



TOGO

September 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TOGO

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Togo, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 4, 2024, consideration of the staff report that concluded the Article IV consultation with Togo.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 4, 2024, following discussions that ended on June 7, 2024, with the officials of Togo on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 5, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Togo.

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

Selected Issues

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 Concludes 2024 Article IV Consultation with Togo

FOR IMMEDIATE RELEASE

Washington, DC – September 6, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Togo.

Following a series of shocks in recent years, Togo continues to face headwinds, including persistent challenges of food security and terrorist attacks, while broader development needs remain acute. Fiscal expansion implemented in response to the shocks has helped preserve robust economic growth but has also pushed up public debt, reversing the debt reduction achieved during the 2017–20 ECF-arrangement, eroding fiscal space and buffers to absorb shocks, and contributing to regional vulnerabilities in the West African Economic and Monetary Union (WAEMU). In response to these challenges, in March 2024, the International Monetary Fund approved the authorities' request for a new arrangement under the Extended Credit Facility.

Against a background of a substantial strengthening of fiscal revenue and a beginning of fiscal consolidation in 2023, the macroeconomic outlook is broadly favorable. Growth is expected to remain robust, while fiscal revenue is expected to rise further. There are no substantial domestic or external disequilibria, with low inflation and a well-contained current account deficit.

The outlook is however subject to elevated risks, including from a potential intensification of terrorism, potential difficulties in securing affordable regional financing, and banking sector challenges. In the longer run, economic performance is also subject to the risk of weakening debt sustainability should efforts to achieve sufficient fiscal consolidation while maintaining robust growth disappoint.

The 2024 Article IV consultation focused on how the Togolese authorities can best (i) anchor macroeconomic stability by ensuring fiscal consolidation to enhance debt sustainability, (ii) conduct structural reforms to lay the basis for sustained growth, and (iii) strengthen social inclusion to accelerate progress towards the Sustainable Development Goals and support medium-term growth prospects.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. (Article IV consultations with countries benefitting from Fund financial arrangements are held every other year.) A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' policies, which enabled Togo to weather the series of shocks of recent years relatively well, with continued growth and progress towards the Sustainable Development Goals. However, significant challenges remain, including from the sharp increase in the debt burden in recent years and terrorist attacks at the northern border, while development needs remain acute. Against this background, Directors encouraged the authorities to maintain full commitment to the recently approved ECF arrangement with the Fund and continue their efforts to strengthen debt sustainability and implement reforms to boost inclusive growth and reduce poverty. These efforts should be well communicated to ensure social cohesion and supported by the Fund's capacity development.

Directors underscored the importance of continued growth-friendly fiscal consolidation, guided by the dual fiscal anchor adopted under the ECF, to ensure debt sustainability and create fiscal buffers. They welcomed the recent large increase in fiscal revenue and called for further measures, comprising tax policy and revenue administration elements. Such measures could be considered as a part of an overarching fiscal strategy that considers taxation and spending together to help reach both efficiency and income distribution goals. In that context, creating space for priority spending, particularly on health and education, will be imperative to promote social inclusion while expanding cash transfers could further improve the social safety nets. The authorities should also continue to strengthen public financial management, including the oversight of state-owned enterprises.

Directors noted that to boost growth it will be important to strengthen the business environment, accelerate productivity gains, and attract more private investment. Strengthening of the governance and anti-corruption frameworks will be key. In this regard, they encouraged the authorities to request an IMF governance diagnostic assessment. Directors noted the dynamic economic activity at the special economic zone while encouraging cautious implementation of industrial policies, considering their cost and benefits. The authorities should also continue addressing the existing financial sector vulnerabilities and increasing the capacity of banks to provide credit to the private sector. Improving access to infrastructure and utilities and building climate resilience, potentially with support by an RSF arrangement, remains key. Further enhancing data provision to the Fund is also important.

It is expected that the next Article IV Consultation with Togo will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Table 1. Togo: Selected Economic and Financial Indicators, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Estimates				Projections					
	(Percentage change, unless otherwise indicated)									
Real GDP	2.0	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Real GDP per capita	-0.4	3.5	3.3	3.1	2.8	2.8	3.0	3.0	3.0	3.0
GDP deflator	1.8	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	1.8	4.5	7.6	5.3	2.7	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	4,253	4,621	5,069	5,507	5,927	6,366	6,850	7,371	7,932	8,536
Exchange rate CFAF/US\$ (annual average level)	575	554	622	606	...	...	...	...	...	...
Real effective exchange rate (appreciation = -)	-2.0	-1.4	2.3	-5.4	...	...	...	...	...	...
Terms of trade (deterioration = -)	-1.3	6.5	-0.1	4.4	-2.7	-2.5	0.4	1.1	1.0	0.7
	(Percentage change of beginning-of-period broad money)									
Monetary survey										
Net foreign assets	14.1	5.6	-0.6	6.2	2.7	2.4	3.0	2.8	2.2	2.2
Net credit to government	-1.6	-0.3	8.0	0.2	-2.9	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	9.4	4.0	4.4	4.6	4.8	4.8
Broad money (M2)	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	(Percent of GDP, unless otherwise indicated)									
Investment and savings										
Gross domestic investment	21.4	23.4	25.9	28.0	26.0	24.4	25.0	25.8	26.7	27.2
Government	9.3	8.2	9.7	11.5	9.3	7.3	7.7	8.3	8.9	9.4
Nongovernment	12.1	15.2	16.2	16.5	16.7	17.1	17.3	17.5	17.8	17.8
Gross national savings	21.1	21.2	22.5	25.1	22.7	21.0	21.9	23.3	24.4	24.9
Government	2.2	3.6	1.4	4.8	4.4	4.3	4.7	5.3	5.9	6.4
Nongovernment	18.9	17.6	21.0	20.3	18.3	16.8	17.2	18.0	18.5	18.5
Government budget										
Total revenue and grants	16.6	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	20.5
Revenue	14.1	15.3	15.1	16.8	16.9	17.3	17.8	18.3	18.7	19.3
Tax revenue	12.5	14.0	13.9	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Expenditure and net lending (excl. banking sector operation)	23.7	21.8	26.0	26.6	23.9	21.8	22.2	22.7	23.1	23.5
Overall primary balance (commitment basis, incl. grants)	-4.7	-2.5	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-7.0	-4.7	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-7.0	-4.7	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
External sector										
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.3
Exports (goods and services)	23.3	23.7	26.6	25.5	25.6	25.5	26.1	26.3	26.3	26.2
Imports (goods and services)	-32.3	-34.0	-38.8	-36.2	-35.7	-34.8	-34.4	-34.2	-34.0	-34.0
External public debt ¹	27.6	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2
External public debt service (percent of exports) ¹	6.9	5.2	8.3	8.2	8.4	9.1	9.1	8.2	7.2	6.5
Domestic public debt ²	34.6	37.6	41.2	42.1	42.4	39.8	36.9	34.6	32.8	31.8
Total public debt ³	62.2	64.9	67.4	68.0	69.8	68.6	66.5	65.0	63.4	62.0
Total public debt (excluding SOEs) ⁴	60.1	63.0	65.8	66.6	68.6	67.6	65.7	64.3	62.8	61.5
Present value of total public debt ³	...	...	...	60.5	61.0	58.3	54.7	51.8	49.1	47.4

Sources: Togolese authorities and IMF staff estimates and projections.

¹ Includes state-owned enterprise external debt.

² Includes domestic arrears and state-owned enterprise domestic debt.

³ Includes domestic arrears and state-owned enterprise debt.

⁴ Includes domestic arrears.



TOGO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

August 5, 2024

EXECUTIVE SUMMARY

Context. Following a series of shocks in recent years, Togo continues to face persistent challenges to food security and terrorist attacks, while broader development needs remain acute. Fiscal expansion implemented in response to the shocks has helped preserve robust economic growth but has also pushed up public debt, reversing the debt reduction achieved during the 2017–20 ECF-arrangement, eroding fiscal space and buffers to absorb shocks, and contributing to regional vulnerabilities in the West African Economic and Monetary Union (WAEMU). In response to these challenges, the Fund approved the authorities' request for a new ECF-arrangement in March 2024.

Outlook and Risks. In baseline projections, macroeconomic performance is expected to remain robust. However, the outlook is subject to elevated risks, including from a potential intensification of terrorism, potential difficulties in securing affordable regional financing, and banking sector challenges. In the longer run, economic performance is also subject to the risk of weakening debt sustainability should efforts to achieve sufficient fiscal consolidation while maintaining robust growth disappoint.

Main policy recommendations:

- **Anchor macroeconomic stability by ensuring fiscal consolidation to enhance debt sustainability.** Given spending pressures, pursue this goal mainly by mobilizing revenue and realizing efficiency gains from reforms of public financial management. For revenue mobilization, prepare a plan that comprises both tax policy and revenue administration components aimed at broadening the tax base, building on recent FAD advice.
- **Conduct reforms to lay the basis for sustained growth.** Pursue horizontal reforms including improvements to governance and the business environment. In this context, continue financial sector reforms to help the sector contribute more to growth while limiting financial-sector related risks. Exercise caution when implementing industrial policies.
- **Strengthen social inclusion to accelerate progress towards the Sustainable Development Goals and support medium-term growth prospects.** For this, increase health and in particular education spending to help the young build the

human capital they need to meet the increasing skill requirements of the modern workplace. Also, aim to make the social safety net more shock-responsive to help the population cope with increasingly frequent shocks.

Approved By
Annalisa Fedelino
(African Department)
and Fabian Bornhorst
(Strategy, Policy and Review)

Discussions took place in person in Lomé during May 29–June 7, 2024. The staff team comprised Mr. H. Weisfeld (head), Ms. G. Li, Mr. E. Vaccaro-Grange (all AFR), Mr. M. Kaffo (Resident Representative), Mr. J. Fanning (SPR), and Mr. S. Napo (Local Economist). Ms. E. Boukpassi (ED office) participated in the second half of the mission. The team held discussions with Minister of Finance S. Yaya, representatives of the BCEAO, and other senior officials. Prime Minister V. Dogbé also received the team. The mission further met with the donor community. Ms. E. Eckling provided administrative assistance

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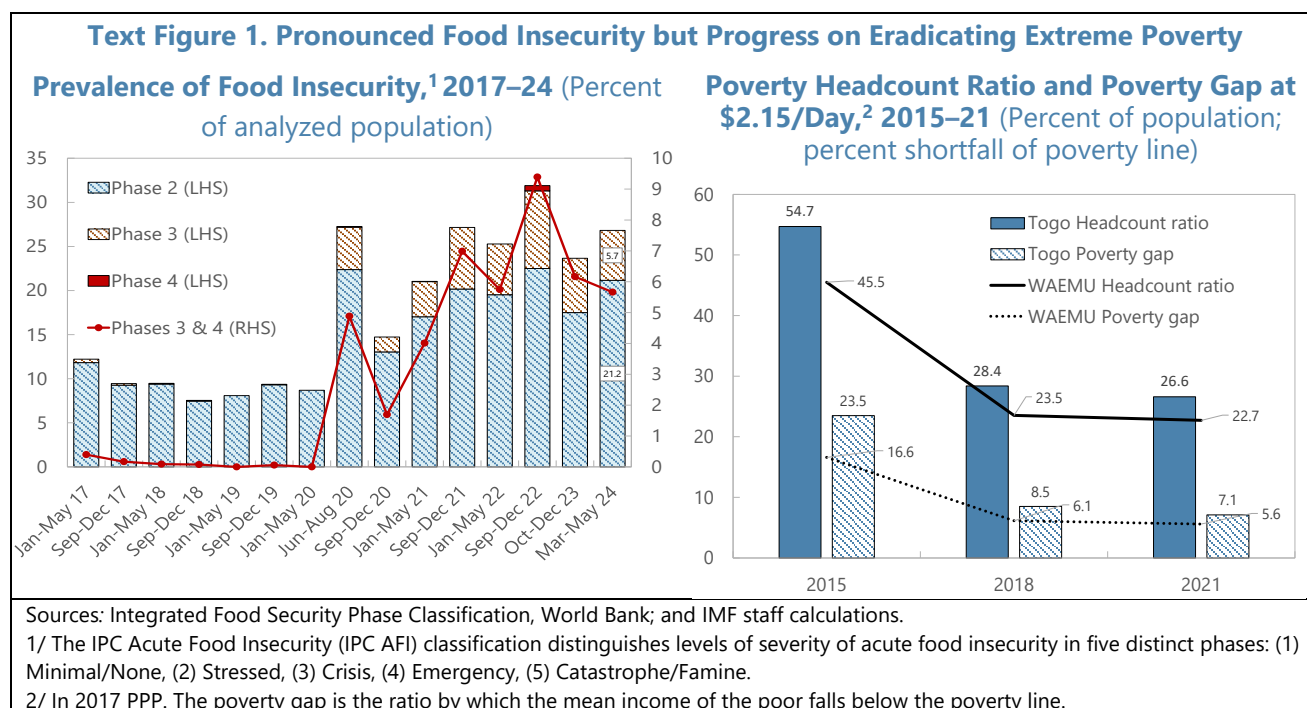
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CONTEXT

1. Growth has been resilient to the shocks of recent years, thanks in part to substantial fiscal support, but food insecurity has risen and development needs remain acute while terrorist attacks continue. Following the COVID pandemic and Russia's war in Ukraine, the incidence of food insecurity rose sharply through end-2022 and, while declining, remains high, with 27 percent of the population still facing it to at least some degree (Text Figure 1a). Togo has continued to make progress towards poverty reduction in recent years, but the speed of progress has slowed, and about a quarter of the population remains extremely poor (income below USD 2.15 a day, Text Figure 1b).¹ More broadly, the distance to the Sustainable Development Goals (SDGs) remains large. Terrorist attacks in the northern *Savanes* region, thought to be committed by Jihadist groups from the Sahel, continue, with the most recent attack in July. These acts have caused casualties and material damage, creating pressure to preserve security through higher military and civilian spending.



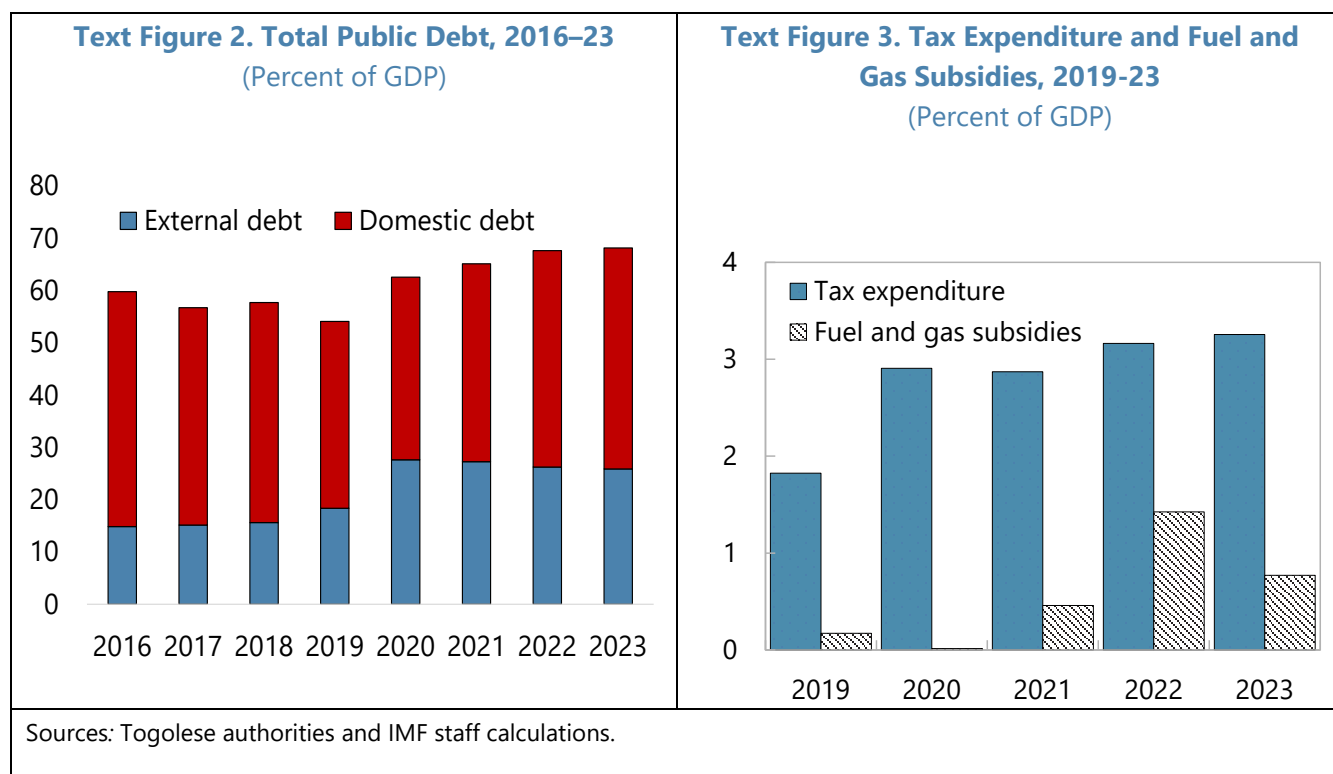
2. While supporting growth, the fiscal expansion implemented in response to the shocks has resulted in sharp increases in deficits and public debt, eroding buffers (Text Figure 2). The overall fiscal deficit peaked at 8.3 percent of GDP in 2022 following measures to protect the population's purchasing power, including large fuel and gas subsidies (Text Figure 3), and security-related outlays. Public debt increased from 54.9 percent of GDP in 2019 to 67.6 percent of GDP in

¹ Extreme poverty is nowcasted at 25.8 percent nationally in 2023 according to the World Bank's April 2024 Sub-Saharan Africa Macro Poverty Outlook.

2022. While debt is sustainable, the risk of external debt distress is moderate and the risk of overall debt distress high. Buffers to absorb shocks have “some space” and are most constrained when gauged against fiscal revenue (DSA). High tax expenditure continues to constrain revenue (Text Figure 3).

3. The authorities have made efforts to implement many elements of the policy advice provided in the context of the 2019 Article IV consultation while leaving room for further progress (Box 1). For example, the authorities have strengthened revenue mobilization, debt management, and public investment management.

4. A recent constitutional change created a key new post free from term limits. In mid-April, Parliament adopted a new constitution that moved Togo from a presidential to a parliamentary system. Under the new constitution, Parliament elects the head of the biggest party to a position titled “President of the Council of Ministers,” which staff understand resembles that of Prime Minister in a parliamentary system and which is free of term limits. Despite opposition protests, the President signed the new constitution in May. A few weeks prior, the President’s party had won parliamentary and regional elections. The country is presently undergoing a one-year transition to the new constitutional system.



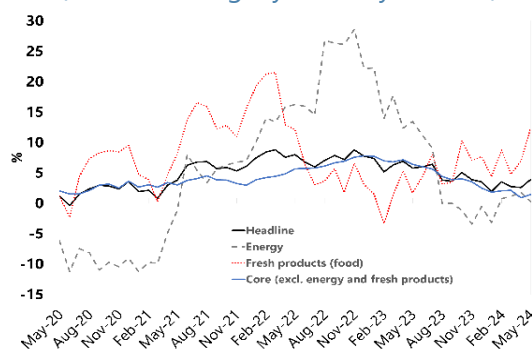
Box 1. Main Recommendations of the 2019 Article IV Consultation and Authorities' Response

Main Recommendations	Authorities' Responses
<p>Fiscal consolidation: Implement fiscal consolidation to ensure debt sustainability while safeguarding social and investment spending reduce debt distress risks to “moderate” by 2023.</p>	<p>Deficits and public rose sharply in response to the shocks of recent years, and as a result, the risk of overall debt distress remains high. This said, the authorities started to consolidate the fiscal position in 2023.</p>
<p>Revenue mobilization: Strengthen revenue collection through tax policy and revenue administration reforms.</p>	<p>Since the last Article IV Consultation in 2019, the authorities have raised tax revenue to 14.8 percent of GDP from 13 percent in 2019 (after the GDP rebasing).</p>
<p>Financial sector stability: Enhance financial sector stability by addressing weaknesses in the banking sector and improving regulatory frameworks. Also, promote financial inclusion.</p>	<p>Banking sector soundness indicators have improved and there has been progress on strengthening the solvency of two important banks (see ¶10). Financial inclusion has advanced as well.</p>
<p>Public investment management: Improve public investment management by ensuring that infrastructure projects are well-prioritized and efficiently executed. Improve expenditure efficiency by adopting a revised multi-year public investment program and introducing program budgeting.</p>	<p>The authorities have strengthened public investment management. They introduced program budgeting in 2021 and bolstered the public spending framework by adopting new regulations for public procurement and Public-Private Partnerships (PPPs) in 2021. Projects now align better with the priorities of the national development plan and adhere to budgets via incorporation into the Public Investment Program. Reflecting these improvements, the PIP has expanded since 2022 to include some extra-budgetary entities such as local governments and state-owned enterprises (SOEs).</p>
<p>Debt management: Improve debt management by setting up and staffing a debt directorate; implementing the debt management manual; and strengthening communications with primary dealers and investors.</p>	<p>The authorities have strengthened debt management, as demonstrated by progress in nearly three quarters of indicators in the Debt Management Performance Assessment. Also, the authorities publish a medium-term debt strategy, an annual borrowing plan, and quarterly and annual reports on public debt. They also meet with primary dealers to communicate the domestic issuance calendar.</p>
<p>Social protection and inclusion: Strengthen social protection and enhance access to basic services to reduce poverty and inequality and ensure that economic growth benefits all segments of the population.</p>	<p>Togo has continued to make progress towards the Sustainable Development Goals, including by lowering poverty. The authorities are presently strengthening the basis for targeted support by creating a biometric ID for all citizens and establishing a single “social registry.”</p>
<p>Governance: Enhance governance and transparency in public administration to build trust and accountability.</p>	<p>The authorities have made some efforts to enhance governance, including by establishing an anti-corruption authority and adopting an asset declaration law. Select governance indicators such as the perceived control of corruption and the rule of law have improved somewhat (see paragraph 28).</p>
<p>Structural reforms: Accelerate structural reforms to foster robust and inclusive growth.</p>	<p>The authorities have made meaningful improvements to the business environment, including by furthering digitalization of public administration and strengthening the operations of the port of Lomé.</p>

RECENT ECONOMIC DEVELOPMENTS

5. Growth appears to have remained resilient in 2023, and inflation has eased. Growth is estimated to have reached 5.6 percent in 2023, slightly higher than previously envisaged thanks in part to increasing activity in the *Adetikopé* special economic zone. Following a peak at 7½ percent in 2022, mainly due to higher food and fuel prices, headline inflation has fallen to 3.9 percent in May 2024, and core inflation to 1.4 percent (y-o-y, Text Figure 4).

Text Figure 4. Consumer Price Index, 2020–24
(Percent change, year-on-year, EoP)



Sources: Togolese authorities and IMF staff calculations.

6. In 2023, the authorities delivered a substantially higher-than-expected increase in fiscal revenue thanks in part to improved revenue administration. Tax revenue rose by 0.9 percent of GDP, exceeding the authorities' goal of raising revenue by an annual average of 0.5 percent of GDP. Most of the increase reflects taxes levied at the point of import, and it appears that improved administration explains part of this (tax revenue increased by substantially more than import volumes and values). In addition, non-tax revenue rose by 0.8 percent of GDP primarily because the authorities started collecting land use fees and arrears on such fees, as well as contributions to a new Security Fund (*Fonds De Concours*).

Text Table 1. Togo: Fiscal Developments, 2019–23
(Percent of GDP)

	2019 ¹	2020	2021	2022	2023
Revenue and grants	18.2	16.6	17.1	17.6	19.8
Total revenue	15.2	14.1	15.3	15.1	16.8
Tax revenue	13.5	12.5	14.0	13.9	14.8
Nontax revenue	1.8	1.6	1.3	1.2	2.0
Grants	3.0	2.5	1.8	2.5	3.1
Expenditures and net lending	16.6	23.7	21.8	26.0	26.6
Current expenditures	13.4	14.4	13.6	16.2	15.1
of which: Fuel subsidies	0.2	0.1	0.2	1.4	0.8
of which: Social protection cash transfers	...	0.3	0.2	0.1	0.2
Capital expenditures	3.2	9.3	8.2	9.7	11.5
of which: emergency program for Northern regions	...	...	...	0.7	1.2
Overall balance (commitment basis, incl. grants)	1.7	-7.0	-4.7	-8.3	-6.7
Change in arrears	-2.6	0.0	-1.0	0.0	0.0
Overall balance (cash basis, incl. grants)	-0.9	-7.1	-5.6	-8.3	-6.7
Overall balance (cash basis, excl. grants)	-3.9	-9.6	-7.4	-10.8	-9.8
Financing	2.9	7.5	7.2	10.8	9.8
Domestic financing (net)	-3.2	0.6	4.5	7.1	4.5
External financing (net)	6.1	6.9	2.7	3.6	5.3
Exceptional financing	1.0	2.1	0.2	0.0	0.0
of which: IMF-ECF	1.0	1.9	0.0	0.0	0.0

Sources: Togolese authorities and IMF staff estimates. Data for 2023 are preliminary.

1 Excluding transactions with the Social Security Fund, CNSS, in 2019.

7. The authorities also delivered a good start on fiscal consolidation. The overall deficit (cash basis, incl. grants) fell to 6.7 percent of GDP in 2023 (from 8.3 percent of GDP in 2022), approaching the authorities' earlier target of 6.6 percent of GDP. A reduction in fuel subsidies from the elevated levels seen in 2022 helped the consolidation, while substantially higher-than-planned security spending motivated by the persistent security challenges contributed to the target miss.

8. Financing conditions have become more difficult and roll-over needs are high. The average yield on Togo government bonds rose to 7.7 percent (from 6.0 percent in 2022) while the average maturity has shortened to 3.4 years (from 8.9 years in 2022).² In addition, the authorities have relied more on Treasury bills in 2023 and the first half of 2024. Roll-over needs in the regional financial market amount to 18 percent of GDP per year over 2024-27. Togo has not yet issued tradable debt in global capital markets but borrows externally from commercial banks, alongside official and concessional borrowing.

9. Public debt and projected donor support have both been revised up, and the projected path of debt remains consistent with the fiscal anchor underpinning the ECF- arrangement.

- Total public debt was 68.0 percent of GDP at end-2023 (compared to an earlier estimate of 67.4 percent of GDP), reflecting the inclusion of two domestic loans that were omitted in previous data. The present value of public debt at end-2023 is now estimated at 60.5 percent of GDP, 1.4 percentage points higher than at the time of the ECF request in March 2024.
- The WB has revised up its projected disbursements of budget support and project support loans significantly, mostly on highly concessional terms, while grants projections are slightly lower.³
- The present value of public debt remains on track to drop below 55 percent of GDP by 2026 in the line with the authorities' unchanged fiscal anchor, albeit with a smaller margin.

10. In the financial sector, while banking soundness indicators have improved in recent years, the continued violation of prudential norms by three banks still creates risks for financial sector stability. This said, recent months appear to have seen progress on strengthening the solvency of two important banks.

- The banking system's solvency ratio strengthened to 5 percent at end-2023 (from 2.6 percent in 2019). Sector-wide asset quality also improved, with the share of non-performing loans in total loans falling to 7.7 percent at end-2023 (from 15.6 percent in 2019).
- However, three Togolese banks, representing 19.4 percent of banking sector assets, violated prudential norms at end-2023. Weaknesses were particularly pronounced in the remaining state-owned bank and a formerly public bank that was privatized in 2021. These two banks, together

² Based on issuances through end-June 2024. Other WAEMU members show similar trends.

³ Over the period 2024-29, total WB lending will be USD 933 million (75 percent) higher than previously projected, of which budget support loans will be USD 150 million (30 percent) higher. Grants will be USD 37million (29 percent) lower.

accounting for 18.9 percent of assets, had negative regulatory capital positions equivalent to 1.8 percent of 2024 GDP.

- The government has made efforts to strengthen the remaining public bank's regulatory capital. In February, it provided funds to lift the bank's regulatory capital to zero, and a notary has completed legal proceedings to integrate these funds into the bank's capital. This prompted the supervisor to indicate that the banking sector's solvency ratio had improved further to 7.5 percent at end-March 2024. The government has also commissioned an independent audit of the bank's regulatory capital. Looking forward, the authorities plan to keep the bank in government ownership, given that a previously interested purchaser is unwilling to raise his offer by as much as the authorities desired following the capital strengthening.
- Following a reprimand and fine by the regional Banking Commission for continued non-compliance with regulatory standards and weaknesses in management and implementation of AML/CFT norms, the authorities report that the owner of the bank privatized in 2021, has recently tried to strengthen the bank's regulatory capital by having an entity under his control purchase bank's headquarter building. The impact of this operation on the bank's regulatory capital remains to be seen. Efforts are also needed to enhance the implementation of AML/CFT requirements, including ensuring bank ownership and control meet fit and proper requirements on a continued basis. The authorities are considering purchasing some remaining real estate assets from the bank to help further strengthen its regulatory capital.

11. Togo's external position is assessed as broadly in line with the level implied by fundamentals and desirable policies (Annex I, ESA). A moderate improvement to the terms of trade underpinned an improvement to the trade balance, with lower fuel prices containing import growth. An improved services balances on the back of higher travel and transit trade, and continued strong remittances inflows, also contributed to a narrowing of the current account deficit to 2.9 percent of GDP in 2023. High levels of capital transfers, including an increase in the public sector, played a major role in financing the deficit.

OUTLOOK AND RISKS

12. In baseline projections, macroeconomic performance is expected to remain robust (Text Table 2). Growth is projected to soften to 5.3 percent over 2024-25 due to fiscal consolidation (assuming a fiscal multiplier of 0.1). In later years, growth is projected to recover to a trend of 5.5 percent per year, predicated on a gradual easing of bank credit constraints and the implementation of reforms to boost productivity and private investment (selected issues paper "Understanding Togo's Growth"). Headline inflation is projected to converge to 2 percent by 2025 in line with the BCEAO's target. The fiscal deficit is projected to converge to the regional deficit ceiling of 3 percent of GDP by 2025 in line with planned consolidation, and the current account deficit is projected to remain around 3 percent of GDP.

Text Table 2. Togo: Key Macroeconomic Estimates and Projections, 2022–29

	2022 2023		2024	2025	2026	2027	2028	2029
	Est.								Projections
Real GDP (percent change)	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
GDP deflator (percent change)	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0
CPI inflation, average (percent)	7.6	5.3	2.7	2.0	2.0	2.0	2.0	2.0
	(percent of GDP)							
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-4.7	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-4.7	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Current account balance	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.3
Total public and publicly guaranteed debt	67.4	68.0	69.8	68.5	66.5	64.9	63.3	61.9

Sources: Togolese authorities; and IMF staff projections.

Note: Data for 2023 are preliminary.

13. However, the outlook continues to be subject to elevated risks (Annex II, Risk Assessment Matrix).

- A potential intensification or spreading of terrorism to other parts of the country is a key risk to economic performance, with possible impacts ranging from a dampening of trade and logistics activities to a severe destabilization of Togo's security and economy. Continuing terrorist activity could also continue to result in higher-than-anticipated security spending.
- Potential difficulty in obtaining sufficient financing at affordable rates in the regional market is another risk. Its realization could adversely affect economic performance through a forced sharp cut in spending. This could be compounded if it is accompanied by shortfalls of external concessional finance.
- Further, risks to financial sector stability and associated fiscal risks have not yet been fully contained. For now, while trends are encouraging, the sector as a whole remains undercapitalized. Also, banks' large claims on the government (22.9 percent of banking system assets) create a risk of adverse feedback loops between government and banking sector finances.
- In the longer run, economic performance is subject to the risk of weakening debt sustainability should efforts to achieve sufficient fiscal consolidation while maintaining robust growth fail, e.g., as a result of slower-than-envisaged revenue mobilization, spending overruns, or insufficient strengthening of the efficiency of spending, or weaker-than-anticipated growth. The fiscal accounts are also vulnerable to the realization of contingent liabilities from PPPs and SOEs, e.g., the electricity provider, which appears to be experiencing strains in a context of increased electricity demand.
- Further, initial staff analysis finds that growth and the fiscal accounts are vulnerable to impacts from climate change (selected issues paper "Impact of Climate Change").

