

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**TOGO**  
**DIALOGUE PAPER**  
**2005**

**COUNTRY OPERATIONS DEPARTMENT  
WEST REGION**

**JANUARY 2005**

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## **ACRONYMS AND ABBREVIATIONS**

ABEDA	Arab Bank for Economic Development in Africa
ADB	African Development Bank
ADF	African Development Fund
AFD	French Development Agency
BCEAO	Central Bank of West African States
BWI	Bretton Woods Institutions
CFAA	Country Financial Accountability Assessment
CFAF	Franc of the African Financial Community
CSO	Civil Society Organization
CSP	Country Strategy Paper
EIB	European Investment Bank
EU	European Union
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Country
HIPCI	Heavily Indebted Poor Countries Initiative
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LICUS	Low Income Country Under Stress
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Rights
SME/SMI	Small and Medium-Scale Enterprise/Small and Medium-Scale Industry
UNDP	United Nations Development Program
UNO	United Nations Organization
WAEMU	West African Economic and Monetary Union

## **I. INTRODUCTION**

1.1. The Boards of Directors approved the last Country Strategy Paper (CSP) on Togo for the 1999-2001 period within the ADF-VIII framework. The Bank Group's operating strategy targeted the following priority sectors: the social sector (poverty reduction), the transport sector and support for reforms. Within the ADF-VIII framework, two projects were appraised and negotiated, and one study prepared. These operations were not submitted to the Board of Directors since the country has been under sanctions since August 2001 on account of persisting arrears. This Dialogue Paper – the first since the suspension of all disbursements on outstanding loans and moratorium on the approval and signing of new agreements with the Bank – aims at informing the Boards about the economic and social situation in the Republic of Togo from 2000 to 2003, and at proposing for 2004-2005 a strategy for strengthening economic policy dialogue with the Government and actions to promote the resumption of Bank Group operations in the country.

1.2. This Paper was prepared following a dialogue mission that the Bank conducted to Togo in May 2004; it takes into account Government's social and economic priorities as contained in the November 2002 Interim Poverty Reduction Strategy Paper (I-PRSP). It also draws inspiration from the "Country Re-engagement Note" prepared by the IDA and the UNDP in close collaboration with the Bank. The "Country Re-Engagement Note" is based on the LICUS (Low Income Country Under Stress) Initiative and aims at defining the modalities that should govern the engagement of all development partners in poor countries in serious difficulty. Naturally therefore, this Paper is based on engagement scenarios and instruments retained under the LICUS Initiative and the assistance strategy adopted by various partners involved in the process in Togo. A number of economic reports prepared by the authorities with the assistance of international institutions were also consulted in the course of preparing this Paper. The Paper contains the following chapters: (i) Recent Developments; (ii) The Government's Development Program; (iii) Dialogue with the Donor Community; (iv) The Bank Group's Operating Strategy; and (v) Conclusions and Recommendations.

## **II RECENT DEVELOPMENTS**

### **2.1. The Macro-Economic Context**

2.1.1. With a per capita income of USD 270, Togo is classified among the world's poorest countries. In 2004, its population was estimated at nearly 4.8 million, with a 2.4% annual growth rate. The Human Development Index (HDI) of 0.501 puts it on the 141<sup>st</sup> position out of the 173 countries listed. Based on the I-PRSP validated in June 2004, the poor account for an estimated 72.6% of the population, 57.4% of which live in extreme poverty. An analysis by professional category indicates that workers in urban and semi-urban centers are less poor compared to farm hands. Poverty and extreme poverty gradually worsen as one moves from the coastal region where economic activities concentrate to the hinterland where farming predominates. Poverty in the savannah region is 80% compared to 35% in the coastal region and 33% in the plateaux region. The breakdown between the poor and the extremely poor varies according to place of residence. For instance, poverty is estimated at 50% in Lome, 76% in the major towns, 75% in secondary urban centers and 79% in the rural area.

2.1.2. **GDP Trend:** the structure of the Togolese economy is marked by a narrow productive base, mostly dominated by: (i) the primary sector with coffee, cocoa and cotton as the main crops, representing nearly 60% of agricultural exports; (ii) the mining sector which comprises phosphates and cement; and (iii) services. The real GDP grew by 1.6% over the 1999-2003 period. That low rate (below the population growth rate) is partly attributable to the consequences of inadequate rainfall, insufficient public investments and poor productivity in the primary sector. With the country facing political uncertainties and the Government up against cash-flow difficulties during the period, economic growth depended on the primary sector, phosphates, iron/steel and cement factories which export part of their production to the sub-regional market. The real per capita GDP fell by 0.8% on average over the 1999-2003 period. In 2003, economic activity slowed with growth posting 2.7%, compared to 4.2% in 2002. The growth in demand recorded in 2003 was mostly driven by consumption and investment which rose by 6.7% and 11.8%, respectively. Gross domestic savings increased from 4.3% of the GDP in 2002 to 7.3% in 2003, while the investment rate moved slightly from 18.6% in 2002 to 18.9% in 2003, thanks mostly to the 61.8% rise in the road maintenance fund (compared to 5.8% the previous year). Togo depends largely on foreign aid to fund its public investment program which accounts for 70% of total investment. The public investment program – more than 80% of which is funded with grants and concessional loans – accounted for a paltry 3% of the GDP in 2003 compared to 13.8% in 1990, due to the suspension of support by Togo's development partners. This situation has led to a drastic reduction in the capital stock and the economic growth rate, thus contributing to the fall in the per capita income from USD 430 in 1990 to USD 270 in 2003.

2.1.3. **Public Finance:** the Government sources more than 95% of its budgetary resources from fiscal revenue. Total receipts increased by an average of 4% between 1999 and 2003, thus raising their relative contribution to the GDP from 13% in 1999 to 14.5% in 2003. The portion of the capital expenditure financed from the national budget averaged 2% over the period, reflecting the Government's low investment capacity. The overall balance (cash basis) as a percentage of the GDP, grants included, improved from -0.9% in 1999 to 0.8% in 2003. In the absence of external financing, efforts to sanitize public finances focused principally on expenditure reduction and control. The increase in fiscal revenue in 2003 is attributable to the progress in computerizing the fiscal system, thanks to which the 2002 corporate tax arrears were recovered. Thus, income and profit tax increased by nearly 61%, and taxes on goods and services by 25%. Grants accounted for 0.5% of the GDP in 2003, compared to 0.3% in 2002.

2.1.4. **Monetary Situation and Inflation:** the net external assets increased from CFAF 26.1 billion in 1999 to CFAF 87.2 billion in 2003. In 2003, the domestic credit rose by 17% compared to 1999, reaching CFAF 186.6 billion. The Government's net outstanding debt declined 12% between 2002 and 2003 due mostly to the fall in State commitments to the banking system and the increase in public deposits. Credit to the economy appreciated by 30.2% between 2002 and 2003. The increase in domestic liquidity has been propelled by the nearly 20% rise in deposits over the same period. In 2004, estimates indicate that the external assets would increase by 16% to stand at CFAF 70 billion, while the economy's overall liquidity would grow by 5% to CFAF 301 billion. The inflation rate measured by the harmonized consumer price index did not exceed the 3% WAEMU community norm.

2.1.5. **Compliance with the WAEMU Convergence Criteria:** a review of the status of convergence of the Togolese economy indicates that the country is in compliance with only three of the eight criteria of the WAEMU Convergence, Stability, Growth and Solidarity Pact, namely those with regard to the inflation rate, the base budgetary balance compared to the GDP and the wage bill vis-à-vis the tax receipts. In terms of the core criteria, Togo is yet to comply with the norm regarding the ratio of outstanding domestic and external debt to nominal GDP which, in 2003, stood at 108.4% against the 70% community standard, even as it accumulated CFAF 20 billion in arrears of payment in 2003. Regarding the secondary criteria of the WAEMU Convergence, Stability, Growth and Solidarity Pact, the current external deficit (excluding grants) to nominal GDP ratio deteriorated, rising from 10% in 2002 to 13.3% in 2003, against a target of 13.5%. Furthermore, the fiscal pressure rate stood at 14.8% in 2003 from 11.3% in 2002, compared to the 12.6% community objective. Lastly, the ratio of public investments financed with domestic resources to fiscal receipts stood at 9.6%, against a target of 20%.

