	20	20	19	18	18	18
B3. Exports	20	23	29	28	27	25	24	23	21	20	19
B4. Other flows 3/	20	24	30	29	27	26	25	23	22	21	20
B5. One-time 30 percent nominal depreciation	20	24	19	18	18	17	15	14	14	13	13
B6. Combination of B1-B5	20	26	27	26	25	24	23	21	20	19	18
C. Tailored Tests											
C1. Combined contingent liabilities	20	22	21	21	20	19	19	18	17	17	17
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	69	67	65	62	59	56	52	48	46	44	44
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	69	80	92	104	115	125	136	146	157	167	178
B. Bound Tests											
B1. Real GDP growth	69	67	65	62	59	56	52	48	46	44	44
B2. Primary balance	69	74	78	75	72	70	68	66	63	61	61
B3. Exports	69	95	141	135	128	121	114	107	101	95	92
B4. Other flows 3/	69	86	105	100	95	90	85	80	75	71	68
B5. One-time 30 percent nominal depreciation	69	67	54	51	49	46	42	39	37	36	36
B6. Combination of B1-B5	69	96	91	109	103	97	91	86	81	76	74
C. Tailored Tests											
C1. Combined contingent liabilities	69	77	75	72	69	67	65	61	59	57	57
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	5	4	5	6	6	7	7	7	6	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	5	5	6	7	8	10	11	11	11	12	11
B. Bound Tests											
B1. Real GDP growth	5	4	5	6	6	7	7	7	6	6	5
B2. Primary balance	5	4	5	6	7	7	8	8	7	7	6
B3. Exports	5	5	8	10	10	11	12	11	11	11	9
B4. Other flows 3/	5	4	6	7	7	8	8	8	8	8	7
B5. One-time 30 percent nominal depreciation	5	4	5	5	6	6	7	7	6	5	4
B6. Combination of B1-B5	5	5	7	8	9	9	10	10	10	9	7
C. Tailored Tests											
C1. Combined contingent liabilities	5	4	5	6	7	7	8	8	7	6	5
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	7	6	7	8	9	9	10	10	8	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	6	8	10	12	13	15	15	15	15	14
B. Bound Tests											
B1. Real GDP growth	7	6	7	8	9	9	10	10	9	8	6
B2. Primary balance	7	6	7	9	9	10	11	10	9	9	7
B3. Exports	7	6	8	10	11	11	12	11	10	10	8
B4. Other flows 3/	7	6	8	10	11	11	12	11	10	10	8
B5. One-time 30 percent nominal depreciation	7	8	9	10	11	11	12	11	10	8	6
B6. Combination of B1-B5	7	7	8	10	11	11	12	11	11	10	8
C. Tailored Tests											
C1. Combined contingent liabilities	7	6	8	9	9	10	11	10	9	8	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 2020–30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**61**	**58**	**54**	**51**	**48**	**45**	**42**	**39**	**36**	**33**	**31**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**61**	**61**	**61**	**60**	**60**	**60**	**59**	**59**	**59**	**58**	**57**
B. Bound Tests											
B1. Real GDP growth	**61**	**58**	**56**	53	50	47	44	42	39	37	35
B2. Primary balance	**61**	**64**	**68**	**64**	**61**	**57**	54	50	47	44	41
B3. Exports	**61**	**61**	**64**	**60**	**56**	53	50	46	43	40	37
B4. Other flows 3/	**61**	**63**	**65**	**62**	**58**	55	51	48	44	41	38
B5. One-time 30 percent nominal depreciation	**61**	**59**	54	49	45	41	36	32	28	25	21
B6. Combination of B1-B5	**61**	**61**	**58**	50	47	44	41	37	34	32	29
C. Tailored Tests											
C1. Combined contingent liabilities	**61**	**68**	**64**	**61**	**57**	54	50	47	44	41	38
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	258	241	225	209	195	178	163	149	136	125	115
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	258	254	250	247	243	236	230	225	219	215	212
B. Bound Tests											
B1. Real GDP growth	258	244	231	217	203	188	174	161	149	139	130
B2. Primary balance	258	269	281	264	248	228	211	194	179	165	153
B3. Exports	258	255	264	247	230	211	195	179	164	150	137
B4. Other flows 3/	258	263	272	254	237	218	201	185	169	154	141
B5. One-time 30 percent nominal depreciation	258	251	228	206	186	164	145	127	109	94	80
B6. Combination of B1-B5	258	256	241	209	194	177	162	145	131	120	110
C. Tailored Tests											
C1. Combined contingent liabilities	258	285	268	250	234	215	197	182	167	154	143
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	53	47	53	32	37	33	34	32	28	27	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	53	47	55	34	39	36	38	36	32	32	27
B. Bound Tests											
B1. Real GDP growth	53	47	54	33	38	34	36	34	30	28	23
B2. Primary balance	53	47	55	36	40	43	51	42	31	32	30
B3. Exports	53	47	54	33	38	34	35	33	29	29	23
B4. Other flows 3/	53	47	54	34	38	34	35	33	30	29	24
B5. One-time 30 percent nominal depreciation	53	45	52	32	37	33	34	32	28	26	21
B6. Combination of B1-B5	53	45	52	32	36	32	37	34	29	27	22
C. Tailored Tests											
C1. Combined contingent liabilities	53	47	56	34	39	46	47	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.