- Exposure to climate change risk: During the past four decades, annual mean temperature has increased by approximately 1 °C in Togo with respect to its pre-industrial level, and extreme temperature events have become more frequent. Climate models project that mean temperatures will continue to rise. Periods of extremely hot temperatures will likely also become more frequent. Sea-levels are rising as well.
- Economic and financial impact of climate change: Climate change constitutes risks to growth and debt sustainability. Specifically, staff expects that climate change may depress growth such that GDP per capita will be lower by 8 percent by the year 2100 on account of higher mean temperatures alone, not including the impacts of extreme weather events and sea-level rise. Without adaptation, impacts would be roughly twice as large. Extreme weather events and sea-level rise may result in additional growth declines. These impacts could undermine fiscal sustainability by reducing revenue and increasing spending to strengthen resilience and help affected populations (see paragraph 22).
- There are upside risks as well. For example, industrial policies, infrastructure investment, ongoing reforms to enhance the business environment, and further increases in transit trade could yield larger-than-anticipated benefits, lifting growth above projections.

Authorities' Views

14. Well aware of the wide range of downside risks, the authorities consider that the outlook is nevertheless favorable and that there are good chances that growth will exceed staff's expectations. In particular, the authorities anticipate dynamic growth in the special economic zones, with helpful spillovers to the primary and tertiary sectors.

POLICY DISCUSSIONS

Discussions focused on the interrelated goals of (i) anchoring macroeconomic stability in stronger debt sustainability by implementing a growth-friendly fiscal consolidation and using limited resources effectively; (ii) laying the basis for sustained growth; and (iii) enhancing inclusion.

A. Anchoring Macroeconomic Stability in Stronger Debt Sustainability

15. The sharp increase in fiscal deficits and public debt in recent years could, if not reversed, jeopardize debt sustainability. In addition, Togo's, and other WAEMU members,' large fiscal deficits and a lack of external financing have contributed to a weakening of the regional reserves (to 3.6 months of imports in June 2024).

16. The authorities' dual fiscal anchor rooted in debt sustainability, adopted in the context of the recent ECF request, remains appropriate. The anchor's first element is to reduce the overall risk of debt distress to "moderate" by end-2026 by bringing the present value of debt below 55 percent of GDP. The second element is to lower the fiscal deficit to at most 3 percent of GDP by

2025 to avoid overtaxing the regional market's ability to provide financing (this will also bring fiscal policy in line with the currently suspended regional convergence framework). Policy will be driven by the tighter of the two constraints and the need to avoid overly sharp adjustments.

17. In line with this, the authorities rightly intend to implement the path of the overall fiscal deficit agreed at the time of the ECF request (Text Table 3). The path respects both anchors, with a projected PV of debt of 54.7 percent of GDP in 2026 (only slightly higher than the 54.4 percent of GDP projected at the time of the ECF request).

Text Table 3. Togo: Medium-Term Fiscal Plans, 2023–29
(Percent of GDP)

	2023	2024	2025	2026	2027	2028	2029
Revenue and grants	19.8	19.0	18.8	19.2	19.7	20.1	20.5
Total revenue	16.8	16.9	17.3	17.8	18.3	18.7	19.3
Tax revenue	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Nontax revenue	2.0	1.6	1.6	1.6	1.6	1.6	1.6
Grants	3.1	2.1	1.6	1.5	1.4	1.3	1.2
Expenditures and net lending	26.6	23.9	21.8	22.2	22.7	23.1	23.5
Current expenditures	15.1	14.5	14.6	14.5	14.4	14.2	14.1
of which: Fuel subsidies	0.8	0.7	...	...	...	...	...
of which: Social protection cash transfers	0.2	0.1	...	...	...	...	...
Capital expenditures	11.5	9.3	7.3	7.7	8.3	8.9	9.4
of which: emergency program for Northern regions	1.2	1.0	0.7	0.6	0.6	0.5	0.5
Overall balance (commitment basis, incl. grants, excl. banking sector operation)	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, excl. grants)	-9.8	-8.6	-4.6	-4.4	-4.5	-4.3	-4.2
Financing	9.8	7.2	3.4	3.6	4.0	4.3	4.2
Domestic financing (net)	4.5	3.3	-0.2	0.1	0.2	0.6	1.3
External financing (net)	5.3	3.9	3.6	3.6	3.8	3.7	3.0
Exceptional financing	0.0	1.3	1.1	0.8	0.5	0.0	0.0
of which: IMF-ECF	0.0	1.3	1.1	0.8	0.5	0.0	0.0
<i>Memorandum Item:</i>							
Social and pro-poor spending	4.8	5.3	5.1	5.3	5.4	5.5	5.6

Sources: Togolese authorities; and IMF staff estimates. Data for 2023 are preliminary.

Note: Following the recent ECF request, social and pro-poor spending is defined here as expenditure executed from the Government budget (from both domestic and external resources) relating mainly to education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, microfinance, and security and civil protection. This spending includes cash transfers. For detail, see Annex I of Attachment II to IMF Country Report No. 24/79.

18. To create space for priority spending and support consolidation, the authorities appropriately continue to aim to raise tax revenue by an ambitious 0.5 percent of GDP per year over the medium term. In the near term, hypothesizing that a quarter of the 2023 revenue overperformance reflects transitory factors (for example the deviation of Niger trade flows to Togo following tensions between Niger and Benin, which could be reversed), this translates into a tax revenue target of 15.2 percent of GDP for 2024.

19. Efforts to meet the revenue targets would benefit from the preparation of a revenue mobilization strategy that combines tax policy and revenue administration components aimed primarily at broadening the tax base (selected issues paper "Tax Revenue Mobilization").

- **On tax policy**, staff recommends including in particular the following measures, based on the findings of recent revenue administration and tax policy missions:
 - **Indirect taxation:** Phase out regressive VAT exemptions, which are weakly targeted and thus costly ways of protecting the poor. As this will lower the purchasing power of the poor despite the regressive nature of the exemptions, protect the poor through increased cash transfers or other targeted measures. Further, broaden excise taxes and apply the common external tariff more fully by ensuring appropriate valuation of all imports. Staff also recommends reversing tax breaks introduced in recent years, e.g., on motor vehicles and construction materials.
 - **Direct taxation:** Simplify the personal income tax, complete its transition to a schedular system, and broaden its base. Consider reducing the provision of new corporate income tax incentives and provide any future such incentives as tax credits rather than exemptions to enhance efficiency. Further, consider requiring all companies that receive tax advantages related to special economic regimes to move to a special economic zone over time to facilitate administration, and withdraw tax advantages from any company that does not comply with investment and employment guarantees. Finally, the authorities may wish to strengthen property taxation.
- **On revenue administration**, continue efforts to reduce non-compliance, including by strengthening controls, expanding digitalization, and cross-checking customs declarations with related filings of domestic tax returns.

20. The authorities may wish to undertake efforts to ensure the acceptability of any tax policy measures that raise the cost of living, including through appropriate sequencing and communication. The authorities should communicate to the public the reasons for the tax policy measures and the efforts made to protect the most vulnerable. These efforts, ideally in the form of targeted cash transfers, may need to start before enacting these tax measures. Continued improvements in the area of governance, including in particular fiscal transparency, could help as well by strengthening the public's trust.

21. The authorities' spending plans for the coming years appropriately aim to enable priority spending (for security, social, investment, and banking sector repair purposes) and consolidation.

- Current spending is projected to ease from 15.1 percent of GDP in 2023 to 14.1 percent of GDP in 2029, reflecting mainly declining interest payments as a share of GDP in line with fiscal consolidation and greater reliance on concessional external lending, thanks in part to IMF and World Bank support. Spending restraint is projected to keep the wage bill and spending on goods and services broadly unchanged as shares of GDP.
- Following a strong increase in public investment in recent years, investment including on security is projected to decline from 11.5 percent of GDP in 2023 to 9.3 percent in 2024 and 7.3 percent of GDP in 2025 before recovering in later years in line with revenue mobilization. This

path is moderately higher than in the ECF request, reflecting higher security spending financed by higher revenue. The planned compression of non-security investment through 2025 will weigh on growth and growth prospects, highlighting the importance of structural reforms.

- Social and pro-poor spending (in the definition of the March 2024 ECF-request), which cuts across current and capital spending, is projected to expand gradually from 4.8 percent of GDP in 2023 to 5.6 percent of GDP in 2029.
- Spending plans also include the recapitalization of the ailing state-owned bank to the regulatory minimum and the purchase of real estate assets from a former public bank, totaling 1.6 percent of GDP in 2024.

22. Staff recommends preparing an overarching medium-term fiscal strategy. This strategy would (i) enshrine the fiscal anchor, and (ii) integrate the revenue mobilization strategy with a spending strategy that aims at both enhancing the economy's growth potential and improving the lives of the most vulnerable. A strongly progressive structure of spending can ensure that fiscal policy as a whole is progressive even in countries where the tax system is not progressive.

23. In due course, and following the preparation of additional analysis, the authorities should integrate climate change impacts into their fiscal strategy, including the costs of enhancing resilience:

- Policies to strengthen resilience include adapting to sea level rise by reinforcing port installations and moving some infrastructures and populations inland. Staff estimates that this will cost an annual 0.13 percent of GDP over the first ten years, while the authorities estimate the cost at 0.2 percent of GDP. Other manifestations of climate change may require additional adaptation efforts that staff have not costed. The authorities' and the World Bank's preliminary estimates of overall adaptation costs range between 0.8 percent of GDP and 2.1 percent of GDP per year in the 2020s.
- Given the limited fiscal space over the coming years, the authorities will find it very difficult to absorb any climate change related deterioration in the public finances. Most or all of financing related to the impacts of climate change will therefore likely have to come from external sources.

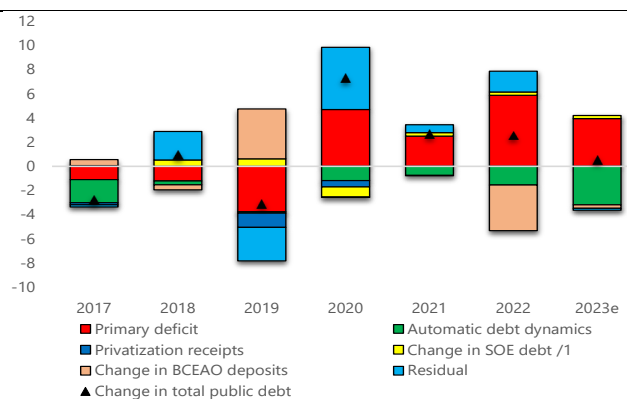
24. The authorities should also make further progress on the following PFM reforms, building on progress of recent years:

- **Entrenching program budgeting.** To this end, the authorities will need to further decentralize spending responsibilities to line ministries while retaining oversight at the Ministry of Finance.
- **Providing greater clarity on SOE- and PPP-related risks and working towards limiting these risks.** For this, the authorities should (i) strengthen the institutional and legal framework for SOEs by adopting the draft SOEs law; (ii) enhance transparency on SOE operations and finances, including by making available to Fund staff, and ideally publishing, SOEs' financial accounts at end-2022 and/or end-June 2023; and (iii) strengthen SOE oversight and control by

professionalizing SOE management, integrating SOE investment plans with broader public investment plans, and ensuring cost-recovery pricing for SOE services with transparent subsidies provided through the budget. There is also a need for a stronger PPP management, including by integrating PPPs into the budget process, improving their fiscal reporting, and assigning a clear monitoring role to the Ministry of Finance.

- Strengthening fiscal and debt reporting to account fully for central government funds and determine the reasons for the debt's faster growth than implied by known debt drivers (Text Figure 5).** Updated staff analysis finds average annual residuals of 1.0 percent of GDP over the period 2017-23, including a negative residual of 0.2 percent of GDP in 2023. Establishing consistency with changes in the government's position vis-à-vis the banking system, incorporating more recent SOE debt data in public debt reports, and a deeper analysis of the impact of valuation changes are important next steps (see DSA). The mission welcomes the authorities' intention to create a working group on the topic with Fund staff participation in the coming weeks.

Text Figure 5. Change in Total Public Debt, 2017–23
(Percent of GDP)



Sources: Togolese authorities and IMF staff calculations.

1/ SOE debt accumulation for 2022-23 are projections, as data are not available yet.

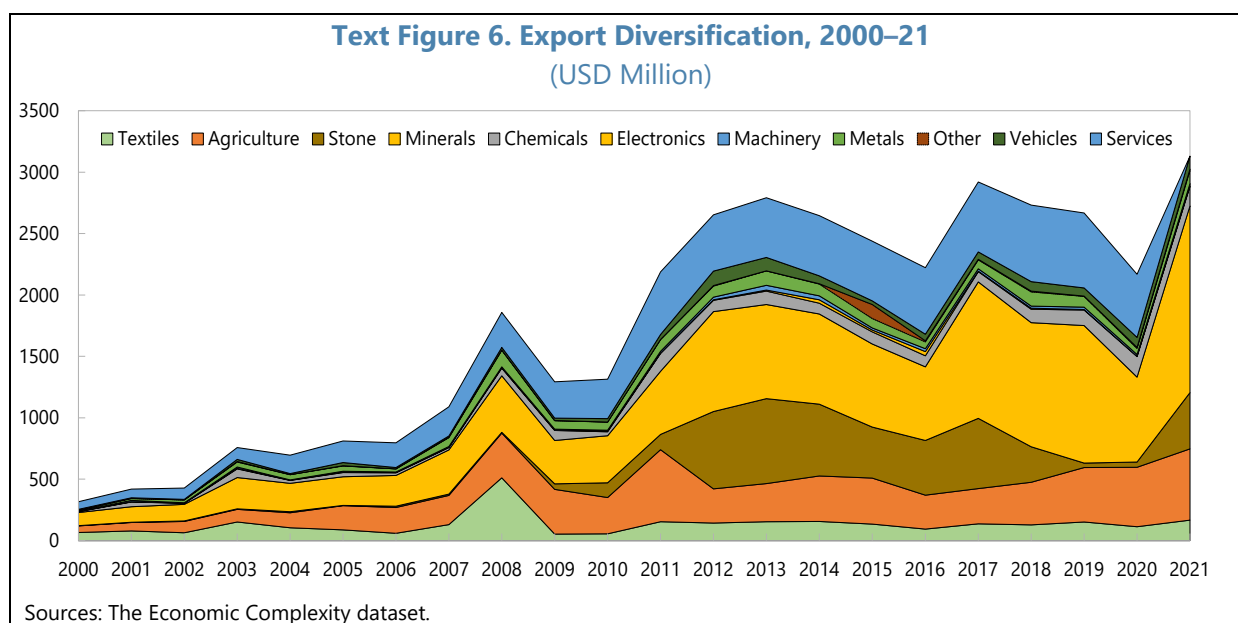
Authorities' Views

25. The authorities reaffirm their intention to adhere to their fiscal anchor adopted earlier this year. They have taken note of staff's suggestions and consider several of them pertinent. For example, they are considering shifting CIT incentives from exemptions to a flat 15 percent tax rate with a minimum tax amount, broadly as recommended by staff and in line with agreements on international taxation. They are also seeking to strengthen property taxation. At the same time, the authorities believe that some staff recommendations require further analysis. More broadly, they see only limited potential for pursuing revenue mobilization through tax policy reforms, as this would mean levying ever higher taxes on those individuals and corporations that are already paying taxes and shouldering a substantial burden. Correspondingly, they intend to reach the revenue mobilization goals primarily through further revenue administration efforts, including digitalization. This will broaden the tax base by broadening the ranks of de facto taxpayers. The authorities agree that climate change represents risks and consider that it will be important to develop a better understanding of its likely future impacts on growth and the fiscal accounts.

B. Strengthening the Basis for Sustained Growth

26. Over recent decades, capital accumulation has been the main driver of Togo’s growth, pulled mainly by private investment, with public investment going through boom periods that however contributed to rapid debt accumulation and created the need for subsequent fiscal consolidation (selected issues paper “Understanding Togo’s Growth”).

27. At the same time, productivity has stagnated or even declined, in line with limited progress towards diversification (Text Figure 6). Relatedly, Togo’s economic complexity has remained low (ranking 114th among 133 countries in 2021) as exports continue to be driven mainly by low and moderately complex goods, particularly minerals and agricultural products,⁴ as in many other low-income countries.⁵



28. Given limited fiscal space for public investment, gains in productivity will need to be a key driver of future growth. Developing countries have traditionally raised productivity by diversifying into manufacturing, but prospects for repeating this path have become uncertain. “Exporting light manufactured goods [...] has been the first rung on a ladder of [...] development. [...] A large literature established a pattern of ‘learning by exporting,’ in which developing country firms raised productivity [...] by selling abroad. Many commentators have predicted that automation will soon shut down this traditional path.”⁶ Other factors also make the path more difficult to follow,

⁴ See [the Economic Complexity Database \(2021\)](#).

⁵ IMF, 2019, [Macroeconomic Developments and Prospects in Low-Income Developing Countries – 2019](#), International Monetary Fund, Washington DC.

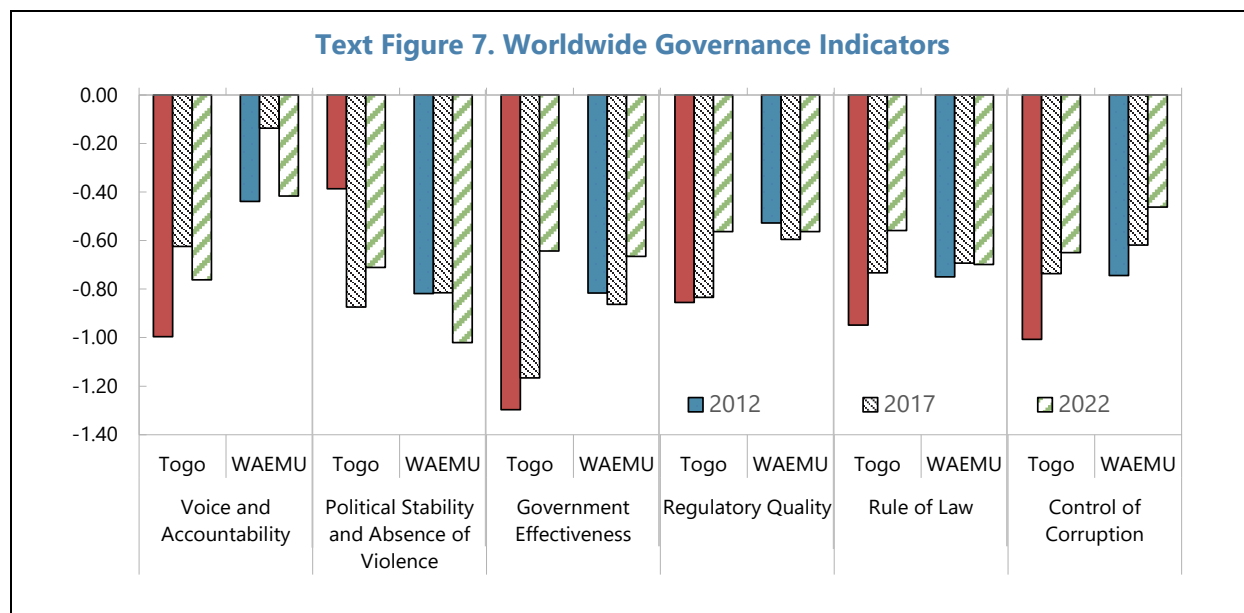
⁶ J. Sandefur and A. Subramanian, 2024, [Long-Distance Industrial Policy for Africa](#), CGD Working Paper 689, Center for Global Development, Washington DC.

including China’s manufacturing dominance, producing more than one third of global manufacturing output and benefitting from large agglomeration effects.

29. This uncertainty suggests that Togo should pursue a range of possible development paths. In addition to securing macroeconomic stability and debt sustainability, horizontal policies to ensure good governance and a favorable business environment will be key for any path.

Strengthening Governance and the Business Environment

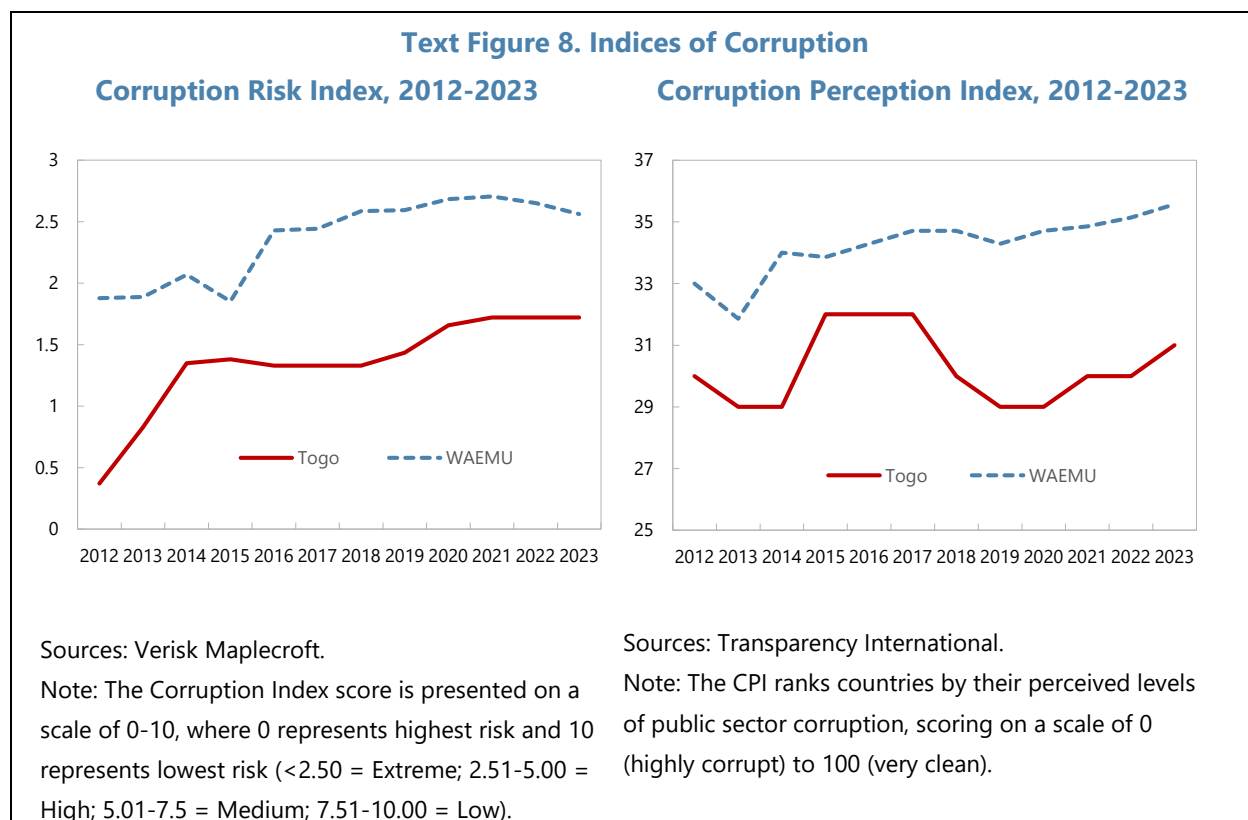
30. While Togo has made progress on governance, addressing the substantial remaining challenges would be a cost-effective way to enhance trust and boost growth. Over the past decade, the authorities have made efforts to enhance governance, including by establishing an anti-corruption authority and adopting an asset declaration law. In line with this, select governance indicators such as the perceived control of corruption and the rule of law have improved (Text Figure 7).⁷ Nevertheless, business risk from corruption is still considered high;⁸ and perceptions of corruption remain weaker than in WAEMU neighbors (Figure 8).⁹



⁷ Kaufmann and Kraay, 2023, Worldwide Governance Indicators 2023 Update (www.govindicators.org).

⁸ Verisk Maplecroft Global Risk Dashboard (GRiD). The GRiD provides data and research on political, environmental, social, and economic issues in 198 countries worldwide. The Corruption Index score is presented on a scale of 0-10, where 0 represents highest risk and 10 represents lowest risk (<2.50 = Extreme; 2.51-5.00 = High; 5.01-7.5 = Medium; 7.51-10.00 = Low).

⁹ Transparency International Corruption Perception Index (CPI). The CPI ranks countries by their perceived levels of public sector corruption, scoring on a scale of 0 (highly corrupt) to 100 (very clean).



31. The authorities should intensify efforts on governance to address remaining vulnerabilities. An IMF Governance Diagnostic would be a useful basis for this. Key laws of the governance and anti-corruption framework remain in need of amendment, and gaps in the legal framework exist. Further, implementation of laws and coordination between agencies with responsibility for governance also shows room for improvement. Against this background, the benefits of a governance diagnostic would likely be considerable. By bringing in the perspectives of a range of experts, the diagnostic could help further strengthen the government's understanding of governance challenges across state functions and provide a sound basis for determining the best ways to address them. Publication of the diagnostic would send a strong signal about the Togolese government's determination to recognize and address any governance challenges.

32. Governance would also benefit from strengthening AML/CFT. Togo faces medium-high terrorism financing risks, while its main money laundering risks relate to tax evasion and corruption (2022 GIABA AML/CFT Assessment Report). In line with available resources and risks, the authorities are appropriately planning a sequenced approach to address challenges related to (i) the terrorist financing offence, (ii) the implementation of UN Resolutions on terrorism and proliferation financing, and (iii) measures regarding politically exposed persons. Supervisors should continue to improve application of preventive measures by regulated sectors in relation to customers who are politically exposed persons and for verification of customers' beneficial ownership.

33. The authorities should also continue strengthening the business environment, including by enabling the banking sector’s ability to provide credit and strengthening access to key infrastructure. Firms have identified limited access to credit and electricity as the two most important obstacles to success. In line with firms’ identification of credit constraints, the credit-to-GDP ratio has stagnated over the past decade.

34. Staff recommends that the authorities undertake the following steps to enable the banking sector to provide more credit to the private sector while also addressing some of the financial sector-related risks discussed above (selected issues paper “Strengthening Togo’s Financial Sector):

- **Continue to support access to financial services (“financial inclusion”) and undertake steps that help generate the information banks need to extend credit.**
 - The authorities should continue to strengthen payments systems, fully leverage government payment channels, develop secure digital identity systems, implement clear rules for consumer protection, launch financial literacy programs, and promote competition in the financial sector.
 - They may wish to consider reversing the recent extension of the financial activities tax to mobile money transactions as this tax is likely to push consumers away from bank-intermediated transfers towards cash transactions.
 - The authorities should also continue to help potential borrowers exit the informal sector and enter the formal economy, including by continuing to help with bookkeeping. Improved financial inclusion will also generate valuable data, allowing the credit bureau to expand the scope and quality of credit information.
- **Continue improving banks’ operating environment,** including by strengthening the land ownership registry, and the functioning of the judicial system to help borrowers access collateral and help banks move more easily against delinquent borrowers.
- **Support compliance with prudential norms to strengthen the sector’s ability to absorb shocks and enhance the public’s confidence.** For this, ensure that the remaining public bank will come into full compliance with norms, building on the recent efforts to lift the regulatory capital to zero.¹⁰ Further, as recommended in the 2022 WAEMU FSAP, the regional Banking Commission should strengthen the enforcement of supervisory actions. Increased use of

¹⁰ As concerns the envisaged purchase of certain real estate assets from the bank privatized in 2021 to help this bank strengthen its regulatory capital, to protect scarce fiscal resources, staff recommend that the authorities condition any such acquisitions on a simultaneous injection of capital by the bank’s owner. Further, to the extent that the authorities see a risk that the prices envisaged to be paid for the real estate assets could exceed market prices, staff recommend using market prices (determined via independent appraisals).

published sanctions and a move away from repeated stays of proceedings could enhance deterrence and compliance.

- **Reduce the large sovereign-bank exposure.** Although banks' declining reliance on Central Bank's refinancing window suggests current exposure does not hinder credit provided to the private sector, it could limit future credit growth and create adverse financial feedback loops between the sovereign and the banking sector. Fiscal consolidation and macroprudential tools can mitigate this risk. As recommended in the FSAP, the use of macroprudential policy tools, such as targeted Pillar 2 capital surcharges, should help to address risks related to the concentration of banks' portfolios on sovereign exposures.

35. The authorities will also need to find ways to enhance access to infrastructure (e.g., roads and internet connectivity), and strengthen the provision of key utility services (selected issues paper "Strengthening Public Infrastructure Investment and Public Enterprise Services Provision"). This will require strengthening both investment processes and utility management.

- To strengthen investment processes, the authorities should make further efforts to align public investment plans with limited public resources, strengthen investment project preparation and implementation, and attract private financing. This entails:
 - Basing investment plans on realistic budgets and considering future maintenance costs.
 - Strengthening project preparation in line ministries.
 - Clarifying the Ministry of Economy and Finance's role in the preparation, budgeting, and implementation of the PIP, and enhancing the inter-ministerial investment committee's capacity.
 - Expanding the Public Investment Program's scope to investment by SOEs, remaining extra-budgetary units, and PPPs.
 - Aligning PPP decision-making structures with those of conventional projects to ensure that the Ministry of Finance is in the driver's seat.
 - Mitigating risks facing investors by further improving the business climate and governance.
 - Using multilateral initiatives that support project preparation and financing.
 - Integrating climate change considerations into public investment decisions.
- To strengthen provision of utility services, the authorities should develop plans for strengthening the electricity and water providers in collaboration with competent partners such as the World Bank to enable the relevant utilities to offer their services at the lowest possible cost while ensuring cost recovery prices, with appropriate mechanisms for protecting the most vulnerable through targeted cash transfers or other targeted measures. Prolonged periods during which costs are below cost recovery levels undermine utilities' finances and their ability to continue providing services, creating risks for both growth and the public finances.

Industrial Policies for Strengthening Manufacturing

36. The authorities have pursued industrial policies to strengthen investment into manufacturing, including by creating special tax regimes and special economic zones (SEZs).

The zones provide enhanced access to key inputs such as electricity and one-stop administrative procedures, while three special tax regimes (free-port rules, investment code rules, and rules for apparel manufacturing) offer tax incentives.¹¹ Originally intended for companies that would locate within the SEZs, following strong demand by investors and limited space in the zones, the incentives have in recent years been provided for investments anywhere in Togo.

37. Manufacturing activities at the *Adetikopé* special economic zone have grown quickly.

Since its inception in 2020, the number of companies operating there has grown to 16, reportedly attracting CFAF 136 billion CFA francs (2.3 percent of GDP) in investment, with an additional CFAF 28 billion (0.5 percent of GDP) underway, and generating 6,000 new jobs directly or indirectly. Activities include initial transformation of agricultural goods and apparel manufacturing, potentially contributing to a beginning of diversification.

38. Nevertheless, staff recommends caution on industrial policies given their generally mixed track record:¹²

- Industrial policies should have a solid justification: the authorities should assess the underlying market failures or constraints such as sectoral skills or technology shortages, and consider whether other policies could help tackle them.
- Industrial policies should be well designed: what are the best policy instruments, and what complementary policies (such as governance reforms) are needed to ensure that industrial policies are effective?
- Industrial policies should pass a rigorous cost-benefit assessment, including fiscal and administrative costs, as well as indirect costs due to potential resource misallocation.
- Industrial policies should be well implemented. They should be consistent with a country's institutional and administrative capacity and consistent with WTO commitments. Further, it is important to minimize rent-seeking and maintain competition and openness.