2.1.6. **Balance of Payments:** the trade deficit stabilized at nearly 12% of GDP between 2002 and 2003, despite an improvement in the terms of trade. Export of goods and services grew by 9% on average, while imports increased by 12% over the period. Concerning exports, the volume of coffee and cocoa dropped, while phosphates export increased by 24% in 2003, thus reflecting the favorable impact of the sanitization measures implemented in the phosphates sector. The balance of payments current account deficit recorded worsened from 8.1% of GDP in 1999 to 12.1% in 2003. Compared to 2002, the transfers balance increased by 6% in 2003 due to the substantial rise in private transfers which concealed the impact of the suspended cooperation with the international financial community. The capital account improved by nearly 22% between 2002 and 2003. The financial operations account showed a similar trend. Direct and portfolio investments declined sharply by 14%. Constraints facing the external sector are traceable to the non-diversified exports and the practically incompressible level of certain import categories at the root of the chronic trade deficit.

2.1.7. Progress has been made with regard to *reforms*, despite the unfavorable climate for potential investors. Two privatization operations were concluded in 2001: the Lome Autonomous Port Container Terminal and the Togo Insurance Consortium (Groupement Togolaise d'Assurance – GTA). The Government should pursue the privatization of banks (SNI, BTCL, UTB and BTM) and prepare the strategy for the privatization of Togo-Telecom. With regard to the Togo Phosphates Agency (Office Togolais du Phosphate – OTP), the foreign partner concluded a debt rescheduling agreement with all local banks and mobilized the financing needed for the rehabilitation of phosphate production and mining infrastructure (USD 40 million). The new management company was set up in February 2001. Regarding the *cotton sector*, measures taken by SOTOCO (public enterprise) in 2001 helped to improve unginmed cotton production, although the sector may post a deficit estimated at CFAF 6 to 8 billion. It was recommended that the authorities speed up the launching of the cotton sector diagnostic study (the terms of reference have been agreed with the World Bank) and additional studies on the sector development strategies (STABEX, IDA and French financing).

## 2.2. The Political Situation and Status of Governance

2.2.1. **Political Situation:** the Togolese political situation in recent years has been mainly characterized by the reversal of the democratic process which contributed to the suspension of cooperation with the development partners. Indeed, although among the first

African countries in 1991 to organize a national conference to pave the way for a democratic dispensation, Togo has witnessed persistent socio-political tension. Dominated by the erstwhile single party – the Togolese People’s Assembly (Rassemblement du Peuple Togolais – RPT), the Government modified the constitution to allow the President of the Republic to stand for re-election. In the wake of that decision, the traditional opposition boycotted the legislative and presidential elections. The opposition went further to denounce the lack of transparency in the electoral process and system, and rejected any idea of participating in a national union government. Several development parties concurred with the non-transparency of the last elections. However, despite pressure from Togolese political forces and the country’s external partners, the political situation has been characterized by the absence of open and constructive dialogue that would lay the foundation for true pluralism and transparent management mechanisms. Thus, Togo has been unable to maintain normal relations with its traditional partners and international financial institutions since the mid-nineties. In the absence of resuming cooperation with its development partners, especially the European Union with which cooperation was suspended way back in 1993, Togo has lacked the capacity to honor its financial commitments to international development finance institutions, thus accumulating arrears vis-à-vis those institutions. Togo’s major development partners, particularly the European Union, have made the resumption of cooperation with the country contingent on the significant improvement of the democratic system, human rights and overall political governance.

2.2.2. **Status of Governance:** there has been an acute problem in the past decade with regard to political and economic governance. Indeed, due to lack of resources attributable to the absence of external financing and arrears accumulation, most public services have remained paralyzed, even as corruption in public procurements and services management has worsened. Furthermore, the State’s institutional analytical capacity has deteriorated partly due to the unreliability of statistical data. The weak information system has hampered a thorough analysis of the status of attainment of the Millennium Development Goals and the poverty situation that should underpin the Interim Poverty Reduction Strategy Paper (I-PRSP). To sum up, the governance situation is characterized by: (i) the lack of credibility of republican institutions; (ii) a weak local authority due, among other things, to failure to hold local elections; (iii) the weak legal and judiciary system, with frequent interference from the executive branch; (iv) corruption in public affairs management; (v) lack of transparency in the preparation, implementation and monitoring of the Government budget; and (vi) the politicization of organizations claiming to represent the civil society.

### 2.3. The Public Debt and Status of Arrears:

2.3.1. The outstanding **public debt** is estimated at CFAF 1088.3 billion, i.e. 108.4% of nominal GDP in 2003. The public debt service represents 31.3% of total budgetary receipts. The debt rate in 2004 is projected at 100.8%.

2.3.2. **External Debt:** the last debt rescheduling with the Paris Club dates back to 1998. Togo is yet to finalize its Interim Poverty Reduction Strategy Paper (I-PRSP) and has so far not benefited from the HIPCI. Since 1998, the country has accumulated external arrears of payment to the tune of nearly USD 70 million. In December 2003, the outstanding debt was estimated at CFAF 826.95 billion, or 76.8% of the GDP. Multilateral debt accounts for close to 60% of the total outstanding external debt. In May 2003, the major multilateral creditors included the IDA (43.83%), the Bank Group (7.85%), the EIB (2.59%), the IMF (1.97%) and IFAD (1.47%). Paris Club bilateral creditors account for 29% of the external debt, while that

of non-Paris Club members represents 10% thereof. The ratio of external debt service to total receipts (excluding grants) stood at above 32% in 2003.

2.3.3. **Domestic Debt:** as at the end of September 2003, the outstanding domestic debt amounted to CFAF 256.03 billion, i.e. nearly 24% of the GDP. The domestic debt structure (CFAF 253.7 million) shows the predominance of direct financial debt and guaranteed debt (46%) and commercial debt to private suppliers (34%).

2.3.4. **Arrears to the Bretton Woods Institutions:** it is worth noting that Togo has no arrears with the IMF. In contrast, its arrears to the World Bank were estimated at USD 41.35 million as at April 2004.

2.3.5. **Arrears to the Bank:** the Bank suspended all disbursements on ongoing loans and placed a moratorium on the approval and signing of new agreements with the Togo in August 2001. As at 31 December 2004, Togo's arrears amounted to UA 6 188 590 on the ADF window and UA 421 250 on the NTF window (a total of UA 6 609 840). Togo lost its right to subscribe to GCI-IV.

**TOGO: Estimated Loan Disbursements, 2005-2007**  
(in UA million)

		2005	2006	2007
ADB	Principal	0.92	0.92	0.92
	Charges	0.38	0.34	0.29
	<b>Total</b>	<b>1.30</b>	<b>1.26</b>	<b>1.21</b>
ADF	Principal	1.27	1.27	1.33
	<b>Charges</b>	0.66	0.65	0.64
	<b>Total</b>	<b>1.93</b>	<b>1.93</b>	<b>1.98</b>
NTF	Principal	0.01	-	-
	Charges			
	<b>Total</b>	<b>0.01</b>	<b>-</b>	<b>-</b>
TOTAL	Principal	2.20	2.19	2.25
	Charges	1.04	1.00	0.94
	<b>Total</b>	<b>3.24</b>	<b>3.19</b>	<b>3.19</b>

Source: African Development Bank Group

2.3.6. **Debt Management:** the Department of Public Debt within the General Directorate of Treasury and Public Accounting in the Ministry of Finance is responsible for managing the country's debt. The said Department is very thinly staffed with 13 professionals, 2 of whom would leave in 2005 following the end of the UNDP support project. The level of managerial training is inadequate. Apart from staffing problems, other constraints relate to the inadequate and dilapidated computer hardware and logistics. As a result, the Department is unable to respond effectively to the demands of appropriate debt management. Moreover, due to these weaknesses, it lacks the capacity to communicate with the country's main creditors and to periodically conduct necessary debt reconciliation. For instance, the Department has no knowledge of the status of the guaranteed debt.