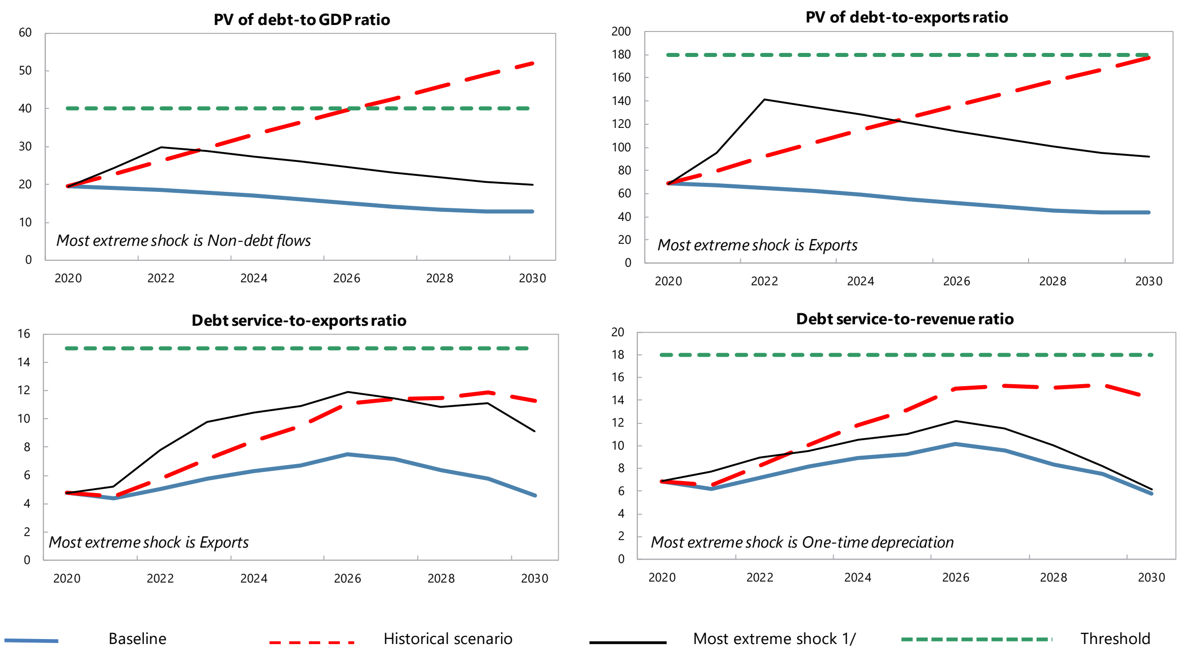
Sources: Country authorities; and staff estimates and projections.