¹¹ Initially, companies needed to locate in the free port or the SEZ to benefit from a special tax regime. As demand for the use of the tax regimes has grown quickly, however, the government was unable to expand the free port or the SEZ sufficiently quickly and allowed companies using these regimes to locate outside of the SEZ.

¹² See the recent IMF paper "[Industrial Policy Coverage in IMF Surveillance— Broad Considerations](#)"

Preparing for a Services-Based Development Model

39. In addition to efforts to boost manufacturing, the authorities should prepare for a primarily services-based growth model, including notably by strengthening the skills of the workforce. It may be possible to build on Togo's growing position as a regional financial services and trade logistics hub and leapfrog to selling a broader range of services to businesses and consumers around the world.¹³ For this, it will be essential to better educate and train the workforce to enable it to meet the skill requirements of modern tradable services and enhance internet connectivity as a vehicle for exporting such services.

Strengthening the Primary Sector

40. Finally, the authorities should consider cost-effective options for strengthening the primary sector. To enhance agricultural productivity, the government is creating "improved agricultural areas" (*Zones d'Aménagement Agricoles Planifiées*) that provide agricultural inputs including fertilizers and machinery to smallholder farmers. Fund staff is not qualified to assess the likely impact of these efforts and encourages the authorities to seek the advice of competent partners on how best to strengthen agricultural productivity.

Authorities' Views

41. As regards governance, the authorities share the view that further improvements are desirable, but they also assess that staff may be overly critical in its assessment of the current state of governance in Togo. The authorities will nevertheless continue to consider staff's proposal to request a Fund governance diagnostic. As regards industrial policies, the authorities are optimistic about the potential of these policies to bring about structural transformation. This said, they intend to end the provision of ad-hoc tax incentives that would add to the incentives provided under the three special regimes.

C. Enhancing Inclusion

42. Togo's social safety net and broadly defined social spending remain limited. Overall social spending appears low based on standard definitions. Among other things, less than half of the population receive education at the secondary level, and only five percent are protected from large out-of-pocket healthcare expenses (selected issues paper "Enhancing Social Inclusion").

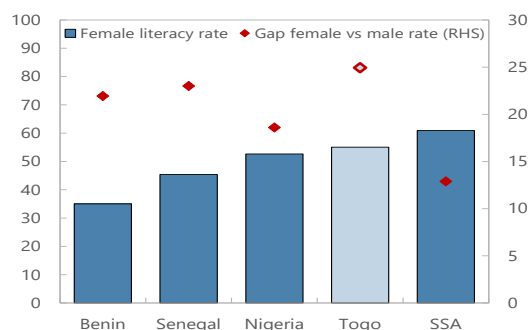
43. Social spending and the social safety net comprise a number of measures whose effectiveness is unknown. For example, the authorities provide certain schooling and health services for free. Assessing the measures' effectiveness would require additional study.

¹³ See for example [P. Behuria, P. and T. Goodfellow, 2018, Leapfrogging manufacturing? Rwanda's attempt to build a services-led 'developmental state'. European Journal of Development Research.](#)

44. This said, the safety net did not protect the population against a sharp increase in food insecurity following the shocks of recent years despite large fiscal outlays, likely reflecting the limited use of targeted instruments. The

authorities used cash transfers through the innovative *Novissi* program early during the COVID pandemic but kept the volume of these transfers limited due in part to concerns about creating adverse incentives. A better outcome could likely have been achieved if the authorities had privileged the use of cash transfers over weakly targeted instruments such as fuel subsidies and VAT exemptions.

Text Figure 9. Female Adult Literacy Rates and Gaps, 2018-2021
(Percent of Population 15+)



Sources: World Bank World Development Indicators.

45. Elements of gender inequality remain pronounced, hindering growth (Text Table 4). In particular, the literacy gap between women and men remains high at 25 percent, almost double the SSA average (Text Figure 9).¹⁴ This disparity may reflect a still high incidence of child marriage, with a potentially large adverse impact on growth.

46. Staff believe that strengthening social spending with an emphasis on helping the population build human capital and withstand shocks will be key for enhancing development outcomes. With a rapidly shrinking dependency ratio, Togo could benefit from a “demographic dividend,” but this will require equipping a quickly growing number of young people with the human capital required to succeed in the modern workplace with its ever-higher skills requirements. For this, the authorities will need to scale up the volume of spending on health and education while ensuring spending efficiency. Expanding cash transfers to the most vulnerable, potentially even more than planned under the ECF arrangement, would also help by enabling this group to invest into health and education.¹⁵ Further, the social safety net needs to become better at responding to shocks in an increasingly uncertain world to help the population weather shocks and keep building their human capital even in times of adverse shocks. For this purpose, too, cash transfers are likely the best tools, as they can be scaled up and down quickly.

47. Staff recommends the following:

- Formulate a multi-pronged strategy for strengthening the social safety centered around increases in spending on health and education as well as cash transfers. This strategy needs to be compatible with the planned fiscal consolidation. Higher social spending could be financed in part by higher fiscal revenue and a reduction of weakly targeted subsidies. In this context, the

¹⁴ World Bank World Development Indicators

¹⁵ See Bastagli et al. (2016), “Cash Transfers: What Does the Evidence Say? A Rigorous Review of Programme Impact and The Role of Design and Implementation Features,” (London: Overseas Development Institute). For results specific to Togo, see for example Briaux et al. (2020), “Evaluation of an unconditional cash transfer program targeting children’s first-1,000–days linear growth in rural Togo: A cluster-randomized controlled trial,” *PLoS Medicine* 17(11).

authorities may wish to fully implement the new fuel pricing mechanism adopted in February while protecting the most vulnerable.

- Continue and, if possible, accelerate progress in preparing the Biometric ID and Unified Social Registry, key inputs for the targeting of support.
- Continue to implement the emergency program for the northern part of the country.
- Strengthen efforts to reduce gender disparities, including enhancing girls' access to education.

Authorities' Views

48. The authorities ascribe high importance to strengthening inclusion and reducing gender disparities. Togo's continued progress towards the Sustainable Development Goals during the COVID-19 pandemic demonstrate the authorities' commitment to inclusion and the use of effective policies, including cash transfers (NOVISSI program). The authorities agree that it will be important to strengthen the targeting of social spending. The completion of efforts to establish a biometric ID and a unified social registry will provide a strong basis for doing so. This said, the authorities have reservations regarding staff's recommendation to expand in particular the use of cash transfers. While cash transfers are a useful tool in response to shocks, cultural aspects and other elements suggest that (unconditional and lasting) transfers are not always the most effective tool for reducing poverty. The authorities see value in using other tools, such as transfers to health and education providers that will then provide free services.

D. Other Issues

49. Safeguards assessment. The last assessment of the BCEAO, completed in August 2023, found that the central bank continues to have well-established audit arrangements and a strong control environment. The BCEAO is in the process of addressing the safeguards assessment's recommendation to align its Statute with changes in the 2019 cooperation agreement with France.

50. Data provided to the Fund have shortcomings that somewhat hamper surveillance (Annex III). The weaknesses in national accounts, government finance statistics, and external sector statistics affect the quality of economic analysis. Among other things, national accounts and external sector data become available only 1.5 - 2 years after the reference period, with the result that assessing the current or even recent state of the economy is very difficult. The Fund is undertaking efforts to help authorities strengthen the capacity to compile national accounts, government finance, and public sector debt data (Annex IV, CD Strategy). In addition, the WB is helping the authorities provide more granular reporting of the holders of debt issued on the regional market.

Text Table 4. Selected Macro-Critical Gender-Related Indicators, 2017-2022

	2017	2018	2019	2020	2021	2022	Sub-Saharan Africa 1 /				
							Latest year available	25th Percentile	75th Percentile	Median	Average
Composite Gender Indices											
Female Human Capital Index (HCI) 2/	0.41	0.42	...	0.43	...	...	2020	0.37	0.43	0.40	0.39
Gender Development Index (GDI) 2/	0.86	0.84	0.87	0.85	0.85	0.85	2022	0.88	0.95	0.92	0.92
Gender Inequality Index (GII) 3/	0.59	0.59	0.58	0.58	0.58	0.58	2022	0.50	0.61	0.54	0.54
Global Gender Gap Index 2/	...	0.62	...	0.62	0.68	0.70	2022	0.64	0.73	0.69	0.69
Women Business and the Law Index (WBL) 4/	84.38	84.38	84.38	84.38	81.88	81.88	2022	67.50	82.50	78.13	74.88
Labor and Income											
Female Employment-to-Population Ratio, Modeled ILO Estimate (15-64 yrs) (as share of the female population)	54.19	54.28	54.39	53.76	54.11	54.42	2022	45.28	62.59	54.27	58.41
Gender Wage Gap 5/	...	...	...	...	...	...	...	...	...	...	...
Female Informal Employment Rate	95.95	...	...	...	...	...	...	...	...	...	...
Female Labor Force Participation Rate, Modeled ILO Estimate (15-64 yrs)	55.74	55.83	55.95	55.41	55.90	56.02	2022	50.99	67.35	56.89	62.53
Female Unemployment Rate, Modeled ILO Estimate (15-64 yrs)	2.77	2.78	2.79	2.98	3.20	2.86	2022	3.17	12.66	5.32	6.66
Female Gross Pension Replacement Rate (as share of average worker earnings)	...	...	...	...	...	...	...	...	...	...	...
Leadership and Social											
Proportion of Seats Held By Women in National Parliaments	17.58	17.58	16.48	18.68	18.68	18.68	2022	14.36	33.72	22.89	24.57
Proportion of Women in Managerial Positions	...	...	...	...	...	...	...	...	...	...	...
Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent)	...	25.00	...	...	...	...	2018	26.00	39.00	34.00	32.86
Access to Finance											
Number of Household Loan Accounts with Commercial Banks, Females' Accounts per 1,000 Female Adults	...	...	10.97	11.53	11.17	9.97	...	...	...	...	...
Number of Household Deposit Accounts with Commercial Banks, Females' Accounts per 1,000 Female Adults	...	...	...	...	126.82	153.42	...	...	...	...	...
Share of Female Adults (in Total Female Adults) Who Borrowed From a Financial Institution (in percent)	9.13	...	...	...	7.01	...	2021	4.69	11.86	6.00	8.82
Share of Female Adults (in Total Female Adults) Who Own a Financial Institution Account (in percent)	28.62	...	...	...	21.45	...	2021	16.88	31.51	21.39	33.76
Share of Female Adults (in Total Female Adults) with Mobile Money Account (in percent)	15.99	...	...	...	31.92	...	2021	21.48	40.29	32.43	30.01
Education											
Female Adult Literacy Rate	...	...	55.05	...	...	...	...	...	...	...	...
Female Mean Years of Schooling	3.39	3.64	3.90	4.19	4.19	4.19	...	...	...	...	...
Female Primary Gross Enrollment Rate 6/	121.08	120.50	120.65	122.49	119.66	121.21	2021	91.45	113.02	97.57	98.74
Female Secondary Gross Enrollment Rate 6/	51.94	...	...	...	58.08	...	2017	35.35	64.74	39.81	43.28
Female Tertiary Gross Enrollment Rate 6/	7.94	8.72	9.22	10.91	...	...	2018	5.24	13.66	8.42	10.27
Health											
Female Adult Mortality Rate per 1,000 Adults 7/	267.50	267.12	255.96	255.95	243.92	...	2021	199.34	285.24	250.43	249.99
Female Life Expectancy at Birth	60.48	60.65	61.44	61.58	62.39	...	2021	61.48	66.67	63.56	64.18
Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs)	425.00	435.00	418.00	399.00	...	...	2020	219.50	487.00	303.00	372.43
Total Fertility Rate (Births Per Woman)	4.50	4.44	4.39	4.32	4.26	...	2021	3.53	4.71	4.17	4.59

Source: IMF GenderDataHub /8

- 1/ Group aggregates are calculated where data are available for at least 50 percent of countries for a given indicator, and for weighted averages, where the relevant weights are also available. Data are reported for the latest year for which aggregates are available. Detailed metadata, including weights
- 2/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.
- 3/ The Gender Inequality Index is scored on a scale of 0-1, where a higher score indicates higher inequality.
- 4/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.
- 5/ The Gender Wage Gap is the difference between average earnings of men and average earnings of women expressed as a percentage of average earnings of men (as calculated by the International Labor Organization). The gap listed here is for Occupation = "Total" under the ICSSO 08 Classification.
- 6/ Gross enrollment rates can exceed 100% due to the inclusion of over-aged and under-aged pupils/students because of early or late entrants, and grade repetition.
- 7/ The adult mortality rate refers to the probability that those who have reached age 15 will die before reaching age 60 (shown per 1,000 persons). In other words, a value of 150 means that out of 1,000 persons who have reached age 15, 150 are expected to die before reaching age 60, and 850 are expected to survive to age 60. This is based on a "synthetic cohort": current life-table mortality rates are applied to the current cohort of 15 year olds, assuming no changes in mortality.
- 8/ See Gender Data Hub metadata for original data sources and definitions.

STAFF APPRAISAL

51. Togo has weathered the series of shocks of recent years relatively well, with continued growth and progress towards the SDGs, but the fiscal expansion implemented for this has pushed up public debt substantially while development needs remain acute.

52. With fiscal revenue strengthening and a beginning of fiscal consolidation in 2023, the macroeconomic outlook is broadly favorable but subject to elevated risks. Growth is expected to remain robust despite further consolidation plans, while fiscal revenue is expected to rise further. There are no substantial domestic or external disequilibria, as evidenced by low inflation and the fact that the external position is assessed to be broadly in line with the level implied by fundamentals. Risks include a potential intensification of terrorism, difficulties in securing affordable regional financing, and banking sector challenges. In the longer run, economic performance is also subject to

the risk of weakening debt sustainability should efforts to achieve sufficient fiscal consolidation while maintaining robust growth disappoint. Climate change is an additional risk.

53. Against this background, the authorities should continue efforts to (i) anchor macroeconomic stability by strengthening debt sustainability, (ii) strengthen the foundations of growth, and (iii) enhance inclusion. These efforts will help accelerate growth, make growth more inclusive, and address risks to economic and social stability.

54. With regard to strengthening debt sustainability via a growth-friendly fiscal consolidation: The envisaged fiscal deficit path for 2024 and beyond remains appropriate. The authorities should prepare a comprehensive revenue mobilization strategy encompassing both tax policy and revenue administration measures. Tax policy measures should aim at broadening the tax base and enhancing the efficiency of taxation. The authorities may wish to consider appropriate sequencing in relation to steps taken to shield the most vulnerable against attendant increases in the cost of living through appropriate changes in fiscal spending, including via cash transfers. More broadly, adopting a holistic fiscal approach that considers taxation and spending together would help improve the efficiency of the tax system while still achieving social goals through sufficiently progressive spending. Beyond tax policy measures, improvements to tax administration will need to play a key role in mobilizing revenue. Finally, the authorities should implement the envisaged reforms in public financial management, including strengthening the oversight of state-owned enterprises and the transparency of their finances to reduce fiscal risks. The Fund stands ready to support the authorities' efforts to mobilize revenue and strengthen public financial management through technical assistance and capacity development.

55. With regard to ensuring robust growth, reaching the projected medium-term growth rate of around 5.5 percent per year will require stronger productivity growth than in the past, given that room for public investment is more limited than in recent years.

56. Conducting appropriate horizontal policies will be key for laying a basis for the needed productivity gains. Strengthening governance holds the potential to boost growth, including by helping attract investment. The authorities should prioritize strengthening relevant laws, improving their enforcement, and fostering stronger inter-agency collaboration. An IMF governance diagnostic assessment would be highly beneficial as it would provide fresh and independent insights into challenges and pave the way for the development of targeted solutions. The authorities should also continue to strengthen the business environment. This includes facilitating access to credit through a strengthened banking sector that will provide more credit to the private sector, thanks in part to improvements in banks' operating environment such as a strengthened judicial system. Further, the authorities should improve access to essential infrastructure, including by expediting reforms in the water and electricity sectors.

57. The authorities should exercise caution in implementing vertical policies to attract investment. Given the dynamism and range of activities at the Adetikopé SEZ, it appears possible that the SEZ could contribute to diversification. Nevertheless, the authorities should consider carefully what kinds of investments they could hope to attract, what the rationale for providing

incentives is, and what the associated challenges are, including administrative constraints and potential adverse impacts on revenue mobilization. Tax incentives should be structured as credits rather than exemptions. The authorities should work with competent partners to determine the best options for strengthening agriculture.

58. Finally, enhancing inclusion is key for both improving social outcomes and supporting medium-term growth prospects. For this, it will be important to strengthen social spending to help the population build human capital and withstand shocks. Increased public spending on health and education could help Togo reap a "demographic dividend" by enabling the rapidly growing numbers of the young build the human capital they need to meet growing skill requirements. To ensure spending efficiency, the authorities should seek the advice of competent partners. The fiscal resources for higher social spending can come from revenue mobilization and rationalization of spending, including by shifting from regressive subsidies to more targeted social safety net measures. In particular, the authorities should consider expanding the use of cash transfers, a tool that has shown its benefits in other countries. While alternative tools for protecting the poor exist, they are often more difficult to manage. Expanded use of cash transfers will also enable greater shock responsiveness of the social protection system. The authorities should also continue and, if possible, accelerate progress in preparing the Biometric ID and Unified Social Registry, key inputs for providing targeted support. Further, the authorities should continue to implement the emergency program for the traditionally underserved populations living in the northern part of the country. Finally, the authorities should aim to reduce gender disparities, including by enhancing girls' access to education.

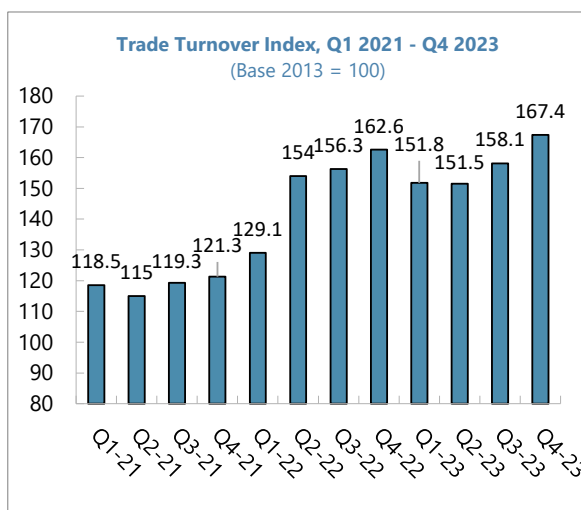
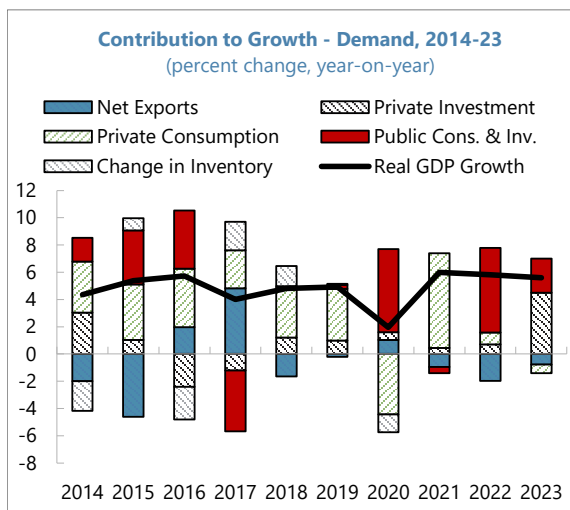
59. Staff encourages the authorities to intensify efforts to enhance data provided to the Fund. Improved data would enable enhancing the quality and certainty of economic analysis by reducing uncertainty, with beneficial impacts for the understanding of the impacts of government policies and hence an improved basis for determining appropriate policy settings.

60. The next Article IV Consultation is expected to take place within 24 months, in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

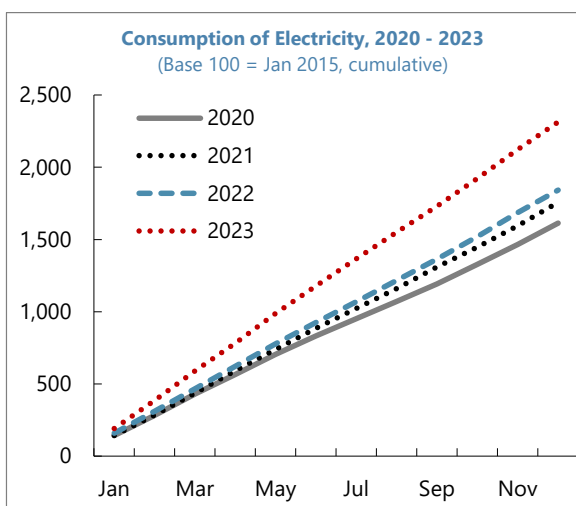
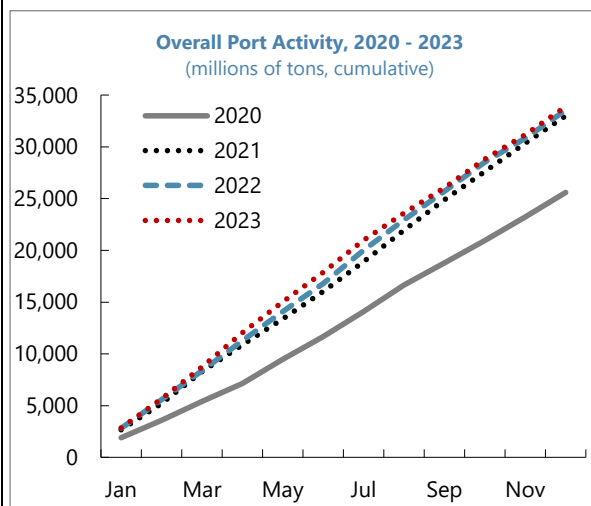
Figure 1. Indicators of Economic Activity, 2014–23

Private investment was an important driver of growth in 2022, as ...

... the service sector, proxied by retail trade, continued its recovery from the COVID-19 pandemic lows.



Activity at Port of Lomé remained strong in 2023, while electricity consumption increased significantly.



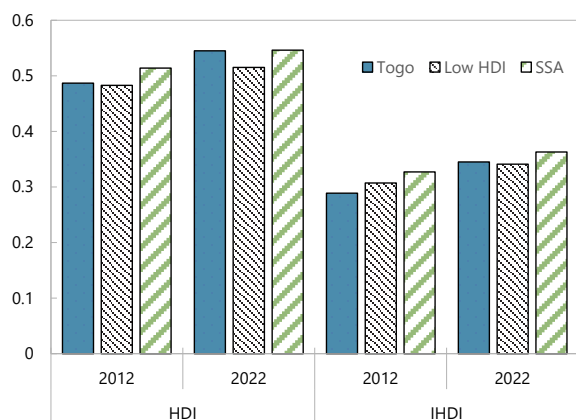
Sources: INSEED; PAL; BCEAO; and CEET.

Figure 2. Social Development Indicators, 2012–22

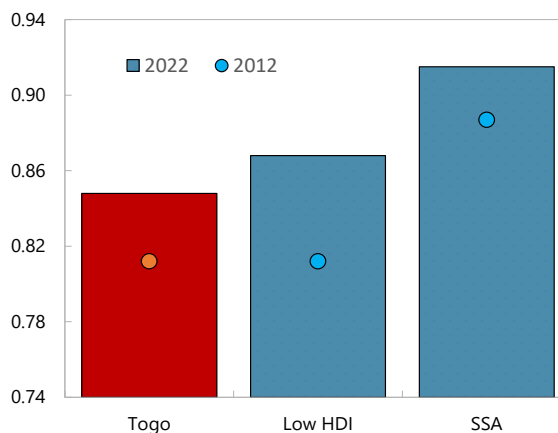
While Togo's Human Development Index (HDI) increased over the last decade, the score is still reduced by about 40 percent when adjusted for inequality ...

... and progress towards gender equality is lagging both low-HDI and SSA averages.

Human Development Index (HDI) and Inequality-Adjusted Human Development Index (IHDI), 2012–2022



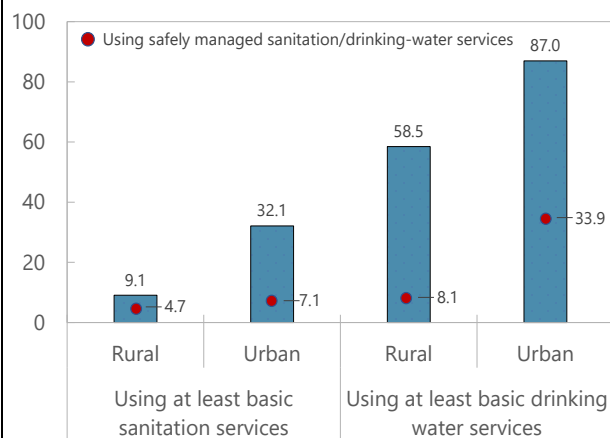
Gender Development Index (GDI), 2012–22



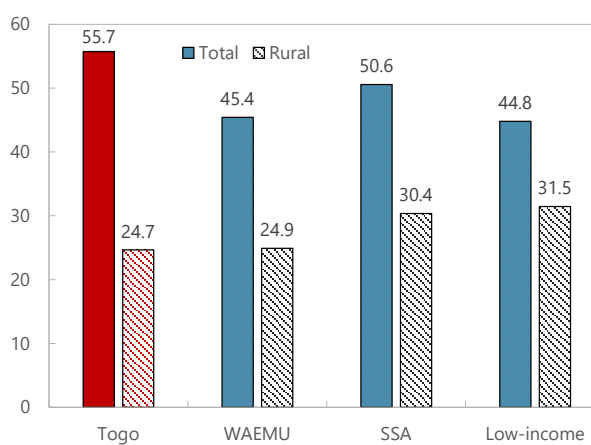
Less than ten percent of Togolese living in rural areas have access to safely managed sanitation and drinking-water services.

Access to electricity is somewhat higher in Togo than in comparators, with more than half of the population connected, but rural areas lag far behind.

Population Using Basic and Safely Managed Sanitation and Drinking-Water Services, 2022
(percent of rural and urban populations)



Access to Electricity, 2021
(percent of total and rural populations)

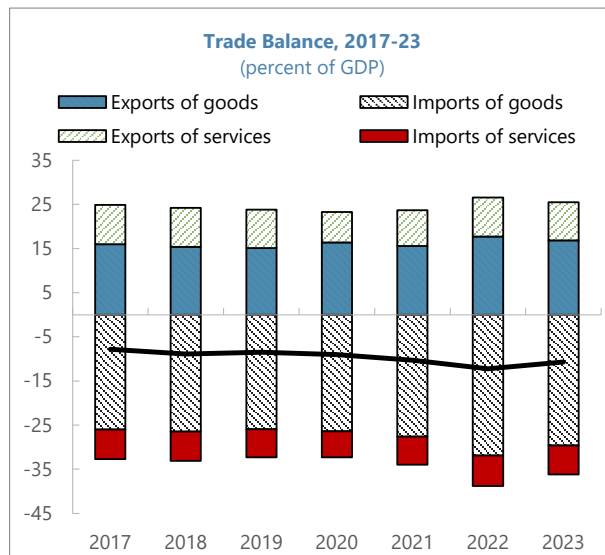
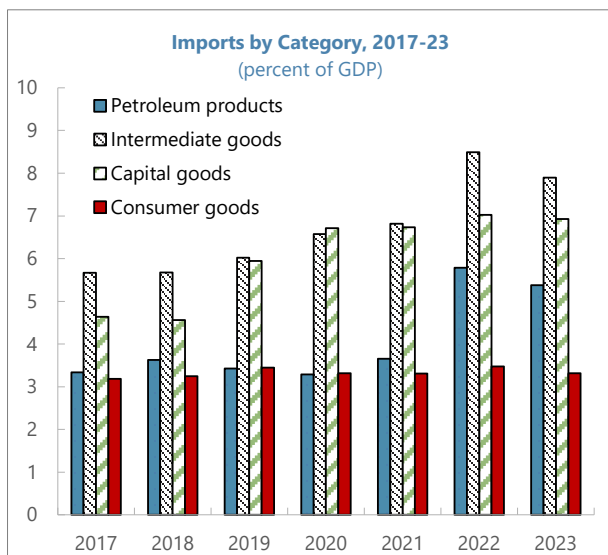


Sources: UNDP, WHO, and World Bank.

Figure 3. External Sector, 2017–23

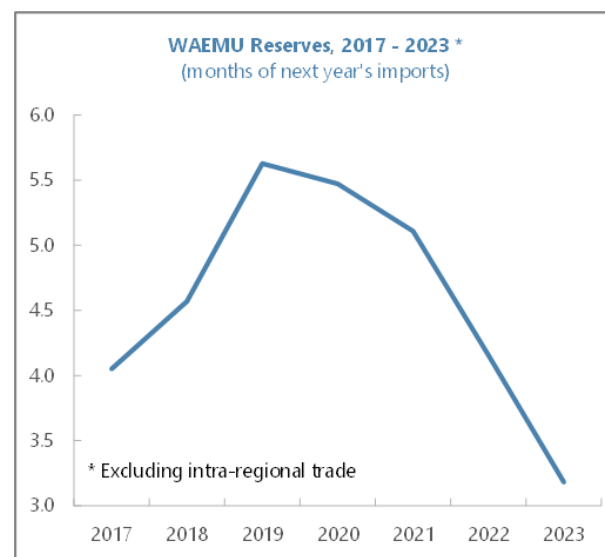
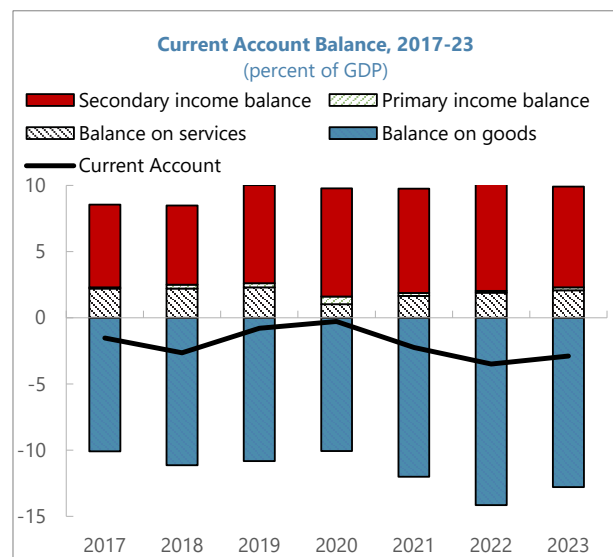
Due to the easing of supply chain disruptions and high global food and fuel prices, the value of all categories of goods imports grew significantly in 2022 before easing somewhat in 2023.

As a result of slightly lower imports, both the trade deficit ...



... and the current account deficit narrowed slightly in 2023.

Nevertheless, regional foreign exchange reserves have continued to decline (though with some recovery in 2024).