### **III. THE GOVERNMENT'S DEVELOPMENT PROGRAM**

#### **3.1. Key Elements of the Program**

3.1.1. The Government's program is described in the Interim Poverty Reduction Strategy Paper (I-PRSP) prepared in November 2002. In March 2004, the document was presented to the Council of Ministers. Prepared using the participatory approach, the I-PRSP was subsequently discussed during a national seminar organized in June 2004. The Government forwarded the I-PRSP to the major development partners, including the Bank; the partners commented on the Paper with a view to content improvement. The I-PRSP analyzes the poverty situation in Togo, the reduction strategies and policies that need to be implemented. It also maps out a system for evaluating the poverty reduction strategy.

3.1.2. In the medium term, the interim strategy retained aims at containing poverty and improving the population's equitable access to basic social services. It largely focuses on: (i) accelerated growth with a view to poverty reduction; (ii) human resources development; (iii) effective natural resources management; (iv) promotion of good governance; (v) reduction of gender disparities and protection of the child; (vi) promotion of employment and income-generating activities; (vii) social protection; (viii) development of community dynamics; and (ix) consistent sector policy orientation.

3.1.3. The quantitative goal of the I-PRSP in the next three years is to achieve an average real GDP growth of 4%. The growth will depend on the good performance of the phosphates sector, the cement, iron and steel factories, the improvement of productivity in the agricultural sector and favorable weather. The inflation rate as measured by the harmonized consumer price index should not exceed the 3% WAEMU community norm, assuming there is no tension in the supply of food products. The overall balance of payments would improve by nearly 50% between 2004 and 2006. That improvement would result from the capital and financial account balance which would appreciate from CFAF 81.8 billion in 2004 to CFAF 119.3 billion. In contrast, the current account would deteriorate by 30% between 2004 and 2006 despite a 7% improvement in the commercial balance. Goods and services export in GDP per cent would increase from 45.3% in 2004 to 46.9% in 2006. Goods and services import in GDP per cent would also rise from 57.5% in 2004 to 60.3% in 2006.

3.1.4. With regard to public debt, without normalization of relations with its major creditors, Togo will be unable to settle its arrears and reimburse its debt. Thus, the issue of Togo's foreign debt cannot be solved without implementing the HIPCI. In the next three years, Togo should take the necessary steps to be part of the HIPCI. Initial estimates indicate that the country could receive debt relief to the tune of USD 206 million (end 2003 NPV) provided the Government obtains a PRGF with the IMF, settles its arrears and finalizes the I-PRSP whose approval would follow a satisfactory joint assessment by the IDA and the IMF. In connection with the domestic debt, the Government each year includes substantial allocations in the budget for the gradual settlement of the commercial debt, in order to provide some relief to SMEs and help them to revive their operations with a view to renewed growth.

3.1.5. The structural reforms over the 2004-2006 period would involve: (i) the pursuit of the public enterprise privatization, restructuring and liquidation program; (ii) the reform of the financial sector; (iii) the restructuring of the cotton sector; (iv) the continuation of efforts to adapt the texts and structures of Togolese administration to WAEMU norms, within the context of implementing the guidelines on member states' legal, statistical and public accounting framework.

3.1.6. The Government program acknowledges that at the domestic level, the socio-political crisis continues to have an impact due particularly to the suspension of cooperation with the European Union, multilateral institutions and major bilateral donors (such agencies account for more than 70% of the public investment program financing). Furthermore, successive droughts have had a negative impact on agricultural and energy production. Consequently, the trend of economic aggregates in the past five years is not in the direction of poverty reduction. Thus, to successfully implement its program, the Government will have to deploy efforts to lift the political constraints that prevent the normalization of relations with the European Union as rapidly as possible, with a view to restoring ties with all development partners. Such an approach should offer brighter prospects for economic growth, paving the way for poverty reduction.

3.1.7. With regard to the promotion of governance, the Government will channel most of its actions towards: (i) strengthening democratic institutions by respecting the principle of separation of executive, legislative and judiciary powers as recognized under the 14 October 1992 constitution, submitting the State to the rule of law, ensuring the normal operation of democratic institutions so as to protect individual liberties; (ii) good economic and financial governance, including corruption control and promotion of transparency in public finance management; (iv) effective decentralization with real transfer of powers to local governments; and (v) modernization of the administration with a view to enhancing its efficiency and rendering effective public services.

## **3.2 Assessment of the Program**

3.2.1 *Program consistency and realism:* Government's program for the 2004-2006 period draws inspiration from the I-PRSP whose thrusts are consistent with the Millennium Development Goals (MDG). In the long term, the strategy principally aims at: (i) reducing by half by 2015 the number of Togolese unable to feed themselves adequately and meet their basic non-food needs; (ii) reduce by half the number of private individuals without access to potable water; (iii) increase life expectancy; (iv) stop the spread of HIV/AIDS by reversing the current trend; and (v) achieve primary education for all. The program also seeks to improve the running of democratic institutions as well as fight corruption and lack of transparency in public resources management. By emphasizing economic and structural reforms that would restore macro-economic stability, strengthen transparency in public resources management, preserve basic social services and promote the private sector, the program is consistent and should contribute to creating the right conditions for sustainable growth that targets poverty reduction.

3.2.2 *Absence of an exhaustive macro-economic framework and public expenditure management reforms:* the analysis of the macro-economic framework excludes any projection of the State's high debt, an assessment of debt sustainability or a satisfactory analysis of the causes and impact of the crisis in terms of increasing the poverty level. Moreover, the Government strategy inadequately analyzes aspects relating to the public

procurement and public expenditure control system, and the program offers no reasons why the public procurement reforms agreed with the IDA as far back as 1997 have not been implemented. Furthermore, the analysis of the public investment programming is simplistic and does not address the key reforms that should be implemented with a view to achieving performance-based public expenditure management along the lines agreed to during the last missions to Lome by the Bank and the IDA in March and November 2003. Lastly, although mentioned as Government program objectives, corruption control and the proper running of democratic institutions are priorities that are not backed by adequate action.

3.2.3 *Weak capacity*: the weak capacity to formulate, implement and monitor economic policies has also been taken into account. Indeed, to avoid possible slippages in implementing the program, the Government plans to strengthen its human and material resources to enable it to effectively play its role in executing and monitoring the poverty reduction strategy. However, given Togo's fragile finances in the face of its essential import needs, arrears settlement and external debt maturity payments, the satisfactory implementation of the program depends on solid support from the development partners. Such support should give priority to finalizing the PRSP and debt management.

### **3.3 Challenges and Risks**

Given the numerous challenges facing Togo, the risk of slippage of the Government program resulting from the I-PRSP is quite high. The major challenges include the need to improve governance by consolidating peace, strengthening political dialogue, settling arrears, setting up a sustainable economic recovery program and promoting poverty reduction. The major risks include:

- (i) The suspension of negotiations with the political actors and the European Union as required under Article 96 of the Cotonou Agreements;
- (ii) The weak support of the international community due to the persisting political crisis;
- (iii) Difficulties in restoring peace in the region, especially in Cote d'Ivoire;
- (iv) The extreme sensitivity of the Togolese economy to international conditions due to the predominance of a few export products and its "price-taker" position within the international commodities market; and
- (v) The country's inadequate institutional capacity which has been sorely tested by the political conflict persisting since 1993.

The greatest risk concerns the break of the EU-supported political dialogue (EU is Togo's principal partner).

## **IV DIALOGUE WITH THE DONOR COMMUNITY**

The Bank participated in the major meetings on Togo organized by the donor community. The ADF participated in the IMF Article IV review mission in 2002 and 2003. The Bank, the IMF and the IDA regularly highlight the need for Togo to improve its macro-economic and economic framework, strengthen budgetary management and improve the fiduciary framework. Two joint World Bank/ADB missions (10 to 21 March and 3 to 7 November 2003) in partnership with the Government of Togo, provided an opportunity to conduct an analytical review of the public procurements system. These missions emphasized the need to reverse the flow of external aid to Togo away from the drastic decline that set in

from the early nineties due to the persisting socio-political crisis. The crisis led to the suspension of financial cooperation with the European Union (since 1993), the absence of a program with the IMF (since July 1998) and the suspension of financial cooperation with the major multilateral institutions. Between 1994 and 2004, financing from multilateral and bilateral institutions fell sharply by 60% and 32%, respectively. In addition to the European Union, Togo's other major development partners include the Bretton Woods Institutions, the Bank Group, France, Germany, the United States, the UNDP and other United Nations specialized agencies. All these partners collaborate closely in exchanging information on Togo's political and economic status. With a view to strengthening cooperation with partners, thematic groups have been set up in the areas of health, education, HIV/AIDS control, etc.