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, 2020–30 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)	26	26
Avg. grace period	6	6

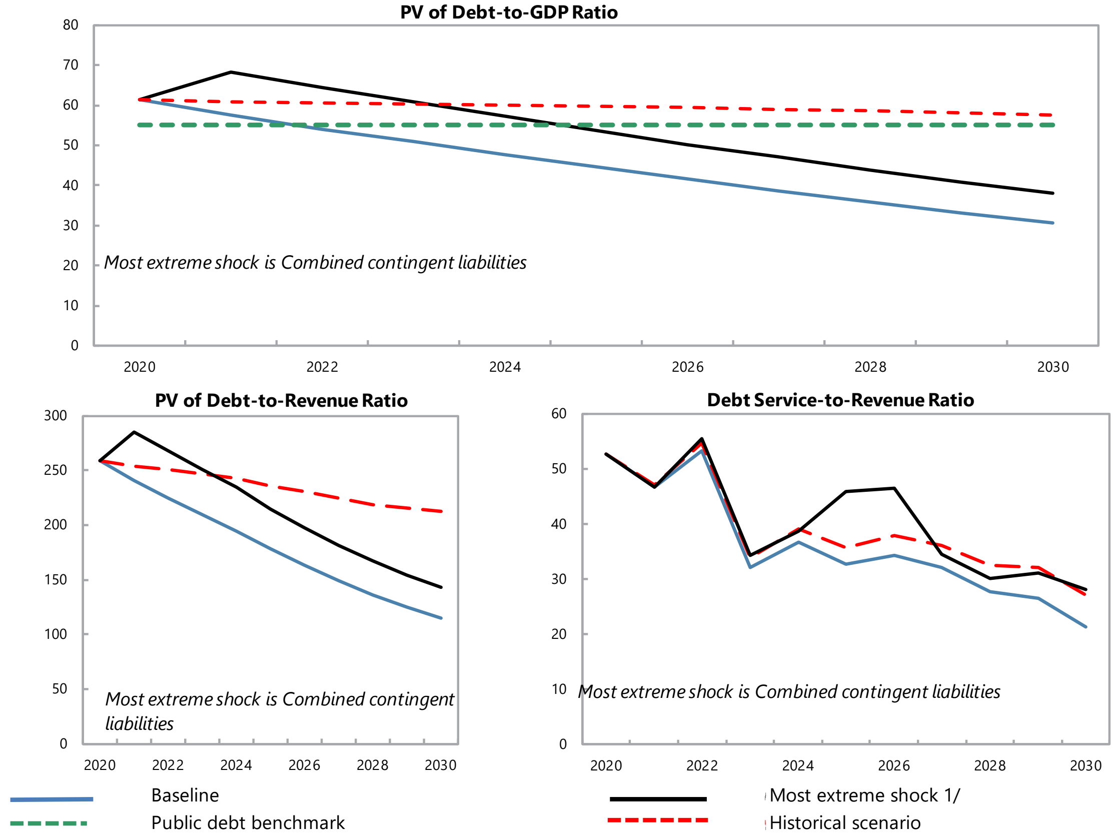
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2030. 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, 2020–30



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	34%	34%
Domestic medium and long-term	66%	66%
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)	26	26
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.3%	3.3%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.3%	3.3%

* 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 2030. 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.

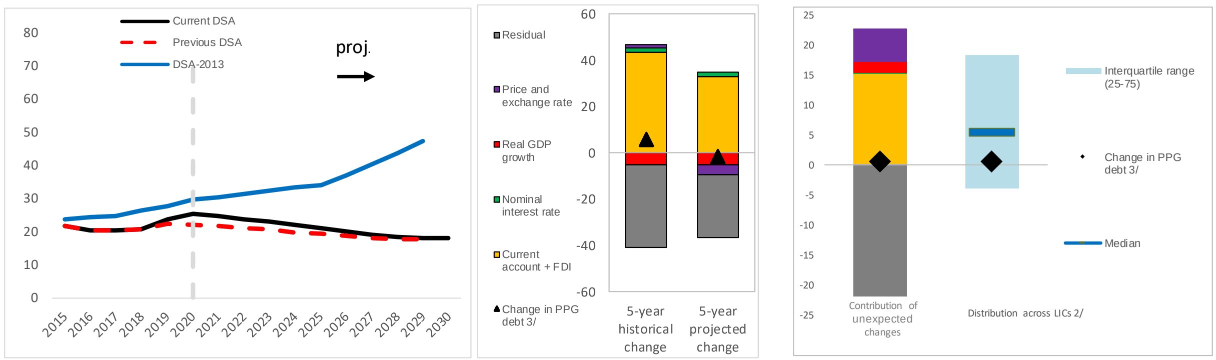
Figure 3. Togo: Drivers of Debt Dynamics – Baseline Scenario