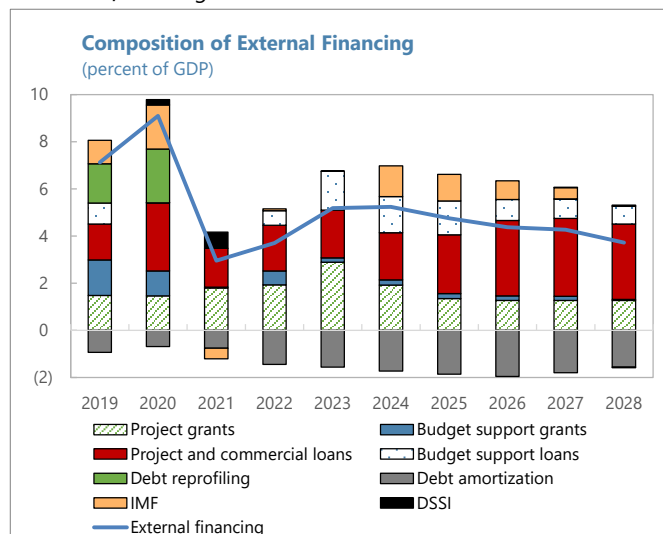
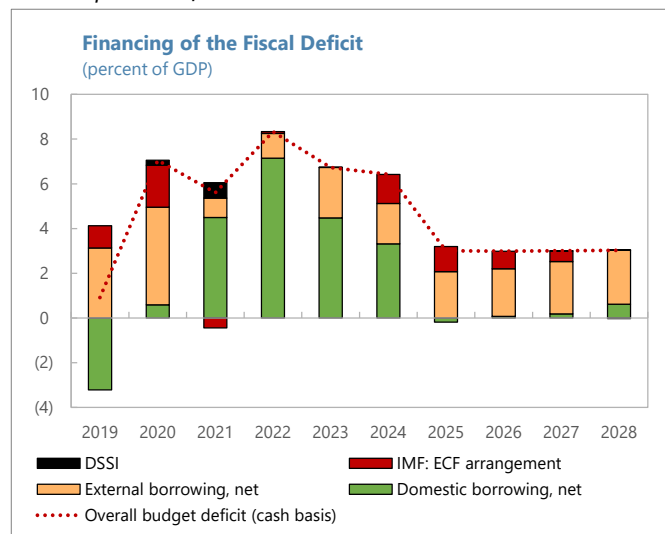


Sources: Togolese authorities; BCEAO, and IMF staff estimates.

Figure 4. Medium-Term Fiscal Developments, 2019–28

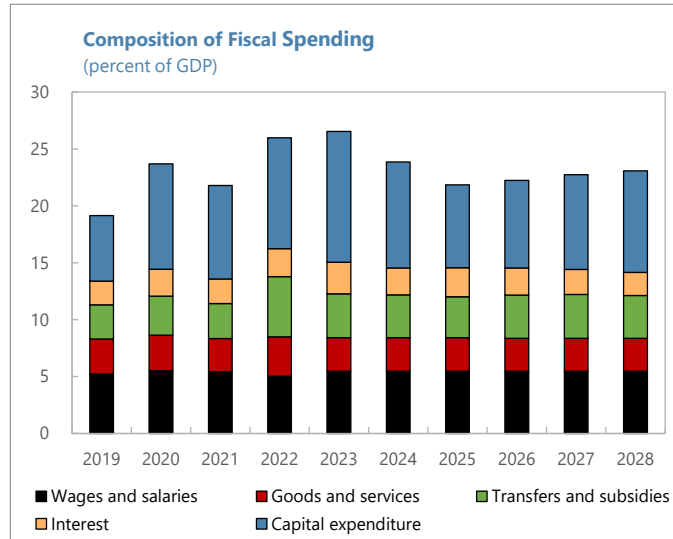
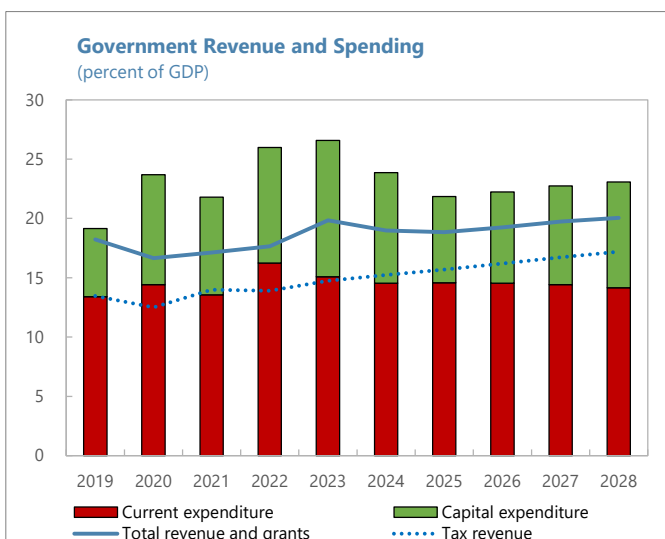
The overall budget deficit is programmed to narrow to 3 percent of GDP by 2025, which should help reduce net domestic borrowing to about 1 percent of GDP.

Project grants and project loans (including some commercial loans on non-concessional terms) are likely to be key sources of external financing over the medium term.



It will be essential to create room for higher social and other priority spending through a combination of revenue mobilization ...

... and effective control of non-priority current spending.



Sources: Togolese authorities and IMF staff estimates and projections.

Table 1. Togo: Selected Economic and Financial Indicators, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Estimates				Projections					
	(Percentage change, unless otherwise indicated)									
Real GDP	2.0	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Real GDP per capita	-0.4	3.5	3.3	3.1	2.8	2.8	3.0	3.0	3.0	3.0
GDP deflator	1.8	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	1.8	4.5	7.6	5.3	2.7	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	4,253	4,621	5,069	5,507	5,927	6,366	6,850	7,371	7,932	8,536
Exchange rate CFAF/US\$ (annual average level)	575	554	622	606	...	...	...	...	...	...
Real effective exchange rate (appreciation = -)	-2.0	-1.4	2.3	-5.4	...	...	...	...	...	...
Terms of trade (deterioration = -)	-1.3	6.5	-0.1	4.4	-2.7	-2.5	0.4	1.1	1.0	0.7
	(Percentage change of beginning-of-period broad money)									
Monetary survey										
Net foreign assets	14.1	5.6	-0.6	6.2	2.7	2.4	3.0	2.8	2.2	2.2
Net credit to government	-1.6	-0.3	8.0	0.2	-2.9	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	9.4	4.0	4.4	4.6	4.8	4.8
Broad money (M2)	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	(Percent of GDP, unless otherwise indicated)									
Investment and savings										
Gross domestic investment	21.4	23.4	25.9	28.0	26.0	24.4	25.0	25.8	26.7	27.2
Government	9.3	8.2	9.7	11.5	9.3	7.3	7.7	8.3	8.9	9.4
Nongovernment	12.1	15.2	16.2	16.5	16.7	17.1	17.3	17.5	17.8	17.8
Gross national savings	21.1	21.2	22.5	25.1	22.7	21.0	21.9	23.3	24.4	24.9
Government	2.2	3.6	1.4	4.8	4.4	4.3	4.7	5.3	5.9	6.4
Nongovernment	18.9	17.6	21.0	20.3	18.3	16.8	17.2	18.0	18.5	18.5
Government budget										
Total revenue and grants	16.6	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	20.5
Revenue	14.1	15.3	15.1	16.8	16.9	17.3	17.8	18.3	18.7	19.3
Tax revenue	12.5	14.0	13.9	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Expenditure and net lending (excl. banking sector operation)	23.7	21.8	26.0	26.6	23.9	21.8	22.2	22.7	23.1	23.5
Overall primary balance (commitment basis, incl. grants)	-4.7	-2.5	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-7.0	-4.7	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-7.0	-4.7	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
External sector										
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.3
Exports (goods and services)	23.3	23.7	26.6	25.5	25.6	25.5	26.1	26.3	26.3	26.2
Imports (goods and services)	-32.3	-34.0	-38.8	-36.2	-35.7	-34.8	-34.4	-34.2	-34.0	-34.0
External public debt ¹	27.6	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2
External public debt service (percent of exports) ¹	6.9	5.2	8.3	8.2	8.4	9.1	9.1	8.2	7.2	6.5
Domestic public debt ²	34.6	37.6	41.2	42.1	42.4	39.8	36.9	34.6	32.8	31.8
Total public debt ³	62.2	64.9	67.4	68.0	69.8	68.6	66.5	65.0	63.4	62.0
Total public debt (excluding SOEs) ⁴	60.1	63.0	65.8	66.6	68.6	67.6	65.7	64.3	62.8	61.5
Present value of total public debt ³	...	...	...	60.5	61.0	58.3	54.7	51.8	49.1	47.4

Sources: Togolese authorities and IMF staff estimates and projections.

¹ Includes state-owned enterprise external debt.² Includes domestic arrears and state-owned enterprise domestic debt.³ Includes domestic arrears and state-owned enterprise debt.⁴ Includes domestic arrears.

Table 2a. Togo: Central Government Financial Operations, 2020–29
(Billions of CFA Francs)

	2020	2021	2022	2023		2024	2025	2026	2027	2028	2029
	Dec.	Dec.	Dec.	Dec.				December			
	Actual	Actual	Actual	Budget	Est.	Projections					
(Billions of CFA Francs)											
Revenue and grants	708.0	791.8	894.5	1,040.3	1,093.0	1,125.3	1,199.0	1,318.6	1,455.0	1,590.5	1,747.9
Total revenue	600.9	707.2	767.1	825.2	923.9	998.7	1,100.2	1,218.6	1,348.4	1,486.8	1,647.1
Tax revenue	531.5	646.9	704.5	765.1	812.3	902.7	998.3	1,110.0	1,232.7	1,363.5	1,509.1
Tax administration (CI)	287.9	359.3	376.7	420.9	422.9	471.1	525.4	585.9	651.8	738.4	836.5
Customs administration (CDII)	243.6	287.6	327.8	344.2	389.4	431.6	472.8	524.1	580.9	625.1	672.7
Nontax revenue	69.4	60.3	62.6	60.1	111.6	96.0	102.0	108.6	115.7	123.3	138.0
Grants	107.1	84.6	127.4	215.1	169.1	126.5	98.8	100.0	106.6	103.7	100.7
Budget support	45.0	1.6	30.0	12.0	10.1	13.0	13.0	13.0	13.0	3.0	0.0
World Bank	20.1	0.0	21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF/CCRT	4.6	0.7	...	...	...	...	...	...	...	...	...
Others	20.3	0.9	8.2	12.0	10.1	13.0	13.0	13.0	13.0	3.0	0.0
Project grants	62.0	83.0	97.4	203.1	159.0	113.5	85.8	87.0	93.6	100.7	100.7
Expenditure and net lending	1,007.6	1,006.8	1,316.9	1,407.8	1,463.6	1,414.2	1,390.4	1,522.9	1,676.6	1,830.2	2,007.5
of which: Covid-19 response	96.6	30.0	...	...	...	...	...	...	...	...	...
of which: Domestic primary expenditure	722.6	747.9	996.2	930.1	1,039.9	1,041.4	982.7	1,053.5	1,177.1	1,314.0	1,500.3
Current expenditure	613.5	627.0	823.3	798.2	830.9	862.1	927.5	995.6	1,062.8	1,123.1	1,202.4
Primary current spending	513.4	527.2	698.5	655.2	677.8	721.4	764.8	832.4	900.2	961.5	1,036.6
of which: Covid-19 response	36.6	30.0	...	...	...	...	...	...	...	...	...
Wages and salaries	234.8	251.5	255.3	302.0	301.8	324.8	348.9	375.4	404.0	434.7	467.8
Goods and services	133.1	133.8	174.8	155.0	161.8	174.2	187.1	197.3	212.3	228.4	248.3
Transfers and subsidies	145.6	141.9	268.4	198.3	212.2	222.4	228.8	259.7	283.9	298.3	320.5
of which: Fuel subsidies	4.7	7.9	72.2	42.4	42.4	42.4	...	...	...	...	...
of which: Cash transfers	11.3	11.3	6.5	0.0	10.2	6.5	...	...	...	...	...
Interest	100.1	99.8	124.8	142.9	153.0	140.8	162.7	163.2	162.6	161.6	165.8
Domestic debt	86.2	84.8	106.3	125.9	128.7	120.3	138.2	138.6	139.0	139.2	144.7
External debt	13.9	15.0	18.5	17.0	24.3	20.5	24.5	24.6	23.6	22.5	21.0
Public investment	394.2	379.8	493.7	609.6	632.7	552.1	462.9	527.3	613.8	707.1	805.1
of which: emergency program for Northern regions	...	...	35.0	65.0	65.0	62.0	44.6	40.9	40.9	40.9	40.9
Domestically financed	209.3	220.7	297.8	274.9	362.1	320.0	217.9	221.1	277.0	352.5	463.7
Foreign financed	184.9	159.1	195.8	334.7	270.6	232.1	245.0	306.2	336.9	354.6	341.4
Banking sector operations	...	...	...	...	...	91.6	...	...	...	...	...
transfers	...	...	...	...	...	24.7	...	...	...	...	...
asset purchases	...	...	...	...	...	66.9	...	...	...	...	...
Net Lending	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable and receivable	-0.4	-44.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-300.0	-259.0	-422.4	-367.5	-370.5	-289.0	-191.3	-204.3	-221.6	-239.7	-259.7
Overall balance (cash basis, incl. grants)	-300.0	-259.0	-422.4	-367.5	-370.5	-380.6	-191.3	-204.3	-221.6	-239.7	-259.7
Overall balance (cash basis, excl. grants)	-407.1	-343.6	-549.8	-582.6	-539.7	-507.1	-290.1	-304.3	-328.2	-343.4	-360.4
Overall primary balance (cash basis, incl. grants)	-199.9	-159.2	-297.6	-224.6	-217.5	-239.8	-28.6	-41.1	-59.0	-78.1	-93.9
Basic primary fiscal balance (excl. banking sector operations)	-121.7	-40.7	-229.1	-104.9	-116.1	-42.6	117.5	165.1	171.3	172.8	146.8
Financing	318.0	332.5	545.6	582.6	539.7	429.1	217.9	249.5	291.2	342.5	359.5
Domestic financing (net)	24.8	207.6	362.2	245.6	246.3	195.6	-13.0	3.6	12.5	47.7	107.5
Repayments of T-Bonds	-274.1	-263.6	-252.4	-329.0	-155.6	-196.6	-270.0	-445.1	-418.3	-475.8	-438.7
Other domestic financing (net)	299.0	471.2	614.6	574.6	401.8	392.2	257.0	448.7	430.8	523.5	546.2
External financing (net)	293.1	124.9	183.4	337.0	293.4	233.5	230.9	245.9	278.7	294.9	252.0
Grants	107.1	84.6	127.4	215.1	169.1	126.5	98.8	100.0	106.6	103.7	100.7
Budget support loan	0.0	0.0	31.1	60.0	90.7	91.2	91.5	61.1	61.2	60.3	28.6
Debt reprofiling	96.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Project loans	122.9	76.1	98.4	131.6	111.6	118.5	159.1	219.2	243.3	253.8	240.7
Amortization (incl. IMF repayments)	-29.2	-35.2	-73.5	-69.7	-86.0	-102.7	-118.6	-134.4	-132.4	-124.0	-120.1
Exceptional financing	89.1	11.1	0.0	0.0	0.0	78.0	72.3	54.7	36.9	0.9	0.9
Financing gap/undefined financing	89.1	11.1	4.2	0.0	0.0	78.0	72.3	54.7	36.9	0.9	0.9
Exceptional financing	89.1	11.1	0.0	0.0	0.0	78.0	72.3	54.7	36.9	0.9	0.9
IMF-ECF	79.3	0.0	0.0	0.0	0.0	78.0	72.3	54.7	36.9	0.9	0.9
DSSI	9.8	11.1	...	...	...	...	...	...	...	...	...
Residual financing gap/errors and omissions	0.0	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum Item:</i>											
Nominal GDP (CFA francs billions)	4,253.2	4,621.5	5,068.9	5,506.6	5,507.2	5,926.6	6,365.6	6,850.0	7,371.3	7,932.2	8,535.9
Social and pro-poor spending (CFA francs billions)	...	214.7	229.8	323.1	263.3	315.4	324.7	360.0	394.8	432.8	474.3

Sources: Togolese authorities and IMF staff estimates and projections.

Table 2b. Togo: Central Government Financial Operations, 2020–29
(Percent of GDP)

	2020	2021	2022	2023		2024	2025	2026	2027	2028	2029
	Dec.	Dec.	Dec.	Dec.				December			
	Actual	Actual	Actual	Budget	Est.	Projections					
	(Percent of GDP)										
Revenue and grants	16.6	17.1	17.6	18.9	19.8	19.0	18.8	19.2	19.7	20.1	20.5
Total revenue	14.1	15.3	15.1	15.0	16.8	16.9	17.3	17.8	18.3	18.7	19.3
Tax revenue	12.5	14.0	13.9	13.9	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Tax administration (CI)	6.8	7.8	7.4	7.6	7.7	7.9	8.3	8.6	8.8	9.3	9.8
Customs administration (CDII)	5.7	6.2	6.5	6.3	7.1	7.3	7.4	7.7	7.9	7.9	7.9
Nontax revenue	1.6	1.3	1.2	1.1	2.0	1.6	1.6	1.6	1.6	1.6	1.6
Grants	2.5	1.8	2.5	3.9	3.1	2.1	1.6	1.5	1.4	1.3	1.2
Budget support	1.1	0.0	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0
World Bank	0.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF/CCRT	0.1	0.0	...	...	...	...	...	...	...	...	...
Others	0.5	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0
Project	1.5	1.8	1.9	3.7	2.9	1.9	1.3	1.3	1.3	1.3	1.2
Expenditures and net lending	23.7	21.8	26.0	25.6	26.6	23.9	21.8	22.2	22.7	23.1	23.5
of which: Covid-19 response	2.3	0.6	...	...	...	...	...	...	...	...	...
Current expenditures	14.4	13.6	16.2	14.5	15.1	14.5	14.6	14.5	14.4	14.2	14.1
Primary current spending	12.1	11.4	13.8	11.9	12.3	12.2	12.0	12.2	12.2	12.1	12.1
Wages and salaries	5.5	5.4	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Goods and services	3.1	2.9	3.4	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Transfers and subsidies	3.4	3.1	5.3	3.6	3.9	3.8	3.6	3.8	3.9	3.8	3.8
of which: Fuel subsidies	0.1	0.2	1.4	0.8	0.8	0.7	...	...	...	...	...
of which: Cash transfers	0.3	0.2	0.1	0.0	0.2	0.1	...	...	...	...	...
Interest	2.4	2.2	2.5	2.6	2.8	2.4	2.6	2.4	2.2	2.0	1.9
Domestic debt	2.0	1.8	2.1	...	2.3	2.0	2.2	2.0	1.9	1.8	1.7
External debt	0.3	0.3	0.4	...	0.4	0.3	0.4	0.4	0.3	0.3	0.2
Public investment	9.3	8.2	9.7	11.1	11.5	9.3	7.3	7.7	8.3	8.9	9.4
of which: emergency program for Northern regions	...	...	0.7	1.2	1.2	1.0	0.7	0.6	0.6	0.5	0.5
Domestically financed	4.9	4.8	5.9	5.0	6.6	5.4	3.4	3.2	3.8	4.4	5.4
Foreign financed	4.3	3.4	3.9	6.1	4.9	3.9	3.8	4.5	4.6	4.5	4.0
Banking sector operations	...	...	...	...	...	1.5	...	...	...	...	...
transfers	...	...	...	...	...	0.4	...	...	...	...	...
asset purchases	...	...	...	...	...	1.1	...	...	...	...	...
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable and receivable	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, excl. grants)	-9.6	-7.4	-10.8	-10.6	-9.8	-8.6	-4.6	-4.4	-4.5	-4.3	-4.2
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-4.1	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Basic primary fiscal balance (excl. banking sector operations)	-2.9	-0.9	-4.5	-1.9	-2.1	-0.7	1.8	2.4	2.3	2.2	1.7
Financing	7.5	7.2	10.8	10.6	9.8	7.2	3.4	3.6	4.0	4.3	4.2
Domestic financing (net)	0.6	4.5	7.1	4.5	4.5	3.3	-0.2	0.1	0.2	0.6	1.3
Repayment of T-Bonds	-6.4	-5.7	-5.0	-6.0	-2.8	-3.3	-4.2	-6.5	-5.7	-6.0	-5.1
Other domestic financing (net)	7.0	10.2	12.1	10.4	7.3	6.6	4.0	6.6	5.8	6.6	6.4
External financing (net)	6.9	2.7	3.6	6.1	5.3	3.9	3.6	3.6	3.8	3.7	3.0
Grants	2.5	1.8	2.5	3.9	3.1	2.1	1.6	1.5	1.4	1.3	1.2
Budget support loan	0.0	0.0	0.6	1.1	1.6	1.5	1.4	0.9	0.8	0.8	0.3
Debt reprofiling	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	2.9	1.6	1.9	2.4	2.0	2.0	2.5	3.2	3.3	3.2	2.8
Amortization (incl. IMF repayments)	-0.7	-0.8	-1.5	-1.3	-1.6	-1.7	-1.9	-2.0	-1.8	-1.6	-1.4
Exceptional financing	2.1	0.2	0.0	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0
Financing gap/unidentified financing	2.1	0.2	0.1	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0
Exceptional financing	2.1	0.2	0.0	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0
IMF-ECF	1.9	0.0	0.0	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0
DSSI	0.2	0.2	...	...	...	...	...	...	...	...	...
Residual financing gap/errors and omissions	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum Item:</i>											
Nominal GDP (CFAF billions)	4,253.2	4,621.5	5,068.9	5,506.6	5,507.2	5,926.6	6,365.6	6,850.0	7,371.3	7,932.2	8,535.9
Social and pro-poor spending (percent of GDP)	...	4.6	4.5	5.9	4.8	5.3	5.1	5.3	5.4	5.5	5.6

Sources: Togolese authorities and IMF staff estimates and projections.

Table 3. Togo: Balance of Payments, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
	Estimates				Projections						
	(Billions of CFA Francs)										
Current account balance	-11.9	-103.6	-176.7	-158.9	-194.5	-211.6	-209.1	-187.5	-184.3	-200.6	
Trade balance on goods	-428.2	-554.5	-716.8	-704.7	-749.1	-786.2	-824.3	-859.1	-911.8	-985.0	
<i>Of which: petroleum products, net</i>	-105.3	-128.8	-218.8	-173.1	-184.2	-183.0	-184.5	-188.4	-193.9	-201.0	
Exports	695.0	720.8	899.2	927.5	983.0	1,026.5	1,103.7	1,201.2	1,292.9	1,383.5	
Imports	1,123.2	1,275.4	1,616.0	1,632.3	1,732.1	1,812.7	1,928.0	2,060.3	2,204.7	2,368.5	
Services, net	43.9	76.9	96.1	115.0	150.6	193.9	250.3	276.2	300.1	322.2	
Primary income, net	24.6	10.3	6.8	12.3	18.8	17.8	20.9	25.3	30.2	35.6	
Secondary income, net	347.7	363.8	437.2	418.6	385.2	362.9	344.0	370.1	397.3	426.5	
Capital account balance	214.5	264.8	311.7	374.7	317.5	282.6	277.2	298.3	320.9	337.7	
Current and capital account balance	202.6	161.3	135.0	215.8	123.0	71.0	68.1	110.7	136.6	137.1	
Financial account (- = inflow)	53.1	50.6	158.0	163.3	125.5	70.6	24.5	50.3	53.1	49.1	
Direct investment, net	-30.5	36.2	74.3	105.3	110.9	116.6	124.2	132.2	140.8	151.5	
Portfolio investment, net	48.1	-50.2	-6.7	41.8	46.2	51.0	56.2	60.5	65.1	70.1	
Other investment, net	35.6	64.6	86.2	16.2	-31.7	-97.1	-155.9	-142.4	-152.8	-172.4	
<i>Of which: general government, net</i>	-186.1	-40.3	-56.0	-124.3	-107.0	-132.1	-145.9	-172.1	-191.1	-151.2	
Errors and omissions	2.1	2.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Overall Balance	151.6	113.0	-21.0	52.5	-2.4	0.5	43.6	60.5	83.6	88.0	
Financing	-240.7	-124.1	16.8	-52.5	-75.6	-72.8	-98.3	-97.4	-84.5	-88.9	
Change NFA ¹	-240.7	-124.1	16.8	-52.5	-75.6	-72.8	-98.3	-97.4	-84.5	-88.9	
<i>Of which: SDR allocation²</i>	...	111.7	...	...	...	...	...	...	...	...
Financing gap	89.1	11.1	0.0	0.0	78.0	72.3	54.7	36.9	0.9	0.9	
IMF ECF	79.3	0.0	0.0	0.0	78.0	72.3	54.7	36.9	0.9	0.9	
DSSI	9.8	11.1	...	...	...	...	...	...	...	...
	(Percent of GDP)										
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.3	
Trade balance on goods	-10.1	-12.0	-14.1	-12.8	-12.6	-12.4	-12.0	-11.7	-11.5	-11.5	
<i>Of which: petroleum products, net</i>	-2.5	-2.8	-4.3	-3.1	-3.1	-2.9	-2.7	-2.6	-2.4	-2.4	
Exports	16.3	15.6	17.7	16.8	16.6	16.1	16.1	16.3	16.3	16.2	
Imports	26.4	27.6	31.9	29.6	29.2	28.5	28.1	28.0	27.8	27.7	
Services, net	1.0	1.7	1.9	2.1	2.5	3.0	3.7	3.7	3.8	3.8	
Primary income, net	0.6	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.4	0.4	
Secondary income, net	8.2	7.9	8.6	7.6	6.5	5.7	5.0	5.0	5.0	5.0	
Capital account balance	5.0	5.7	6.1	6.8	5.4	4.4	4.0	4.0	4.0	4.0	
Current and capital account balance	4.8	3.5	2.7	3.9	2.1	1.1	1.0	1.5	1.7	1.6	
Financial account (- = inflow)	1.2	1.1	3.1	3.0	2.1	1.1	0.4	0.7	0.7	0.6	
Direct investment, net	-0.7	0.8	1.5	1.9	1.9	1.8	1.8	1.8	1.8	1.8	
Portfolio investment, net	1.1	-1.1	-0.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	
Other investment, net	0.8	1.4	1.7	0.3	-0.5	-1.5	-2.3	-1.9	-1.9	-2.0	
<i>Of which: general government, net</i>	-4.4	-0.9	-1.1	-2.3	-1.8	-2.1	-2.1	-2.3	-2.4	-1.8	
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Overall Balance	3.6	2.4	-0.4	1.0	0.0	0.0	0.6	0.8	1.1	1.0	
Financing	-5.7	-2.7	0.3	-1.0	-1.3	-1.1	-1.4	-1.3	-1.1	-1.0	
Change in NFA ¹	-5.7	-2.7	0.3	-1.0	-1.3	-1.1	-1.4	-1.3	-1.1	-1.0	
<i>Of which: SDR allocation²</i>	...	2.4	...	...	...	...	...	...	...	...
Financing gap	2.1	0.2	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0	
IMF ECF	1.9	0.0	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0	
DSSI	0.2	0.2	...	...	...	...	...	...	...	...
<i>Memorandum items:</i>											
BCEAO NFA (in months of next year's WAEMU imports)	5.4	5.2	4.3	3.3	3.3	3.6	4.0	4.5	4.9	N.A.	
BCEAO NFA (in million USD)	21,727	24,172	18,398	15,764	16,450	18,916	22,836	27,497	32,111	N.A.	
BCEAO NFA (in percent of broad money)	33	34	25	20	19	19	21	23	24	N.A.	

Sources: Togolese authorities and IMF staff estimates and projections.

¹ In line with WAEMU BoP methodology, includes commercial bank NFA and Togolese public sector NFA holdings at the BCEAO. NFAs are not indicative of the country's impact on WAEMU's aggregate external position or the pooled WAEMU reserves since the data contains intra-WAEMU flows from the current, capital and financial account.

² Since the SDR allocation increases both assets and liabilities by the same amount, net foreign assets do not increase.

Table 4. Togo: Depository Institutions Survey, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actuals		Est.				Projections			
	(Billions of CFA Francs)									
Net foreign assets	982.2	1092.7	1080.2	1239.9	1315.4	1388.2	1486.5	1583.9	1668.4	1757.3
BCEAO	77.1	-27.0	-407.6	-281.2	-236.3	-195.7	-134.5	-126.3	-135.9	-146.3
Assets	890.0	1369.1	1300.3	1461.9	1528.2	1586.3	1662.4	1680.8	1680.8	1680.8
Liabilities	-812.9	-1396.1	-1707.9	-1743.1	-1764.5	-1782.0	-1796.9	-1807.1	-1816.8	-1827.1
Commercial banks	905.1	1119.7	1487.8	1521.1	1551.7	1584.0	1621.1	1710.2	1804.3	1903.5
Assets	1118.3	1435.3	1811.3	2529.8	3533.2	4934.6	6891.8	9625.4	13443.2	18775.2
Liabilities	-213.2	-315.6	-323.6	-1008.7	-1981.5	-3350.6	-5270.8	-7915.1	-11638.9	-16871.7
Net domestic assets	1104.1	1222.7	1593.9	1663.0	1842.7	2003.8	2163.6	2344.0	2558.5	2791.2
Credit to the government (net) ¹	15.5	8.8	185.8	192.1	112.5	143.4	183.1	253.2	260.4	268.4
BCEAO	-42.0	70.0	259.0	272.6	181.0	181.0	181.0	181.0	181.0	181.0
Commercial banks	57.5	-61.1	-73.2	-80.5	-68.5	-37.6	2.1	72.2	79.4	87.4
Credit to nongovernment sector	1305.5	1425.0	1663.5	1701.5	1962.3	2082.9	2224.8	2384.7	2565.6	2758.2
of which: Credit to private sector	1158.8	1241.7	1433.3	1454.2	1697.3	1800.1	1923.9	2065.3	2227.5	2401.2
Other items (net)	58.8	14.0	10.0	-36.0	-54.9	-85.7	-87.4	-63.0	-116.5	-177.8
Shares and other equities	158.1	197.2	245.5	266.7	287.0	308.2	331.6	356.9	384.0	413.2
Total broad money liabilities	2086.3	2315.3	2674.2	2902.9	3158.2	3392.0	3650.2	3927.9	4226.9	4548.5
Money supply (M2)	1980.8	2224.6	2556.3	2774.9	3020.4	3244.1	3491.0	3756.6	4042.5	4350.1
Currency Outside Depository Corporations	328.0	327.1	371.7	370.8	370.2	369.3	368.0	366.3	364.1	361.5
Transferable Deposits	725.6	884.4	1125.8	1298.5	1495.3	1668.3	1862.6	2073.8	2303.1	2551.9
Other Deposits	927.2	1013.1	1058.8	1105.6	1154.9	1206.5	1260.3	1316.6	1375.3	1436.7
Non-liquid liabilities (excl. from broad money)	105.4	90.7	117.8	128.0	137.8	148.0	159.2	171.3	184.3	198.4
	(Annual change as percent of beginning-of-period broad money)									
Net foreign assets	14.1	5.6	-0.6	6.2	2.7	2.4	3.0	2.8	2.2	2.2
BCEAO	-9.7	-5.3	-17.1	4.9	1.6	1.3	1.9	0.2	-0.3	-0.3
Commercial banks	23.8	10.8	16.5	1.3	1.1	1.1	1.1	2.6	2.5	2.5
Net domestic assets	-2.3	6.0	16.7	2.7	6.5	5.3	4.9	5.2	5.7	5.8
Credit to the government (net) ¹	-1.6	-0.3	8.0	0.2	-2.9	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	9.4	4.0	4.4	4.6	4.8	4.8
Other items (net)	0.0	-2.3	-0.2	-1.8	-0.7	-1.0	-0.1	0.7	-1.4	-1.5
Shares and other equities	0.9	2.0	2.2	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Total broad money liabilities	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Money supply (M2)	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Currency Outside Depository Corporations	-0.6	0.0	2.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Transferable Deposits	7.2	8.0	10.8	6.8	7.1	5.7	6.0	6.0	6.1	6.2
Other Deposits	4.8	4.3	2.1	1.8	1.8	1.7	1.7	1.6	1.6	1.5
Non-liquid liabilities (excl. from broad money)	0.4	-0.7	1.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3
<i>Memorandum items:</i>										
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	(Percent of GDP)									
Net foreign assets	23.1	23.6	21.3	22.5	22.2	21.8	21.7	21.5	21.0	20.6
BCEAO	1.8	-0.6	-8.0	-5.1	-4.0	-3.1	-2.0	-1.7	-1.7	-1.7
Assets	20.9	29.6	25.7	26.5	25.8	24.9	24.3	22.8	21.2	19.7
Liabilities	-19.1	-30.2	-33.7	-31.7	-29.8	-28.0	-26.2	-24.5	-22.9	-21.4
Commercial banks	21.3	24.2	29.4	27.6	26.2	24.9	23.7	23.2	22.7	22.3
Assets	26.3	31.1	35.7	45.9	59.6	77.5	100.6	130.6	169.5	220.0
Liabilities	-5.0	-6.8	-6.4	-18.3	-33.4	-52.6	-76.9	-107.4	-146.7	-197.7
Net domestic assets	26.0	26.5	31.4	30.2	31.1	31.5	31.6	31.8	32.3	32.7
Credit to the government (net) ¹	0.4	0.2	3.7	3.5	1.9	2.3	2.7	3.4	3.3	3.1
BCEAO	-1.0	1.5	5.1	4.9	3.1	2.8	2.6	2.5	2.3	2.1
Commercial banks	1.4	-1.3	-1.4	-1.5	-1.2	-0.6	0.0	1.0	1.0	1.0
Credit to nongovernment sector	30.7	30.8	32.8	30.9	33.1	32.7	32.5	32.4	32.3	32.3
of which: Credit to private sector	27.2	26.9	28.3	26.4	28.6	28.3	28.1	28.0	28.1	28.1
Other items (net)	1.4	0.3	0.2	-0.7	-0.9	-1.3	-1.3	-0.9	-1.5	-2.1
Shares and other equities	3.7	4.3	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Total broad money liabilities	49.1	50.1	52.8	52.7	53.3	53.3	53.3	53.3	53.3	53.3
Money supply (M2)	46.6	48.1	50.4	50.4	51.0	51.0	51.0	51.0	51.0	51.0
Currency Outside Depository Corporations	7.7	7.1	7.3	6.7	6.2	5.8	5.4	5.0	4.6	4.2
Transferable Deposits	17.1	19.1	22.2	23.6	25.2	26.2	27.2	28.1	29.0	29.9
Other Deposits	21.8	21.9	20.9	20.1	19.5	19.0	18.4	17.9	17.3	16.8
Non-liquid liabilities (excl. from broad money)	2.5	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3

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

¹ Net domestic credit to the government may differ from what appears in the fiscal table, as bonds issued on the WAEMU markets are treated as external financing for the purpose of the monetary survey.