#### **4.1 Dialogue with Bilateral Donors**

Cooperation with the bilateral partners has been very limited since the start of the political crisis in the early nineties. Through its Cooperation Department and cultural activities, France resumed collaboration with Togo in 1999 and currently runs operations in education, health, micro- and small-scale enterprises amounting to EUR 6.8 million. Moreover, the French Development Agency approved grants totaling EUR 11.8 million between August 2002 and July 2003 to finance operations in the education sector. For its part, Germany reduced its cooperation to humanitarian assistance to the tune of EUR 2.4 million for HIV/AIDS control (PADESS) and EUR 90 thousand for a micro-projects program. Lastly, the United States offered USD 10 million as assistance to promote democracy and governance.

#### **4.2 Dialogue with the Bretton Woods Institutions and other Multilateral Agencies**

4.2.1 *The International Monetary Fund (IMF)*: since 1998, the country has had no program with the Fund. It owes the IMF no arrears but is working to agree on a staff-monitored program. On 28 April 2004, the IMF Board discussed the report on the review of Article IV for 2003. The IMF made recommendations with regard to improving the budgetary policy, external debt management, management of public enterprises and banks. Furthermore, it recommended that the Government pursue the Interim Poverty Reduction Strategy Paper adoption process, strengthen reforms based on the improvement of the macro-economic framework and propose a program to settle the external arrears owed the development partners. During the first quarter of 2005, the IMF plans to conduct an Article IV review mission for 2004.

4.2.2 *The World Bank*: the World Bank's last Country Assistance Strategy (CAS) in Togo dates back to 1995. The strategy was updated in 1997 and 2000, and aims at promoting sustainable economic growth and poverty reduction. It also seeks to fight the AIDS pandemic and comprises a component to support the preparation of the PRSP. However, the implementation of the strategy has been disrupted by the repeated suspension of financial cooperation due to mounting arrears since 1998 (totaling USD 49 million as at August 2004). The World Bank's project portfolio in Togo is currently inactive. However, the IDA maintained its representation in Lome and continues to advise the Togolese Government on the socio-economic aspects of development. In collaboration with other development partners, the IDA also supported the Government in the I-PRSP preparation process.

4.2.3 In anticipation of renewed cooperation between the Government and the development partners, the World Bank and the UNDP, subsequently joined by the Bank, initiated a document intended to define the modalities of engagement of Togo's development partners. The document entitled "Country Re-engagement Note" could serve as the basis for formal consultations for the major national and international institutional partners. It could also provide the reference framework for the Bank's and other donors' commitment and assistance. The document was presented to the Government in July 2004. On 12 October 2004, the World Bank presented the "Country Re-engagement Note" to its regional operations committee which endorsed it. The document will be considered by the IDA Board by January 2005. The IDA decided to extend a USD 2.7 million grant for HIV/AIDS control and micro-projects directed at poverty reduction. The "Country Re-engagement Note" is based on the IDA experience during the implementation of its LICUS (Low Income Country Under Stress) program.

4.2.4 *The European Union:* the European Union is Togo's main development partner. It suspended its budgetary assistance to the country following the non-transparent manner in which the democratic process has been managed since 1993. With a view to resuming cooperation with all development partners, the Government actively sought to normalize cooperation with the European Union. In that regard, the postponement of local elections initially scheduled for 14 December 2003 following the request by the opposition and Government's acceptance to discuss the modalities for organizing those elections contributed to restoring dialogue with the opposition and the European Union. The European Union confirmed that the Government's decision to postpone the elections provided a reason for engaging in consultations with Togo in line with Article 96 of the European Union Convention which emphasizes governance improvement.

4.2.5 The consultations which began on 14 April 2004 and continued in July of the same year sought to assess Government's progress in complying with the 22 governance commitments which mostly revolve around the strengthening of democracy and the promotion of human rights and civil liberties. The European Union took note of Government's efforts to comply with the 22 commitments and on 16 November 2004 decided to partially resume cooperation with Togo by restarting some of the projects that it had hitherto funded and conducting a population census study. The partial resumption underscores the fact that the Government of Togo indeed respected a number of commitments taken during the consultations. "Among other things, the EU notes: the acceleration of judgment of persons in preventive custody, the liberation of a number of prisoners, the adoption of a new press code by the National Assembly, the improved access of the opposition to the public media and the holding of a first meeting in August with the traditional opposition with a view to establishing transparent national dialogue." These initiatives contributed to strengthening respect for human rights and fundamental liberties, although further efforts are necessary to consolidate democracy, namely the revision of the electoral code in a manner acceptable to all Togolese parties and the fixing of a date for the legislative elections. The EU considers these as conditions pre-requisite to the programming of the EUR 40 million allocated to Togo under EDF IX and the EUR 12 million under STABEX. These funds will only be released after the elections. Meanwhile, the balance of precedent EDFs could continue to finance decentralized projects and prepare the elections. In December 2004, the Government drew up a schedule for the organization of legislative elections in line with its commitment to the European Union. That measure is the last EU condition for programming the resources allocated to Togo under EDF IX and marks a significant step towards the full normalization of relations with the EU and other development partners.

## **V. THE BANK GROUP'S OPERATING STRATEGY**

### **5.1 The Bank Group's Portfolio and its Management**

5.1.1. From 1972 when it conducted its first operation in Togo to 31 December 2004, the Bank Group has allocated loans and grants amounting to UA 172.98 million to finance 27 operations, including 17 national projects, 3 industry and banking operations, 3 structural adjustment programs, 1 institution building and 3 studies. The net amount of loans and grants extended stand at UA 17.13 million on the ADB window, UA 4.45 million on the Nigeria Trust Fund, UA 96.61 million on the ADF window, respectively, and UA 4.96 million as grants from the Technical Assistance Fund. The amounts disbursed on the Bank's net commitments in Togo total UA 113.16 million, representing an overall portfolio disbursement rate of 85.2%. This relatively high rate mostly reflects the large number of completed operations whose loans have been fully disbursed.

5.1.2. Nearly 16.9% of these resources were injected into rural development, 27.7% went to the transport sector, 25.2% to the social sector (education and health), 5% to industry and banks, 3.2% to the telecommunications sector and 22.7% to support reform and capacity building programs. Furthermore, 2.3% of the resources were channelled to fund electrification, water and sanitation operations. Moreover, four multinational projects shared by Togo and Benin were implemented in the public utilities, industry and agricultural sectors, as well as two studies (one on tertiary education, the other on maintenance of social infrastructure in eight UEMOA countries).

5.1.3. Prior to the suspension of disbursements to Togo, six operations were ongoing, all of which averaged a 61% disbursement rate. Overall, the physical implementation rate was above 50%, with two operations implemented by nearly 80%. Of the six operations, the balance on two (an institution building project and a telecommunications project) was cancelled in 2004; cancellation notices were issued on three projects and the Government given up to the end of February 2005 as deadline to react. The implementation of one project financed with a grant continues. After conducting operational audits on projects on which cancellation notices have been issued, the Bank has set aside resources to settle contracts approved and fully or partly implemented, prior to terminating all disbursements. The project financed with a grant (i.e. the Potable Water and Sanitation Study) is the only Bank operation not subject to cancellation. Overall, project implementation has not been satisfactory due to: delays in fulfilling the conditions precedent to loan effectiveness, the poor knowledge of Bank rules and procedures on the procurement of goods and services, the breakdown in communication between the Government and the Bank, the delay in releasing the counterpart contribution to project financing and the non-implementation of systematic audits.

