

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



TOGO

COUNTRY STRATEGY PAPER

1999 - 2001

NB : This document contains errata or corrigenda (see Annexes)

**COUNTRY DEPARTMENT
WEST REGION
AOUT 2000**

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CURRENCY EQUIVALENTS

23 February 2000

UA1 = CFAF 906.375

UA 1 = US\$ 1.35288

Fiscal Year

1st January - 31 December

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
AFD	:	Agence française de développement (French Development Agency)
AIDS	:	Acquired Immuno-Deficiency Syndrome
BCEAO	:	Banque centrale des Etats de l’Afrique de l’Ouest (Central Bank of West African States)
BEPE	:	Bureau d’exécution des projets de l’éducation (Education Projects Implementation Bureau)
BTCI	:	Banque togolaise du commerce et de l’industrie (Commercial and Industrial Bank of Togo)
CAF	:	Cost, insurance and freight
CAID	:	Canadian Agency for International Development
CEB	:	Communauté électrique du Bénin (Benin Electricity Board)
CEET	:	Compagnie d’eau et d’électricité du Togo (Water and Electricity Board of Togo)
CEP	:	Cellule d’exécution des projets (Project Implementation Unit)
CET	:	Collège d’enseignement technique (Technical Training College)
CHR	:	Centre hospitalier régional (Regional Hospital)
CIT	:	Centre togolais d’investissement (Investment Centre)
CNSS	:	Caisse nationale de sécurité sociale (Social Security Bank)
CRT	:	Caisse de retraite du Togo (Pensioners Savings Bank)
DIVAE	:	Division d’assistance aux entreprises (Assistance to Business Enterprises)
ECOWAS	:	Economic Community of West African States
EDB	:	European Development Bank
EU	:	European Union
EVP	:	Enlarged Vaccination Programme
FCFA	:	Franc de la communauté financière africaine (CFA Franc)
IMF	:	International Monetary Fund
NTF	:	Nigeria Trust Fund
ONAF	:	Société nationale de forêt (National Forestry Board)
OTP	:	Office togolais de phosphate (Togolese Phosphate Marketing Board)
PARE	:	Programme d’appui à la relance économique (Economic Revival Support Programme)
PNAE	:	Programme national d’action pour l’environnement (National Environmental Action Plan)
PTT	:	Posts and Telecommunications of Togo
SBEE	:	Société béninoise d’eau et d’électricité (Water and Electricity Board of Benin)
SDR	:	Special Drawing Rights
SIAB	:	Société inter-africaine de banques (Inter-African Banking Society)
SIT	:	Société industrielle du Togo (Togo Industrial Society)
SITO	:	Société immobilière du Togo (Togo Building Society)
SME	:	Small and Medium-scale Enterprises
SMI	:	Small and Medium-scale Industries
SNI	:	Société nationale d’investissement (National Investment Society)
SNS	:	Société nationale de sidérurgie (National Iron and Steel Industry)
TBD	:	Togolese Development Bank

ACRONYMS AND ABBREVIATIONS (Cont'd)

UA	:	Unit of Account
UEMOA	:	Union économique et monétaire de l'Afrique de l'Ouest (West African Economic and Monetary Union)
UFRP	:	Unité de formation et de recyclage pédagogique (Training and Higher Teachers Training Unit)
UNDP	:	United Nations Development Programme
UNICEF	:	United Nations Children Fund
US \$:	United States Dollars
USAID	:	United States Agency for International Development
WHO	:	World Health Organisation

Analytical Summary

1. The last Country Strategy Paper for the Republic of Togo approved by the Boards in September 1996 covered the period 1996-1998. It aimed at a high and sustainable economic growth geared towards poverty reduction. It put forward a normal lending programme shifting to an enlarged programme during the document's update in view of the efforts made in the implementing of economic reforms during the fourth quarter of 1996 and in 1997. The priority sectors of intervention were the transport sector, public utilities, agriculture and support to economic reforms for a change in a country ranked among the least developed countries, with a per capita income of US\$ 330 in 1998 and an absolute poverty threshold of CFAF 78,400 in 1999, justifying thus, the present strategy of the government and the Bank for 1999-2001. Togo's economy is essentially based on agriculture, livestock and services. The primary sector accounted for 42% of GDP in 1999, the tertiary sector 36% and the secondary sector 22%.

2. From, 1995-1999, the adjustment effort has not been constant due to the country's political situation and rising problems of governance. To this should be added other unfavourable factors such as climatic hazards, the energy crisis and social upheaval which resulted in an erratic economic evolution. From 1995 to 1999, the growth rate reached 6.9% in 1995, 9.7% in 1996 and 4.3% in 1997, -2.3% in 1998 and 3.6% in 1999. During this time, because of the cautious management of the currency at the regional level, inflation was kept under control and falling from 32.6% in 1994 to 1.5% in 1999.

3. From 1995 to 1997, public finances improved showing a current deficit excluding grants of -4.3% in 1995 and slightly to 0.7% in 1997. They worsened with deficits of -3.8% and 1.5% in 1998 and 1999 respectively due to a slackening in reform efforts, which resulted in a considerable accumulation of external and domestic arrears. Although external debt is on the decrease in percentage of GDP, falling from 129.7% in 1994 to 97% in 1999, it still remains high with a debt service, accounting on average for 16% of exports earnings between 1995 to 1999. Due to the absence of a programme backed by the international community, Togo was not eligible for the HIPC initiative. The softening of the conditions of eligibility by the G7 in Cologne in June 1999, the declaration of Heads of State and Governments in Libreville in January 2000 and a formal accord with the IMF should enable Togo to benefit from this initiative. The slackening of adjustment efforts also led to an internal debt amounting to 229 billion CFAF in 1998, accounting for 27.5% of GDP. This is made up of about 33% of commercial debt, 39% of financial debt and 28% of commitments and risks. The non-payment of domestic debt by the State is an impediment to an economic recovery programme currently facing numerous constraints.

4. The macroeconomic and institutional constraints depict the low investment level and domestic savings, the reduction in external aid and problems of governance. To this should be added: (i) the country's vulnerability to the external shocks on the prices of major export earners: phosphate, coffee and cocoa, (ii) sectoral constraints being mainly observed in the agriculture, industry and transport sectors; and (iii) a low managerial capacity due to inappropriate labour market training, the absence of specialists and under-equipping of on-line ministries for development as well as a regulatory and legal framework devoid of incentives.

5. Faced with these constraints, the Government endeavoured to lift them. To bring the political situation back to normalcy, the government initiated dialogue with the political parties with the backing of the international community. The normalisation of the political situation should open the way to the mobilising of growth potentials for the national economy thanks to the renewed confidence

of the populations, donors as well as local and international investors. This potential is crucial in the agriculture sector with 3.5 hectares of arable land of which only 0.8 million hectares are exploited; in the secondary sector with considerable deposits of phosphate, marble, manganese and calcium; in the tertiary sector, with inter alia, the transit trade developing rapidly because of the country's geographical position in West Africa, and the dynamism of the sector services, in particular, commercial ventures essentially run by Togolese women.

6. To mobilise this growth potential, the government intends to pursue economic reforms and resume cooperation with its development partners. To do this, it has with the IMF agreed upon an interim programme whose satisfactory implementation should lead to a formal programme within the framework of the poverty reduction and economic growth facility.

7 In view of attaining the objective of poverty reduction, growth promotion and good governance as mentioned in the interim programme; the government has decided to pursue the following: (i) consolidation of public finances; (ii) the redefinition of the State's role in consultation with civil society; (iii) enhancement of the regulatory and legal framework for the promotion of the private sector and; (iv) upgrading of basic social services, in particular the control of AIDS and sexually transmitted diseases, a higher enrolment rate, and literacy programmes for young girls and women. To this end, the appropriate measures will be taken with the view to adjusting public finances, improving the conditions of the banking sector and structural reforms including State divestment from production. Measures will equally be taken to resolve problems of governance with regard to accountability, transparency, the rule of law, transparency in multi-party and labour union activities.

8 The programme's quantitative objectives are an average GDP rate of 4.6% between 1999-2001; an investment rate of 15% of GDP in 2001, domestic savings of around 9.7% in 2001, a deficit of current balance of payments of -5.5% plus an inflation rate of 1.6% in 2001. This programme is coherent and realistic. It takes into account the country's institutional capacity which still remains weak and capacity building is ensured by projects funded by some donors. But the repeated socio-economic crises in Togo are the programme's premier risk. The policy of dialogue backed by the international community should help to minimise this risk. The sensitivity of the economic growth rate to external shocks is the second risk that should be lessened through the diversification of production and exports as well as the implementing of a water resources control policy. The risk related to the weak managerial capacity of the administration will be made good through the training of cadres and the equipping of the administration by means of various on-going institutional support projects financed by donors. Finally the hosting of the OAU Summit is likely to break the equilibrium of the 2000 budget. This risk is reduced by the origin of the financing of the Summit emanating from friendly countries in the form of grants. The government intends to prepare a budget amendment at the end of the year to render account.