Table 5. Togo: Financial Soundness Indicators of the Banking System, 2016–23
(Percent, unless otherwise indicated)

	2016	2017	2018*	2019	2020	2021	2022	June 2023
Capital adequacy¹								
Regulatory capital to risk-weighted assets ²	5.8	8.4	6.0	2.6	3.0	4.0	4.2	6.4
Regulatory Tier 1 capital to risk-weighted assets	4.6	7.4	4.2	2.1	2.5	3.1	3.5	5.5
Common Equity Tier 1 to risk-weighted assets (solvency ratio) ³	N.A.	N.A.	4.2	2.3	3.2	3.1	3.5	5.5
Provisions to total assets	13.9	16.1	13.5	13.3	11.1	9.1	7.7	7.1
Capital to assets	2.9	4.3	3.4	1.3	1.5	1.8	1.8	2.5
Asset quality and composition								
Loans to total assets	49.1	46.8	47.0	49.5	44.3	43.6	47.5	43.6
Loans to top 5 borrowers to capital	186.0	128.7	169.0	463.9	351.6	283.7	305.2	188.5
Sectoral distribution of credit (percent of total credit) ⁴								
Agriculture and fishing	0.3	0.2	0.1	0.1	0.1	0.1	0.1	1.3
Extracting industries	0.8	1.8	1.5	0.9	0.4	0.4	0.4	0.7
Manufacturing	9.2	9.4	8.8	4.5	5.1	3.0	6.3	7.8
Electricity, gas, and water	6.0	8.9	4.6	4.6	6.1	5.1	3.9	3.5
Building and construction	21.4	13.1	13.5	9.1	18.2	19.0	21.6	21.2
Commerce	34.6	33.8	30.7	23.9	30.6	29.1	27.1	25.8
Transport and Communication	10.6	14.1	17.6	16.4	15.3	15.7	12.9	11.5
Insurance, real estate, business services	2.5	3.6	3.0	1.8	3.6	7.1	7.0	8.6
Services	14.8	15.0	20.2	38.7	20.6	20.6	20.6	19.6
Non-performing loans to total gross loans	16.2	19.3	17.8	15.6	16.0	12.0	8.1	8.5
Bank provisions to non-performing loans	77.3	77.8	78.6	75.0	68.4	70.5	74.5	71.4
Non-performing loans net of provisions to total loans	4.2	5.0	4.4	4.4	5.7	3.9	2.2	2.6
Non-performing loans net of provisions to capital	70.8	54.4	61.7	167.6	170.0	96.7	59.3	44.5
Earnings and profitability⁵								
Average cost of funds	3.1	3.3	3.0	0.9	1.3	2.6	2.6	...
Average lending rate	7.8	8.2	7.8	7.3	7.2	6.9	6.6	...
Average interest rate spread ⁶	4.7	4.9	4.8	6.4	5.9	4.3	4.0	...
Return on assets (ROA)	2.6	1.1	0.8	1.1	0.6	0.9	0.9	...
Return on equity (ROE)	98.6	28.1	14.3	21.7	11.6	16.6	15.7	...
Non interest expenses to net banking income	64.3	63.8	65.2	61.9	62.1	60.9	59.7	...
Personnel expenses to net banking income	26.7	27.1	27.0	24.3	25.1	25.9	25.1	...
Liquidity								
Liquid assets to total assets (liquid asset ratio)	17.6	19.5	17.1	17.5	14.5	15.6	20.2	18.3
Liquid assets to deposits	28.5	30.9	25.6	26.0	21.6	22.1	29.1	28.8
Loans to deposits ratio	90.6	87.2	82.0	83.3	73.9	67.7	72.9	73.1
Deposits to total liabilities ratio	61.9	63.1	66.7	67.3	67.2	70.4	69.4	63.5
Demand deposits to total liabilities ⁷	26.6	25.8	27.0	27.9	26.9	31.2	31.6	28.1
Term deposits and loans to total liabilities	35.3	37.3	39.7	39.4	40.3	39.3	37.8	35.4

Source: BCEAO

* Year of first reporting in accordance with Basel II / III and Revised Chart of Accounts.

¹ Raw data collected from the banking system

² FPE/APR ratio excluding banks with negative equity: 16.14% in dec. 2018 (2), 13.18% in June 2019 (3), 12.48% in dec. 2019 (3), 12.75% in June 2020 (3) et 13.4% in dec. 2020 (3), 13.34% in June 2021.

³ Data reported from June 2018

⁴ Credits reported to the Central Risk Office

⁵ Income statement items at semi-annual frequency

⁶ Excluding tax on banking transactions

⁷ Including savings accounts

Annex I. External Sector Assessment

Overall Assessment: Using 2023 estimates, Togo's external position is estimated to be broadly in line with the level implied by fundamentals and desirable policies in 2023, unchanged from the last assessment. Preliminary 2023 data suggests the current account deficit narrowed compared with 2022, as the terms of trade improved, lower fuel prices reduced imports, and remittance inflows remained robust. The current account deficit is projected to widen in the near term as remittances revert to pre-pandemic levels, before narrowing again in the medium term, in line with fiscal consolidation and as infrastructure investment and structural reforms bolster exports.

Potential Policy Responses: Structural reforms are needed to realize the full potential of recent investments in industrial zones and trade infrastructure in expanding and upgrading exports. An improved business environment would help to attract more inward FDI that could increase productivity. In the longer-run, further investments in human capital would help grow and diversify service exports related to Togo's position as a regional trade, logistics, and banking hub. The planned fiscal consolidation and shift to more concessional, long-term external debt would reduce debt vulnerabilities.

Foreign Assets and Liabilities: Position and Trajectory

Background. Togo's net international investment position (NIIP) improved to -9 percent of GDP in 2022 (the most recent data) from -12 percent in 2021 and -16 percent of GDP in 2018. Gross assets have increased steadily since 2018, though the composition has evolved, notably to a higher share of portfolio investment (33 percent of GDP) and lower share of direct investment (41 percent of GDP). Gross liabilities declined slightly in 2023 because of a fall in direct investment to 28 percent of GDP following elevated levels of 35 percent of GDP in 2019-20. Public borrowing from securities (20 percent of GDP) and loans (22 percent of GDP) makes up just less than half of gross liabilities. Historical data suggests a higher concentration of liabilities (>60 percent) in other WAEMU countries than assets (>40 percent).

Assessment. The current NIIP and its projected path do not imply risks to external sustainability and substantial current account adjustment is not needed. The high levels of assets and liabilities reflect transactions by regional banks based in Togo and emanate from relatively stable flows. The authorities' intention to rebalance borrowing away from regional CFAF securities to external concessional loans should reduce portfolio liabilities and increase other investment liabilities, thereby reducing risks. Nearly a third of debt liabilities are to BCEAO, which is deemed lower risk than other types of flows; external debt is also assessed in the DSA. Outward FDI linked to regional banks based in Togo is likely to continue, and improvements to the business environment should increase inward FDI. An improving trade balance will cushion the moderation of capital and current private transfers to pre-pandemic levels, easing pressure on the NIIP.

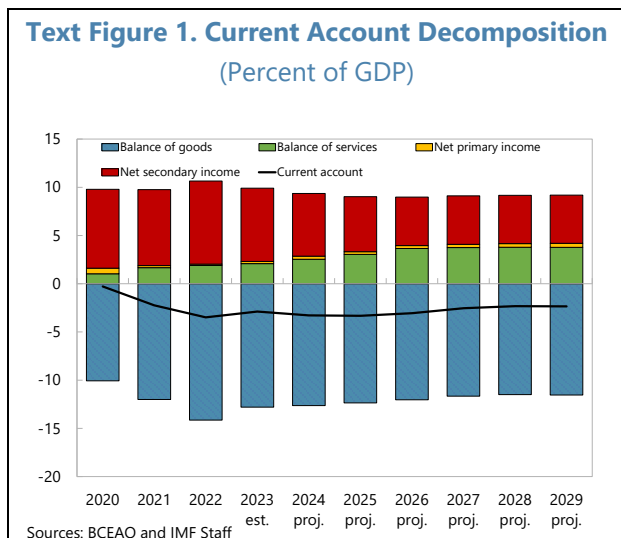
2022 (% GDP)	NIIP: -9.1	Gross Assets: 121.2	Debt Assets: 54.1	Gross Liab.: 130.3	Debt Liab.: 92.3
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Current Account

Background. After expanding to 3.5 percent of GDP in 2022 amidst high food and fuel prices and economic recovery from the pandemic, the current account deficit is estimated to have narrowed to 2.9 percent of GDP in 2023. Preliminary estimates suggest this narrowing was supported by improved terms of trade, and lower oil prices in particular; increased transit trade and travel; and remittance inflows, which surged from an average of 4.0 percent of GDP from 2011-19 to 7.5 percent of GDP from 2020-22

(Text Figure 1). The current account deficit is projected to increase moderately in the next two years as remittances revert to pre-pandemic levels. Over the medium-term, fiscal consolidation will moderate imports whilst the authorities’ efforts to promote and upgrade its exports and develop as a regional logistic hub will boost exports and reduce the deficit to below 3 percent from 2027 onwards. Whilst this is wider than the average over the previous 5 years (1.9 percent of GDP), it is lower than longer-term trends.

Assessment. Using preliminary 2023 data, the EBA-lite current account model estimates a current account norm of -4.4 percent of GDP, which is higher than the cyclically adjusted CA balance of -3.6 percent of GDP. The estimation includes a standard cyclical adjustor of -0.1 percent and an additional ad hoc adjustor of 0.8 percent of GDP to account for temporarily higher levels of remittances. The CA gap of 0.8 percent of GDP (Text Table 1) suggests Togo’s current account is broadly in line with the level implied by fundamentals and desirable policies. Low health expenditure is the main contribution to the policy gap of 2.4 percent of GDP, implying that the relatively strong external position may be explained partly by high precautionary savings, consistent with the lack of health insurance (see selected issues paper “Enhancing Social Inclusion”).



Text Table 1. Togo: Model Estimates for 2023
(Percent of GDP)

	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	-2.9	
Cyclical contributions (from model) (-)	-0.1	
Additional temporary/statistical factors (-) 2/	0.8	
Adjusted CA	-3.6	
CA Norm (from model) 3/	-4.4	
CA Gap	0.8	2.2
o/w Relative policy gap	2.4	
Elasticity	-0.2	
REER Gap (in percent)	-4.0	-10.8

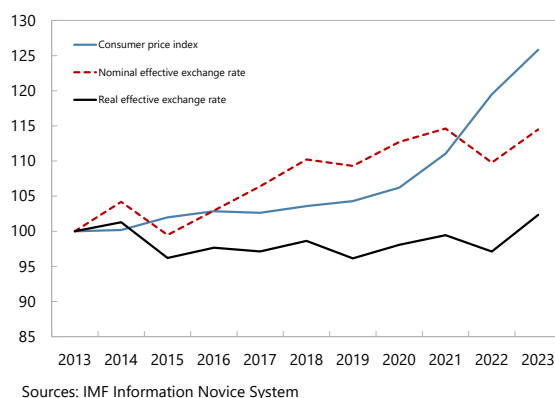
1/ Based on the EBA-lite 3.0 methodology
2/ Additional adjustment to account for temporary surge in remittances.
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Togo is part of the WAEMU currency union, with the CFA franc pegged to the euro. The country's real effective exchange rate depreciated by 2.3 percent in 2022, driven largely by the nominal depreciation of the Euro after Russia's invasion of Ukraine and international monetary policy tightening. It is estimated to have appreciated by about 5.4 percent in 2023, driven largely by the relative appreciation of the Euro against the USD and reflecting relatively high inflation (Text Figure 2).

Assessment. When applied to 2023 estimates, the EBA-Lite Index Real Effective Exchange Rate (IREER) model estimates an undervaluation of 10.8 percent with respect to values implied by economic fundamentals and desirable policies. The EBA-Lite current account model also implies an undervaluation under an elasticity of -0.21, though of a lower magnitude of 4.0 percent.

Text Figure 2. Effective Exchange Rates
(2013 = 100)

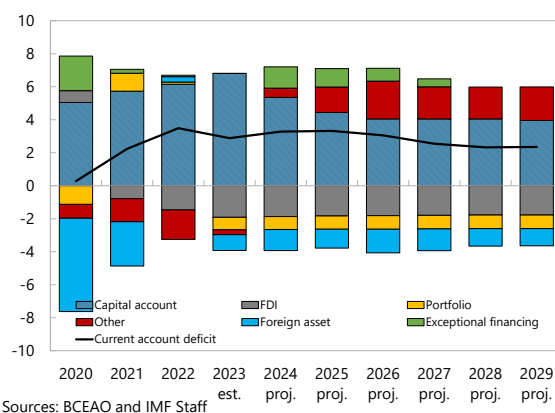


Capital and Financial Accounts: Flows and Policy Measures

Background. Capital transfers have provided financing in excess of current account deficits since 2017. The surge was driven largely by private capital transfers believed to reflect remittances used for investment purposes, which plateaued in 2023.¹ Official capital transfers have increased since 2021, supporting higher public investment and pushing the estimated 2023 capital account balance to 6.8 percent of GDP, exceeding the current account deficit of 2.9 percent GDP. The excess financing was offset by net direct and portfolio investment outflows from regional banks headquartered in Togo. In the medium term, the capital account surplus is projected to decrease, consistent with the projection of remittances, and the financial account balance would decline.

Assessment. Staff do not assess immediate risks or vulnerabilities linked to capital flows. The projected moderation in capital transfers and continued net FDI and portfolio outflows linked to regional banks headquartered in Togo increases reliance on other financial flows. Fiscal consolidation is expected to reduce borrowing needs, particularly on the regional market as the authorities scale up longer-term and highly concessional external borrowing in line with their medium-term debt strategy. The authorities should seek to increase inward FDI in the medium term e.g., by improving the business environment and investment climate.

Text Figure 3. Financing Sources
(Percent of GDP)



Reserves Level

Background. Togo is a currency union member with reserves pooled at the WAEMU level and the same is true for policies on foreign exchange intervention, monetary operations, and capital account openness. The assessment thus refers to that in the 2024 Staff Report on Common Policies for Member Countries ([IMF Country Report IMF No. 24/90](#)). WAEMU pooled reserves fell from about CFAF 14 trillion (5.3 months of prospective imports) at end-2021 to CFAF 11.4 trillion in 2022 (4.2 months of prospective imports) and further deteriorated to under 10 trillion CFAF (3.2 months of prospective imports) in 2023, despite significant inflows including from IMF disbursements. These developments reflect a variety of factors including: (1) large imports from hydrocarbon projects in the region, as well as increasing and still high food and fuel import prices, especially in the earlier period; (2) continued large fiscal deficits; and (3) tighter global financial conditions. Reserves are projected to recover over the medium term as the CA balance improves amid fiscal consolidation and increased export flows from investment and structural reforms. Indeed, in the first half of 2024 reserves have started to recover, reaching the equivalent of 3.6 months of prospective imports by end-June.

Assessment. Based on the preliminary data for end-2023 level of reserves (3.2 months of imports), the regional team assessed reserves to be below the level assessed as adequate. The improving current account, coupled with enhanced prospects for financial inflows, are expected to contribute to a gradual rebuilding of external reserves towards adequate levels. Growth-friendly fiscal consolidation, tighter monetary policy, and implementation of structural reforms will be key to quickly returning reserves to the adequate range.

¹ The most recent IMF STA TA mission recommended reclassifying the transfers to the current account, but the advice has yet to be implemented.

Annex II. Risk Assessment Matrix¹

Source of Risks	Relative Likelihood/ Time Horizon	Excepted Impact if Realized	Recommended Policy Response
External Risks			
<p>Intensification of regional conflicts: Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.</p> <p>Commodity price volatility: A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.</p>	High	High	Diversify and increase the resilience of critical supply chains. Public investment and structural reforms to boost the competitiveness of exporters to be able to afford more expensive imports.
	ST	Disrupted trade in food, energy and fertilizer could worsen inflation and food crisis, as well as create social discontent. Higher import bill and lower remittances inflow will stress current account.	
<p>Abrupt global slowdown: Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs. China: Sharper-than-expected contraction in the property sector weighs on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops. Europe: Intensifying fallout from Russia's war in Ukraine, supply disruptions, tight financial conditions, and real estate market corrections exacerbate economic downturn. U.S.: Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.</p>	Medium	Medium	Implementing structural reforms to strengthen the domestic economy. Improving business climate to foster private sector development.
	ST, MT	Widespread slowdown in trade partners would lower growth potential for both exporters and travel and transportation sector. Weak global economy also implies less FDI and grants from foreign countries.	
<p>Monetary policy miscalibration: Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets, and weakening the credibility of central banks.</p>	Medium	Medium	Regional authorities to adjust the monetary policy stance as needed. National authorities to gear policies towards macroeconomic stability and sustainability to lessen vulnerability to external shocks. Make social safety nets more shock-responsive.
	ST, MT	Premature monetary easing could risk de-anchoring inflation expectation, raise future disinflation cost, and hurt the vulnerable. Over tightening would dampen economic activity and the resulting high interest rate in the regional market can cause financing pressure to the government.	
<p>Systemic financial instability: High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.</p>	Medium	Medium	Gear policies towards macroeconomic stability to lessen vulnerability to shocks. Implement structural reforms to strengthen the domestic economy. Make social safety nets more shock-responsive.
	ST, MT	Higher borrowing cost will further elevate debt vulnerabilities. Banks with weak balance sheet could run into liquidity or solvency difficulties.	
<p>Deepening geo-economic fragmentation: Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.</p>	High	Medium	Gear policies towards macroeconomic stability to lessen vulnerability to shocks. Implement structural reforms to strengthen the domestic economy. Make social safety nets more shock-responsive.
	ST, MT	Disrupt trade and FDI flows. Lower availability of resources for growth-enhancing investment. Weaker growth prospect from regional logistic activities.	
<p>Extreme climate events: Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.</p>	Medium	Medium	Gear policies towards macroeconomic stability and sustainability to lessen vulnerability to shocks. Implement structural reforms to strengthen the domestic economy. Make social safety nets more shock-responsive. Invest in climate-resilient infrastructure.
	ST, MT	Adverse impacts on agricultural output, which could raise inflation pressure, reduce living standards, and create social discontent and instability.	

Source of Risks	Relative Likelihood/ Time Horizon	Excepted Impact if Realized	Recommended Policy Response
Regional and Domestic Risks			
Intensified food insecurity and terrorist activity	High	High	Ensure prudent budgetary management to contain financing needs. Look for donor support to defray security cost. Implement cost-effective measures to support the vulnerable, particularly in high-risk regions.
	ST, MT	Lower investment and growth, particularly in Togo's key logistic sector. Potential severe destabilization of the economy.	
Social discontent and political instability	High	High	Accelerate measures to enhance governance, growth, and inclusion. Enhance the dialogue with key stakeholders.
	ST	Lower investment and growth. Higher social spending needs may create budget pressure.	
Setback in fiscal adjustment and reforms	Medium	Medium	Prepare and implement a well-considered strategy for fiscal consolidation, including for revenue mobilization, and consult with the public on this strategy to enhance public support.
	ST, MT	Delayed fiscal adjustment could fail to enhance debt sustainability, thereby perpetuating vulnerability to shocks.	
Risks in the public sector	Medium	Medium	Implement the plan for reforming the publicly owned bank. Enhance monitoring of SOEs and ensure SOEs have a clear and sustainable business plan, including ensuring cost-recovery tariffs for public utilities.
	ST, MT	Systemic SOEs, such as the electricity company, the public bank, and the public pension fund are sources of contingent liabilities that could weigh on the budget. The state-owned bank could also endanger financial stability if its challenges were left unaddressed.	
Potential difficulty in obtaining sufficient financing at affordable rates in the regional market	Medium	Medium	Ensure that the fiscal consolidation proceeds as planned. Engage in prudent debt management, including possibly by prefinancing when market conditions allow it.
	ST, MT	The authorities may be forced into a sharp cut in spending. This would result in lower growth and could lead to domestic unrest.	

^{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 III. Data Issues

Table 1. Togo: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	A	C	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	A	C	B	B		
Granularity 3/	C		B	C	C		
			C		B		
Consistency			C	C		C	
Frequency and Timeliness	C	A	B	C	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						

1. Rationale for staff assessment. Data provision has shortcomings that somewhat hamper surveillance. Real sector statistics are reported with a delay of about two years after the reference period. Due to limited capacity, there are shortcomings in the coverage and consistency of the government finance statistics, currently limited to the budgetary central government, and monetary and debt statistics. External data are reported in BPM6 format with a delay of 1.5 years after the reference period. More timely production of the national accounts and balance of payments statistics and provision of more granular monetary, financial, and external sector data would improve surveillance and sharpen the policy advice.

2. Changes since the last Article IV consultation. The authorities have successfully built capacity to rebase their national accounts periodically (typically every five years). They have also made progress in compiling fiscal statistics using the 2014 Government Finance Statistics Manual.

3. Use of data and/or estimates different from official statistics in the Article IV consultation. Staff do not use data and/or estimates different from official statistics. Utilizing the data provided by the authorities, staff compile tables and estimates for fiscal and external variables ensuring alignment with the Fund’s standards.

4. Corrective actions and capacity development priorities. The authorities are addressing data gaps through technical assistance. Capacity development priorities with the Fund include (i) supporting the development of contemporary quarterly national accounts consistent with annual national accounts, (ii) supporting the GDP rebasing and migration to the System of National Accounts (SNA) 2025, (iii) expanding the fiscal data coverage in line with GFSM 2014, (iv) enhancing capacity to conduct debt sustainability analyses (DSA), (v) compiling external sector statistics. Efforts are also being undertaken to establish consistency between fiscal reporting and (i) changes in the government’s position vis-à-vis the banking system and (ii) debt accumulation.

5. Other data gaps. The authorities are making efforts to step up the production of environmental and climate statistics as well as of labor market indicators.

Table 2. Togo: Data Standards Initiatives

Togo participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since July 2018.

Table 3. Togo: Common Indicators Required for Surveillance
As of June 25, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Togo ⁸	Expected Timeliness ^{6,7}	Togo ⁸
Exchange Rates	Mar-24	Jun-24	M	M	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Mar-24	Jun-24	M	M	M	...	1M	...
Reserve/Base Money	Mar-24	Jun-24	M	M	M		2M	
Broad Money	Mar-24	Jun-24	M	M	M		1Q	
Central Bank Balance Sheet	Mar-24	Jun-24	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Mar-24	Jun-24	M	M	M		1Q	
Interest Rates ²	Apr-24	Jun-24	M	M	M	M	...	1M
Consumer Price Index	May-24	Jun-24	M	M	M	M	2M	2M
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Mar-24	Jun-24	M	M	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Mar-24	Jun-24	M	M	Q	M	1Q	15D
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Mar-24	Jun-24	M	M	Q	A	2Q	12M
External Current Account Balance	Dec-23	Jun-24	A	Q	Q	A	1Q	12M
Exports and Imports of Goods and Services	Dec-23	Feb-24	M	M	M	Q	12W	2Q
GDP/GNP	Dec-23	Jun-24	A	Q	Q	A	1Q	12M
Gross External Debt	Mar-24	Jun-24	M	M	Q	A	2Q	2Q
International Investment Position	Dec-22	May-24	A	A	A	A	3Q	3Q

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex IV. Capacity Development Strategy

Fund capacity development (CD) will support key government objectives, including strengthening fiscal revenue, enhancing the social safety net, and improving public financial management.

1. Past capacity development activities in Togo have shown relatively good traction and supported important reforms:

- **Tax and customs administrations have been strengthened in recent years.** For example, the authorities have implemented a number of recommendations of CD on tax policy delivered in 2017, and they have strengthened taxpayer registration and expanded the use of electronic processing.
- **Important reforms of public financial management (PFM) were implemented,** including a transition to program budgeting, followed by the introduction of gender budgeting. Following CD on the supervision of state-owned enterprises (SOEs), the authorities now publish more analytical information on SOEs.
- **Debt management has improved** with support from the Fund, including through the creation of a new debt directorate and the preparation of a new procedure manual. The authorities are now preparing regular updates of their medium-term debt strategy (MTDS) and publishing quarterly debt bulletins on central government debt.
- **The National Statistics Institute has been strengthened,** enabling a revision of Togo's national accounts in line with best practice.

2. Fund CD provision will support key government objectives:

- **Raising fiscal revenue through tax policy and tax administration reforms.** Following a desk analysis of tax policy options prepared in early 2024 and tax policy and revenue administration missions in March, in case the authorities are interested, future CD could help the authorities prepare a comprehensive Medium-Term Revenue Mobilization Strategy. FAD could also provide CD on a range of selected topics, such as strengthening taxation of property or mining activities.
- **Strengthening PFM.** In case the authorities are interested, CD could help strengthen fiscal reporting, including to help establish consistency between fiscal reporting and changes in the government's position vis-a-vis the banking system. CD could also aim at assessing and strengthening public investment management. Finally, CD could help enhance the framework for public private partnerships (PPPs) and the management of SOEs. Last but not least, CD could help further strengthen the medium-term debt strategy.

- **Strengthening Togo’s social safety net to make growth more inclusive.** Fund CD could help the authorities determine the best way to use limited budget resources to support the most vulnerable in case the authorities are interested. This could be done in coordination with work on a *Medium-Term Revenue Mobilization Strategy* to arrive at a comprehensive *Fiscal Policy Strategy* that integrates revenue generation and spending policies.
- 3. Further, CD will continue helping the authorities enhance statistical capacity.** CD will continue to strengthen capacity to compile statistics on national accounts, government finance, and public sector debt. Staff could also help to strengthen the compilation and timing of external sector data.
 - 4. In addition, Fund staff could provide CD on governance.** Staff could prepare a comprehensive Governance Diagnostic and assist in strengthening the AML/CFT framework to bring it in line with FATF standards.
 - 5. Finally, the Fund could provide CD on climate issues, including to help underpin a request for financing under the RST.** Staff will continue to accompany the introduction of green budgeting and, if the authorities are interested, could prepare a climate policy diagnostic, and shed light on the climate change related aspects of public investment management.



TOGO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

August 5, 2024

Approved By
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and Manuela Francisco
and Abebe Adugna (IDA)**

Prepared by the staff of the International Monetary Fund and the International Development Association.¹

Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	Moderate
Overall risk of debt distress	High
Granularity in the risk rating	Some space to absorb shocks on external debt
Application of judgment	Yes. High exposure to domestic currency debt.

This Debt Sustainability Analysis (DSA) assesses Togo to be at moderate risk of external debt distress and high overall risk of public debt distress—unchanged from the last DSA.² Judgement was applied to increase the risk of external debt distress from low to moderate because of Togo's high exposure to domestic currency debt and limited information about the residency of its holders. Debt is assessed as sustainable because, (i) fiscal consolidation is projected to reduce the overall risk of debt distress to moderate by 2026, (ii) debt service, and all external DSA indicators, remain below their respective thresholds in the shock scenario and trend downwards over the medium-term, and (iii) Togo benefits from access to the WAEMU market. The risk rating is vulnerable to fiscal slippages, particularly revenue shortfalls; growth shocks; and the realization of contingent liabilities. Structural reforms to boost growth and promote exports would reduce debt vulnerabilities. The authorities' medium-term debt strategy (MTDS) prioritizes external concessional debt and seeks to reduce the cost of debt and lengthen maturities, which would help mitigate rollover and refinancing risks.

¹ In collaboration with the Togolese authorities.

² March 2024: Country Report No. [2024/079](#). Togo retains a medium-rating for debt-carrying capacity, given a Composite Indicator of 3.01 that uses April 2024 WEO data and the 2022 CPIA (August 2023).

PUBLIC DEBT COVERAGE

1. Togo's public debt includes obligations of the central government and public entities. Debt data cover obligations of the central government, including arrears to suppliers and guaranteed debt, as well as SOE debt (Text Table 1). Non-guaranteed debt of the Port of Lomé (PAL) is excluded (see Box 1). Local authorities cannot contract new debt. The central government has repaid most of the domestic arrears and residual local debt identified in recent years, including those to local authorities and the national electricity company. The central bank of the currency union (BCEAO) does not issue debt on behalf of its member countries. The authorities have reported collateralized debt amounting to 1.7 percent of GDP in relation to Lomé airport, which is included in the central government debt. The DSA uses a currency-based definition of external and domestic debt, in common with other WAEMU members, because of data issues.³ The one exception is debt owed to the West African Development Bank (BOAD), which is treated as external even if it is denominated in CFAF.⁴

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)	
8 Non-guaranteed SOE debt	X

1 The country's coverage of public debt	The central government plus social security, 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	2.0	
4 PPP	35 percent of PPP stock	6.7	
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)		13.7	

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%.

³ Supported by a performance and policy action (PPA) under the World Bank's Sustainable Development Finance Policy (SDFP), the authorities reported in the end-December debt bulletin that 30.6 percent of debt issued by auction was held by Togo residents. However, this does not include trades after issuance, making it difficult to assess the residency of holders at a given point in time.