### **5.2 Measures Taken by the Bank to Clear Arrears**

5.2.1 Although it suspended loan disbursements and the preparation of new operations in Togo in 2001, the Bank continued to maintain regular contact with the Government and participated in all joint meetings with the IMF under Article IV. During these missions, the Bank usually met several development partners represented in Lome, especially the European Union, the World Bank, the German embassy, the French Development Agency, the UNDP, the IMF and the United States embassy. On these occasions, the Bank emphasized the need to coordinate donor operations in Togo, especially within the context of modalities for the resumption of cooperation. Since 2002, the Bank has sent several correspondences to the

highest authorities, conducted at least five missions to keep dialogue going and encourage the authorities to propose a schedule for settling the arrears. Furthermore, the Bank teamed up with the IDA and the UNDP in preparing the Country Re-engagement Note.

5.2.2 The Bank conducted several dialogue missions to Togo, the latest dated May 2004. During those missions, the Government informed the Bank that the authorities were conscious of the impact that the gradual resumption of relations with the European Union would have on the restoration of overall financial cooperation with its development partners. The Government is of the view that, in the light of the progress in negotiations with the European Union, it would be able to find a global solution to the problem of arrears owed the Bank by the end of the first quarter of 2005. The Bank hopes that the Government would soon draw up an arrears settlement schedule.

### **5.3 Strategy and Instrument for Strengthening Macro-economic Dialogue and Clearing Arrears**

5.3.1. The implementation of the strategy will be consensual. The strategy is the outcome of collaboration between the Bank, the UNDP and the World Bank. It should extend to other donors, especially the EU, France, Germany, the United States and specialized agencies of the United Nations. It aims at offering a common platform for enhanced cooperation between the partners. The strategy revolves around the following pre-requisites:

- Continued improvement of political governance that should lead to an agreement with forces of the opposition on a schedule for organizing legislative elections. This measure has been effective since December 2004. The Council of Ministers announced that legislative elections will be held before the end of the first semester of 2005;
- Actual release of the resources set aside by the European Union immediately following the legislative elections (provided the elections are transparent);
- Continued improvement of the I-PRSP based on remarks made by the partners;
- Preparation of a schedule for settlement of arrears and debts due using the resources extended by the European Union; and
- Lastly, the mounting of a staff-monitored program with the IMF.

5.3.2. The strategy retained aims at: (i) putting in place a framework conducive to political change; (ii) preparing international re-engagement by resuming international aid, putting forward a strategy to settle arrears and mobilizing adequate external financing resources; and (iii) improving access to basic social services through an appropriate basic social services emergency program.

5.3.3 **Support of the Development Partners:** the continued implementation of commitments entered into with the European Union with a view to establishing democratic institutions and improving respect for human rights and laws (the absence of which is at the root of political tensions and pressures to which Togo is subjected) is a deciding factor for improving political governance and resuming cooperation with the European Union. Within that purview and in the light of progress that will be made in terms of political governance, all partners *will pursue the preparation of conditions precedent to economic recovery* with a view to designing a staff-monitored program with the IMF and evaluating the macro-

economic performance over two quarters of the PRGF (including the settlement of arrears owed the IDA, the ADF and other donors).

5.3.4 Furthermore, the development partners will continue to support the emergency poverty reduction program with a view to *preserving access to basic social services*. The said program aims at reducing extreme poverty and improving access to basic social services for the rural and urban poor without gender distinction (education, health, infrastructure, etc.). It will be conducted through the implementation of small-scale local initiatives to improve the social sector. Preparatory works are underway with UNDP and IDA support, in collaboration with governmental authorities and other partners. The UNDP and the bilateral partners will pursue their analytical and consultative support to the decentralization and local development policy.

5.3.5 **The Bank Group:** the Bank Group's intervention is based on the main thrusts of the above strategy. The Bank's short-term strategy presupposes Government's normalization of relations with the ADF by settling all its arrears and paying current maturities. Based on that assumption, the Bank will prepare a Country Strategy Paper on Togo which will provide the reference framework for its sector and multi-sector operations. To support the conditions precedent to economic recovery, the Bank plans to contribute to strengthening the macro-economic management capacity through institution building. The support will be implemented in coordination with donors involved in economic management and poverty reduction (the IMF, the Bank, the IDA, the UNDP, the EU and France). Moreover, the successful implementation of the donor-backed reform program will enable Togo in the long run to benefit from debt relief within the HIPCI framework.

5.3.6 As part of its other assistance activities, the Bank could help the Government to successfully finalize the PRSP as well as join with other partners to conduct the Public Expenditure Review (PER) and the Country Financial Accountability Assessment.

## **VI. CONCLUSION AND RECOMMENDATION**

### **6.1 Conclusion**

Togo's current economic deterioration is the result of persistent political tensions, inadequate functioning of republican institutions, lack of transparency in public expenditure management, increase in the poverty level and considerable disengagement of the country's major development partners. At the social level, the political and economic stagnation has engendered a steady fall in the per capita income and the deterioration of social indicators. Poverty has worsened in towns in general and the rural area in particular. The preparation of the I-PRSP for adoption in the near future and the renewed economic growth noted since 2003 should put the country's economy back on the path to economic and financial recovery. However, for the recovery to be sustainable, Togo should live up to the commitments it agreed to with the international community, especially the European Union, to improve governance especially at the political level. It is only within the framework of a concerted strategy by the development partners and the Togolese authorities that the Bank would find a solution to the thorny issue of arrears, resume full cooperation with the country and facilitate its access to the HIPCI. In that regard, the Bank will pursue dialogue with the Government and other donors, with a view to concluding a PRGF with the IMF. Furthermore, the resumption will enable the Bank to provide institutional support to macro-economic management, particularly in the area of debt management.

6.2

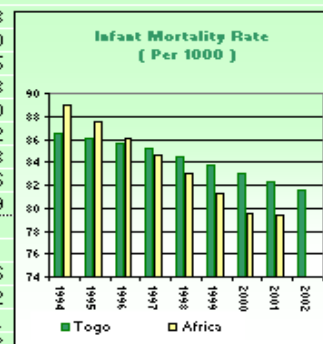
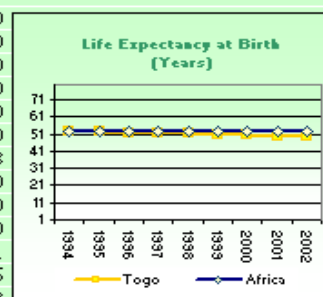
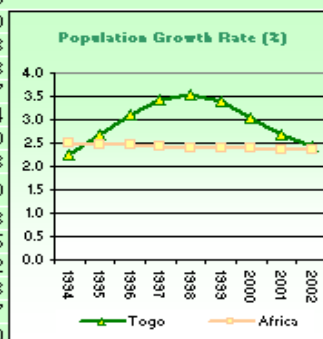
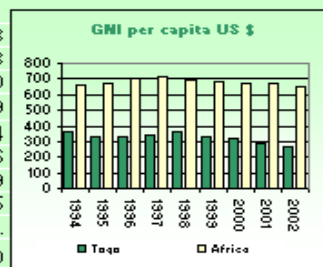
**Recommendation**

The Boards are invited to take note of this document.