External Debt

Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)

Debt-creating flows
(percent of GDP)

Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

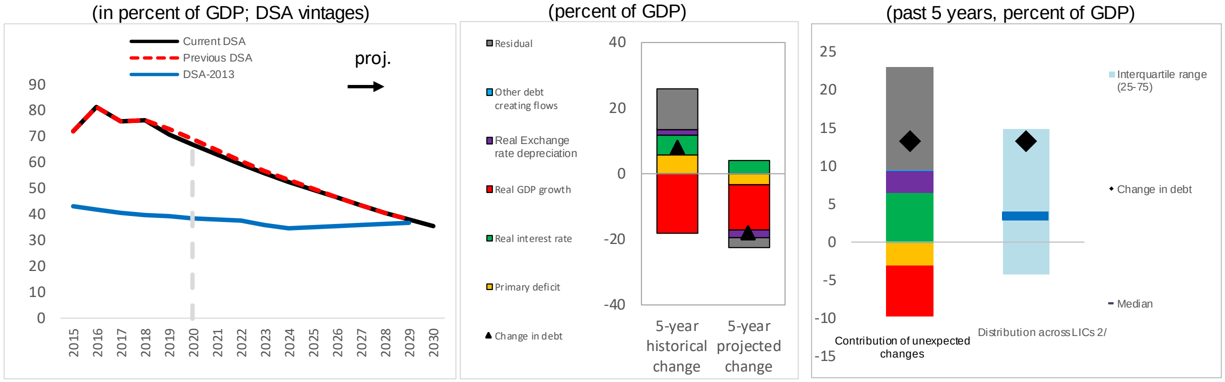


Public Debt

Gross Nominal Public Debt
(in percent of GDP; DSA vintages)

Debt-creating flows
(percent of GDP)

Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



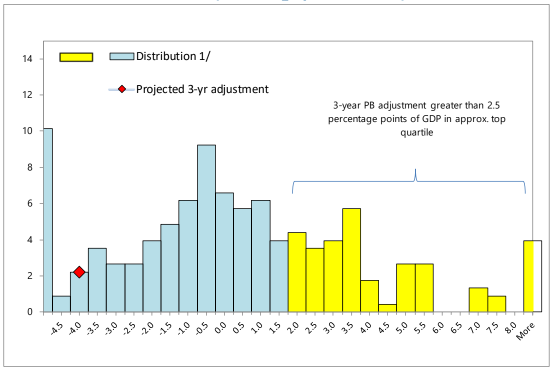
1/ Difference between anticipated and actual contributions on debt ratios.

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.

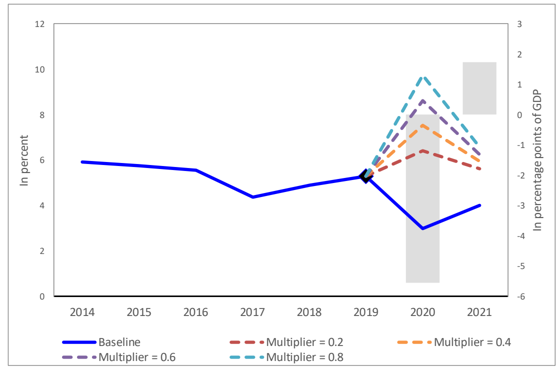
Figure 4. Togo: Realism Tools

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



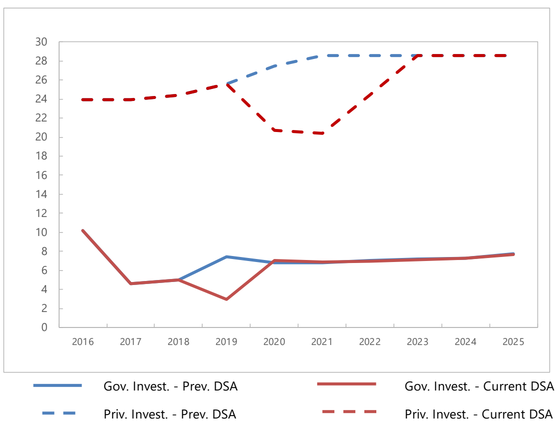
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