⁴ BOAD debt was reclassified from domestic to external debt in 2020 for all countries in the WAEMU region.

Box 1. Exclusion of the Debt of the Port of Lomé State-Owned Enterprise

This box discusses the reasons for the continued exclusion from the DSA of the part of the debt of the Port Autonome de Lomé (PAL) that is not guaranteed by the government. This debt amounted to CFAF 12.5 billion (0.2 percent of GDP) in 2022.

According to LIC DSF Guidance Note¹, “the exclusion of a public enterprise from the DSA should only be considered if the enterprise poses limited fiscal risk”. Criteria include the ability to borrow without a government guarantee, whether it carries out uncompensated quasi-fiscal activities, and an established track record of positive operating balances. Where there is a mixed picture, an enterprise could be deemed to have a low fiscal risk, “based on an enterprise’s financial strength or its track record”. These are assessed below.

Staff analysis concludes that PAL should continue to be excluded from the DSA. It has a low fiscal risk, based on its financial strength, demonstrated by a track record of net profits averaging 0.1 percent of GDP since 2018; the payment of dividends, taxes and dues to the government; and the absence of an operating subsidy since 2018. In addition, PAL has borrowed in some circumstances without a guarantee, and staff has not identified uncompensated quasi-fiscal activities. Residual risks are covered by contingent liabilities stress tests in the DSA.

Positive operating balance: PAL is considered to pose minimal fiscal risk because of its financial strength. It has assets in excess of 2 percent of GDP and has reported increasing turnover and positive net profits between 2018 and 2022. Over this time, PAL has paid an average of CFAF 1.2 billion in dividends to the Government each year. It has not received operating subsidies in recent years.

Borrowing: Law No. 90-26 (1990) reforming the institutional and legal framework of public enterprises does not provide for any conditions to be met for loans by public enterprises, including the PAL.² PAL has borrowed from domestic private banks in CFAF without a guarantee. It has one outstanding external CFAF loan (CFAF 11.1 billion at end-2022) which carries a government guarantee. This is included in the DSA.

Absence of uncompensated quasi-fiscal operations: PAL does not appear to have undertaken uncompensated quasi-fiscal activities. Audited financial statements³ indicate that PAL pays dividends, taxes and dues to the government; it has been compensated for asset transfers (e.g., land); and has reimbursed the central government for transactions it undertook on behalf of PAL (e.g., vehicle purchases).

Other considerations: In line with its description as an “autonomously managed state company”, there is government presence in its oversight bodies (Supervisory Board). But authorities indicated that PAL staff are not appointed on civil service terms, indicating a degree of independence. In addition, day-to-day operations of the terminals are managed by two private concessions. Price setting appears to cover costs, reflected in the positive operating balances.

^{1/} IMF (2018). Guidance Note on The Bank-Fund Debt Sustainability Framework for Low Income Countries, paragraph 21 and Appendix III paragraph 1.

^{2/} A draft law establishing a new legal framework for companies with public financial participation was submitted to the National Assembly in June 2023 to improve management, internal and external control systems, and performance monitoring and evaluation. The draft law provides for the authorization of the Minister of the Economy and Finance for any borrowing by public companies beyond a threshold. The draft law is on the agenda for adoption in the National Assembly.

^{3/} PAL is audited by a private audit firm based in Togo applying international standards. Audit reports have been completed six months after the year-end but are not published.

2. Contingent liability stress-tests are applied to assess risks from outside of the public debt perimeter. The standard bank recapitalization stress test equivalent to 5 percent of GDP is included to cover any additional needs that may materialize in the financial sector.⁵ Although SOE debt is included in the debt perimeter, a 2 percent of GDP stress test is included because of lags in receiving data and the possibility of contingent fiscal risk from SOEs that operate with tariffs below cost recovery levels (energy and water) and the public pension fund (CRT), to which the state has social contribution arrears.⁶ Further, according to the World Bank's public-private partnership (PPP) database, Togo has a PPP stock of 20 percent of GDP, and so a PPP stock shock of 6.7 percent GDP (the standard 35 percent shock applied to the 20 percent of GDP PPP stock) is included, notwithstanding the fact that half of the PPP stock relates to PAL, which constitutes limited contingent fiscal risk (Box 1).

3. Debt stock changes unexplained by the primary deficit and automatic debt dynamics (stock-flow adjustment, SFA) create risks to the accuracy of projections. Using end-2023 fiscal, debt and BCEAO deposits data, staff estimates that public debt increased by 6.8 percent of GDP more than can be explained by fiscal deficits and other identified transactions between 2017 and 2023 (Text Table 3), or 1.0 percent on average per year.⁷ This discrepancy may be partly explained by lags in receiving actual SOE debt data, a lack of historical data on central government deposits in commercial banks, valuation effects, and below-the-line transactions related to changes in arrears and accounts payable.⁸ The authorities will create a working group and will be supported by Fund technical assistance to establish coherence between fiscal, debt and banking data. An alternative scenario is included in this DSA to account for possible debt accumulation due to unexplained SFAs.

Text Table 2. Togo: Stock Flow Adjustment, 2017–23

	2017	2018	2019	2020	2021	2022	2023e	2017-23
	(Percent of GDP)							
Change in total public debt	-2.8	0.9	-3.1	7.3	2.7	2.5	0.6	8.1
Expected change in debt	-2.6	-1.4	-0.3	2.1	2.0	0.8	0.7	1.3
Primary deficit	-1.1	-1.2	-3.8	4.7	2.5	5.9	3.9	10.9
Automatic debt dynamics	-1.9	-0.3	-0.1	-1.2	-0.8	-1.6	-3.2	-9.0
Privatization receipts	-0.2	0.0	-1.2	-0.5	0.0	0.0	0.0	-1.9
Change in SOE debt 1/	0.1	0.5	0.6	-0.8	0.3	0.3	0.2	1.2
Change in BCEAO deposits	0.5	-0.4	4.1	0.0	0.0	-3.8	-0.3	0.1
Residual	-0.2	2.3	-2.8	5.1	0.7	1.7	-0.2	6.8
Arrears and accounts payable/receivable	1.4	2.6	2.6	0.0	1.0	0.0	0.0	7.5
Change in commercial bank deposits	-0.7	1.9	1.6	1.8	2.2	2.9	-1.0	

1/ Change in SOE debt in 2022 and 2023 are projections because data are not available yet.

⁵ Three Togolese banks, representing 19.4 percent of total banking sector assets, violated prudential norms at end-2023. Two of the banks had negative regulatory capital positions totaling 1.8 percent of 2024 GDP. Recapitalization costs of 1.4 percent of GDP are included in the baseline. With this, staff assesses that the 5 percent default value captures adequately residual financial sector contingent liability risks.

⁶ SOE debt data remains as of end-2021. The authorities are in the process of finalizing the end-2022 position.

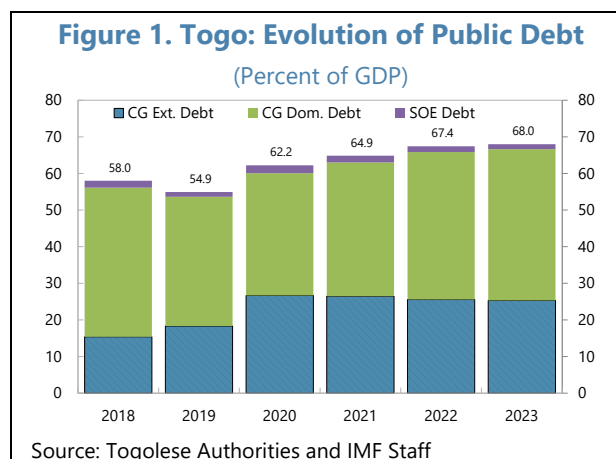
⁷ This compares with 7.5 percent for 2017–22 in the previous DSA. The Selected Issue Paper of the WAEMU regional consultation ([IMF Country Report 23/102](#)) found higher residuals using an older macroeconomic framework and alternative exchange rate assumptions for regional comparisons. It also did not account for BCEAO deposits.

⁸ Factoring these in would mean that public debt was 0.1 percent *lower* than can be explained by known factors.

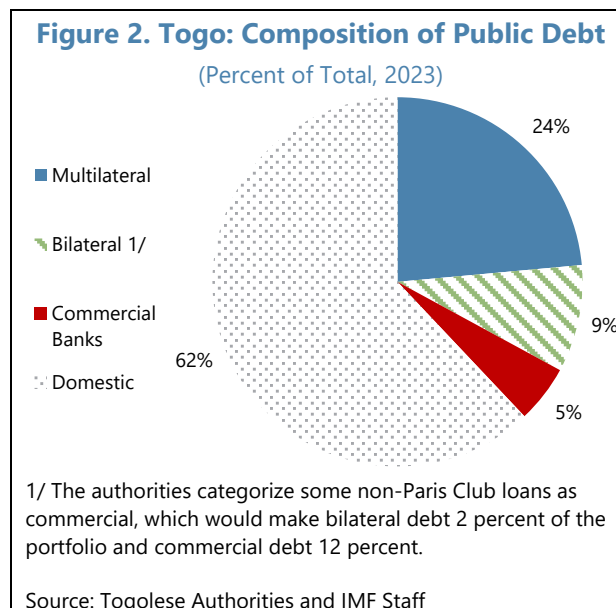
BACKGROUND ON DEBT

4. Higher fiscal deficits resulting from compound shocks since 2020 reversed the downward trend of public debt. The fiscal response to the pandemic, rising security incidents, and measures to contain the impact of high inflation resulted in an average fiscal deficit of 7 percent of GDP between 2020-22. Public debt surged by 12.5 percentage points of GDP between 2019 and 2022, from 54.9 percent of GDP to 67.4 percent of GDP, reversing the debt reduction under the previous IMF supported ECF arrangement (Figure 1). During this time, Togo deferred CFAF

20.9 billion of debt service through the DSSI, though this was lower than the projected CFAF 34 billion.⁹ The 2021 SDR allocation was on-lent from BCEAO to the government with a 20-year maturity (with possibility of rollover) at a fixed interest rate of 0.05 percent. The authorities notified staff that 93 percent of the SDR allocation was used for budget support in 2022. Its present value (PV) is, therefore, recorded as domestic debt.¹⁰ Public debt increased further in 2023, to 68.0 percent of GDP as the deficit remained elevated. This was higher than the projection of 67.4 percent of GDP in the last DSA because a revision to 2022 domestic debt data incorporated two loans that were not included in the last DSA.



5. The composition of public debt has evolved, but nearly two thirds of the public debt stock remain domestic. Excluding the reclassified BOAD loans, external debt jumped by 5.3 percentage points of GDP between 2019 and 2020, reflecting higher borrowing from multilateral sources, notably from an augmentation to the IMF ECF arrangement in 2020, and from commercial banks to repay domestic debt. As a share of the portfolio, domestic debt dropped by 7.2 percentage points, to 55.6 percent. However, this shift to external debt was short-lived, as nearly two thirds of the elevated financing needs in 2021-22 were met by domestic bond issuances, where Togo benefitted from longer maturities and lower yields



⁹ In August 2022, China announced that it will provide limited debt relief to 17 African countries including Togo but the authorities confirmed that an agreement has yet to be signed.

¹⁰ Following the WAEMU-wide agreement, the SDR allocation is treated as domestic debt. The PV of the loan is used to reflect its highly concessional nature, in line with the 2022 *Guidance Note for Fund Staff on the Treatment and Use of SDR Allocations*.

in the regional market. As a result, domestic debt increased from 34.6 percent of GDP in 2020 to 42.1 percent of GDP in 2023, while external debt dropped from 27.6 to 25.9 percent of GDP over the same period. Regional market conditions tightened in 2023 and the authorities sought to offset the impact through higher levels of external grants and concessional loans, including a US\$150 million development policy operation from the World Bank, and borrowing from external commercial and bilateral Paris Club sources. Nevertheless, domestic debt accounted for 61.9 percent of the public debt portfolio at end-2023 (Figure 2 and Text Table 3), around the same level as 2019. The authorities plan to rebalance the portfolio towards longer-term external debt at lower interest rates as part of their MTDS. To this end, the authorities signed new external loan agreements of over US\$850 million in 2023—half of which concessional—that will disburse over several years. Further concessional and non-concessional external borrowing is part of the 2024 borrowing plan.

Text Table 3. Togo: Composition of Public Debt 2020-2023

	End-2020			End-2021			End-2022			End-2023		
	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	2,646	100.0	62.2	2,998	100.0	64.9	3,417	100.0	67.4	3,744	100.0	68.0
Total Central Government	2,555	96.6	60.1	2,912	97.2	63.0	3,337	97.7	65.8	3,670	98.0	66.6
Total SOEs 1/	91	3.4	2.1	85	2.8	1.8	79	2.3	1.6	74	2.0	1.3
External Debt	1,175	44.4	27.6	1,260	42.0	27.3	1,330	38.9	26.2	1,425	38.1	25.9
Central Government	1,135	42.9	26.7	1,223	40.8	26.5	1,296	37.9	25.6	1,394	37.2	25.3
Multilateral o/w IMF	632	23.9	14.9	680	22.7	14.7	760	22.2	15.0	864	23.1	15.7
Bilateral 2/	201	7.6	4.7	200	6.7	4.3	198	5.8	3.9	190	5.1	3.5
Paris Club	338	12.8	7.9	378	12.6	8.2	368	10.8	7.3	345	9.2	6.3
Non-Paris Club	6	0.2	0.1	12	0.4	0.3	22	0.6	0.4	29	0.8	0.5
Commercial Banks	332	12.5	7.8	366	12.2	7.9	346	10.1	6.8	316	8.4	5.7
	165	6.2	3.9	166	5.5	3.6	169	4.9	3.3	185	4.9	3.4
SOEs 1/	40	1.5	0.9	36	1.2	0.8	34	1.0	0.7	31	0.8	0.6
Multilateral	39	1.5	0.9	36	1.2	0.8	33	1.0	0.7	31	0.8	0.6
Commercial	1	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Domestic Debt	1,471	55.6	34.6	1,738	58.0	37.6	2,087	61.1	41.2	2,319	61.9	42.1
Central Government	1,421	53.7	33.4	1,689	56.3	36.5	2,041	59.7	40.3	2,276	60.8	41.3
T-Bills (Bons du Trésor)	71	2.7	1.7	-	0.0	0.0	-	0.0	0.0	154	4.1	2.8
Bonds (Emprunts Obligataires)	1,252	47.3	29.4	1,524	50.8	33.0	1,834	53.7	36.2	1,917	51.2	34.8
Domestic Arrears	85	3.2	2.0	42	1.4	0.9	42	1.2	0.8	42	1.1	0.8
KPMG (pre 2006)	49	1.9	1.2	5	0.2	0.1	5	0.2	0.1	5	0.1	0.1
Post-2006	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0
Liquidated SOEs	36	1.4	0.9	36	1.2	0.8	36	1.1	0.7	36	1.0	0.7
Banking System	12	0.5	0.3	123	4.1	2.7	166	4.9	3.3	163	4.4	3.0
SOEs	50	1.9	1.2	49	1.6	1.1	46	1.3	0.9	42	1.1	0.8

Sources: Togolese authorities; and IMF staff calculations

1/ Actual data to end-2021 only.

2/ Debt from EXIM Bank China and EXIM Bank India have been reclassified as Non-Paris Club from Commercial.

6. Debt service has increased, as have rollover risks. Total debt service (interest and amortization) was 52 percent of total revenue and grants in 2023, and around 80 percent of this was domestic. Tightened financial conditions in the region have resulted in an increase in yields and shortening of maturities, particularly in the second half of 2023. The average yield on Togo government bonds rose to 7.4 percent in 2023 (from 6 percent in 2022) while the average maturity has shortened to 4 years (from 9 years in 2022)¹¹ and the Authorities have relied more on Treasury bills in 2023 and early 2024 than in previous years. Interest payments have, therefore, increased to 2.8 percent of GDP in 2023 from 2.4 percent in 2020. In addition, the share of securities held by other WAEMU residents at issuance has increased from 60 percent at the end of 2018 to 79 percent at end-2023, demonstrating Togo's dependence on the regional market.

¹¹ Based on issuances through end-2023. Other WAEMU members show similar trends.

Rollover needs in the regional financial market amount to 18 percent of GDP per year over 2024-27. The authorities expect a normalization in the regional market in the second half of 2024, which would help to reduce interest costs and extend maturities.

BACKGROUND ON MACRO FORECASTS

7. Macroeconomic projections have been updated based on end-2023 data. Real GDP growth in 2023 has been revised up to 5.6 percent compared with the previous DSA, thanks in part to increasing activity in the special economic zone of Adétikopé Industrial Platform (PIA). The overall deficit was slightly wider than expected in 2023, as higher levels of security spending counteracted a drop in fuel subsidies and strong revenue performance. The primary deficit was slightly narrower, because of higher interest payments. The current account deficit also narrowed more than projected.

8. The baseline macroeconomic scenario assumes commitment to fiscal and structural reforms and sustainable growth underpinned by investments in tradeable goods and services. Box 2 summarizes the main macroeconomic assumptions. Growth projections balance expectations of higher productivity from previous infrastructure investments with the impact of fiscal consolidation and remain unchanged from the last DSA despite the higher 2023 outturn. Revenue projections have been increased based on strong revenue performance in 2023 and commitment to further increases under the IMF-supported ECF arrangement, whilst projections of the primary balance remained broadly unchanged. Financing assumptions have been adjusted to take account of tighter regional financing conditions and updated World Bank disbursement projections, which have led to a large increase in projections of the share of concessional borrowing.

Box 2. Main Assumptions in the Macroeconomic Framework

Growth: The fiscal consolidation is projected to moderate growth to 5.3 percent between 2024-25. Thereafter, growth is projected to average 5.5 percent to 2034 reflecting public investment and structural reforms under the 2020-25 National Development Roadmap that are expected to increase value-added activities in the agro-industrial sector, upgrade manufacturing, expand tourism, and reinforce the role of the Port of Lomé as a logistics hub. These efforts are expected to spur private investment and boost exports. Projections are moderated by the impact of regional insecurity on economic activity, and the negative impacts of climate change (e.g., on the predictability of rainfall).

Inflation: Following a peak of 7.6 percent in 2022, mainly due to higher food and fuel prices, headline inflation (year-on-year) has fallen to 3.9 percent in May 2024, and core inflation (excluding energy and fresh products) to 1.5 percent. Inflation is now projected to stabilize at about 2 percent in the long run, consistent with the WAEMU convergence criterion.

Public investment: Infrastructure investment and security spending resulted in elevated public investment in 2022-23. The share is projected to decrease in the coming years and drop to a medium-term trend of around 10 percent of GDP.

Revenue and grants: Revenue collection exceeded expectations in 2023 because of improved administration of taxes levied at the point of import and non-tax revenue from mining fees; more grants were also received. The authorities remain committed to increasing revenue by 0.5 percentage points of GDP each year until 2027. Medium-term projections have been increased as a result.

Box 2. Main Assumptions in the Macroeconomic Framework (concluded)

Primary balance: The authorities plan a large fiscal consolidation to lower the fiscal deficit to no more than 3 percent of GDP by 2025, in line with the regional convergence framework. The primary fiscal balance in 2024 is projected to be slightly larger than previously projected but its future path remains in line with reducing the PV of debt to below 55 percent of GDP by the end of 2026. The primary balance is projected to converge to -0.5 percent of GDP in the long run. Pressures from security spending and commodity price shocks are the main risks to achieving this.

External: Goods exports have been revised down since the last DSA because end-2022 data showed lower overall export growth despite strong performance some areas (e.g., phosphates), notably in cotton and intra-regional exports. Nevertheless, the 2022 current account deficit was lower than estimated because imports were also lower than estimated and remittance inflows remained elevated. The deficit is estimated to have narrowed to 2.9 percent of GDP in 2023, supported by improved terms of trade and lower fuel prices, and still-high remittance inflows. The current account deficit is projected to widen in the near term, as remittances revert to pre-pandemic levels,¹ before narrowing in the medium term as earlier infrastructure investment supports productivity and exports, including through the port, and imports decline in line with fiscal consolidation. It is projected at 2.4 percent in the long-term.

^{1/} Remittances are projected to decline to around 5 percent of GDP from 2026 onwards. The World Bank found that remittance inflows to sub-Saharan Africa slowed in 2023 and notes high risks to flows from 2024. The authorities project that remittance inflows will remain at higher levels.

Main Assumptions in the Macroeconomic Framework Compared with previous DSA (Percent of GDP)									
	2021	2022	2023	2024	2025	2026	2027	2028	2029-34 1/
Real GDP Growth (Percent)									
Current DSA	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Request for ECF (March 2024)	6.0	5.8	5.4	5.3	5.3	5.5	5.5	5.5	5.5
Inflation (Average, percent)									
Current DSA	4.5	7.6	5.3	2.7	2.0	2.0	2.0	2.0	2.0
Request for ECF (March 2024)	4.5	7.6	5.1	2.7	2.0	2.0	2.0	1.7	1.7
Total Revenue (incl. grants, percent of GDP)									
Current DSA	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	21.2
Request for ECF (March 2024)	17.1	17.6	18.4	18.4	18.4	18.8	19.1	19.6	20.1
Primary Balance (Commitment basis, incl. grants, percent of GDP)									
Current DSA	-2.5	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-0.5
Request for ECF (March 2024)	-2.5	-5.9	-4.0	-3.9	-0.5	-0.6	-0.7	-0.8	-0.4
Exports of Goods and Services (Percent of GDP)									
Current DSA	23.7	26.6	25.5	25.6	25.5	26.1	26.3	26.3	26.4
Request for ECF (March 2024)	23.7	30.8	28.2	27.6	27.1	27.8	28.1	28.3	27.9
Current Account Balance (Percent of GDP)									
Current DSA	-2.2	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.4
Request for ECF (March 2024)	-2.2	-4.2	-3.3	-3.6	-3.5	-3.2	-2.8	-2.8	-2.2

Sources: Togolese authorities and IMF Staff calculations.

1/ Projections to 2033 in the previous DSA.

9. Togo's financing needs in the medium term will be driven mostly by debt service and are expected to be financed primarily by borrowing from the regional market. Gross financing needs in the next six years are projected to stem from primary deficits (12 percent) and, most prominently, debt service (88 percent). As fiscal consolidation proceeds, the ratio will further shift to almost entirely servicing debt between 2030-34. In line with the authorities' medium-term debt management strategy and revised

projections of World Bank lending, external sources will make up a larger share of financing than in the previous DSA, mostly on concessional terms. Assumptions of financing shares and terms in the baseline are based on disbursement projections and those that the authorities' contracted between 2018 and 2023. Specifically:

- **External borrowing** is projected based on expected disbursements from the IMF ECF and from IDA and the remaining external financing needs are assumed to be met by BOAD, other multilateral sources, bilateral creditors, and commercial sources. Borrowing from the IMF (13 percent of new external finance between 2024 and 2029) and IDA¹² (71 percent) is based on their respective official terms under various facilities. Assumptions for other creditors are based on terms broadly in line with those realized over the last five years. No debt management operation is assumed, though the authorities have indicated that they may engage in one if conditions are favorable. The overall grant element of external borrowing is projected to increase between 2024 and 2028, reflecting the ramp-up in IDA lending, and decline thereafter as more commercial debt is taken on.
- **Domestic borrowing** is projected to meet residual financing needs. The financing terms are assumed to be slightly shorter in maturity than in the last DSA, reflecting tighter conditions on regional financial markets and the re-start of Treasury bill issuance in 2023 and early 2024, balanced against the authorities' expectations that the regional market will normalize towards the end of 2024.¹³ Domestic borrowing is, therefore, classified into four groups: Treasury bills (10 percent), 1-3 year bonds (40 percent), 4-7 years bonds (35 percent), and long-term bonds (15 percent).

10. The realism tools indicate that the macroeconomic baseline is broadly in line with Togo's recent history and cross-country distributions, after accounting for recent shocks.

- **Drivers of overall debt dynamics.** Projections of overall public debt are marginally higher in 2024-25 than the previous DSA because of updates to end-2022 data, and substantially higher than in the DSA of 5 years ago (Figure 5, bottom left panel). The large forecast error on debt was much larger than the 75th percentile of LICs and the largest contributor was the primary deficit, which expanded as the authorities responded to multiple shocks since 2020 (bottom right panel). The large residual reflects in part the unexplained SFA (paragraph 3). The smaller projected primary deficit and economic growth are expected to drive debt levels down (bottom

¹² Togo is currently classified as a non-small state, IDA-only country at moderate risk of external debt distress. As such, 88 percent of the country allocation would be as 50-year credits. The remaining 12 percent is in the form of Shorter-Maturity Loans (PBA-SMLs) with 12-year maturity, 6-year grace period, zero interest or service charge and a grant element of 36 percent. Consistent with assumptions underlying Togo's new Country Partnership Framework with the World Bank Group for FY25-FY29, IDA resources are expected to comprise the performance-based allocations for IDA20 and estimates for IDA21 cycles (assumed to remain constant), access to the Regional Window, Crisis Response Window, the Scale-Up Facility Window and the Prevention and Resilience Allocation window (subject to satisfactory annual reviews). Shorter-Maturity Loans are expected to end in FY25, in line with DSA guidelines.

¹³ Regional financing conditions generally improved in May 2024, with lower interest rates and the longest average maturity since 2022, as some countries were able to issue 10-year bonds. There remains significant uncertainty in the outlook.

middle panel). Real exchange rate depreciation is projected to have a lower impact than in the past, whilst real interest rates are projected to contribute more to debt creation, reflecting tighter financing conditions on the regional market in particular.

- **External debt.** Projections in the current DSA are slightly higher than the previous DSA, reflecting the pivot towards external debt, especially from the World Bank; they are also significantly higher than the DSA of 5 years ago. The forecast error falls within the 75th percentile of LICs and the positive residual and reflects the augmentation of the last tranche of the previous ECF (Figure 5 top right panel). In terms of debt dynamics, growth is projected to be a stronger factor in decreasing debt than in the past (top middle panel), along with exchange rate dynamics. The current account deficit is anticipated to create large external financing needs, reflecting infrastructure investment plans and security-related imports in response to heightened insecurity. The large residuals come from the fact that the DSA is evaluated on a currency basis while the balance of payments is based on residency criteria and should be interpreted with caution.
- **Fiscal adjustment.** The three-year adjustment in the primary balance from 2024-2026 is equal to 3.3 percent of GDP reflecting fiscal consolidation efforts to bring the overall deficit below the regional convergence criterion (Figure 6 top left panel). While it is in the upper quartile of fiscal adjustment in typical Fund-supported programs for LICs, it is lower than in the last DSA (5.4 percent between 2022-25) because of the start of fiscal consolidation in 2023.¹⁴ The adjustment is deemed achievable, with the burden falling on both revenue and expenditure measures, and Togo's strong track record in achieving consolidation during the previous Fund-supported program. Tax policy reforms such as fully unwinding measures introduced during the pandemic; raising and introducing new taxes and excise tariffs; and curtailing exemptions will be supported by technical assistance from the IMF and the World Bank.¹⁵ Recovering arrears, increasing digitalization, and increasing the use of audits and risk-based analyses, such as cross-checking taxpayer data, will improve tax administration. The authorities have made a good start, by increasing revenue by 0.9 percent of GDP in 2023. Expenditure consolidation will come mainly from lower public investment, which is deemed to have lower implementation risk than reductions in primary current expenditure. However, escalating security risks in the north could result in higher-than-expected security-related capital spending, and hence slow fiscal consolidation efforts.
- **Fiscal adjustment and growth.** Estimated economic growth of 5.3 percent in 2024 is lower than the projection under all fiscal multipliers (Figure 6 top right panel). However, the larger adjustment in 2025 compared with 2024 means that growth of 5.3 percent in 2025 is higher than the projection under a fiscal multiplier of 0.2. It is consistent with a multiplier of 0.1 percent, which is within the plausible range of fiscal multiplier in LICs of between 0.1 and 0.2 in earlier studies. This pattern is not judged to be unrealistic because it is explained by the inclusion of

¹⁴ The adjustment is 5.5 percent between 2023 and 2026.

¹⁵ Improving the cost-benefit analysis of tax exemptions is a PPA under the World Bank's SDFFP.

one-off banking sector operations in primary expenditure in 2024 (rather than below-the-line). This operation, which reduces the size of consolidation in 2024 and results in a sharper adjustment in 2025, is unlikely to have a substantial concurrent impact on aggregate demand and growth and may therefore be ignored in projecting impacts of fiscal consolidation on growth.¹⁶ The projected path of growth also reflects the lagged impact of previous infrastructure investment in industrial zones and the port on productivity.

- **Public investment and growth.** Projections of private investment are unchanged from the last DSA. Government investment is slightly higher in 2023 reflecting increased security-related expenditure, which persists into the medium-term projections. Whilst this moderately increases the contribution of public investment to growth to 10.3 percent, it remains lower than the historical contribution of 10.7 percent (Figure 6, bottom right).

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

11. Togo's debt carrying capacity remains "medium". The composite indicator, which captures the impact of several factors through a weighted average of an institutional indicator, real GDP growth, remittances, international reserves, and world growth, has increased to 3.01 since the last published DSA.¹⁷ This remains within the band that indicates Togo has medium debt carrying capacity. The external debt thresholds and total public debt benchmarks are set out in Text Table 4.

12. Standardized stress tests are run to determine Togo's debt sustainability rating. The six standardized tests applied to both the public and external DSA using default shocks are: real GDP growth, the primary balance, exports, other financial inflows from current transfers and FDI, the exchange rate, and one with the shocks combined. In addition, the contingent liability stress test assumes a shock of 13.7 percent of GDP, which includes the default value of 5 percent of GDP for financial markets, 6.7 percent of GDP for risks associated with PPPs, and 2 percent for SOE debt (see paragraph 2). The baseline debt projections and the projections under these standardized stress tests are assessed against the thresholds of medium debt carry capacity. Togo has no prominent economic features such as natural disasters, high reliance on commodity exports, market financing, or others that would require additional tailored stress tests.

¹⁶ Excluding the banking operation in 2024 reduces the primary deficit to 2.5 percent of GDP and would mean that growth is in line with the projection under a fiscal multiplier of 0.2.

¹⁷ A country's debt-carrying capacity is assessed to be medium when the Composite Indicator is between 2.69 and 3.05 (inclusive).

Text Table 4. Togo: Debt Carrying Capacity and Applicable Thresholds			
Country	Togo		
Country Code	742		
Debt Carrying Capacity	Medium		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 3.01	Medium 2.99	Medium 2.96
APPLICABLE		APPLICABLE	
EXTERNAL debt burden thresholds		TOTAL public debt benchmark	
PV of debt in % of Exports	180	PV of total public debt in percent of GDP	
GDP	40	55	
Debt service in % of Exports	15		
Revenue	18		

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

13. The model signals a low risk of external debt distress, with all external debt indicators staying below their respective thresholds under both the baseline and stress-test scenarios. The PV of PPG external debt is assessed at 19.8 percent of GDP in 2023 and is projected to decrease to 16.4 percent of GDP by 2029 in the baseline scenario (Tables 1, 3 and Figure 3). The PV of PPG external debt-to-exports ratio is 77.9 percent in 2023 and is projected to decrease to 62.6 percent by 2029. The two debt service indicators (in percent of export and revenue) are projected to worsen between 2024-26 and improve thereafter, as fiscal consolidation takes hold and exports pick up. Notable near-term debt service obligations are due on loans with commercial terms, including to BOAD, EXIM Bank of China, Société Générale and Bank of Tokyo. Payments of between SDR 20 and 50 million against previous IMF ECF arrangements are due between 2024 and 2029.