9. The estimated amount of investments to sustain projected growth between 1999-2001 stands at 167.8 billion CFAF. 14.7% of financing will be obtained from domestic resources, 58.12% from negotiated loans and grants, 27% from loans and grants under negotiations or ear-marked. To this end, external resources requirements are estimated at 400.7 billion CFAF between 1999-2001 including 250.1 billion CFAF from the current balance of payments, 95 billion from debt amortization, 65.1 billion from net external assets and 9.5 billion under the reduction of arrears from external payments. Estimated financing amounts to 312.5 billion CFAF, leaving a residual gap of 88.5 billion CFAF the financing of which will be looked for.

10. Bank Group interventions in Togo commenced in 1972 and as at 29 February 2000 have concerned 27 operations of which 19 projects, 3 SAPs, 1 institutional support project and 4 studies. The majority of projects and studies have been completed since the portfolio review conducted in 1995. There are 4 projects and 2 studies in the pipeline. The amount of ADB, ADF and NTF commitments stand respectively at UA 22.12 million, UA 110.11 million and UA 13.12 million, corresponding to a total of UA 145.35 million. A sector by sector analysis of interventions show that 32% of commitments have been made to the transport sector, 29% to multi-sector projects, 27% to the social sector, 7% to public utilities and 5% to industry in accordance with the government's development strategy. The total amount of disbursements is UA 107.78 million i.e. 74% as against 60% for the Bank as a whole.

11. Through its important interventions in transport and multi-sector projects, the Bank has enabled Togo to play a crucial role in the disenclavement (i) of production zones in rural areas, contributing thus in poverty reduction and (ii) of neighbouring enclaved countries as well as the development of transit trade in the spirit of regional integration. The Bank also assisted in the economic reforms carried out from 1988 to 1997 which helped to improve public finances and the framework of incentives during this period. Nevertheless, debt repayment and capital subscription are irregular and often show outstanding arrears. The disbursement profile provides for a net transfer of UA 5.47 million and a repayment of UA 4.21 million between 1999-2001. Experience in portfolio management shows that in general the implementation rate of projects is slow due to administrative red-tape, protracted delays in loan effectiveness, public contract awards and difficulties in the disbursements of national counterpart funds. It has also been observed that progress and audit reports are not produced regularly. The government reacted in a positive way by simplifying internal procedures for loans and grants effectiveness and procurement. Among other things, the government has provided training to civil servants. The Bank has increased the number of supervision missions and organised skill-based seminars for project officials.

12. In Bank Group intervention strategy in Togo as defined in the 1999-2001 CSP will strengthen the former trend of its actions described above. This strategy seeks the reduction of poverty based on the Bank Group's new vision of development and on the ADF VIII directives. In this regard, the Bank organised in February 2000, a participatory workshop which made recommendations regarding the priority sectors of intervention, particularly, the social sector, because of the social indicators that are still pre-occupying and the transport sector so as to buttress the positive results obtained above and further strengthen the activities of other sectors. Once the interim programme is satisfactorily implemented, the Bank in concert with the donors will support the government's reform efforts, especially in the finance sector. The estimated financing plan for implementing the Bank Group strategy is around 13 million including UA 1.7 million from the TAF. The Boards are thus requested to consider the 1999-2001 lending programme as described in this paper. This programme will be reviewed every year in keeping the ADF VIII directives and the country's performance at the completion of the country performance evaluation exercise. The global financial package granted to Togo is around UA 25.86 million.

I. INTRODUCTION

1.1 This paper is second of the kind prepared for Togo following the first paper ADB/BD/WP/96/107 and ADF/BD/WP/96/78 of 13 August 1996 which span a period of two years, 1996-1998. It was prepared following a mission that visited Togo from 22 January to 9 February 2000 according to the participatory approach. During the course of this mission, a workshop conducted on 3 and 4 February 2000 bringing together representatives from government, from the private sector, NGOs and civil society examined the country's development strategy and Bank Group interventions in Togo and made recommendations concerning the Bank's future sectoral interventions

1.2 The write up of this paper is based on the most recent data and information obtained during the above-mentioned mission. These were reports produced by the Bank and other donors of which the report concerning articles IV of the IMF and the government including a draft Country Strategy Paper (CSP) for 1999-2001 prepared by a local consultant, whose terms of reference had previously been submitted to the Bank for approval. This draft CSP for 1999-2001 which included the Bank's contribution was one of the papers presented at the participatory workshop.

1.3 The participatory method provided an insight on the concerns of the administration, civil society and NGOs on the following themes: (i) evaluation of recent economic development, (ii) the government's mid-term programmes, and (iii) the Bank Group strategy. It also made it possible to examine Bank Group operations and draw lessons in the defining of objectives and formulating of the intervention strategy for 1999-2001.

II. RECENT DEVELOPMENTS

2.1 Macro-economic Setting

2.1.1 **Background:** In 1980 and 1990, the country carried out an adjustment of its economy with the view to reestablishing internal and external equilibria in order to foster higher growth geared towards poverty reduction. These efforts were counter-balanced by the social upheavals that shook the country, particularly from 1991-1993 compounded by problems of governance that plunged it into an economic depression. In the past five years from 1995-1999, adjustment efforts have not been constant because of the country's socio-political situation as well as an erratic economic growth rate affected by other unfavourable factors, especially climatic hazards and the energy crisis in 1998 which led to a fall in installed units of production. Box 1 provides a profile of Togo.

Box 1**Profile of TOGO**Geographical position

- Coastal country in West Africa, with an area of 56 784 km².
- Relief comprising vast plains with high flat ground; a chain of mountains that traverse the Central plains from NNE to SSW: in the South plains plateau; in the North plains.
- Climate : Hot with a Sudan type of climate in Northern Blitta (1 rainy season); of sub-equatorial type (2 rainy seasons) in the South of Blitta ;
- Vegetation : Grassland savanna in the North, and scattered trees in the Centre and the South; forest in the mountain regions.

A rapid growing population

- 4.5 million inhabitants in 1999, with an annual growth rate of 2.6% which means a doubling of the population every 22 years.
- 64.4 % of the population lived in rural areas in 1999 and the urban population increasing by nearly 4.4% a year as against 2.4% for the rural populations.

Considerable growth potentials

- an important capacity of production in agriculture (cotton, coffee, cocoa, cereals) and livestock.
- Important potential in arable lands (3.46 million ha of which only 0.8 million are exploited).
- Deposits of phosphate, iron, manganese, marble, kaolin, etc..

Preoccupying social indicators

- In 1997, Togo was ranked 143 out of 174 countries, according to UNDP classification on human resources development.
- The illiteracy rate among adults is about 45.5% (1997). The gross enrolment rate in primary education was around 119.6% in 1996, due to repeats including 99.4% for girls.
- Life expectancy was roughly 49.4 years in 1998, 50.7 years for women; infantile mortality rate is high: 79.3 for 1000 live births in 1998, a poor health cover with 6 doctors and 31 nurses for 100,000 inhabitants in 1990-96.
- The poverty index was around 72.6% at the national level and 78.6% in rural areas in 1995; the year the statistics were prepared.
- The poverty threshold is about 100,800 F and the extreme poverty threshold was 78,400 F in 1999 based on per capita food expenditure in home and in towns.
- The prevalence rate of AIDS among adults from 15 to 49 years is about 8.5%. This rate is around 16.5% among women attending prenatal consultation, 80% among prostitutes and 33% among carriers.

Sources :MPD, World Banks/UNDP and UNAIDS

2.1.2 **GDP Evolution**: The evolution of the country's economy has from 1995 to the end of 1997 been encouraging due to the return of the political situation to relative normalcy as from 1995, to competitiveness gains generated by the adjustment of the CFA franc in January 1994 as well as the implementation of the structural adjustment programme from July 1994 to June 1998 with the backing of the IMF, World Bank, the African Development Bank and Japan. In this regard, the average annual GDP growth rate between 1994 and 1997 was estimated at 9.4%. Cash crops (cotton, coffee, cocoa) mining industries (particularly phosphates up till 1996) and food products have been the driving force of economic growth during this period. In 1998, however, the GDP growth rate fell to -2.3% due among other things to post-electoral socio-political upheavals that stalled economic activity, the effects of the energy crisis in 1998 on industry and trade not mentioning poor rainfall in the Maritime Region on agricultural production, the counter-performance of phosphate production linked to obsolete production tools and the greater quantities of dead-soil to be removed before reaching the mineral. An economic revival of 3.6% in 1999 was more attributable to a good agricultural season with a better rainfall pattern than to a conducive political environment.

2.1.3 Between 1995-1999, investments declined on average by 16.3% of GDP in 1995/1996 and an average of 14.8% in 1997/1999 on account of the “sit and wait” attitude of the private sector and low public investment. Domestic savings remained low, took a downward turn and fell to 11.9% of GDP in 1995 and to 8.9% in 1999, compromising thus the country’s economic growth prospect. The public investment rate shrank from 9.6% of GDP between 1983 and 1990 to an average 2.8% between 1995 and 1999, thus illustrating the low level of government savings and a stagnant cooperation with all donors.