## Togo

### COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Togo	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ('000 Km <sup>2</sup> )		57	30 061	80 976	54 658
Total Population (millions)	2002	4.8	831.0	5,024.6	1,200.3
Urban Population (% of Total)	2002	35.0	38.6	43.1	78.0
Population Density (per Km <sup>2</sup> )	2002	84.5	27.6	60.6	22.9
GNI per Capita (US \$)	2002	270	650	1 154	26 214
Labor Force Participation - Total (%)	2002	42.5	43.1	45.6	54.6
Labor Force Participation - Female (%)	2002	40.1	33.8	39.7	44.9
Gender -Related Development Index Value	2001	0.483	0.484	0.655	0.905
Human Develop. Index (Rank among 174 countries)	2001	141	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	1995	...	46.7	23.0	20.0
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2002	2.4	2.2	1.7	0.6
Population Growth Rate - Urban (%)	2002	4.4	3.9	2.9	0.5
Population < 15 years (%)	2002	44.8	43.2	32.4	18.0
Population >= 65 years (%)	2002	3.2	3.3	5.1	14.3
Dependency Ratio (%)	2002	88.8	86.6	61.1	48.3
Sex Ratio (per 100 female)	2002	98.1	98.9	103.3	94.7
Female Population 15-49 years (% of total populati	2000	...	24.0	26.9	25.4
Life Expectancy at Birth - Total (years)	2002	49.7	50.6	62.0	78.0
Life Expectancy at Birth - Female (years)	2002	51.1	51.7	66.3	79.3
Crude Birth Rate (per 1,000)	2002	38.5	37.3	24.0	12.0
Crude Death Rate (per 1,000)	2002	14.7	15.3	8.4	10.3
Infant Mortality Rate (per 1,000)	2002	81.5	81.9	60.9	7.5
Child Mortality Rate (per 1,000)	2002	136.0	135.6	79.8	10.2
Maternal Mortality Rate (per 100,000)	1992	640	641	440	13
Total Fertility Rate (per woman)	2002	5.3	4.9	2.8	1.7
Women Using Contraception (%)	1998	23.5	40.0	59.0	74.0
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	1995	7.9	57.6	78.0	287.0
Nurses (per 100,000 people)	1991	32.8	105.8	98.0	782.0
Births attended by Trained Health Personnel (%)	1998	51.0	38.0	56.0	99.0
Access to Safe Water (% of Population)	2000	54.0	60.3	78.0	100.0
Access to Health Services (% of Population)	1992-98	...	61.7	80.0	100.0
Access to Sanitation (% of Population)	2000	34.0	60.5	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2001	6.0	5.7	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2000	31.1	198.0	144.0	11.0
Child Immunization Against Tuberculosis (%)	2002	81.0	76.4	82.0	93.0
Child Immunization Against Measles (%)	2002	48.0	67.7	73.0	90.0
Underweight Children (% of children under 5 years)	1998	25.1	25.9	31.0	...
Daily Calorie Supply per Capita	2001	2 287	2 444	2 675	3 285
Public Expenditure on Health (as % of GDP)	1998	1.3	3.3	1.8	6.3
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2000	124.0	89.2	91.0	102.3
Primary School - Female	2000	110.0	83.7	105.0	102.0
Secondary School - Total	2000	39.0	40.8	88.0	99.5
Secondary School - Female	2000	24.0	38.2	45.8	100.8
Primary School Female Teaching Staff (% of Total)	1998	12.1	49.9	51.0	82.0
Adult Illiteracy Rate - Total (%)	2002	40.3	37.9	26.6	1.2
Adult Illiteracy Rate - Male (%)	2002	25.6	29.2	19.0	0.8
Adult Illiteracy Rate - Female (%)	2002	54.5	46.4	34.2	1.6
Percentage of GDP Spent on Education	1998	4.5	3.5	3.9	5.9
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2002	40.4	6.2	9.9	11.6
Annual Rate of Deforestation (%)	1995	1.4	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1990	12.0	4.0	...	...
Per Capita CO2 Emissions (metric tons)	1998	0.2	1.1	1.9	12.3

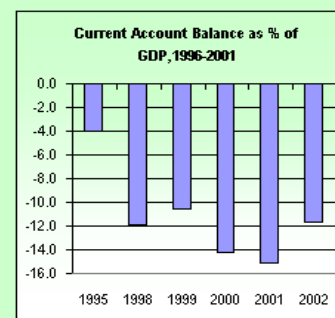
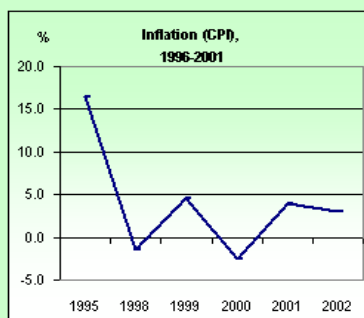
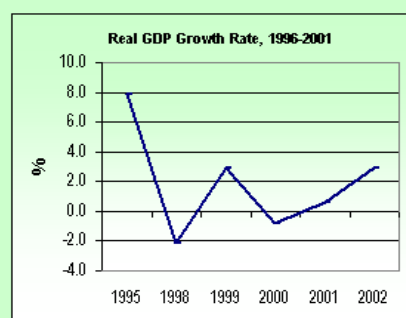


Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable; ... Data Not Available.

**TOGO**  
SELECTED MACROECONOMIC INDICATORS

Indicators	Unit	1995	1998	1999	2000	2001	2002
<b>National Accounts</b>							
GNI at Current Prices	Million US \$	1 265	1 393	1 383	1 192	1 234	1 354
GNI per Capita	US\$	330	330	320	290	270	270
GDP at Current Prices	Million US \$	1 309.4	1 416.3	1 421.1	1 206.4	1 237.3	1 359.7
GDP at 1995 Constant prices	Million US \$	1 309.4	1 454.4	1 496.6	1 484.6	1 493.5	1 536.9
Real GDP Growth Rate	%	7.8	-2.1	2.9	-0.8	0.6	2.9
Real per Capita GDP Growth Rate	%	5.0	-5.5	-0.5	-3.8	-2.1	0.4
Gross Domestic Investment	% GDP	16.0	17.3	15.9	18.0	19.2	19.6
Public Investment	% GDP	3.5	4.3	3.4	3.3	2.5	1.5
Private Investment	% GDP	12.5	13.0	12.5	14.7	16.7	18.1
Gross National Savings	% GDP	12.0	5.4	5.3	4.6	4.9	9.1
<b>Prices and Money</b>							
Inflation (CPI)	%	16.4	-1.4	4.5	-2.5	3.9	3.1
Exchange Rate (Annual Average)	local currency/US\$	499.2	590.0	615.7	712.0	733.0	697.0
Real Exchange Rate Index	Base 1995=100	100.0	118.6	121.0	148.4	152.0	142.7
Monetary Growth (M2)	%	22.3	0.1	8.4	15.2	-2.6	-2.2
Income Velocity (GDP / M2)	%	3.3	4.2	4.1	3.5	3.8	4.0
<b>Government Finance</b>							
Total Revenue and Grants	% GDP	16.1	16.6	16.6	13.9	14.6	13.5
Total Expenditure and Net Lending	% GDP	19.4	22.7	19.5	19.4	16.7	14.3
Overall Deficit (-) / Surplus (+)	% GDP	-3.3	-6.0	-2.9	-5.5	-2.2	-0.7
<b>External Sector</b>							
Exports Volume Growth (Goods)	%	19.4	-16.5	18.0	-12.4	2.9	19.7
Imports Volume Growth (Goods)	%	40.3	12.6	-8.4	-6.6	4.4	2.5
Terms of Trade Growth	%	21.8	39.2	-13.1	-10.4	3.9	-16.8
Current Account Balance	Million US \$	-52.6	-168.9	-150.6	-172.3	-200.5	-221.5
Current Account Balance	% GDP	-4.0	-11.9	-10.6	-14.2	-15.1	-11.6
External Reserves	months of imports	4.5	2.6	3.0	3.8	2.9	4.2
<b>Debt and Financial Flows</b>							
Debt Service	% exports	5.5	8.4	5.7	28.5	16.0	16.4
External Debt	% GDP	110.7	93.7	84.8	85.2	102.6	77.2
Net Total Financial Flows	Million US \$	188.4	268.0	-31.4	60.5	43.5	59.5
Net Official Development Assistance	Million US \$	192.3	128.4	71.3	69.8	43.8	51.0
Net Foreign Direct Investment	Million US \$	37.7	42.0	69.7	42.0	63.4	74.7



Source : ADB Statistics Division; IMF: World Economic Outlook, April 2004 and International Financial Statistics, February 2004; World Bank: Live Database, February 2004; United Nations: World Investment Report, 2003; OECD, Reporting System Division, January 2004.