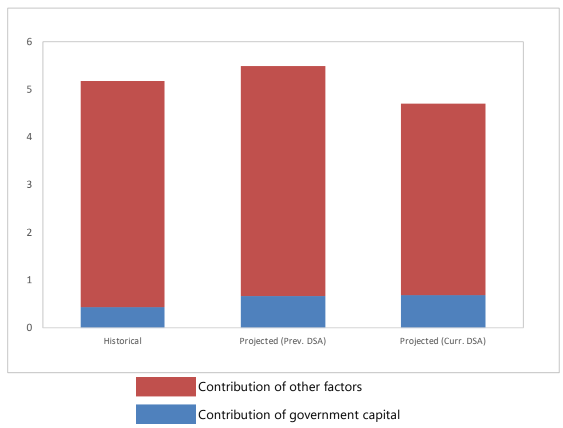


Figure 5. Togo: Qualification of the Moderate Category, 2020–30 [1/]

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.

Statement by Mr. Raghani, Executive Director for Togo and Mrs. Boukpessi, Advisor to the Executive Director April 3, 2020

Introduction

1. The Togolese authorities seize the opportunity of the Sixth and final review of their economic and financial program under the Extended Credit Facility (ECF) to thank Executive Directors, Management and staff for their continued support, which has been instrumental in sustaining their policy and reform agenda. They also highly appreciate Management and staff's prompt response to their request for the augmentation of access under the current arrangement to help address the health and economic impacts of the COVID-19 pandemic.

2. The substantial fiscal consolidation of 8.3 percentage points of GDP achieved over the 3-year program period and the comprehensive reforms implemented have helped strengthen macroeconomic and financial stability, put public debt on a downward path and promote durable and inclusive growth. During the period under review, program implementation continued to be strong albeit the delay in the completion of the structural benchmark (SB) on the privatization of the two public banks. Going forward, the authorities intent to build on the good performance under the ECF-arrangement to further advance macroeconomic stability, transform the Togolese economy, and respond to the social needs of the population. At this juncture, addressing the challenges posed by the COVID-19 pandemic is the utmost priority.

3. The authorities request the completion of the Sixth and final Review under the ECF arrangement and the augmentation of access of 48.7 percent of Togo's quota (SDR 71.67 million) to help meet the urgent financing needs due to the COVID-19 pandemic.

Program Performance

4. Togo continued to record a strong performance over the program review period. All continuous and end-September 2019 quantitative performance criteria (QPCs) were met, including the floor on domestic primary balance which recorded a surplus of 1.2 percent of GDP, an overperformance of 1.7 percentage points of GDP. The end-September 2019

indicative targets (ITs) on total fiscal revenue and non-accumulation of net domestic arrears were met while the one on social spending was missed. Based on preliminary data, all fiscal ITs set for end-December 2019 were met including the one on social spending. However, the IT on the floor of total fiscal revenue was missed although tax revenue collection improved. The authorities continued to demonstrate strong commitment to structural reforms, with all five end-October 2019 SBs met, including those on revenue administration, program budgeting, and the public investment plan. Although the end-December SB related to the privatization of the two public banks was not completed, the authorities are confident that the launch of the final tender and submission of offers by the shortlisted bidders will proceed once the current context improves.