2.1.4 **Inflation**: After a high price escalation in 1999 due to devaluation, inflation was gradually brought under control from 1995 to 1999 thanks to demand management and a prudent monetary policy at the regional level. The inflation rate measured by the African consumer price indexes in Lome declined from 38.9% in 1994 to 8.2% in 1997 and settling at 1% in 1998. In 1999, the inflation rate increased by 1.5% as compared to 1998 because of price rises in food products.

2.1.5 **Government finances**: Budget adjustment measures implemented under economic and financial recovery programme (1994-1997) and the Economic Recovery Adjustment Programme (ERAP) 1995-1998 made it possible to improve public finances between 1994-998, although this improvement still remains fragile. Fiscal revenue accounted for 13.8% of GDP on average yearly from 1995 to 1999 as compared to 8.8% in 1993, total fiscal revenue (excluding grants) attained 15.5% of GDP on average between 1995 and 1999 as against 10.8% in 1993. To obtain these encouraging results the government has inter alia, (i) simplified the fiscal system, by bringing down the spread of import duties from 5%/35% to 5%/20%; (ii) eliminated the obligatory contribution to the National Investment Fund (NIF); (iii) adopted a single VAT of 18% and (iv) put in place a programme for strengthening the directorates of customs and inland revenue. However, the 1998 economic recession and the slackening of economic reform efforts in 1999 has led to an insufficient mobilisation of fiscal revenue for the past two years.

2.1.6 Net expenditure and lending have been reduced, with a slight dip from 23% of GDP in 1995 to 22.5% in 1999; but the practice of non scheduled expenditure made the State’s financial situation difficult to monitor, particularly, in 1998 and 1999. Current expenditure excluding grants were brought down from 19.7% of GDP in 1995 to 15.4% in 1999 and re-organised in favour of priority sectors like education, health, and road maintenance. The total wage bill ratio carried forward to fiscal revenues has gradually been reduced, declining from 52.7% in 1995 to 49% in 1999; this ratio is still over 9 points compared to the community norm of 40% for 1998. Overall deficit (excluding grants, order to pay base) nonetheless picked up from –8.35% of GDP in 1995 to –0.06% in 1999. In the same year, measures were taken to stabilise government finances especially the freeze of expenditure commitments in mid-October, including a limitation of travelling costs and a halt in the compensation procedures between State debts and the fiscal obligations of public enterprises.

2.1.7 In general, the performance of government finances has been poor in 1999 in terms of fiscal revenue recovery, the control of State expenditure and compliance with budget procedures. With regard to revenues, the non-payment of fiscal obligations and dividends by major enterprises has contributed in reducing cash receipts for the Treasury. Concerning expenditure, the poor budgetary programming and the abusive recourse to exceptional procedures have cancelled any possibilities of control of the State’s commitments. As a result, the Treasury ran into serious liquidity problems, translated by the accumulation of domestic and external arrears and the development of fiscal incivism from parastatals the resources of which were affected by exceptional advances made to the State. With regard to structural reforms, the privatisation of parastatals and financial sector reforms were among other things halted in 1999. Nonetheless, the putting in place in 1999 of a treasury plan made it possible to control State expenditure in 2000 although

government revenues were unable to attain the projected programme level because of crossed debts between the State and public concerns that still fail to pay their duties and taxes.

2.1.8 **External and domestic public debt:** The country's outstanding disbursed external debt rose on average annually by 3.72% from 1995 to 1998. In fact, the external outstanding debt amounted to 818.1 billion CFAF (98.1% of GDP) in 1998 as compared to 710.1 billion CFAF (112.7%) in 1995. It accounts for 97% of GDP i.e. 853.5 billion in 1999. Multilateral debt accounts for 62.9% of outstanding debt in 1999. No disbursements were made by bilateral donors in 1999. Togo's external debt profile however took an upward turn between 1995 and 1999 due to debt cancellation and rescheduling, especially in 1995, as a back up to the implementation of the economic and financial recovery programme (1994-1997) and to the fact that the government sought to attract long-term concessional loans. At the end of the buy back operations of commercial debt in 1997, only a balance of 100 million CFAF to a commercial bank is still outstanding, the statutes of this bank do not authorise it to participate in the buy-back operations of the debt.

2.1.9 The rate of external debt burden improved between 1994 and 1999, falling from 129.7% of GDP to 97%. External debt service has been on the decrease between 1995 and 1999 and settling at 15.7% of exports between 1995 and 1999 as compared to 36.8% in 1994. External debt still remains a matter of concern in view of the low domestic revenues. Given that the country is without a programme with the IMF, it was ineligible for the high indebted poor countries initiatives. Anyway, the easing of the eligibility conditions following the G7 meeting in Cologne in June 1999, the declaration of the African Heads of State and Governments held in Libreville on 18 and 19 January 2000 on Africa's economic and social agenda and revival of economic reforms supported by the Bretton Woods institutions should facilitate the country's admission to this mechanism so as to release the necessary resources for debt reduction in Togo.

2.1.10 Domestic debt estimated at 229 billion CFAF, accounts for 27.45% of GDP in 1998. This debt is made up of 33% of commercial debt to the private sector and para-statal, 39% of financial debt mainly to banks and 68% of commitment and risks (deposit accounts, legal department and overdrafts in the BCEAO). Annex 10 provides the details. Under the 1995-1998 Economic Recovery and Adjustment Programme, a strategy aimed at wiping off domestic debt was adopted by the Government in 1997. The implementation of this strategy had made possible a reduction of domestic public debt of about 36.04 billion CFAF in 1997. However because of a strained Treasury due to a slump in activities in 1998 plus an inadequate mobilisation of external budgetary aid, the country accumulated fresh arrears on its domestic and external debt in 1999. The speeding up of economic reforms, in particular, the privatisation of public enterprises and a high mobilisation of fiscal revenues should allow the country to pursue domestic debt repayments and face the external debt service in order to revamp the economy.

2.1.11 **Monetary policy and situation:** The government's monetary and financial policy is in keeping with community policy, prudent and aimed at controlling inflation and restructuring the financial system. In this regard, Togo undertook as far back as 1989, in concert with the other governments of the West African Monetary Union, liberal reforms of institutions and monetary and financial policy instruments. Since the implementation of these reforms, especially as from October 1993, the monetary authorities have had recourse to classic indirect credit control instruments, and the banks are free to fix (within the limits of the legal rate of usury) their lending rates in line with market rates. The use of indirect monetary management instruments and the flexibility of the interest rate were complemented by the open market policy which in time should allow for the non-bank financing of government deficits and in so doing increase credits granted to the private sector. With this in view, Togo is pursuing its finance sector reform programme, which calls for State

divestiture from the banking sector and compliance with the prudential ratios recommended by the Banking Commission.

2.1.12 Due to sluggish economic activity, the net external assets slumped between 1996 and 1999 falling from 4.6 billion CFAF (0.6% of GDP) in 1996 to 2.1 billion (0.2% of GDP) in 1999 hardly representing 0.2 months of import. Money supply growth remained modest with an average of 6% during this period. Domestic credit rose to an average rate of 5.5% with -1.6% in 1999 because of an improvement in the State's net position and the liquidity problems of commercial banks. The government's policy in this regard is aimed at increasing credit to the private sector and so sustain the country's economic growth.

2.1.13 **External trade and balance of payments:** The revival of domestic production following the economic recession and depression between 1990 and 1993 as well as the gradual liberalisation of external trade allowed for a recovery of the country's export supply from 1995 to 1997. This revival was backed by a rise in the exports of phosphates, cotton, cocoa and coffee. FOB exports increased from 182.3 billion CFAF in 1994 to 246.6 billion in 1997, corresponding to an annual average rate of 10.97%. FOB imports also shot up from 202 billion CFAF in 1994 to 309.7 billion in 1997. However, a certain stagnancy of Togo's external trade was observed in 1998, consequent to a low world demand and a fall in commodity prices due to the financial crisis in Asia and the economic recession consecutive to the energy crisis and climatic hazards. The current deficit (net of public transfers) of the balance of payments remained stable around 7.5% of GDP (on average) in 1997 and 1998 and slumping to -9% in 1999. Financing of the overall balance of payment surplus was ensured by net assets during the period and exceptional financing including arrears, debt rescheduling and cancellation as mentioned in Annex 7.

2.1.14 **State divestiture and privatisation policy:** From 1994 to 1997, the government, within the framework of its support programme to economic recovery, undertook the liquidation, restructuring and privatisation of 14 public sector firms. At the completion of this programme, it put in place, with the help of the World Bank, a support project to the restructuring and privatisation of 15 other parastatals, i.e. a total of 29 firms. The implementing of this project has been delayed due to a break in relations with the Bretton Woods institutions and administrative red-tape. In 1997, the government nonetheless took the necessary steps to enhance the efficiency of concerns within the State portfolio. Indeed, it : (i) finalised the report on the corporate information and management system; (ii) reviewed the performance contracts with the CEET (Water and Electricity Board), the RNET and the PTT ; (iii) undertook the privatisation of the Water and Electricity Board; (iv) launched a study for the management of water fountains by users, already completed and the project realised; (v) launched competitive bidding for the divestiture of 40% of State shares in the Togolese Phosphate Marketing Board; (vi) sold or put up for rent several State hotels; (vii) dissolved money losing firms and (viii) set up a purchasing group for generic medicines. The outcome of the public enterprises reform policy as at end 1998 shows that the number went down from 74 in 1984 to 29 in 1998 of which 8 were to remain in the State's portfolio.