14. All debt burden indicators are below their thresholds under stress-tests. All indicators would rise sharply between 2024-26 under stress tests but remain below their thresholds. Export shocks would have the greatest impact on the PV of debt-to-GDP ratio and, unsurprisingly, on the PV of debt-to-exports and debt service-to-exports ratios. The debt service-to-revenue ratio moves closest to its threshold under the most extreme shock of a one-time depreciation, which would increase the cost of servicing foreign currency debt. However, this risk is contained because around two thirds of external debt is in Euros and CFAF (from BOAD), and the CFAF is pegged to the Euro.

15. The results suggest improving domestic revenue mobilization and boosting exports would reduce debt vulnerabilities. The debt service-to-revenue ratio has some space to absorb shocks whilst all other indicators have substantial space (Figure 7). Strengthening revenue mobilization is, therefore, a

priority to contain debt risks. Given the potential impact of export shocks, efforts to increase and diversify the export base, including through the development of value chains and trade logistics centered around the port, would further mitigate risks. Improving debt management capacity, including under technical assistance provided by the World Bank, would also increase resilience to external debt shocks.

OVERALL RISK OF PUBLIC DEBT DISTRESS

16. The PV of overall public debt-to-GDP ratio remains above its benchmark in the baseline, signaling high risk of overall debt distress. Under the baseline, public debt will peak at 69.8 percent of GDP in 2024 from 68.0 percent in 2023 because of the cost of bank recapitalization, before declining steadily in line with fiscal consolidation. Similarly, the PV of the public debt-to-GDP ratio is projected to rise to 61.0 percent in 2024, partly reflecting the tighter regional market, compared to the benchmark of 55 percent of GDP. It is projected to decline to 54.7 percent of GDP in 2026, in line with fiscal consolidation and the uptake of more concessional external debt (Tables 2, 4 and Figure 4). Continued robust growth and adherence to the regional deficit convergence criteria and high levels of concessional finance would reduce its level further to 37.2 percent of GDP in 2034.

17. Public debt is most vulnerable to the realization of contingent liabilities. The combined contingent liability stress test has the largest impact on all public debt ratios. Under that scenario, the PV of overall public debt-to-GDP ratio would continue to rise in 2025 and decline gradually below the benchmark in 2031. Under the historical scenario, this ratio remains above the benchmark during the entire projection period, as recent elevated primary deficits are projected to continue under that scenario.

18. Continued unexplained debt accumulation of the size seen in recent years would delay the move to moderate risk by one year. To assess the possible impact from unexplained SFA, staff constructed another scenario in which a 1.0 percent of GDP SFA (the average over 2017-23) is added to 2024 with the size decreasing by 0.2 percent of GDP each year until it reaches zero in 2029, reflecting better fiscal discipline under the Fund-supported ECF. In this scenario, debt would rise to 70.8 percent of GDP in 2024 and decrease thereafter. The PV of public debt-to-GDP ratio would not drop below 55 percent until 2027 (see Table 5 and Figure 8). This reiterates the need to fully understand the discrepancies to avoid the need for further fiscal consolidation.

RISK RATING AND VULNERABILITIES

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

- The PV of overall public debt-to-GDP ratio is expected to stay above the indicative benchmark until 2026, meaning Togo remains at **high risk of overall debt distress**.
- All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2024–44) in the baseline and stress-test scenarios,

which signals a low risk of external debt distress. Whilst the absence of secondary market data prevents the use of a residency basis in this DSA, data on the residence of holders at issuance suggest that a large amount (70-80 percent) of debt is likely held outside of Togo. This implies that external debt on a residency basis is likely to be significantly higher than shown by data using a currency definition. In addition, should high rollover risks on the regional market grow, the authorities may be required to borrow more externally than is currently planned. In line with the LIC DSF guidance note, judgement is applied to maintain Togo at ***moderate risk of external debt distress***.

20. Togo's public debt is considered to be sustainable and there is some space to absorb shocks to external debt. Debt is assessed as sustainable because, (i) fiscal consolidation supported by the IMF ECF is projected to reduce the PV of public debt to GDP to below the high-risk threshold by 2026, (ii) debt service, and all external DSA indicators, remain below their respective thresholds in the shock scenario and trend downwards over the medium-term, and (iii) Togo's access to the WAEMU market and support from regional debt institutions bolsters the country's capacity to carry CFAF debt. Under the granularity module used for countries rated at moderate risk of external debt distress, Togo is considered to have *some space to absorb shocks* (Figure 7). The external debt service-to-revenue ratio is closest to its threshold, such that shocks smaller than the upper quartile of the observed distribution of shocks could put Togo at high risk of debt distress.

21. The main risks to debt sustainability are from fiscal pressures, market conditions, and the realization of contingent liabilities. Growth-friendly fiscal consolidation is needed to reduce borrowing needs and reduce the risk of overall debt distress to moderate by 2026. Prospects for reaching this goal are susceptible to shocks. Continued progress in revenue mobilization remains essential to support consolidation and to maintain space to absorb shocks. This is especially important because of Togo's high levels of domestic debt service combined with tighter conditions on the regional market that have resulted in higher yields and shorter maturities, raising interest rate and rollover risks. Stress tests indicate that Togo is susceptible to the realization of contingent liabilities, whilst delays in the reporting of SOE debt and continued unexplained SFAs pose could result in upward revisions of debt levels that may necessitate further fiscal consolidation.

22. Staff recommends further efforts to improve public sector debt recording and management, greater coordination with fiscal reporting, and continued efforts to track the holders of debt denominated in domestic currency. The focus of the authorities' medium-term debt strategy (MTDS) for 2024-26 on extending maturities and rebalancing borrowing towards external debt remains appropriate. Further elaboration of the MTDS that weighs the costs and risks of borrowing options under different scenarios as conditions on domestic, regional and external markets evolve is critical to further contain and reduce the costs and risks of debt. This could be accompanied by a more detailed and transparent medium-term borrowing plan. The authorities should continue to improve the timeliness of reporting on SOE debt, which could be incorporated into the debt bulletin and MTDS. The creation of a working group to ensure consistency between fiscal, debt and monetary accounts is a welcome step in addressing unexplained debt accumulation. Finally, the authorities should, in coordination with the BCEAO,

continue efforts to establish a mechanism for tracking the residency of the holders of regional securities beyond issuance.

AUTHORITIES' VIEWS

23. The authorities did not question the finding of a high risk of overall debt distress but took issue with the use of judgement to raise the assessed risk of external debt distress to “moderate” (from the mechanical “low” risk), as they had done already at the time of the ECF-request in March 2024. The authorities consider that risks emanating from domestic currency debt are already captured in the assessment of the overall risks of debt distress. This said, they agreed to work with staff to deepen understanding of the residency of the holders of domestic currency debt to reduce the uncertainty that gave rise to the application of judgment.

Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2021–44
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2	30.7	29.6	20.0	29.9
of which: public and publicly guaranteed (PPG)	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2	30.7	29.6	20.0	29.9
Change in external debt	-0.4	-1.0	-0.4	1.5	1.3	0.9	0.7	0.2	-0.4	0.2	-1.3		
Identified net debt-creating flows	-0.1	5.6	2.1	3.9	3.8	3.4	2.8	2.5	2.6	2.6	6.5	3.9	2.9
Non-interest current account deficit	1.8	3.0	2.4	2.9	2.9	2.7	2.2	2.0	2.1	2.1	5.9	3.2	2.3
Deficit in balance of goods and services	10.3	12.2	10.7	10.1	9.3	8.4	7.9	7.7	7.8	7.7	11.8	10.9	8.2
Exports	23.7	26.6	25.5	25.6	25.5	26.1	26.3	26.3	26.2	26.2	22.8		
Imports	34.0	38.8	36.2	35.7	34.8	34.4	34.2	34.0	34.0	34.3	34.6		
Net current transfers (negative = inflow)	-7.9	-8.6	-7.6	-6.5	-5.7	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-6.8	-5.2
of which: official	-0.4	-0.7	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0		
Other current account flows (negative = net inflow)	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-1.0	-0.9	-0.7
Net FDI (negative = inflow)	0.8	1.5	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.2	1.8
Endogenous debt dynamics 2/	-2.7	1.2	-2.2	-0.9	-0.9	-1.1	-1.2	-1.3	-1.3	-1.3	-1.1	-2.3	-2.5
Contribution from nominal interest rate	0.4	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.5		
Contribution from real GDP growth	-1.5	-1.6	-1.3	-1.3	-1.4	-1.5	-1.5	-1.6	-1.6	-1.6	-1.6		
Contribution from price and exchange rate changes	-1.6	2.3	-1.4	...	...	...	...	...	...	...	...
Residual 3/	-0.3	-6.6	-2.5	-2.3	-2.5	-2.5	-2.1	-2.3	-3.0	-2.4	-7.8	-2.3	-2.5
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	...	...	19.8	19.8	19.5	18.8	18.1	17.3	16.4	17.1	19.3		
PV of PPG external debt-to-exports ratio	...	...	77.9	77.3	76.5	72.2	69.0	65.7	62.6	64.3	85.0		
PPG debt service-to-exports ratio	5.2	8.3	8.2	8.4	9.1	9.1	8.2	7.2	6.5	5.1	6.3		
PPG debt service-to-revenue ratio	8.1	14.6	12.5	12.8	13.4	13.4	11.9	10.1	8.8	6.4	6.1		
Gross external financing need (Billion of U.S. dollars)	0.3	0.5	0.6	0.7	0.7	0.8	0.7	0.7	0.8	1.0	3.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.5
GDP deflator in US dollar terms (change in percent)	6.3	-7.7	5.6	2.0	1.6	1.8	1.8	1.9	2.0	2.0	2.0	-0.5	1.9
Effective interest rate (percent) 4/	1.7	1.8	2.0	1.6	1.6	1.4	1.2	1.1	0.9	1.0	1.6	1.8	1.1
Growth of exports of G&S (US dollar terms, in percent)	14.4	9.7	6.8	7.9	6.7	9.7	8.4	7.6	7.2	7.9	-7.7	1.5	7.9
Growth of imports of G&S (US dollar terms, in percent)	18.5	11.5	3.9	6.0	4.4	6.3	6.7	7.0	7.4	7.6	9.0	1.8	7.0
Grant element of new public sector borrowing (in percent)	...	...	...	47.8	52.0	56.5	58.8	63.8	61.2	39.9	37.2	...	51.4
Government revenues (excluding grants, in percent of GDP)	15.3	15.1	16.8	16.9	17.3	17.8	18.3	18.7	19.3	21.1	23.7	14.7	19.1
Aid flows (in Billion of US dollars) 5/	1.0	1.1	1.4	0.5	0.5	0.6	0.6	0.6	0.5	0.6	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.4	4.2	4.2	4.2	3.8	3.1	2.2	1.1	...	3.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	63.8	63.3	66.5	68.6	72.7	71.7	51.5	48.1	...	63.0
Nominal GDP (Billion of US dollars)	8	8	9	10	10	11	12	13	14	20	42		
Nominal dollar GDP growth	12.7	-2.3	11.5	7.4	7.0	7.4	7.4	7.5	7.6	7.6	7.6	4.4	7.5
Memorandum items:													
PV of external debt 7/	...	...	19.8	19.8	19.5	18.8	18.1	17.3	16.4	17.1	19.3		
In percent of exports	...	...	77.9	77.3	76.5	72.2	69.0	65.7	62.6	64.3	85.0		
Total external debt service-to-exports ratio	5.2	8.3	8.2	8.4	9.1	9.1	8.2	7.2	6.5	5.1	6.3		
PV of PPG external debt (in Billion of US dollars)	...	...	1.8	1.9	2.0	2.1	2.2	2.2	2.3	3.4	8.1		
(PVT-PVT-1)/GDPt-1 (in percent)	...	...	1.4	1.4	1.1	0.7	0.7	0.4	0.4	1.6	0.8		
Non-interest current account deficit that stabilizes debt ratio	2.2	4.0	2.8	1.4	1.6	1.8	1.5	1.8	2.5	1.9	7.2		

Sources: Country authorities, and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g)] / (1+g+p+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and p = 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.

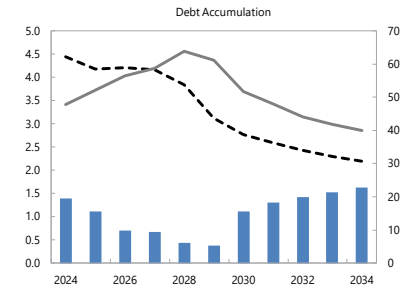
5/ Defined as grants, concessional loans, and debt relief.

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).

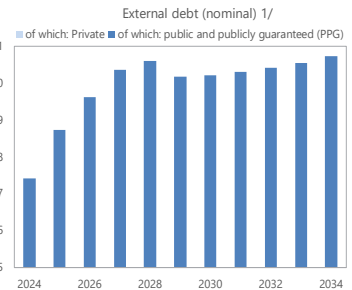
7/ Assumes that PV of private sector debt is equivalent to its face value.

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.

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



■ Debt Accumulation
 - - - Grant-equivalent financing (% of GDP)
 — Grant element of new borrowing (% right scale)



■ of which: Private ■ of which: public and publicly guaranteed (PPG)

Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–44
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	64.9	67.4	68.0	69.8	68.6	66.5	65.0	63.4	62.0	51.6	35.0	59.0	61.2
of which: external debt	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2	30.7	29.6	20.0	29.9
Change in public sector debt	2.7	2.5	0.6	1.8	-1.2	-2.0	-1.5	-1.6	-1.4	-2.0	-1.5		
Identified debt-creating flows	1.7	4.3	0.8	1.6	-1.7	-1.8	-2.1	-1.7	-1.6	-2.0	-1.6	1.7	-1.6
Primary deficit	2.5	5.9	3.9	4.0	0.5	0.6	0.8	1.0	1.1	0.4	0.4	2.7	0.9
Revenue and grants	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	20.5	21.9	24.1	17.0	20.4
of which: grants	1.8	2.5	3.1	2.1	1.6	1.5	1.4	1.3	1.2	0.8	0.4		
Primary (noninterest) expenditure	19.6	23.5	23.8	23.0	19.3	19.8	20.5	21.0	21.6	22.3	24.5	19.7	21.3
Automatic debt dynamics	-0.8	-1.6	-3.2	-2.4	-2.2	-2.4	-2.9	-2.7	-2.7	-2.4	-2.0		
Contribution from interest rate/growth differential	-3.2	-4.1	-2.7	-2.4	-2.2	-2.4	-2.9	-2.7	-2.7	-2.4	-2.0		
of which: contribution from average real interest rate	0.3	-0.5	0.9	1.0	1.3	1.2	0.6	0.7	0.6	0.4	-0.1		
of which: contribution from real GDP growth	-3.5	-3.6	-3.6	-3.4	-3.5	-3.6	-3.5	-3.4	-3.3	-2.8	-1.9		
Contribution from real exchange rate depreciation	2.5	2.5	-0.5	...	...	...	...	...	...	...	...
Other identified debt-creating flows	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
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		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.9	-1.8	-0.2	0.2	0.5	-0.2	0.5	0.1	0.1	0.0	0.1	1.0	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	60.5	61.0	58.3	54.7	51.8	49.1	47.4	37.3	24.8		
PV of public debt-to-revenue and grants ratio	...	...	304.8	321.3	309.3	284.2	262.5	245.1	231.3	170.5	103.0		
Debt service-to-revenue and grants ratio 3/	57.4	57.2	51.6	40.0	46.8	57.1	49.7	48.5	42.0	31.6	11.2		
Gross financing need 4/	12.3	16.0	14.2	11.6	9.3	11.6	10.6	10.7	9.7	7.3	3.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.5
Average nominal interest rate on external debt (in percent)	1.6	1.9	2.0	1.6	1.6	1.4	1.2	1.1	0.9	1.0	1.6	1.9	1.1
Average real interest rate on domestic debt (in percent)	3.1	2.0	3.4	3.0	3.4	3.4	3.4	3.4	3.4	3.6	3.9	3.4	3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	9.8	10.2	-2.2	...	...	...	...	...	...	...	...	3.9	...
Inflation rate (GDP deflator, in percent)	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.5	26.8	6.9	1.9	-11.8	8.6	9.2	8.0	8.2	6.6	6.6	8.9	5.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.2	3.3	3.4	2.2	1.7	2.6	2.3	2.6	2.5	2.4	1.9	2.2	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		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, 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.

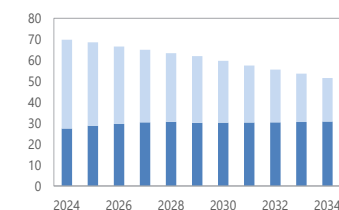
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (1-): a primary surplus, which would stabilize the debt ratio only in the year in question.

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.

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

Public sector debt 1/

■ of which: local-currency denominated
■ of which: foreign-currency denominated



■ of which: held by residents
■ of which: held by non-residents

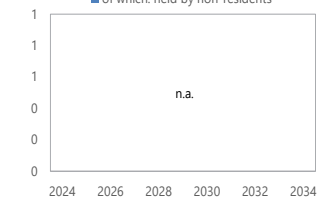


Table 3. Togo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–34

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	20	20	19	18	17	16	16	16	17	17	17
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	20	20	20	19	19	19	19	20	21	22	23
B. Bound Tests											
B1. Real GDP growth	20	20	20	19	18	17	17	17	17	18	18
B2. Primary balance	20	20	21	20	19	18	19	19	19	19	20
B3. Exports	20	22	25	24	23	22	22	22	22	22	22
B4. Other flows 3/	20	22	23	22	21	20	20	20	20	20	20
B5. Depreciation	20	25	21	20	19	18	18	18	19	19	20
B6. Combination of B1-B5	20	23	23	22	21	20	20	20	20	20	20
C. Tailored Tests											
C1. Combined contingent liabilities	20	22	21	20	19	19	19	19	20	20	21
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	77	76	72	69	66	63	62	62	62	63	64
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	77	78	75	74	73	72	74	76	79	82	86
B. Bound Tests											
B1. Real GDP growth	77	76	72	69	66	63	62	62	62	63	64
B2. Primary balance	77	80	79	76	72	70	71	72	73	73	75
B3. Exports	77	97	128	123	117	112	110	109	109	109	109
B4. Other flows 3/	77	85	88	85	81	77	76	76	76	76	76
B5. Depreciation	77	76	64	61	58	56	55	55	56	57	59
B6. Combination of B1-B5	77	94	81	97	92	88	87	87	87	87	88
C. Tailored Tests											
C1. Combined contingent liabilities	77	85	80	77	74	73	74	74	74	75	77
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	8	9	9	8	7	6	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	8	9	10	9	8	7	6	6	6	7	7
B. Bound Tests											
B1. Real GDP growth	8	9	9	8	7	6	5	5	5	5	5
B2. Primary balance	8	9	9	8	7	7	5	5	5	5	6
B3. Exports	8	11	13	12	10	9	7	7	7	8	8
B4. Other flows 3/	8	9	9	9	7	7	5	5	5	6	6
B5. Depreciation	8	9	9	8	7	6	5	5	5	5	5
B6. Combination of B1-B5	8	10	12	10	9	8	6	6	6	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	8	9	9	8	7	7	5	5	5	5	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	13	13	13	12	10	9	7	6	6	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	13	14	14	13	11	10	8	8	8	8	9
B. Bound Tests											
B1. Real GDP growth	13	14	14	12	11	9	7	7	7	7	7
B2. Primary balance	13	13	13	12	10	9	7	7	7	7	7
B3. Exports	13	14	14	13	11	10	7	7	7	7	8
B4. Other flows 3/	13	13	14	12	10	9	7	7	7	7	7
B5. Depreciation	13	17	17	15	12	11	8	8	8	8	7
B6. Combination of B1-B5	13	14	15	13	11	10	7	7	7	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	13	13	14	12	10	9	7	7	7	7	7
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 2024–34

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	61	58	55	52	49	47	45	43	41	39	37
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	62	62	61	60	59	59	59	58	59	59	59
B. Bound Tests											
B1. Real GDP growth	62	61	60	57	55	54	52	51	49	48	47
B2. Primary balance	62	64	65	62	59	57	54	52	49	47	45
B3. Exports	61	60	60	57	54	52	50	47	45	43	41
B4. Other flows 3/	61	60	59	56	53	51	49	46	44	42	40
B5. Depreciation	62	61	55	50	46	43	39	36	33	31	28
B6. Combination of B1-B5	62	61	58	54	51	49	46	43	41	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	62	71	67	64	61	58	55	53	51	48	46
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.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	321	309	284	263	245	231	216	202	192	181	170
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	328	328	315	302	293	286	280	274	273	269	266
B. Bound Tests											
B1. Real GDP growth	328	324	309	290	275	264	250	239	231	222	214
B2. Primary balance	328	341	340	316	296	279	260	243	232	218	206
B3. Exports	321	319	312	289	270	255	238	223	213	200	188
B4. Other flows 3/	321	321	306	283	265	250	234	219	208	196	184
B5. Depreciation	328	323	286	255	229	209	189	171	157	143	129
B6. Combination of B1-B5	328	327	303	273	254	239	223	205	192	182	172
C. Tailored Tests											
C1. Combined contingent liabilities	328	377	349	324	304	285	265	249	237	223	210
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	40	47	57	50	48	42	35	41	37	30	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	40	47	59	52	52	49	44	52	47	42	46
B. Bound Tests											
B1. Real GDP growth	40	48	60	52	51	45	39	46	42	36	38
B2. Primary balance	40	47	59	53	51	52	51	51	40	35	40
B3. Exports	40	47	57	50	49	42	35	42	37	31	33
B4. Other flows 3/	40	47	57	50	49	42	35	41	37	31	33
B5. Depreciation	40	46	58	50	48	42	33	39	36	30	31
B6. Combination of B1-B5	40	45	56	50	48	42	39	45	36	31	34
C. Tailored Tests											
C1. Combined contingent liabilities	40	47	60	53	51	62	54	45	40	38	43
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.

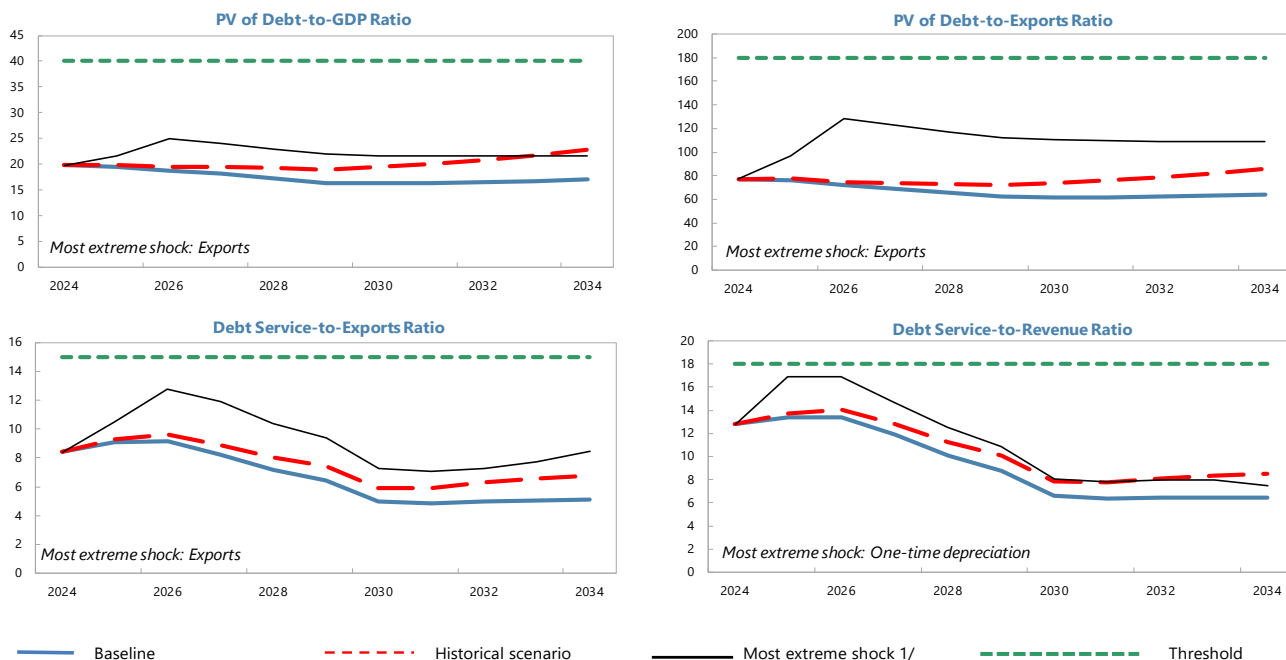
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Togo: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2024-2034



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	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.

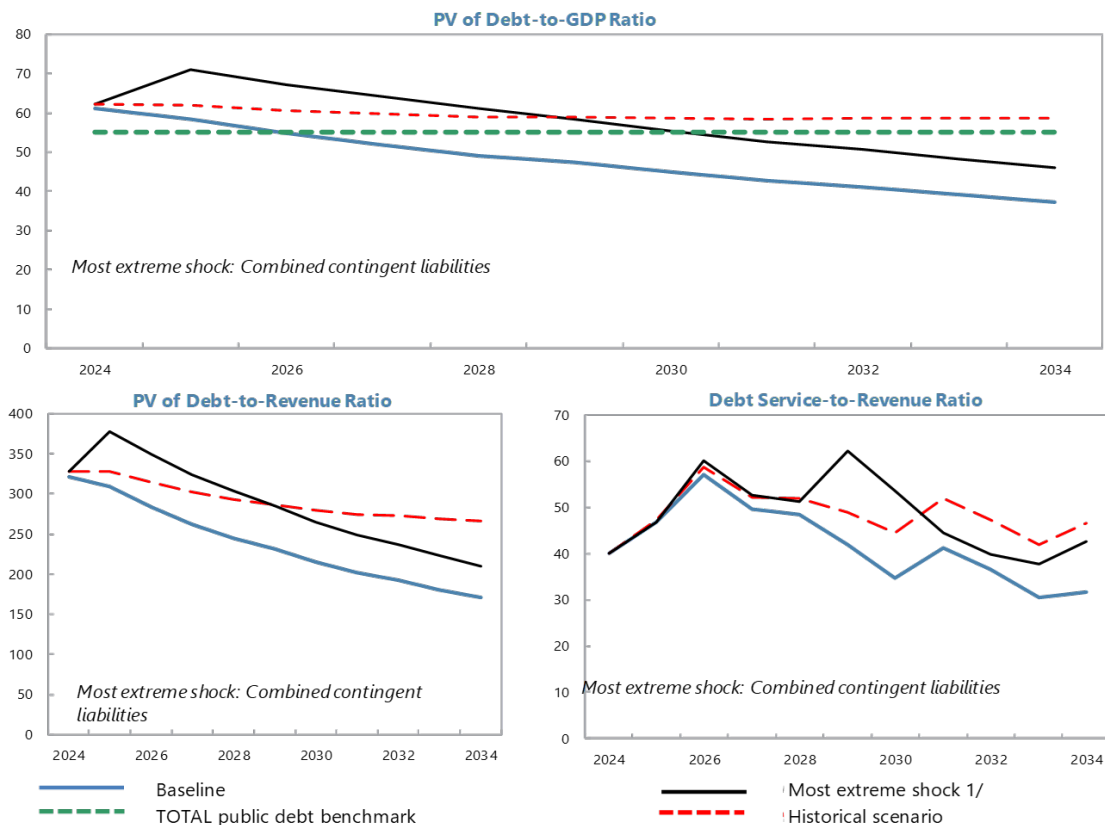
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 4. Togo: Indicators of Public Debt Under Alternative Scenarios, 2024–34



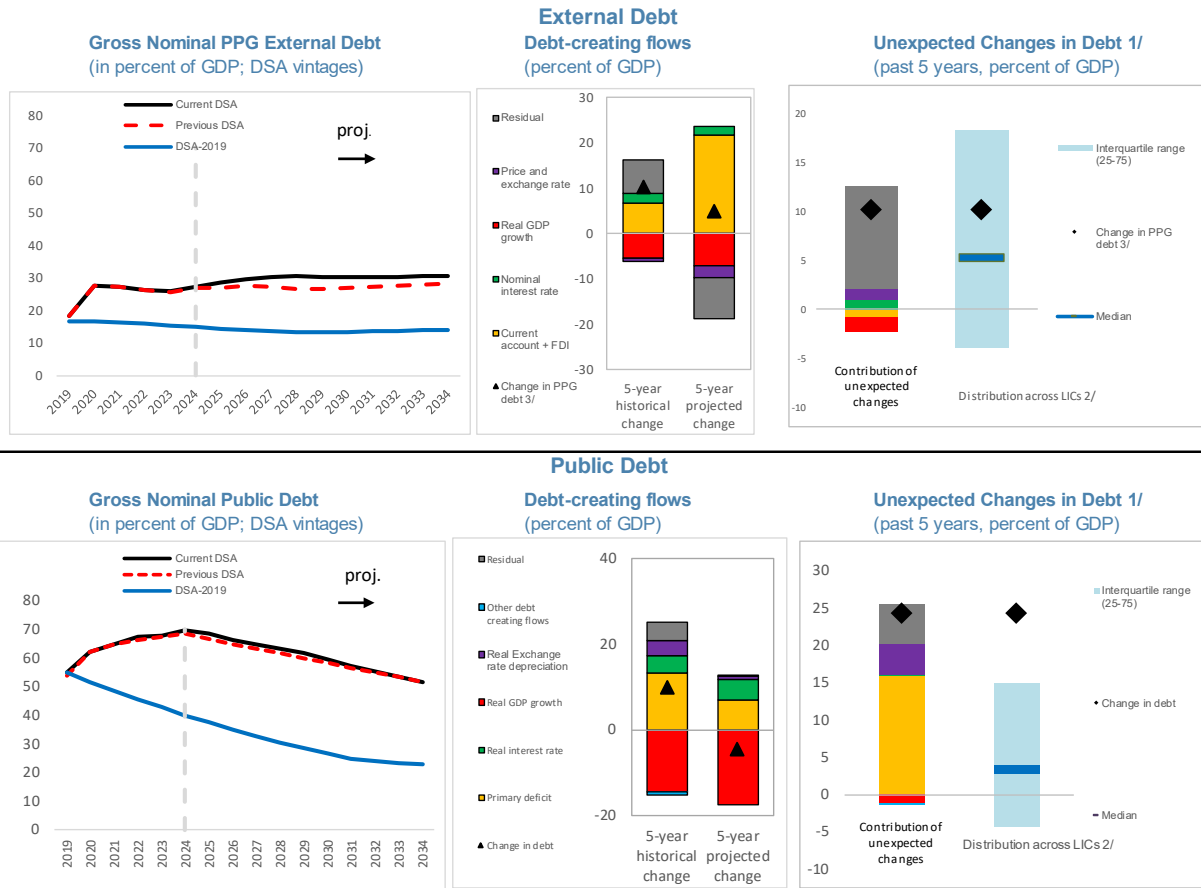
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	42%	30%
Domestic medium and long-term	52%	70%
Domestic short-term	6%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.3%	4.3%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

* 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 2034. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

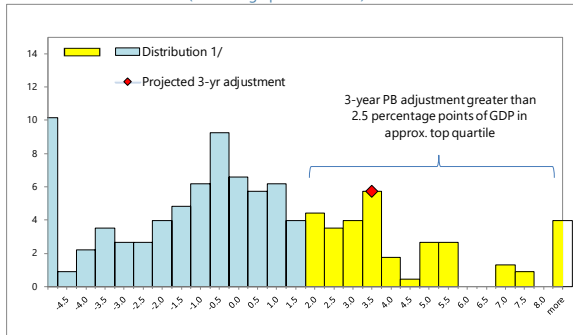
Figure 5. Togo: Drivers of Debt Dynamics – Baseline Scenario



1/ Difference between anticipated and actual contributions on debt ratios.
 2/ Distribution across LICs for which LIC DSAs were produced.
 3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

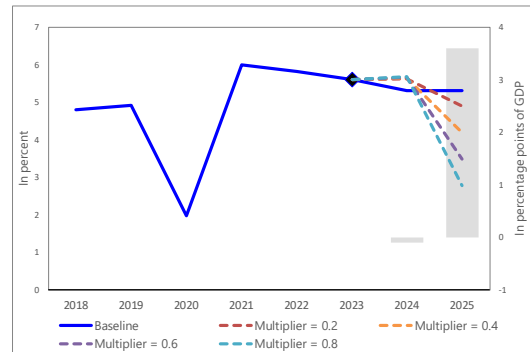
Figure 6. Togo: Realism Tools

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



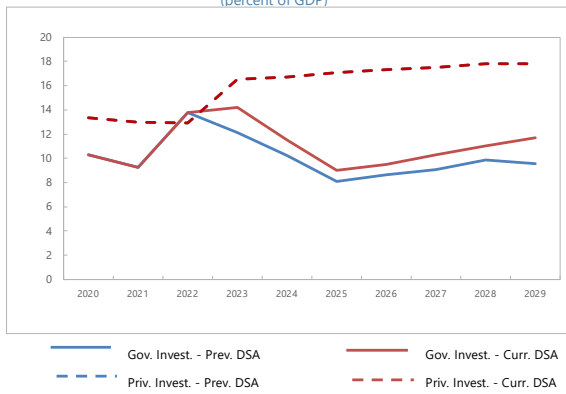
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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). Note: This chart shows a smaller fiscal adjustment than the same chart in the DSA published in March 2024 (Country Report No. 2024/079), which accidentally did not reflect the projected cost of bank recapitalization operations in 2024 correctly. This cost was correctly included all other elements of the published DSA.