Notes: ... Data Not Available

Last update April 2004

## Indicators of Macro-Economic Convergence

## Annex 3

Indicators	WAEMU Norms	Years					
		2001	2002	2003	2004	2005	2006
Base budget deficit in GDP per cent	>= 0	1.2	0.1	1.6	0.1	1.3	1.8
Average annual inflation rate	<= 3%	3.9	3.1	-0.9	2.6	2.6	2.6
Debt rate (%)	<= 70%	125.8	113.2	107.7	ND	ND	ND
Arrears of payment (billions)	= 0	33.5	48.9	3.4*	-8.4**	0.0	0.0
Fiscal pressure rate (%)	>= 17%	12.6	11.3	14.1	12.3	12.7	13.0
Investments financed from domestic resources in per cent of fiscal receipts	>= 20%	6.5	7.4	8.0	9.5	9.7	9.7
Wage bill ratio	<= 35%	45.1	44.7	36.8	38.7	36.8	35.0
Current external deficit, excluding grants, in GDP per cent	<= 5%	14.2	10.2	13.0	8.2	9.0	9.5

**KEY ECONOMIC INDICATORS****Annex 4**

(changes in annual per cent, except otherwise indicated)				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Gross domestic product	-0.8	-0.2	4.2	2.7
Consumer price index (annual average)	1.9	3.9	3.1	-0.9
Exports	-3.8	11.2	2	8.3
Imports	14.7	2.6	0.4	1.9
Real effective exchange rate	-6.1	3.3	3.7	2.2
(in GDP per cent, except otherwise indicated)				
Gross investment rate	17.8	20.4	18.6	18.9
Gross national savings	0.4	3.1	4.3	7.3
Current balance	-17.5	-17.4	-14.4	-11.9
Public finances				
Total income	12.3	14.8	12.3	14.5
Total expenditure	17.4	15.7	13.1	13.7
Overall balance	-5.1	-0.9	-0.8	0.8
Broad money	11.7	-3.6	-2	11.2
Velocity of circulation	3.9	3.9	4.2	4.2
External debt	101.4	103.8	103.3	104.2
Nominal GDP	946.2	973.4	1028.8	1068.6

Source: IMF

Table 1 Togo: Government Financial Operations, 1999-2004

	1999	2000	2001	2002	2003	2004	2004
				Est.	Proj.	Budget	Proj.
(in CFAF billion)							
Total income and grants	145.0	121.4	132.1	128.4	163.0	170.3	173.5
Total income	130.5	117.1	127.5	124.9	157.0	146.7	165.7
Tax revenue	115.5	105.7	108.2	115.6	141.5	135.6	149.1
Public enterprises	8.1	1.9	0.0	0.0	0.0	0.0	0.0
Other direct taxes	25.4	26.5	24.6	29.2	42.0	32.6	38.0
Import duty	52.8	49.4	56.2	59.2	63.3	66.1	73.1
Other indirect taxes	29.2	27.9	27.4	27.2	36.2	36.9	38.0
Non-tax revenue	15.0	11.4	19.3	9.3	15.5	11.1	16.6
Grants	14.5	4.3	4.6	3.5	6.0	23.6	7.8
Total expenditure and net loans	172.0	175.1	167.0	135.1	165.6	188.8	161.3
Recurrent expenditure	141.9	150.1	143.5	120.7	153.4	141.6	142.4
Primary expenditure	119.7	130.5	125.5	103.0	136.6	123.7	123.7
Salaries and wages	58.8	56.1	55.2	51.6	52.0	52.5	52.5
Other goods and services	30.7	29.3	37.1	32.3	44.7	48.3	48.3
Subsidies and transfers	22.2	16.2	11.1	11.9	16.3	17.3	17.3
Others	6.5	18.2	6.9	6.7	5.0	5.6	5.6
Unidentified expenditure	1.5	10.7	15.2	0.5	18.6	0.0	0.0
Interest on debt	22.2	19.6	17.9	17.7	16.7	17.8	18.6
Domestic	4.8	2.2	1.5	3.6	3.9	4.7	4.7
Foreign	17.4	17.4	16.4	14.1	12.8	13.1	13.9
Capital expenditure	29.8	28.3	22.7	14.4	12.2	47.2	18.9
On the national budget	2.9	3.2	2.7	3.0	2.4	3.4	3.7
On external financing	26.9	25.1	20.0	11.4	9.8	43.8	15.2
Net loans	0.3	-3.3	0.8	0.0	0.0	0.0	0.0
Current balance 1/	-11.3	-33.0	-16.0	4.1	3.5	5.1	23.3
Primary balance 2/	7.7	-13.3	-1.6	18.9	17.9	19.4	38.2
Overall balance, commitment basis							
Including grants	-26.9	-53.7	-35.0	-6.7	-2.6	-18.6	12.2
Excluding grants	-41.4	-58.0	-39.0	-10.2	-8.6	-42.2	4.4
Debt interest arrears	42.4	33.8	29.6	21.7	3.4	-8.3	-6.0
Domestic arrears	39.8	21.7	18.5	7.3	-10.7	-8.3	-6.0
External arrears	2.6	12.1	11.1	14.4	14.1	0.0	0.0
Overall balance, cash basis	15.4	-19.8	-5.4	15.0	0.8	-26.9	6.2
Financing	-15.4	18.6	70.2	51.7	-0.8	-22.5	-43.2
Domestic financing	-22.8	3.3	1.7	-15.2	-5.3	-8.7	-13.1
Bank financing	-22.9	-8.5	1.7	-15.2	-5.3	-11.9	-13.1
IMF	-5.2	-7.3	-6.1	-5.5	-8.0	-7.7	-8.9
Central Bank	-3.2	-5.4	10.3	-5.7	7.9	-2.0	-2.0
Commercial banks	-14.5	4.2	-2.5	-4.0	-5.2	-2.2	-2.2
Non-bank financing	0.1	11.8	0.0	0.0	0.0	3.2	0.0
PE advance to the State	18.7	11.8	0.0	0.0	0.0	3.2	0.0
Others	-18.6	0.0	0.0	0.0	0.0	0.0	0.0
External financing	7.4	15.3	68.5	66.9	4.5	-13.8	-30.1
Loans	14.4	21.1	15.4	7.9	4.8	20.2	7.5
Projects	14.4	20.8	15.4	7.9	4.8	20.2	7.5
Program	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Debt amortization	-24.7	-31.8	32.4	33.3	-34.0	-34.0	-37.6
Rescheduling obtained	0.0	0.0	1.7	0.0	2.6	0.0	0.0
Debt cancellation	0.0	0.0	9.3	0.0	0.0	0.0	0.0
Arrears on the principal	17.7	26.0	9.7	25.7	31.1	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	49.4	37.1

Source: Togolese authorities and IMF estimates

1/ Tax revenue minus recurrent expenditure

2/ Total revenue minus grants minus expenditure (excluding interest on external debt and capital expenditure).

Table 2 Togo: Balance of Payments, 1999-2004

	1999	2000	2001	2002	2003	2004
				Est.	Proj.	
	(in CFAF Billion)					
Trade balance	-60.0	-126.7	-120.3	-123.1	-127.0	-112.3
Total exports	241.2	232.0	258.0	288.0	341.0	362.5
Domestic exports	193.0	185.6	206.4	210.5	231.8	285.0
Cotton	50.6	30.1	45.9	47.0	45.5	59.9
Coffee	15.7	7.6	4.6	2.5	2.4	3.2
Cocoa	4.9	3.3	4.4	4.9	12.3	12.6
Phosphates	40.1	34.4	33.0	29.7	40.5	61.0
Cement	4.7	20.9	42.6	45.0	51.3	59.3
Others	77.0	89.3	75.9	81.4	79.8	89.0
Re-exports	48.2	46.4	51.6	77.5	109.2	77.5
Total imports	-301.2	-358.7	-378.3	-411.1	-468.0	-474.8
Balance of services and revenue	-61.9	-53.6	-64.1	-51.7	-44.6	-42.6
Including interest on external debt	-16.6	-15.8	-16.4	-14.1	-12.8	-13.9
Balance of transfers	29.4	44.1	56.6	63.4	67.8	74.5
Private	12.7	20.5	41.7	50.8	55.8	61.0
Public	16.7	23.6	14.9	12.6	12.0	13.5
Current balance (including official grants)	-92.5	-136.2	-127.8	-111.4	-103.8	-80.4
Current balance (excluding official grants)	-109.5	-159.8	-142.7	-124.0	-115.9	-93.9
Capital account	13.9	8.5	16.1	9.0	10.6	13.7
Private transfers	1.4	4.2	2.2	5.5	5.6	5.9
Official project grants	12.5	4.3	4.6	3.5	5.0	7.8
Debt cancellation	0.0	0.0	9.3	0.0	0.0	0.0
Financial account	79.2	112.2	90.7	76.5	50.4	37.8
Medium- and long-term public capital	-10.3	-4.3	-17.3	-23.9	-29.2	-30.2
Disbursement	14.4	21.1	15.4	7.9	4.8	7.4
Project loan	14.4	20.8	15.4	7.9	4.8	7.4
Non-project loan	0.0	0.3	0.0	0.0	0.0	0.0
External debt amortization	-24.7	-25.4	-32.7	-31.8	-34.0	-37.6
Borrowing by public enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Medium- and long-term private capital	41.7	43.9	51.9	33.9	31.3	38.5
Portfolio investments	4.8	5.5	8.9	12.7	9.3	10.5
Medium- and long-term bank commitments	0.6	-0.4	-0.4	-1.0	0.0	0.0
Short-term net external bank assets	-0.9	13.9	6.7	0.0	5.4	0.0
Short-term capital	23.7	46.7	15.2	22.7	17.4	19.0
Errors and omissions	19.6	6.9	25.7	32.1	16.2	0.0
Overall balance	0.6	-15.5	-21.0	-25.9	-42.8	-28.9
Financing	-0.5	15.4	20.9	25.9	42.9	-8.3
Official net external assets variation	-20.8	-17.6	-1.6	-14.2	-4.9	-8.3
Including net use of IMF resources	-6.6	-6.6	-6.1	-5.5	-8.0	-8.9
External arrears variation	20.3	33.0	20.8	40.1	45.2	0.0
Principal	17.7	20.9	9.7	25.7	31.1	0.0
Interest	2.6	12.1	11.1	14.4	14.1	0.0
Debt rescheduling	0.0	0.0	1.7	0.0	2.6	0.0
Financing gap	0.0	0.0	0.0	0.0	0.1	-37.2