Sectoral Overview

2.1.15 **Agriculture:** Agriculture is the backbone of Togolese economy and the major engine for growth. It accounts for about 40% of GDP and roughly for 70% of labour employment. The sector is characterised by its low productivity. The main food crops (cereals, leguminous plants and tubercules) account for 64% of agricultural GDP. Production is however subject to an inter-annual fluctuation due to the rainfall pattern. Average cereals production between 1994-1999 was rather sluggish with only 644,000 tonnes, production of tubercules rose to an average production of 1,129,000 tonnes during the same period.

2.1.16 Cash-crops (cotton, coffee, cocoa, oil palm) accounts for 11% of agricultural GDP and provide the country with about 10% of export revenue coming second to phosphates. Among these crops, cotton comes first with 80% of total cash-crops production, it is the only crop on the increase since 1994 with an average growth rate of 14%. Coffee and cocoa however recorded a fall of 4% from 1996 to 1999, due to the absence of maintenance of the plantations, diseases and damage caused by bush fires.

2.1.17 The livestock sub-sector accounts for roughly 16% of agricultural GDP. Livestock was estimated in 1998 at 283,000 heads of cattle, 3.9 million sheep and goats, 371,000 pigs and 9 million poultry. The dominant features of the life-stock sub-sector is its low productivity, the mode of cattle driving and the degradation of pasturelands. The fisheries sub-sector accounts for 63.5% of total production, inland fishing for 35% and industrial fishing for 1.5%. This sub-sector is characterised by its low productivity, an under-estimation of existing potential, inadequate organisation and training of producers and dilapidated infrastructure.

2.1.18 **Industry:** Togo's industrial fabric is made up of a juxtaposition of production units of different sizes with no real links to valorise local resources, poorly diversified and highly concentrated in the maritime region. Its contribution to GDP was about 4.6% in 1999. Industry is basically limited to the manufacturing sector which is relatively young. Most raw materials and consumables are imported, so much so, that even in agro-industrial plants, only oil manufacturing use local inputs (cotton grains, palm nuts etc.). Industrialisation is very much geared towards import substitution.

2.1.19 **Infrastructure:** Since 1996 the transport sector accounts for 13% of GDP. It comprises the Port of Lome, the International airport of Lome- Tokoin, the rail and road networks. This sector plays a nodal role in Togolese economy in terms of transit towards enclaved countries (Burkina Faso, Niger, Mali), for regional trade with ECOWAS countries and in furthering domestic and external trade.

2.1.20 The national road network is about 3.133 km including 1.608 km of tarred roads and 1525 km of earth roads. Most of the tarred roads are in an advanced state of disrepair, because of the absence of periodical maintenance in the past ten years, due to the suspension of cooperation with some international partners. A Road Maintenance Fund (RMF) was created in 1997 and is replenished by a levy on petroleum products earnings to ensure the maintenance and rehabilitation of the road network. A Roads Council assisted by a director is in charge of the RMF. With regard to Togo rail-roads, out of 575 km of rail, only the Lomé – Blitta (276 km) is in service. The railways are marked by a deterioration of the quality of services offered to the public, the state of disrepair of the rail lines and rolling material. For the past four years, the railways have been under the management of the Société Nationale des Chemins de Fer du Togo (SNCFT) (National Railways) with the participation of a private business venture.

2.1.21 The Port of Lome is a deep-water quay, with a capacity of six (6) million tonnes. The port plays a crucial role in national development, serves as an instrument for international

cooperation, a transit port for enclaved countries and today handles more than two million tonnes a year. Concerning air transport, Togo boasts of two airports of international standard in Lome and in Niamtougou. The Lome airport has a handling capacity of 10,000 tonnes of freight and handles about 700,000 passengers every year.

2.1.22 Togo also possesses a modern telecommunications network: (i) an entirely digital automatic network with a capacity of 26,040 trunk lines covering 46 localities; (ii) three (3) pilot network lines in Kara and in Lomé ; (iii) 23,600 subscribers as at end 1996 including 18,000 for Lome. Thanks to a high performing equipment and a mobile telephone network, Togo has a relatively satisfactory internal and external telecommunications network. TOGO-TELECOM forms presently the subject of a corporate plan to improve its management. On account of the diagnosis on the economic infrastructure and telecommunications sectors, the government took steps to ensure this sector's development. These measures are as follows: (i) institutional strengthening and promotion of private venture; (ii) upgrading of transport facilities and competitiveness of the Togolese corridor; (iii) the liberalisation of transport and telecommunications and (iv) the rehabilitation and maintenance of infrastructure.

2.2 The Environment in Private Sector Business Circles

2.2.1 The private sector is of essential importance in the economy. Private sector operators can be classified into two categories: the modern and informal sectors. The private modern sector comprises about 4,000 units and accounts for nearly 44% of gross domestic product. The fabrication of production materials, textiles and breweries, the manufacturing of plastic goods and the agro-food industry form the activities of the private modern sector. There is however an informal sector offering a wide range of activities (buildings, trade in all its forms etc..). According to some estimations, this sector employed 280,000 people in 1988, 304,680 in 1991 of which 35% in Lome only. The women account for 48% of this labour force and have proved to be dynamic traders.

2.2.2 Under the implementation of the structural adjustment programmes, measures were taken to stop state monopoly, the import quota system and review customs tariffs. Several structures have been set up to support the private sector, they are Secretary of State in charge of private sector promotion and the Togolese Centre of Investments (TCI) whose mission is to guide and sustain private concerns, and the single window aimed at facilitating administrative formalities for investors. The government has undertaken to review the investments code in conformity with economic policies prevailing in the UEMOA (West African Economic and Monetary Union). In like manner, the labour code and its ordinance have been reviewed particularly in terms of easing conditions of recruitment, dismissal and payment in consideration of services. Reforms have recently been carried out to institute a more transparent financial system and so reduce the temptation for tax evasion. In its bid to attract foreign investors and whip up exports, Togo created a free zone proposing fiscal and customs incentives to firms that want to establish. At the end of 1988, the company administering the free zone (Sazof) gave its authorisation to 120 firms of which 39 are already installed. The total number of jobs created in the zone was over 10,000 in 1998.

2.2.3 Togo has a relatively dense banking network. There are eight large banks catering for all banking activities. The sector is marked by the strong presence of the State, holding the majority of shares in the country's major banks. The Union Togolaise des Banques is the largest bank in terms of overall balance sheet, proprietary interest and is wholly-owned by the State. There are also other specialised financial institutions by sector, to which should be added rural credit banks and insurance companies. The Togolese financial sector is faced with considerable difficulties (absence of liquidity, under capitalisation, portfolio deterioration, insufficient medium and long-term resources) that enormously affect the functioning of enterprises and limit their access to credit. To strengthen the financial system, the government is pursuing, with the help of the World Bank, a financial sector structural adjustment programme that seeks to improve conditions in the sector especially through State withdrawal from the largest banks.

2.2.4 Apart from the constraints mentioned in para. 2.4, development of the private sector is still impeded by: (i) a slow and opaque judiciary that affects the functioning of business ventures and discourages private investment, (ii) a slow implementation of reforms, an uncertainty as to the State's degree of commitment to reform; (iii) the States incapacity to honour its obligations to the private sector continues to hamper the functioning of established concerns; (iv) the instability of the macro-economic framework and the problems of governance of the past years have considerably shaken the confidence of private business operators and as a result affects the investment climate.

2.3. Cross Cutting Themes

2.3.1 **Population:** According to 1995 estimates and the 1996 agriculture survey, the population of Togo was around 4.5 million in 1999 with an annual growth rate of 2.6%. The population's particular traits are high levels of fertility and mortality, but which for the moment are on the decrease. Thus, the synthetic fertility index fell from 6.6 children for a woman in 1988 to 5.4 in 1998. The gross natality rate was about 40.3 for one thousand in 1998. The gross mortality rate decreased from 29 for a thousand to 13 for a thousand from 1995 to 1998. These efforts have been achieved thanks to the State's efforts with respect to family planning and health.

2.3.2 In spite of the government's efforts, the mortality of infants from 0-5 years and maternal mortality still remain high (146 for one thousand and 478 for 100,000 live births in 1998). However, population growth is still rapid and compels the State to meet the increasing needs of these populations to ensure their well-being. Besides, one of the main features of the Togolese population is the high number of young people. Those below 15 years account for nearly 50% of the total population, whereas persons over and above 65 years form the minority (5.5%). The proportion of the labour force (15-64 years) is about 44.5% showing a population with important needs the satisfaction of which requires considerable investments.