Public and Private Investment Rates
(percent of GDP)



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

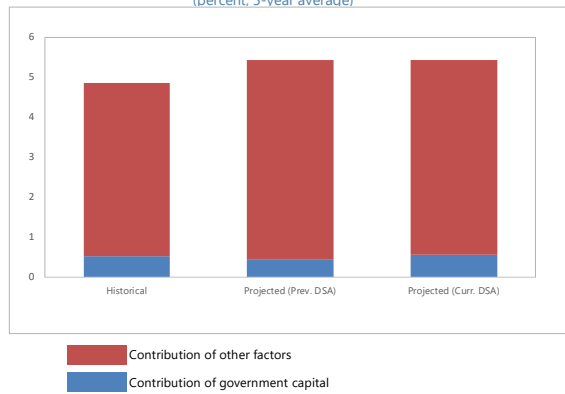
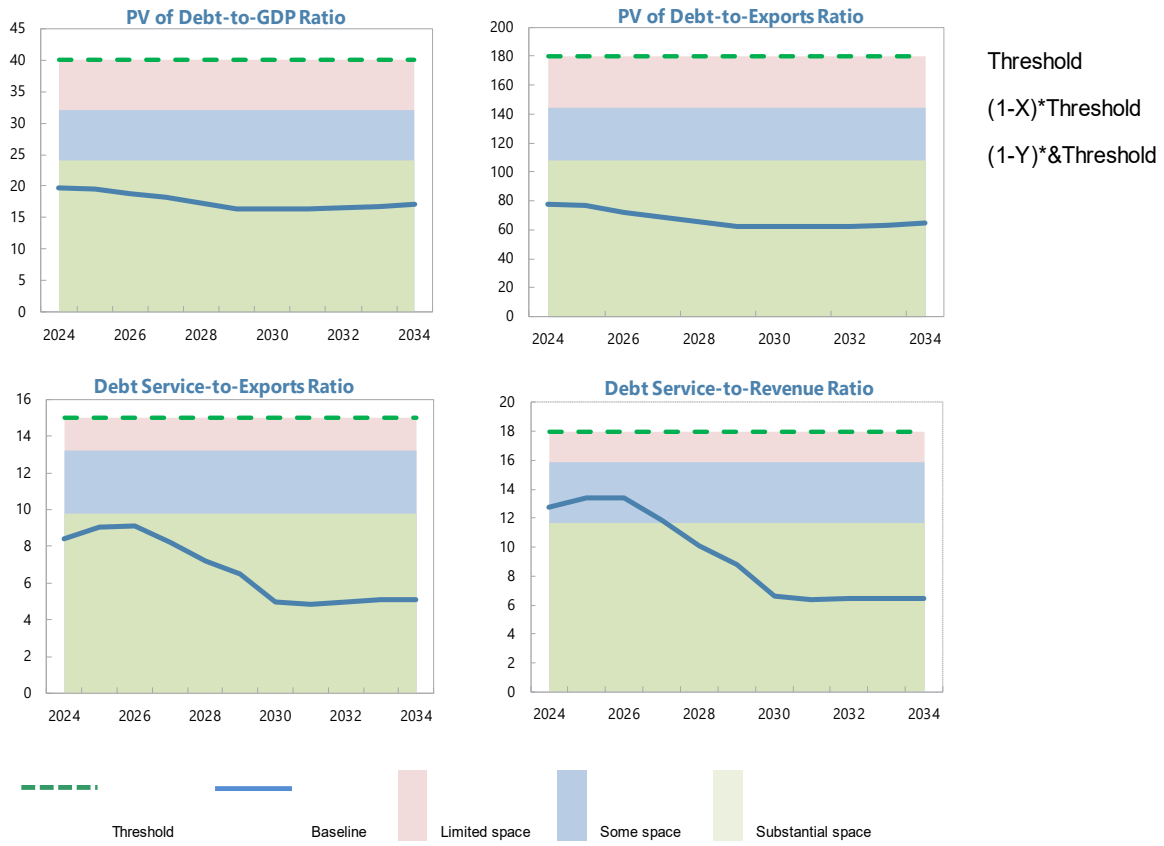


Figure 7. Togo: Qualification of the Moderate Category, 2024–34¹



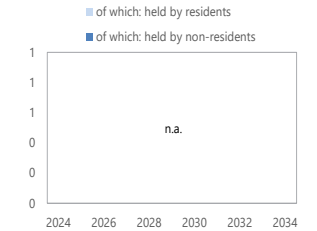
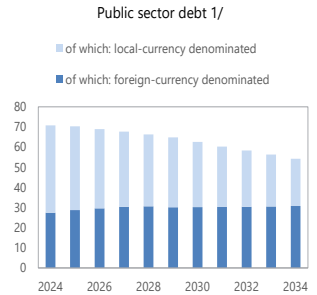
Sources: Country authorities; and staff estimates and projections.

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

Table 5. Togo: Public Sector Debt Sustainability Framework, Stock-Flow Adjustment, 2021–44
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	64.9	67.4	68.0	70.8	70.4	68.9	67.8	66.3	64.8	54.3	37.4	59.0	63.7
of which: external debt	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2	30.7	29.6	20.0	29.9
Change in public sector debt	2.7	2.5	0.6	2.8	-0.4	-1.4	-1.2	-1.5	-1.4	-2.1	-1.5		
Identified debt-creating flows	1.7	4.3	0.8	2.6	-0.9	-1.2	-1.7	-1.6	-1.6	-2.1	-1.6	1.7	-1.4
Primary deficit	2.5	5.9	3.9	4.0	0.5	0.6	0.8	1.0	1.1	0.4	0.4	2.7	0.9
Revenue and grants	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	20.5	21.9	24.1	17.0	20.4
of which: grants	1.8	2.5	3.1	2.1	1.6	1.5	1.4	1.3	1.2	0.8	0.4		
Primary (noninterest) expenditure	19.6	23.5	23.8	23.0	19.3	19.8	20.5	21.0	21.6	22.3	24.5	19.7	21.3
Automatic debt dynamics	-0.8	-1.6	-3.2	-2.4	-2.2	-2.4	-2.9	-2.8	-2.7	-2.5	-2.0		
Contribution from interest rate/growth differential	-3.2	-4.1	-2.7	-2.4	-2.2	-2.4	-2.9	-2.8	-2.7	-2.5	-2.0		
of which: contribution from average real interest rate	0.3	-0.5	0.9	1.0	1.4	1.2	0.7	0.8	0.8	0.5	0.0		
of which: contribution from real GDP growth	-3.5	-3.6	-3.6	-3.4	-3.6	-3.7	-3.6	-3.5	-3.5	-2.9	-2.0		
Contribution from real exchange rate depreciation	2.5	2.5	-0.5	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	1.0	0.8	0.6	0.4	0.2	0.0	0.0	0.0	0.0	0.3
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		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	1.0	0.8	0.6	0.4	0.2	0.0	0.0	0.0		
Residual	0.9	-1.8	-0.2	0.2	0.5	-0.2	0.5	0.1	0.1	0.0	0.1	1.0	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	60.5	62.0	60.1	57.1	54.6	52.1	50.2	40.0	27.1		
PV of public debt-to-revenue and grants ratio	...	...	304.8	326.6	318.8	296.6	276.5	259.7	245.4	182.9	112.8		
Debt service-to-revenue and grants ratio 3/	57.4	57.2	51.6	40.0	47.7	58.1	52.4	51.3	45.0	34.8	13.7		
Gross financing need 4/	12.3	16.0	14.2	12.6	10.2	12.4	11.6	11.5	10.3	8.0	3.7		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.5
Average nominal interest rate on external debt (in percent)	1.6	1.9	2.0	1.6	1.6	1.4	1.2	1.1	0.9	1.0	1.6	1.9	1.1
Average real interest rate on domestic debt (in percent)	3.1	2.0	3.4	3.0	3.5	3.5	3.5	3.4	3.5	3.7	4.0	3.4	3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	9.8	10.2	-2.2	...	...	...	...	...	...	...	...	3.9	...
Inflation rate (GDP deflator, in percent)	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.5	26.8	6.9	1.9	-11.8	8.6	9.2	8.0	8.2	6.6	6.6	8.9	5.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.2	3.3	3.4	1.2	0.9	2.0	2.0	2.4	2.5	2.5	1.9	2.2	2.1
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



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, 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.

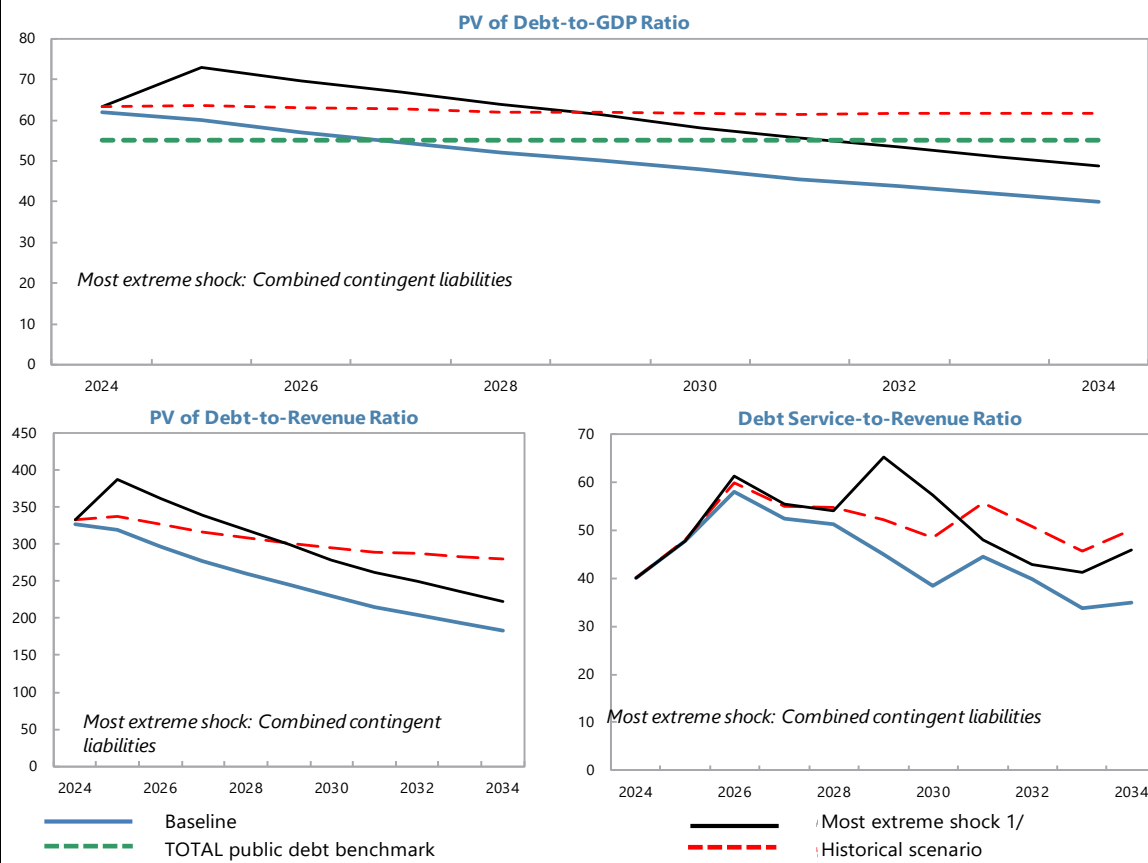
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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 stabilize the debt ratio only in the year in question.

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

Figure 8. Togo: Indicators of Public Debt Under Stock-flow Adjustment, 2024–34



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	39%	30%
Domestic medium and long-term	55%	70%
Domestic short-term	6%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.3%	4.3%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

* 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 2034. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.



TOGO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

August 5, 2024

Prepared By

The African Department
(in Consultation with other Departments)

CONTENTS

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RELATIONS WITH THE FUND

(as of June 30, 2024)

1. Membership Status: Joined August 1, 1962;		<u>Article VIII</u>
2. General Resources Account:	SDR Million	%Quota
<u>Quota</u>	146.80	100.00
<u>IMF's Holdings of Currency (Holdings Rate)</u>	127.13	86.60
<u>Reserve Tranche Position</u>	19.79	13.48
3. SDR Department:	SDR Million	%Allocation
<u>Net cumulative allocation</u>	211.03	100.00
<u>Holdings</u>	248.89	117.94
4. Outstanding Purchases and Loans:	SDR Million	%Quota
Extended Arrangements	273.86	186.55

5. Latest Financial Commitments:

Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ECF	Mar 01, 2024	Aug 31, 2027	293.60	51.38
ECF	May 05, 2017	Apr 07, 2020	247.65	247.65
ECF ^{1/}	Apr 21, 2008	Jul 26, 2011	95.41	95.41

6. **Overdue Obligations and Projected Payments to Fund^{2/}**

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Principal	10.07	39.87	49.53	47.01	36.95
Charges/Interest		0.00	0.00	0.00	0.00
Total	<u>10.07</u>	<u>39.87</u>	<u>49.53</u>	<u>47.01</u>	<u>36.95</u>

¹ Formerly PRGF.

² When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

7. Implementation of HIPC Initiative:

	<u>Enhanced Framework</u>
I. Commitment of HIPC assistance	Nov 2008
Decision point date	
Assistance committed by all creditors (US\$ Million) ^{1/}	282.00
Of which: IMF assistance (US\$ million)	0.32
(SDR equivalent in millions)	0.22
Completion point date	Dec 2010
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	0.22
Interim assistance	0.08
Completion point balance	0.14
Additional disbursement of interest income ^{2/}	0.01
Total disbursements	0.22

¹ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

² Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

8. Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable**9. Implementation of Catastrophe Containment and Relief (CCR):**

<u>Date of Catastrophe</u>	<u>Board Decision Date</u>	<u>Amount Committed (SDR million)</u>	<u>Amount Disbursed (SDR million)</u>
N/A	Apr 13, 2020	3.74	3.74
N/A	Oct 02, 2020	2.31	2.31
N/A	Apr 01, 2021	0.88	0.88

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

10. Exchange Arrangement:

Togo is a member of the West African Economic and Monetary Union (WAEMU). The union's common currency, the CFA franc, is pegged to the Euro at a rate of CFAF 655.957 = EUR 1 (effective December 31, 1998). The de-jure and de facto exchange rate arrangements are a conventional peg. As of June 1, 1996, Togo and other members of WEAMU accepted the obligations of Articles VIII, section 2, 3, and 4 of the Fund's Articles of Agreement. Togo's exchange system has no restrictions on making payments or transfers for current international transactions and the country does not engage in multiple currency practices.

11. Safeguards assessment

An update safeguards assessment of the BCEAO, completed in 2023, found that the institution continues to have a robust control environment and assurance functions, supported by strong governance arrangements. In particular, financial reporting and external audit arrangements remain in line with international practices. All recommendations from the 2018 safeguards assessment have been implemented.

12. Article IV Consultation

Togo is on the standard 12-month Article IV consultation cycle. The previous Article IV consultation was concluded on June 26, 2019.

Mr. Hans Weisfeld has been the IMF's Mission Chief since August 2022.

Mr. Maximilien Kaffo has been the IMF's Resident Representative since August 2021.

JOINT WORLD BANK-IMF WORK PROGRAM FOR 2024-25

1. The IMF Togo team led by Mr. Hans Weisfeld (mission chief) met with the World Bank Togo team led by Mr. Marc Stocker (lead economist) on May 24, 2024, to identify Togo's macrocritical challenges and coordinate the teams' efforts to help the Togo authorities address the challenges.

2. The teams agreed that Togo is seeing robust growth and progress towards the sustainable development goals but continues to face headwinds. Following the shocks of recent years, including the COVID pandemic, terrorist attacks, and spikes in global food and fuel prices, Togo faces elevated fiscal deficits and public debt, a challenging security situation at the northern border, and still large development needs. In addition, climate change is a growing challenge.

3. The teams agreed on the division of labor between the Fund and Bank teams for advising the authorities on the policies needed to address the macrocritical challenges:

- **Ensuring growth-friendly fiscal consolidation** by raising tax revenue by an ambitious 0.5 percent of GDP per year and strengthening the efficiency of spending through reforms of public financial management, including the management of public investment. **Fund team in the lead, with contributions from the Bank in the form of analytical work, reform identification, and capacity building.**
- **Implementing an inclusive growth strategy, including by**
 - **Strengthening social spending and social safety nets**, including by expanding cash transfers. The Bank is supporting the authorities through advice and financing in the areas of health, education, social protection, and electricity provision. **Bank team in the lead, with contributions from the IMF.**
 - **Strengthening governance and the business environment**, including potentially by preparing an IMF Governance Diagnostic if the authorities request it, complemented by WB-financed work covering public administration performance, local governance, and the business environment. **Area of joint responsibility.**

- **Strengthening the banking sector and its resilience.** The provision of budget resources for the recapitalization to zero regulatory capital of the remaining public bank is a welcome first step. **Fund team in the lead.**
 - **Understanding the likely future impact of climate change and helping the authorities enhance Togo’s resilience to it.** Both the Bank and the Fund are engaged in analytical work to understand the likely impact of climate change and identify suitable adaptation and mitigation measures and associated costs. More specifically, the Bank’s forthcoming Climate Change and Development Report (CCDR) is providing detailed estimates of sectoral and macroeconomic effects and identifies priority investments and reforms, and will be used to align Bank operations with climate adaptation and mitigation objectives. The Fund is also undertaking in-depth analysis. Also, the Fund has already provided capacity building on climate-sensitive public financial management and will continue this effort. **Area of shared responsibility.**
- 4. The teams have the following requests for information from their counterparts:**
- The Fund team requests to be kept informed of progress in the areas of Bank work identified above. Timing: at least quarterly.
 - The Bank team requests to be kept informed of the Fund’s assessments of macroeconomic policies and prospects as well as other work identified above. Timing: at least quarterly, and in the context of Article IV and program review missions.
- 5. The below table lists the teams’ expected work programs in the following years.**

Joint World Bank-IMF Work Program in 2024 and the Following Years			
Title	Products	Provisional Timing of Missions	Expected Delivery Date
	Climate Change and Development Report (CCDR)	September	October 2024
	Climate Change Institutional Assessment (CCIA)	June	September 2024
	Public Finance Review (PFR) on Agriculture and Rural Connectivity	June	September 2024
	Economic Update Report	June	September 2024
	Second Sustainable and Inclusive Development Policy Financing (DPF)	September	November 2024
	Togo's Growth and Jobs Report	October	July 2025
	Special Development and Decentralization Report	June	November 2024
	Improving Governance for Service Delivery in Social Sectors	July	July 2024, 2025, 2026
	Public Sector Strengthening for Service Delivery Program (P4R)	TBC	June 2030
	Social Assistance Transformation for Resilience Program (P4R)	TBC	June 2028
	Improving Quality and Equity of Basic Education Project (+additional financing)	TBC	TBC
	Essential Quality Health Services for Universal Health Coverage project (+additional financing)	TBC	TBC
	Togo Increased Development through Electricity Access	TBC	December 2029
	2024 Article IV Consultation	May / June 2024	September 2024

Joint World Bank-IMF Work Program in 2024 and the Following Years (Concluded)			
Title	Products	Provisional Timing of Missions	Expected Delivery Date
2. Fund work program	First Review of the ECF- Arrangement	October 2024	December 2024
	Second Review of the ECF-Arrangement	April 2025	June 2025
	Third Review of the ECF-Arrangement	October 2025	December 2025
	2026 Article IV Consultation and Fourth Review of the ECF-Arrangement	April 2026	June 2026
	Fifth Review of the ECF-Arrangement	October 2026	December 2026
	Sixth Review of the ECF-Arrangement	April 2027	June 2027
	Seventh Review of the ECF-Arrangement	September 2027	November 2027

RELATIONS WITH THE WORLD BANK GROUP

Togo and the World Bank Group

<https://www.worldbank.org/en/country/togo>

World Bank Projects

[Projects \(worldbank.org\)](https://www.worldbank.org/projects)

Statement by Mr. N'Sondé, Executive Director for Togo, Mrs. Bah, Alternative Executive Director and Mrs. BoukpeSSI, Advisor to the Executive Director

Wednesday, September 4th, 2024

I. Introduction

1. On behalf of our Togolese authorities, we would like to thank IMF staff for the candid and constructive discussions held in Lomé in the context of the 2024 Article IV consultations, as those interactions are critical in guiding efforts to address key medium-term vulnerabilities. We would also like to convey the authorities' appreciation to IMF Management and Executive Board for the valuable policy advice, and the technical and financial assistance they have received from the Fund over the years, including in the context of the ongoing Extended Credit Facility (ECF)-supported program approved on March 1, 2024.

2. Togo's economy has demonstrated resilience in recent years amidst multiple shocks, including the COVID-19 pandemic, the fallout from the war in Ukraine, escalating food insecurity, and a deteriorating security situation in the northern region due to terrorist activities in the Sahel. The authorities' decisive policy responses, including substantial fiscal measures, have been instrumental in mitigating the impacts of these challenges on both the population and the economy. While some progress has been made in reducing poverty and advancing the development agenda, significant challenges persist, requiring continued efforts to accelerate poverty reduction and achieve the Sustainable Development Goals (SDGs).

3. The Togolese authorities are actively implementing their 42-month arrangement under the ECF. The ECF arrangement is supporting the execution of the Government's economic and financial policies outlined in the 2020–25 Government Roadmap—*Feuille de route gouvernementale*, and the closely aligned general policy declaration made by the Prime Minister following a cabinet reshuffle on August 20, 2024.

4. The policy dialogue during this Article IV Consultation centered on three interrelated objectives: (i) bolstering macroeconomic stability through growth-friendly fiscal consolidation, (ii) laying the foundations for sustained growth, and (iii) promoting social inclusion. The authorities concur with the thrust of staff's recommendations and emphasize the critical role of the ECF program in helping to catalyze the financing needed to tackle the challenges the country is facing.

II. Recent Economic Developments and Outlook

Recent Developments

5. In 2023, economic growth remained strong, estimated at 5.6 percent, driven by increased activity in the Special Economic Zones (SEZs) and the industrial platform, *Plateforme Industrielle d'Adétikope (PIA)*. Inflation eased significantly, with headline inflation dropping from 7.5 percent in 2022 to 3.9 percent by May 2024. On the fiscal front, revenues saw a substantial increase, surpassing targets thanks to enhanced revenue administration, particularly in import taxation and the collection of land use fees and contributions to a newly established fund for security spending (*Fonds De Concours*). The overall fiscal deficit narrowed from 8.3 percent of GDP in 2022 to 6.7 percent of GDP, largely due to a reduction in fuel subsidies, despite higher-than-anticipated security spending. Total public debt stood at 68 percent of GDP at end 2023, slightly up from the earlier estimate of 67.4 percent, due to the inclusion of two previously omitted domestic loans. The current account deficit also narrowed slightly in 2023.

6. In the financial sector, banking soundness indicators have shown marked improvement, with increased solvency ratio, while non-performing loans fell to 7.7 percent of total loans at end of 2023 from 15.6 percent in 2019. However, the authorities recognize that challenges remain, notably from three banks, including the last state-owned bank (SOB) and the recently privatized bank. The government has taken decisive steps to strengthen the regulatory capital of the remaining SOB, and they are committed to further actions to ensure the stability of the financial sector. Efforts to enhance compliance with AML/CFT requirements and maintain ownership and control standards are also ongoing.

Outlook and Risks

7. The authorities are optimistic about the medium-term growth prospects, anticipating it to exceed staff's baseline projection of 5.5 percent. These positive prospects hinge significantly on strong expansion of the SEZs and the PIA, with positive spillovers to the primary and tertiary sectors. The authorities foresee headline inflation aligning with the regional central bank *Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)*'s target of 2 percent by 2025 and anticipate the fiscal deficit to converge to the regional ceiling of 3 percent of GDP within the same timeframe, in line with planned consolidation. The public debt-to-GDP ratio is projected to gradually decline starting in 2025, while the current account deficit would stabilize around 3 percent of GDP. However, the outlook is clouded with significant uncertainties, including the risks of intensified terrorism, which could disrupt trade and logistics; challenges in securing affordable regional financing; and potential shortfalls in external concessional finance. Additionally, Togo's vulnerability to the impact of climate change, including floods, droughts, and coastal erosion, poses further risks to growth and fiscal stability.

III. Medium-term Policies and Structural Reforms

Fiscal Policy and Debt Sustainability

8. The authorities reaffirm their commitment to the dual fiscal policy anchor established under their ECF program to strengthen debt sustainability. This approach, guided by the WAEMU's convergence criteria, aims to gradually bring the fiscal deficit to 3 percent of GDP by 2025 and to reduce the risk of debt distress to moderate levels by the end of 2026. The

government is determined to pursue the implementation of a growth-friendly fiscal consolidation through revenue and expenditure measures alongside reforms in public financial management (PFM).

9. On the *revenue side*, the fiscal strategy includes an increase of revenues by an additional 0.5 percent of GDP annually. To achieve this goal, efforts are underway to develop a medium-term revenue mobilization strategy that will focus on enhancing revenue administration and expanding the tax base through digitalization, improving property tax collection, and phasing out tax exemptions in line with staff's recommendations. Regarding *expenditure*, it is the authorities' plan to contain the wage bill, temporarily lower public investment, and reduce non-priority current spending. On the latter front, key measures include streamlining goods and services spending and reducing fuel subsidies. Going forward, expenditures will continue to prioritize security, social programs, and initiatives to alleviate poverty.

10. The authorities acknowledge staff's recommendations on *PFM reforms* and appreciate the recognition of noteworthy progress made in implementing key measures, including the transition to program budgeting and the introduction of gender budgeting supported by technical assistance from the IMF. They are committed to advancing their program budgeting efforts with climate and environment-sensitive budgeting and further strengthening the institutional and legal framework for state-owned enterprises (SOEs). Additionally, the authorities plan to enhance the management framework for public-private partnerships (PPPs), aiming to improve governance, accountability, and efficiency in these areas. They will build on the new regulations for public procurement and PPPs adopted in 2021 with the view to better align projects with the national development priorities and enhance public investment management.

Structural Reforms and Policies

Governance and Business Environment

11. The pursuit of policies to strengthen governance and foster a more conducive environment for business and economic development remains a priority for the Government. Considerable advancements have been made recently, particularly with the establishment of an anti-corruption authority and the introduction of asset declaration laws, which have positively impacted governance indicators. Additionally, considerable progress was made in digitalizing public administration and strengthening the operations of the Port of Lomé. However, recognizing that challenges remain, the authorities are committed to intensifying their reform efforts. They welcome the call for an IMF governance diagnostic to identify and inform reforms aimed at addressing critical vulnerabilities, building on progress already achieved.

12. Regarding the AML/CFT regime, progress is being made in line with the findings of the 2022 report of the Intergovernmental Action Group Against Money Laundering in West Africa (GIABA). This includes the drafting of an AML/CFT law with related implementation decrees. The authorities plan a phased approach to tackle related challenges, focusing notably on terrorist financing, the implementation of UN Resolutions on terrorism and proliferation, as well as measures on politically exposed persons.

Industrial Policies and Further Economic Diversification

13. The Togolese authorities' industrial policies, which include SEZs and targeted tax incentives, have effectively attracted investment and created jobs, notably in manufacturing and at the PIA. The Government is optimistic about these policies' potential to drive structural transformation. They recognize the need to carefully evaluate them, considering market needs, designing appropriate measures, analyzing costs, and ensuring effective implementation to avoid inefficiencies. Consequently, they plan to eliminate any additional ad-hoc tax incentives.

14. The authorities have taken good note of staff's recommendation to shift towards a services-based economy by capitalizing on Togo's position as a regional hub for financial services and trade logistics. They reiterate that this ranks high on their agenda, and progress is underway. Alongside efforts to strengthen financial services, trade logistics, SEZs, and energy and internet infrastructure, the Government is focusing on enhancing the workforce's skills through targeted education and training programs for modern service sectors, including IT and finance. At the same time, Togo is developing its agricultural sector, notably through the development of specialized zones, known as *Zones d'Aménagement Agricole Planifiées (ZAAP)*. These zones are designed to boost food security, improve producers' living conditions, and position Togo as a leading exporter of agricultural products, thus creating synergies between agriculture and service-oriented sectors like Agri-tech, in alignment with the Government's Roadmap objectives.

Social Inclusion

15. The authorities remain dedicated to strengthening the social safety nets and increasing social and pro-poor spending, as set out in the first pillar of the Government's Roadmap. They recognize that enhancing social inclusion is crucial for advancing towards the SDGs and supporting medium-term growth. In June 2024, a social protection strategy was adopted (Structural Benchmark), and efforts are underway to implement a biometric identification system and a registry of eligible individuals, forming the foundation for a targeted cash transfer program for the most vulnerable. While acknowledging the value of cash transfers in emergencies—such as *Novissi* during the COVID-19 pandemic—the authorities are cautious about making them permanent. They emphasize that improving access to affordable health and education services may offer a more effective approach to human capital development and long-term poverty reduction.

Climate Policies

16. Climate change considerations will continue to play a role in the authorities' key policy decisions given the economy's still high reliance on agriculture and the exposure of coastal cities to rising sea levels. The authorities agree that climate change represents significant risks and appreciate the Selected Issues paper on the *Impact of Climate Change* and its recommendations. The authorities are committed to overcoming these challenges and building climate adaptation and resilience. To support these efforts, they will seek technical assistance from the IMF and other development partners. They would like to reiterate that a request for access under the

Resilience and Sustainability Facility (RSF) has been submitted, and they look forward to its favorable consideration in the near future.

IV. IV. Conclusion

17. The Togolese authorities are steadfast in their commitment to implementing sound policies to preserve macroeconomic stability and promote sustainable and inclusive economic growth. Their efforts are geared to help build resilience, strengthen inclusiveness, and accelerate growth. They look forward to Executive Directors' support in concluding the 2024 Article IV consultations, as well as continued Fund's financial support and technical assistance to help advance their reform agenda and meet the country's development objectives.