Source: Togolese authorities and IMF estimates

**Table 3. Togo: Integrated Monetary Situation, 1999-2004**

	1999	2000	2001	2002	2003	2003	2004
	(CFAF billion)						
<b>Central Bank</b>							
Net external assets	27.1	44.7	46.3	60.05	62.1	65.4	73.7
External assets	79.7	99.3	93.9	107.9	119.7	123	122
External commitments	52.6	54.6	47.6	47.4	57.6	57.6	48.7
Net domestic assets	63.6	65.1	55	40.9	37.5	54	43.1
Net government credit	64.4	63.6	57.5	46.3	29.8	46.2	35.3
Credit	67.8	66.9	65.9	54.7	47.9	44.7	33.8
Advance to the Treasury	18.5	22.6	28.1	22.8	21.3	20.8	18.8
Credit to the IMF	47.3	41.9	35.8	30.3	25	22.4	13.5
Commitments on consolidated debt and others	2	2.4	2	1.6	1.6	1.6	1.6
Government deposits and cash flow	3.4	3.3	8.5	8.4	18.1	-1.5	-1.5
Bank refinancing	5	2.6	1.8	0	0	0	0
Credit on other financial institutions	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other net chapters (assets+)	-6.1	-1.4	-4.6	-5.8	7.4	7.4	7.4
Monetary base	90.6	109.7	101.3	101.4	99.6	119.4	117
Circulating medium	79.8	96.1	85.8	63.2	61	61	61
Deposit bank reserves	8.5	12.4	15	37.6	38.1	57.9	55.2
Deposits	4.1	5.6	7.1	29.4	28.6	48.4	45.7
Mandatory reserves	0	0	0	0	0	0	0
Excess reserves	4.1	5.6	7.1	29.4	28.6	48.4	45.7
Cash flow	4.4	6.7	7.9	8.1	9.5	9.5	9.5
Other deposits	2.4	1.3	0.5	0.6	0.5	0.5	0.5
<b>Commercial banks</b>							
Net external assets	-0.9	13	19.7	19.7	25.1	25.1	25.1
External assets	39.2	57.4	64.9	64.8	75.9	75.9	75.9
External commitments	40.1	44.4	45.2	45.2	50.8	50.8	50.8
Bank reserves	8.5	12.4	15	37.6	38.1	57.9	55.2
BCEAO refinancing	5	2.6	1.8	0	0	0	0
Net domestic credit	143.4	134.6	126.6	119.7	149	146.6	159
Domestic credit	156	150.9	138.4	124.6	152.2	149.7	163
Credit to the State	9.4	3.3	1	-3	-3.8	-8.3	-10.5
Credit	15.6	12.2	9.2	7.9	5.2	5	2.8
Deposit	6.1	8.9	8.2	10.9	9	13.3	13.3
Credit to other financial institutions	0	0	0	0	0	0	0
Credit to the private sector	146.6	147.6	137.3	127.7	156	158	173
Other net chapters (assets+)	-12.5	-16.3	-11.8	-4.9	-3.2	-3.2	-3.2
Bank deposit	146	157.4	159.4	176.9	212.2	229.5	240
Private sector deposit	130	147.8	151.2	168.5	202.8	218.6	228
Other deposits (CNSS & CRT)	16	9.7	8.2	8.4	9.4	10.9	11.4
Integrated monetary situation							
Net external assets	26.1	57.7	66	80.2	87.2	90.5	98.8
Net domestic assets	202	197.2	179.8	160.6	186.6	200.6	203
Domestic credit	220.7	214.8	196.2	171.2	182.3	196.3	198
Net credit to the State	73.8	66.9	58.5	43.3	26	38	24.9
Credit to the private sector	146.9	147.9	137.6	128	156.3	158.3	173
Other net chapters (assets+)	-18.7	-17.7	-16.4	-10.7	4.3	4.3	4.3
Broad money (M2)	228.1	254.8	245.7	240.7	273.7	291.1	301
Circulating medium	79.8	96.1	85.8	63.2	61	61	61
Deposits	148.3	158.8	159.9	177.5	212.7	230.1	240
Sight deposits	65.5	76.9	74.3	82	105	113.6	119
Including CCP deposits	1.5	1.4	1.3	1.3	1.4	1.4	1.4
Term deposits	82.9	81.9	85.6	95.5	107.7	116.5	122

Source: Central Bank of West African States and IMF estimates.

**STATUS OF THE BANK GROUP'S PORTFOLIO: ACTIONS TAKEN TO CANCEL ELIGIBLE PROJECTS**

**Annex 8**

Loan Name	Loan Number	Date of Approval	Date of Signature	Deadline	Date of Entry into Force	Last Disbursement	Gross Commitments	Amount Cancelled	Amount Undisbursed	Amount Disbursed	Net Commitments	Disbursement Rate	Eligibility for Cancellation
TELECOMMUNICATIONS PROJECT	2100150000977	01/16/1990	04/20/1990	12/31/1992	05/03/1991	07/06/1994	5,526,312.00	935,669.37	0.00	4,590,642.63	4,590,642.63	100%	Cancelled on 26/10/2004
INSTITUTION BUILDING IN THE MINISTRY OF PLANNING	2100155000344	12/17/1990	02/10/1991	10/31/2004	12/30/1991	10/18/2004	2,763,156.00	52,424.23	0.00	2,710,731.77	2,710,731.77	100%	Cancelled on 6/12/2004
LOME-NOTSE ROAD REHABILITATION	2100150000975	05/05/1999	05/10/1999	12/31/2001	12/15/2000	09/06/2001	12,180,000.00	0.00	5,382,925.47	6,797,074.53	12,180,000.00	56%	Cancellation notice sent to the country on 09/12/04
EDUCATION II	2100150000971	12/16/1991	05/13/1992	12/31/2002	12/31/2002	10/16/2001	11,052,624.00	0.00	3,982,554.94	7,070,069.06	11,052,624.00	64%	Cancellation notice sent to the country on 02/12/04
STRENGTHENING OF THE CENTRAL PHARMACY	2100150000976	11/27/1991	05/13/1992	12/31/1998	09/14/1993	02/10/1999	13,815,780.00	0.00	8,076,485.43	5,739,294.57	13,815,780.00	42%	Cancellation notice sent to the country on 02/12/04
<b>TOTAL</b>							<b>45,337,872.00</b>	<b>988,093.60</b>	<b>17,441,965.84</b>	<b>26,907,812.56</b>	<b>44,349,778.40</b>	<b>61%</b>	