2.3.3 The breakdown by sex of the population shows that Togo has more women (51.3%) than men (48.7%). This superiority in numbers of the female population observed at all ages may be attributable to the high mortality rate among men and a relatively high level immigration of men. Internal migrations are marked by the major trends towards the North and South. This movement is mostly between neighbouring districts, but especially from rural areas to towns. Urban growth is very high in Togo, particularly because of massive rural exodus. The urban population accounts for around 35.5% of total population in 1999, growing at a rate of 4.4% a year as against 2.4% for rural populations. Lome (the capital) accounts for nearly 50% of city dwellers and growing at an annual rate of 6.1%.

2.3.4 The population distribution in space is unequal. The regions suitable for cash crops cultivation, in particular, the forest regions in the Southern part of the country, and the bright lights

of the capital, Lome, account for 66% of the total population compared to 41% in the rest of the country. The average population density trebled in 30 years, from 25 inhabitants to the km² in 1960 to 80 inhabitants/km² in 1999. The preoccupying population-economic diagnosis of the country led the authorities to prepare and adopt a National Population Policy to go hand in hand with the country's national development strategy. The Population Policy aims to adapt the population growth rate to a level compatible with the country's economic and social development. The main objectives of this population policy are: (i) a gradual check of fertility through the promotion of family planning; (ii) increase life expectancy at birth from 56 years in 1997 to 68 in 2020, by the upgrading of the populations' standards of living; (iii) promote by 2020 the equal participation of women and men in the country's development process; (iv) decentralise the implementation of the national population policy so as to adapt it to the various regional specificities. The implementation of this policy requires proven political will and availability of local expertise to ensure coordination and monitoring, which constitutes one of government's preoccupations.

2.3.5 **Poverty reduction:** With a per capita GDP of US \$ 330 in 1999 and ranking 143 out of 174 countries in 1998, the human development index shows that Togo is among the least developed countries in the world. The social indicators remain worrisome account taken of levels of income, the proportion of the population living below the breadline, health and education in rural areas. This situation, the result of several factors fit into each other, which among others are the government inappropriate policies regarding the macro-economy, industrialisation and human resource development in rural areas. These ill adapted policies have led to a high population growth rate that exerts considerable pressure on already strained resources, erodes the potential for sustainable development, contributes to environmental degradation and provokes internal political strife.

2.3.6 The most visible signs of poverty in Togo are: low incomes, unemployment, a high level of illiteracy, malnutrition and poor access to health and sanitation services and education. The country's poverty profile depend mainly on the Budget – Consumption Survey (BCS) conducted from 1987 to 1989 and updated by the quantitative approximation of poverty in Togo in 1995. This profile sets the poverty threshold at 90,000 CFAF and extreme poverty at 70,000 CFAF based on per capita food expenses in Lome and in the secondary towns. A study conducted in 1999 sets poverty and extreme poverty thresholds at 100,800 CFAF and 78,400 CFAF respectively.

2.3.7 Out of a total population of more than 4,052 million inhabitants in 1995, the poverty index was estimated at 72.6% at the national level, 50% in Lome, 76.2% in the other large urban centres, 74.8% in the secondary urban centres, 78.6% in rural areas, with a peak of 85.9% in the savanna region. More than half of the Togolese population (57.6%) were extremely poor. The extreme poverty rate was 65.5%, in rural areas 32.7% in Lome, 60.1% in secondary towns.

2.3.8 All socio-professional classes are affected by poverty. However, this phenomenon is essentially manifest among agricultural workers (72.2%) petty traders and assimilated trades (61.3%). There is a strong correlation between the family size and the degree of poverty. According to the 1995 study, the incidence of poverty in 1995 was about 56% for households of 2 to 3 persons and 86.9% for households of 8 to 10 persons.

2.3.9 Health sector indicators in Togo equally illustrate the country's poverty. This sector is, in fact, characterised by (i) an inadequate cover in infrastructure (the distance from a primary health care unit varies from 3 to 50 km (these centres are obsolete, lack the necessary personnel both in quality and in quantity, and have recorded an important decrease in consultations from 60 to 27% between 1991 and 1995 according to recent statistics); (ii) a very high mortality especially among children and women; (iii) an infantile mortality rate of around 79.3 for one thousand in 1998 and

that of children below 5 years estimated at 115.4 for one thousand for the same year; (iv) a maternal mortality of 640 for 100,000 live births; (v) a resurgence of past endemic diseases (sleeping sickness, anthrax, rabies; (vi) a persistence of avoidable diseases (target diseases of the EVP, infectious and parasite diseases); (vii) a pre-occupying propagation of AIDS and sexually transmitted diseases (STD), heart diseases and drugs. With special reference to AIDS, sero prevalence among adults from 15 to 49 years was estimated at 8.5% end 1997. A study conducted in 1992 found a rate of sero prevalence of 16.5% among women attending prenatal consultation in urban areas, a prevalence of 80% among prostitutes and 33% among road carriers. According to the same sources, 20,000 adults and children died of the disease in 1997 and since its appearance, has been the cause of about 110,000 AIDS orphaned children below 15 years. These indicators are sufficient enough to show the negative impact of the epidemic on the labour force and especially in rural areas, the foundation of the country's development.

2.3.10 The situation is equally alarming as regards health and reproduction. Maternal mortality is still very high although on the decline between 1996 and 1998; 640 for 100,000 live births in 1996 and 478 in 1998. Family planning services were on the increase but recorded a slow-down in 1993 during the socio-political unrest. The use of contraceptives based on the number of women attending pre-natal consultations rose from 1.5% in 1991, 6.4% at the beginning of 1994 and 7% in 1998 following an intensive sensitization campaign.

2.3.11 The system of education is also a cause for concern. In fact, it is characterised by a low turn out of the education system, an insufficient number of schools, the shortage of basic textbooks for children and teachers, the severe shortage of teaching and administration personnel both in quality and in quantity, shortcomings in administrative and managerial structures. In spite of the remarkable progress made, the situation is pre-occupying. The system of education in Togo is riddled with internal inefficiency with a high rate of repeats (36% in primary education, 22% in junior secondary and 40% in senior secondary education), a dropout rate oscillating between 10 and 20% depending on the level of education, the absence of textbooks and teaching aids and the lack of classrooms. The lack of skills and competence on graduation is due to the type of training received inconsistent with the exigencies of social and economic life, resulting in an increasing number of unemployed graduates.

2.3.12 Faced with this poverty situation, the government undertook in 1995, with the assistance of the UNDP and other UN agencies, the preparation of a National Poverty Alleviation Programme (NPAP) aimed at improving and strengthening on-going efforts to reduce and in the long run eradicate poverty in Togo. The national poverty alleviation programme comprises four (4) sub-programmes; (i) economic development in depressed areas; (ii) improvement of basic social services; (iii) institutional capacity building and management; and (iv) upgrading of living standards in vulnerable areas.

2.3.13 **Employment and international labour norms:** In the past decade, the labour market in Togo has been characterised in its modern sector by an increasing demand although supply is on the decrease. This trend rose sharply between 1992-1996 due to the socio-political upheaval in the country. In general, the employment situation in Togo is explained by a fall in investments, the employment freeze in the civil service, restructuring, and liquidation or privatisation of parastatals. Between 1992 and 1996, losses of paid employment in the private sector and in parastatals were estimated at more than 17% according to the statistics of the Social Security Department. The highest number of paid personnel in this sector was about 63,764 employees in 1988. In 1996 the workforce stood around 50,147.

2.3.14 With regard to the different employment sectors, the highest loss of paid employment (60%) concern the manufacturing industry which, with a staff strength of 7,338 employees in 1992 fell to 2,949 in 1996. From 31,827 agents in 1992 in the public sector, this number shifted slightly to 30,548 in 1997. This loss of employment in the public sector is essentially due to the non-replacement of pensioners, the deceased and those who voluntary left the civil service. The informal sector, catering for all the activities that are carried out neither by the modern sector, nor the rural sector is still ill-conceived. Togo has since 1960 ratified nineteen fundamental conventions of which Convention 105 concerning the abolition of forced labour in March 1998. The procedure concerning the ratification of Convention 182 relating to child labour will soon be concluded. The application of these conventions is materialised by the creation of unions in most professional activities and in the civil service where the freedom of action and associations are guaranteed by the constitution. However, the absence of material and human resources limits the State's control as to the respect of these instruments. The Civil Service disposes of only fifteen (15) labour inspectors for the country as a whole and the government endeavours to provide them with further training for a more effective application of the labour laws, in particular the international conventions of the ILO on forced labour, free association, equal treatment, night work for women and the minimum age.

2.3.15 **Gender and development:** Women play a crucial role in the country's economy and are dominant in all sectors of production. In the agriculture sector for instance, they account for 56.4% of the manpower and are a force to be reckoned with in production, storage, processing and marketing of products, thus largely contributing to the country's food security. In the non-agricultural sector, they are dynamic and undertake activities such as petty trading and cottage industry; pottery, weaving, basket making etc. Again, household costs are more and more met by women because of the economic difficulties, caused, inter alia, by the negative outcome of structural adjustment measures and the social and political unrest that led to the closing down of firms, and the unemployment of many men and women. These charges are, among other things, the payment of school fees as well as care and survival in general for the family.