Recent Economic Developments and Outlook

5. While macroeconomic conditions improved in 2019, the global COVID-19 crisis is now hampering Togo's economic growth. Dynamism in construction, airport and port activities supported the growth momentum in 2019, with real GDP growth estimated at 5.3 percent from 4.9 percent in 2018. Headline inflation turned negative at end 2019 while elevated imports for investments related to the national development plan —*Plan National de Développement* (PND) have negatively impacted the current account deficit, which stood at 4.2 percent of GDP. Fiscal performance continued to be solid, with overall deficit estimated at 1.2 percent of GDP at end-December 2019, making Togo compliant with the WAEMU fiscal deficit criterion of 3 percent of GDP over the entire program period. The Public debt-to GDP ratio excluding state-owned enterprises (SOEs) declined from 73.6 percent in 2018 to 68.7 percent in 2019 and from 76.2 to 70.9 percent of GDP including SOEs.

6. As a regional logistical hub, with strong trade ties with China and Europe and limited health capacity, Togo is highly vulnerable to the current COVID-19 outbreak. As of March 31, 2020, the country has recorded 34 cases with 1 fatality. While this number may seem low, the risk of a rapid spread across the country is very high and call for immediate actions. Along with the major health emergency, COVID-19 pandemic will imply significant supply and demand disruptions and constrain economic growth. Against this background, and based on initial estimates, growth forecast for 2020 has been revised downward from 5.5 to 3.0 percent and the fiscal deficit and the balance of payments financing gap projected to expand significatively. The impact would be more severe if COVID-19 continues to spread further. Looking ahead, as the effects of the pandemic dissolves and are contained, the authorities foresee real GDP growth to resume and firm up over the medium term. They are confident that as the recent infrastructures and amelioration in business environment start bearing fruits, productivity will be boosted along with investment and private sector development.

7. Cognizant of the risks to the medium-term outlook highlighted in staff's risk assessment matrix, the authorities will endeavor to reinforce the economy's resilience to shocks. They will pursue the implementation of policies and reforms to enhance macroeconomic stability, strengthen debt sustainability, address financial vulnerabilities and improve potential growth.

Policy Response to the COVID-19 shock and Macroeconomic Policies Going Forward

Measures to Mitigate the Impact of COVID-19 Pandemic

8. Immediate measures under a three-fold action plan aimed at strengthening the public health system, containing the spread of the virus and mitigating its humanitarian and social effects are being taken. First, *prevention* measures include the closure of land borders, enhanced airport and border controls, as well as barriers and social distancing. Among the latter measures, are mobility restrictions across the country, temporary closure of schools and universities, and momentary ban of religious, cultural and other public events. Second, *detection* measures entail tests and identification of potential COVID-19 cases, Third, *treatment* measures involve notably containment, dedicated hotels and hospitals as well as mobile clinics. The authorities plan to further strengthen the health system to increase resilience against pandemic and chronic diseases All in all, the overall financing needs are estimated at about CFAF 70 billion (about $130 million or 2 percent of GDP).

9. Discussions with development partners to help meet these financing needs are underway and about CFAF 7 billion from both the state and the World Bank have already been made available. The 2020 fiscal framework is being widened by 1.7 percentage points of GDP to integrate the COVID-19 spending needs (1.3 percent of GDP) and revenue losses (0.4 percent of GDP). Given the increased health-related purchases, decreased exports and reduced foreign direct investments, the balance of payments pressure is expected to amount to CFAF 58 billion (1.7 percent of GDP), which is equivalent at about 48.7 percent of Togo's quota.

10. The regional central bank –*Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)* – has also announced recently strong response measures, including an increase in resources made available to banks and a broadening of the range of mechanisms to access Central Bank refinancing; with a view to limiting the potential adverse impact of this crisis on the banking system and the financing of the economic activity within the WAEMU. It is worth noting that in Togo, bank credit to the private sector has been somewhat buoyant, with a 4-percent increase in 2019 compared to the previous year.

Building on Hard-Won Fiscal Achievements

11. As indicated earlier, Togo's fiscal consolidation has been large and public debt is now on a downward trajectory. To maintain these gains, the authorities are determined to continue reinforcing fiscal sustainability through constant efforts to enhance domestic revenue mobilization, rationalize expenditures while increasing social spending to support the most vulnerable.