2.3.16 These actions are an illustration of Togolese women playing their role as man's better half with the view to fighting hunger and poverty. However, in spite of the will of women to further their economic activities and meet the multiple financial demands at home, they have hardly made any remarkable progress. Therefore, to promote these activities, the State, through the intermediary of the General Directorate for Women's Development (GDWP), the technical structures of other departments, NGOs and Associations, has carried out various actions including technical, financial and material support to the profit of about 1,200 women's grouping and individuals. But these attempts to upgrade women's conditions have often ran into difficulties such as the socio-economic and cultural environment and the negative impact of the devaluation of the CFAF. These difficulties are as follows: (i) difficult access to production means, credit facilities and inadequate infrastructure etc. ; (ii) lack of information and in some cases, the absence of the appropriate training; (iii) difficulties in reducing back-breaking tasks due to the lack of technological control.

2.3.17 In the face of these constraints, the government of Togo, aware of the essential role of women in economic and social development adopted a policy declaration as well as a national action plan for women's development. These priority programmes stemming from the government's policy aim at: (i) strengthening women's economic power and fight against the feminisation of poverty; (ii) enhance the level of education, information, and training of women and young girls; (iii) upgrade the legal status of the women and the young girl; (iv) the strengthening of community-based structures; (v) the capacity building of instruments fostering women's economic and social development. The Ministry of Social Affairs and Women's Development is in charge of monitoring these programmes. Numerous NGOs, regrouped in two federations, and in regional and thematic networks help in attaining these aims. Furthermore, a committee of NGOs is charged with monitoring the recommendations of the Beijing Conference the activities of which are in keeping with those of the National Monitoring Committee of this Conference.

2.3.18 **Participatory development:** Land development constitutes one of the government's major stakes and seeks to promote equal development with the participation of all classes of society and better welfare for present and future generations. To this end, a planning and development approach centered on the participation of local communities and populations was initiated and applied as far back as 1975. The general purpose of the land development policy is to further a global and rational management of land with the view to improving the living standards of the populations within the perspective of the country's equitable and sustainable socio-economic development based on the principles of accountability consultation, participation, integration and coordination at the local, regional and national levels. One of the main tools of this policy is decentralisation and local development.

2.3.19 In 1998, a law on decentralisation was enacted and is being applied gradually. This law aims at ensuring and strengthening the setting up of the institutional framework and the devolution of decision-making to local communities, as a step towards the consolidation of local democracy. With respect to local development, the putting of the decentralisation policy into concrete form is needed to reconstitute regional and local economic fabric and thereby guarantee endogenous development. This new strategy for the promotion of regional and local economy seeks to foster the participation of populations in the design, organisation and implementation of development programmes and actions. It is therefore important that these tools of decentralisation and local development should within the framework of a participatory approach to development fit in a coherent land development plan to be prepared through the realisation of local, district, regional and national land development schemes. But to date, the planned municipal elections as laid down by these instruments have not been held. In addition, the regional planning and social development structures should be strengthened to face up to these new obligations. It should be noted that an effective decentralisation policy should be based on the financial autonomy of the concerned entities. To do this, the government has launched a study on domestic finances, funded in 1999 by the TAF. The outcome of this study will be used in the allotment of duties between the central administration and local communities. Donors, and especially NGOs apply this policy by laying specific emphasis on proximity development programmes and projects. The Bank Group also applies this participatory policy in the design and implementation of projects in Togo. This was so for the East Mono rural development project and the on-going Education II project.

2.3.20 **Natural resources and the Environment:** Concerning the management of natural resources and the environment, the study found: i) a degradation of plant cover and deforestation; ii) the deterioration of the fertility of arable land; iii) the loss of biological diversity; iv) the impoverishment of continental and coastal waters in fisheries resources and v) the erosion of the coastal areas and the lagoon ecosystem. Aware of the acuteness of these problems, the authorities

created in 1988, a Ministry in charge of the Environment, promulgated the environment Code in 1987, took several commitments with respect to the environment at the sub-regional, regional and international level. On 23 December 1998, the government elaborated and adopted a National Environment Policy (NEP) and on 8 June 1999, a National Environmental Action Plan (NEAP). The latter was prepared according to the ascending participatory approach starting from villages and cantons to the thirty prefectures of the country divided into five regions. This process received the financial and technical backing of donors and the Network on the Environment for Sustainable Development in Africa (NESDA). The NEAP has defined a strategic framework for reflection, consultation, programming of actions that help to identify and prioritise environmental problems, so as to develop an efficient environment and natural resources planning system for sustainable development.

2.3.21 In a bid to implement the NEP, the country prepared a National Environmental Management Programme (NEMP) divided into 3 successive phases of 5 years each. It prepared in September 1999 phase I of this programme (NEMP I) covering the period 1999-2004. This programme has been finalised following a consultation workshop conducted on 9 June 1999 in Lome in which the Bank took part. The main components of this programme are: i) the building of national capacities for environmental management; ii) natural resource management (management of and preservation of forest ecosystems and development of bio-diversity); and iii) integrated coastal management. Furthermore, the government set up a unit in charge of the coordination and monitoring of the preparation and implementing of the NEMP. In order to ensure the rapid implementation of NEMP I, the government intends to upgrade this Unit into a National Agency for Environmental Protection provided with financial autonomy.

2.3.22 **Regional integration :** Togo is a member of the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU). The commissioning of a Customs Union or a Common Market with the framework of these two regional regroupings will help in the next few years to develop and accelerate intra ECOWAS and intra WAEMU exchanges. It also worth noting that Togo belongs to a monetary zone that has succeeded in controlling inflation and the movement of persons and capital within this region. The institution of the regional stock-exchange market, the putting in place of centralised balance sheet payment unit will strengthen the financial integration of the WAEMU and contribute to Togo's economic development. The entry into force in January 2000 of the single external tariff is the consecration of the customs union of this sub-regional community opening the market to the country's production unit.

2.3.23 Meanwhile, the greater part of Togo's trade exchanges is done with non member countries of the WAEMU and the ECOWAS. In 1998, the Asian countries and Europe absorbed more than 52% of Togo's exports. The country's exports towards WAEMU countries accounted but for 7.9%. Nonetheless, a favourable evolution although modest has been observed in favour of the WAEMU zone, because in 1995, exports to this zone accounted for 7% of total exports of food products, garments, petroleum products and by-products. Although Europe remains Togo's major supplier (54% of Togo's imports in 1995 compared to 71% ten years ago), there has been a slight increase in imports from WAEMU member States rising from 9.0% in 1997 to 9.2% in 1998 for food products, pharmaceuticals and chemical products. These few intra regional trade exchanges led the authorities to contribute in reversing the major trade routes in the region. They provided two instruments to this end, the deep water quay in Lome and the international highway from the Lome border to Burkina Faso for the disenclavement of three sahel countries; Burkina, Mali, Niger. The Bank contributed and will contribute in rehabilitating this important trunk road for the development of national and sub regional development.

2.3.24 Togo and Benin form the Communauté Electrique du Bénin (Benin Electricity Community) created in 1968 and whose mission is to set up and exploit installations for the production and conveyance of electric power and to conclude with neighbouring countries (Ghana, Nigeria, etc...) agreements concerning the purchase and sale of electric power. The CEB exploits the Nangbéto Hydroelectric Dam. Both States intend to build a second hydro-agricultural dam in Adjaralla plus an interconnection project linking Northern Togo and Northern Benin, to be realised within the Banks lending programme that will contribute in strengthening the regional integration of WAEMU countries. Thanks to the connection, Togo was able to face in part the electric energy crisis in 1998 and call on neighbouring countries and some countries in the region for further assistance. The Bank should continue to support the efforts of States in this area.

2.4 Major Constraints to Development

Macroeconomic and institutional constraints

2.4.1 In spite of the efforts made by the Togolese authorities to improve the country's global framework, considerable macro-economic and institutional constraints still weigh heavily on the national economy. These concern the low-level of local investment and insufficient gross domestic savings, the low per capita income especially in rural areas, difficulties caused by local elections with the resulting freeze of financial cooperation of development partners, the declining production of phosphates reaching an all-time low, and the degradation of basic infrastructure.

2.4.2 Since 1998, the macroeconomic framework is, apart from inflation control characterised by important domestic and external imbalances. This led to the suspension of programmes with the Bretton Woods institutions, which was a serious blow to the country's economic development. Furthermore, since the production and export base is hardly diversified, Togolese economy is particularly open to external shocks and internal slippages. The fragility of the economy is illustrated by: (i) a highly variable growth rate; (ii) a high rate of unemployment and under-employment; (iii) a very narrow export base (2 products, cotton and phosphates account for 2/3 of total exports excluding the re-export of raw materials); (iv) a important external debt which constitutes a very heavy burden for the government's finances; (v) considerable domestic arrears that slow down economic production; and (vi) a very high dependence on external assistance financing for more than 35% of public investments.

2.4.3 At the institutional front, the inconsistency of training of cadres with the needs of the economy, shortage of qualified personnel and equipment of online ministries are a limitation to the country's sustainable development management. To this should be added an unattractive regulatory and legal framework coupled by the lack of motivation of civil servants due to delays in the payment of very low salaries, this in part explains the inadequate monitoring of development projects.

Sectoral Constraints

2.4.4 **Agriculture:** This sector is subject to physical, institutional, structural and technological constraints. Due to its extensive nature, agriculture is greatly affected by climatic hazards. The parcelling out of land, linked particularly to high demographic growth in some regions, renders difficult the use of modern-equipment in this sector. Shortcomings in the support mechanism of this sector, especially with respect to agricultural services, land tenure system and the absence of agricultural credit are also an impediment to agricultural activities.

2.4.5 **Industry:** The obstacles to industrial development are a multiplicity of structures and procedures in project implementation, an insufficient support from the banking system, an unsuitable training for the sector's needs in qualified manpower. Furthermore, the narrow domestic market and protection of markets by non-tariff barriers in some ECOWAS countries, and in general, the absence of a policy resolutely geared towards the provision of incentives for exports, explain the weaknesses in the industrial fabric. Added to this are (i) the effects of the 1992 crisis when several industrial firms were closed and the high risks that some money losing firms bring to bear on the portfolio of the banking system due to crossed debts; (ii) a decrease in the population's purchasing power; (iii) the high costs of production factors (electricity, telephone); and (v) the complex administrative procedures required in establishing a business concern.

2.4.6 **Transport:** Inadequate financing both in and outside the country for the rehabilitation of degraded roads and ports infrastructure, the renewal of rolling stock and maintenance are a major handicap to the transport sector. Furthermore, weaknesses have been observed in (i) the services responsible for the planning and evaluation of investments in a plurimodal vision and (ii) the technical and financial programming of investment projects. Added to these constraints are institutional problems such as the lack of interministerial coordination, the important gaps in the collection, processing and comprehension of the sector's statistical data, inappropriate training and inadequate resources and modern methods of processing information. Finally inadapted regulatory and legal instruments coupled with the ignorance of the instruments by users and economic operators are a hindrance to the smooth development of the sector's activities.

III THE GOVERNMENT'S DEVELOPMENT PROGRAMME

3.1 Key Elements of the Programme

3.1.1 In order to lift the constraints that impede the country's development mentioned in section 2.4 above, the government prepared a programme, the prime objective of which is poverty reduction and the furthering of good governance. This programme aimed at: (i) the continued consolidation of government finances; (ii) the redefining of the role of the State in consultation with civil society, which implies a reform of public administration and the civil service, the building of managerial capacities and development of institutions that should guarantee better governance; (iii) improvement of the regulatory and legal framework to support private sector initiative; (iv) the upgrading of basic social services under the poverty reduction policy and sector development.

3.1.2 To attain the principal objective of its programme, i.e. poverty reduction, the government decided to pursue: (i) the restructuring of public finances by means of an increased mobilisation of public resources and a rationalisation of expenditure. To this end, the State will provide the state-owned financial companies with the requisite human and material resources for a better collation and monitoring of tax payers, will enlarge the tax base for a rapid taxation of the informal sector so as to trade-off the loss of income resulting from the application of the common external tariff as from January 2000, will gradually cut down exemptions and exonerations on duties and taxes, tighten controls on tax evasion and draw up tax-payers sensitisation programmes in order to heighten their civic obligations towards the State; (ii) the restructuring of the banking and financial sectors by the State's divestiture from three financial institutions where it is a shareholder to allow it concentrate its efforts on the regulatory control and supervision of the sector in close collaboration with the regional banking commission of the BCEAO (Central Bank of West African States); (iii) the structural reforms, comprising the revival of the privatisation programme, particularly in the telecommunications and electricity sectors; the close surveillance of the management of para-statals remaining in the State's portfolio and the definition of a strategy for employment in the Civil Service, enhancement of the judiciary to resuscitate private sector confidence and create a propitious environment for investment and growth.

3.1.3 The programme's quantitative objectives are: an average growth rate of 4.6% from 1999 to 2001, a gross domestic investment rate of 15.0%, gross domestic savings of 9.8% a deficit in current balance of payments of -5.5% plus an inflation rate of 1.6% thanks to the different above-mentioned macroeconomic measures and the sectoral measures below.

3.1.4 **Continued restructuring of the public sector and parastatals:** In spite of the measures taken under the adjustment programme launched since 1983, the managerial capacities of the administration are still below standard to efficiently elaborate policies and ensure their effective implementation. It is therefore necessary to pursue the capacity building of the central and local administration, i.e. taking the necessary steps to freeze all salary increases due to promotion, reviewing the administrative status of civil servants and carry out a census to ascertain their numbers and estimate the wage bill. The government also intends to pursue the reform of parastatals so as to reduce budget costs on account of their shortfalls and enlarge the possibilities of private sector expansion. One of the immediate actions to be taken is the settling of the payment arrears of State budget to parastatals and firm to firm arrears; the privatisation and management of the Water and Electricity Board, the transfer of 40% of shares held in the Togolese Phosphates Marketing Board, the commencement of the privatisation procedure of three banks (UTB, BTCI and BTM). The mid-term objective is to bring down the number of firms in the State's portfolio from 8 in 1998 to 5 in 2002.

3.1.5 **Revival of the rural sector:** The government's mid-term strategy is to revamp agricultural production growth by focusing on higher productivity and marketing of agricultural produce, the equipping of agricultural infrastructure and finally, the protection of natural resources for a more productive and durable use. With regard to plant production, the measures to be taken will concern the improved productivity of food crops by ensuring the promotion and use of improved seedlings, the production of which require tighter controls. The devaluation of the CFA franc in 1994 and the elimination of export licences should be able to whip up agricultural production. Concerning cash crops and account taken of the prospects of cocoa and coffee prices, efforts will be made to improve product quality and the financial equilibrium of the network. For cotton, emphasis will be laid on the extension of cultivated surfaces, higher productivity and the network's profitability. In this regard, two actions are envisaged: the maintenance of a flexible policy of prices to producers and the restructuring of certain firms such as SOTOCO (Togolese

Cotton Company). The audit exercise planned for 1999 was carried out in March 2000 as agreed upon in the interim programme.

3.1.6 As a secondary rural activity, livestock has potentials that could be harnessed, especially in the development of short-cycle species and the husbandry of large herds of cattle depending on the different geographical regions. The actions to be undertaken are: the support to traditional livestock breeders by means of an animal health programme, pastureland development, training, supervision and organisation of breeders and the putting into place of a credit system. Concerning fisheries production, the narrowness of the continental shelf is a limiting factor in the development of semi-industrial and industrial deep sea fishing. Nevertheless, the growing dependence of fisheries products from external markets compels the government to develop inland and deep-sea fishing by encouraging fish cultivation, putting in place a line of credit for the sector, negotiating fisheries agreements with countries in the sub-region, training and privatisation of the shipping business.

3.1.7 The diversification of agricultural production is a process that should be undertaken with other accompanying measures such as improving agricultural infrastructure. For this reason, emphasis should be laid on disenclavement infrastructure, water control, support to post harvest storage and support to development actions in livestock. To attain the objective of sectoral development, the department charged with agricultural development has been re-organised for a more effective application of the sectoral policy on the following: (i) the introduction of an agriculture-sector revival programme; (ii) an improved support to farmers through the Institut de Conseil et d'Appui Technique (Counselling and Technical Support Institute) (CTSI) and the Togolese Institute for Agronomic Research (TIAR); (iii) the development of cooperatives and a rural credit fund and creation of a village development fund; (iv) the increase of farmers' incomes and upgrading the living standards of rural populations for higher productivity and a remunerative prices policy; (v) the provision of the CTSI and TIAR with human, financial and material resources in order to render more efficient, the elaboration, regular and continuous monitoring of the sector's policy and programmes.

3.1.8 **Private sector development** : The government's strategy in this area is made up of a set of actions including public sector restructuring to widen the scope of private firms and revive the industrial sector. Industrial sector revival will be carried out in the following manner: (i) incentives to the export of manufactured goods by strengthening the activities of industrial free zones and the recourse of firms in these zones to local sub-contracting so as to stimulate the creation of SMIs manufacturing intermediary products and thereby strengthen the industrial fabric; (ii) the access of SMIs to credit will be facilitated by the appropriate incentives for financing institutions; (iii) the restructuring of the Chamber of Commerce and Industry and professional associations, and the immediate establishment of a self-replenishing fund for the cash-flow requirements of firms as well as a joint investment fund. Furthermore, the government intends to carry out the study and application of tax incentives with the view to mobilising savings for the purposes of industrial investments and extend certain Free Zone facilities to firms operating under customs regulations, in particular, the strengthening of the "single window" in order to ease registration formalities. Besides, the provision of adequate human resources to institutions offering support to SMEs/SMIs, an enhanced legal framework, the capacity of the administration to supply quality services to the private sector and further State withdrawal from commercial production in order to promote private sector initiative are as many elements that compose the private sector development strategy.