12. On the revenue side, the authorities will continue to reap the benefits of the tax and customs merger under the revenue authority- *Office Togolais des Recettes. S*upported by Fund technical assistance and based on the recommendations of the recent Tax Administration Diagnostic Assessment Tool (TADAT) mission, measures are being implemented to strengthen the revenue administration and expand ways and means to secure revenue collection. The new tax identification numbers, increased number of automatizations, tele-procedures and introduction of a new electronic payment system, as well as the implementation of a 15-percent deposit on imports by inactive taxpayers are steps in the right direction. Moreover, progress in reinforcing customs by completing the total dematerialization of customs declarations and supporting documents and further improving

customs valuation will continue. In addition, efforts to streamline tax expenditures will be pursued.

13. Regarding expenditures, while striving to increase social spending, the authorities will pursue the implementation of measures recommended by the recent comprehensive review and will continue to follow through the recommendations of the 2016 Public Investment Management Assessment (PIMA) and its 2019 follow-up. To this end, reinforcement of the expenditure chain and cash management through the Treasury Single Account (TSA), increased application of a cost-benefit analysis for project selection, and improved alignment of the public investment program with medium-term resources are parts of the authorities' agenda. In addition, transition to a complete program-based budgeting should be achieved by 2021.

Safeguarding Debt Sustainability

14. Preserving debt sustainability is a key priority in the authorities' development strategy. They will pursue a prudent borrowing policy with a view of bringing total public debt below 70 percent of GDP starting in 2020 and below the benchmark for countries with medium debt carrying capacity of 55 percent of GDP beginning in 2022. The recent debt reprofiling operation endorsed by the African Trade Insurance Agency, has somewhat helped reduce the net present value of the total public debt stock while preserving the external debt risk rating. Given the new risks stemming from this operation, adequate safeguard measures are being taken, an improved Medium-Term Debt Strategy will guide decisions on borrowing and the debt management capacity and unit will be enhanced.

Ensuring Financial Sector Stability

15. The authorities are fully cognizant of the vulnerabilities in the financial sector and are determined to make further progress in preserving financial stability and reinforcing the sector's resilience. They are committed to pursue the privatization process of the two public banks and have provided the prequalified bidders -following the September 2019 prequalification notice – with a confidentiality agreement, a condition to access the data room and meet with banks management in order to participate in the final tendering process. Furthermore, in closer collaboration with the WAMU Banking Commission, they will move forcefully to reduce non-performing loans; ensure banks' compliance with the Basel II-III regulatory standards and strengthen banking oversight and regulation.

Enhancing the Business Climate and Governance

16. Reforms to improve the business climate continue to rank high on the authorities' agenda. Progress made over the past years translated in a significant improvement in Togo's World Bank Doing Business rankings, making the country one of the top-ten improvers in the 2020 report and the top reformer in Sub-Saharan Africa. The authorities are mindful that more needs to be done and will step up efforts with implementation of reforms included in their PND and the Compact with Africa to bolster private investment and promote inclusive growth.

17. Future actions will focus on the areas of land reforms, insolvency resolution, cross-border trade facilitation and access to finance. The authorities will also push forward under the supervision of the anticorruption authority –*Haute Autorité de Prévention et de*

Lutte contre la Corruption et les Infractions Assimilées (HAPLUCIA), with institutional reforms to strengthen governance and reduce corruption vulnerabilities. The finalization of legislations consistent with international good practices on (i) property and assets declaration of high-ranked officials; (ii) the fight against corruption; and (iii) civil servants' code of conduct; is underway. Further progress will also be made in improving the AML/CFT framework in line with the WAEMU and FATF norms while taking into account the recommendations of the recent multisectoral national risk assessment and the 2018 report of the UN Counter-Terrorism Executive Directorate.

Conclusion

18. The Togolese authorities have made significant inroads in the implementation of the ECF-supported program, which has been essential to enhancing macroeconomic stability and completing far-reaching structural reforms. Beyond the immediate COVID-19 challenge and required policy response, they are aware that preserving macroeconomic stability, addressing the financial sector's vulnerabilities and promoting higher and more sustainable growth over the medium term will be needed to meet their development objectives. We would appreciate Executive Directors' support for the completion of the Sixth and final review under the ECF arrangement and the request for augmentation of access. This would play a catalytic role in securing additional financing from Togo's development partners, which the authorities are actively seeking.