3.1.9 **Economic infrastructure**: The past policy of rehabilitation will be pursued and intensified by giving priority to labour intensive activities. Besides, the equipment of the Port of Lome, will, if need be, modernised and the infrastructure rehabilitated to raise the level of their

performance in view of the expected increase in demand for services from the enclaved neighbouring countries. Finally, special attention will be given to the maintenance of all airports and road infrastructure based on international standards so as to provide safe traffic and preserve their international standing.

3.1.10 **Human resources development:** Given the government's financial difficulties, budget cuts have not made it possible to meet requirements. It will therefore be necessary to make good this short-coming by increasing financial resources allocated to education, health, women's development and social protection.

3.1.11 In the health sector, the national policy elaborated in 1998 is composed of three strategic orientations: (i) priority to primary health care through an improved supply and the incorporation of promotional, preventive, curative therapeutic care; (ii) better access and higher quality of health services; and (iii) poverty reduction as part of the equality of access to care. The implementing of this policy implies inter alia: (i) the furthering of IEC activities among target populations; (ii) the intensifying of the enlarged vaccination programme (EVP) as well as the health reproduction programme; (iii) the review or preparation of special anti-malaria programmes, STDs/HIV/AIDS; iv) the elaboration of a health map and operationalisation of health districts with high community participation; (v) an improved human resources management. On the institutional plane, capacity building will be based on (i) the redefinition of missions and expertise at each level; (ii) the decentralisation of resources and management; and iii) a reform of the organisation chart of the Ministry of Health. Financial resources are still limited, the mobilisation of additional resources for social and health activities will be encouraged through a greater participation of the private sector and NGOs, as well as the strengthening of the cost recovery system with a specific bias on community solidarity and sickness insurance.

3.1.12 In the education sector, the government aims to (i) upgrade the internal and external efficiency of the education system; (ii) improve the enrolment conditions of pupils; (iii) carry out a more effective human resources allocation and development; (iv) strengthen a decentralised managerial capacity of the system; (v) consolidate the sector's financial situation; (vi) enhance professional training; (vii) renovate learning by introduction of dualistic and alternate training; (viii) provide continuous vocational training; (ix) renovate and harmonise the training programmes of technical teaching channels and those of apprenticeship. The government also envisages the increased participation of the private sector and NGOs in uplifting the Togolese system of education.

3.1.13 **Incorporation of environmental concerns in the revival of major economic sectors:** The development of the major economic production sectors (agriculture, livestock, fisheries, industry and infrastructure) has been centered up till now on the search for economic growth to the detriment of a rational environmental management. To further the sustainability of development in these sectors of activity, the natural resources and environmental management policy will essentially concern: (i) the inclusion of environmental matters in strategic development policies; (ii) capacity building for the integrating of environmental matters in the planning of programme and project cycles; (iii) the elaboration and application of procedures and environmental monitoring directives in the various sectors of activity; (iv) the inclusion of environmental costs in decision-making instances and (v) the promotion of environment friendly technologies through capacity building and economic incentives.

Governance

3.1.14 The electoral process of the past years and the poor management of government's finances have not helped in making governance stronger in Togo inspite of the evident goodwill of the country's authorities.

3.1.15 **Accountability**: From 1996-1999, the Togolese authorities pursued and improved upon budget preparation; the budget, presented as a unified budget for fiscal year 2000 made it possible to enter investment expenditure and functioning costs in a single legal document, although there are three other officials entitled to order payments, this should be unified and placed under a single authority for a more transparent management. The balance sheet has been harmonised with that of the Civil Service and a survey of staff strength was undertaken in February 2000 for a tighter control of the wage bill and strength of the Civil Service. The continued restructuring of parastatals aimed at strengthening private sector contribution in the country's economy has helped to water down the State's role in production.

3.1.16 It is however worth noting that the absence of a programme under international guidance delayed the privatisation of firms and the government's financial difficulties have reduced the State's capacity to resolve social problems. In addition, budget execution is not submitted to the strict controls of the General Inspectorate of State. It should be mentioned that control and advisory bodies such as the State Control Commission and the Economic and Social Council have still to be established. The accountability of grassroots' communities is still poor. In this regard, the government will pursue: (i) the process of State divestiture from productive sectors and (ii) the policy of accountability of the private sector, organisation and mobilisation of grassroots' communities to enable them take over their own development. It equally intends to institute incentive measures furthering State withdrawal and empower all development partners, particularly the private sector, NGOs, unions and local communities.

3.1.17 **Transparency** : In the past five years, the labour code and its enactments have been reviewed to provide more flexibility to the labour market. The tax, customs and investment codes are being updated in line with community directives for a better comprehension of economic operators. The government has endeavoured to provide the trade tribunals with assessors, and apply the single OHADA instrument for a greater confidence of private investors. The gazette is regularly published as well as government and private newspapers that carry economic, information and government decisions. Nevertheless, there is still (i) an absence of regular information on the affairs of State, a cause for rumours that engender a state of fear and malaise within the population ; (ii) the pending establishment of the Accounts Commission as well as the Economic and Social Council, is an obstacle in the fight against widespread corruption, and (iii) opaque administrative and legal procedures and the non existent role of State Inspectors.

3.1.18 In the face of the these observations, the Togolese authorities have decided to (i) introduce effective information mechanisms for nationals on the running of affairs of State, for instance on matters concerning the privatisation of parastatals and management of public funds; (ii) enhance the role of State Inspectorates; (iii) set up an observation on corruption control and embezzlement of public funds; (iv) consult social structures for development programmes and projects and so lessen the adverse effects of measures related to economic reforms; (v) establish the Commission of Accounts as well as the Economic and Social Council; (v) increase the number of magistrates and examining judges (vi) lay down incentive measures and work for the development of civil awareness and high moral qualities of citizens to fight against corruption and embezzlement.

3.1.19 **The rule of law:** During the period under consideration, other than the presidential elections, the process and outcome of which were diversely interpreted by political circles in Togo and the international community, the present government is striving to enforce the rule of law against arbitrary power. The enhancement of the regulatory and legal framework will ensure private sector development both at the national and international levels. This would imply the training of business advocates, simplifying procedures, accelerating the registration of business concerns and guaranteeing safe transactions and investments that would illustrate the evident political will of the country's leaders in regard to the respect of private initiative and human rights. In this light, the budget for 1999 and 2000 contains respectively a financial package of 2 billion CFAF and 1.6 billion CFAF for the functioning of the established institutions (National Assembly, the Constitutional Court, the National Human Rights Commission, the High Council of the Magistrature, the Supreme Authority for Communications) in order to consolidate democracy in Togo. In spite of these efforts to uphold the rule of law, there are (i) the non-application of legal instruments and the non-functionality of institutions protecting the civil and political rights of the citizen; (ii) the shortage of magistrates and examining judges to apply the existing instruments; (iii) the pending establishment of the Supreme Court of Justice laid down by the Constitution; (iv) impunity and (v) the abuse by some citizens of national patrimony.

3.1.20 With this in view, the authorities intend to (i) cultivate the sense of justice a sine qua non condition to development; (ii) step up sensitisation and apprise citizens on the law, update and disseminate legal and legislative instruments (iii) simplify legal procedures; (iv) guarantee the security of transactions and rights of investors in terms of business law and (v) apply the law in all fairness and put an end to impunity.

3.1.21 **Participation:** As indicated under paragraph 2.3, the Togolese authorities, initiated, as far back as in 1975, a policy implying the participation of local communities and populations in the development process. This policy still holds in village water supply activities where the population's participation is ensured through the supervision of some donors and NGOs. In other areas, participation in the development process is still low-key. All the same, in 1998, a law on decentralisation was promulgated but its application has been delayed due to the absence of a real political will as illustrated by the fact that enforcement is still pending. To make good these shortcomings, the authorities intend to: (i) define an efficient mechanism for the population's participation in development; (ii) apply the law on decentralisation through legal enforcement measures; (iii) rapidly adopt the enforcement measures of the law; (iv) revive local planning committees; (vi) provide support to local communities' training; (vii) involve civil society (NGOs, unions, local organisations) in decision-making; (viii) revive the Chambers of Industrial Arts and Crafts and the Regional Chambers of Agriculture.

3.1.22 **Multi-party politics:** In the past-years, with the advent of multi-party politics, the creation of workers unions and associations, public and private press are guaranteed by the constitution developed in a national setting fraught with difficulties. The opposition is active and has freedom of expression and speech as it adopts more responsible political methods. The party in power and its allies respect the rules of democracy and in addition show their will for political dialogue with encouragement from the international community. Some countries and organisations play the role of facilitators in this inter-Togolese dialogue the outcome of which should be the legislative elections in 2000. The adoption by the National Assembly in March 2000 of the new electoral code, enacted in April 2000, the appointment of its President and the return of the facilitators in July/August 2000 should open the way to a normal internal political situation.

3.1.23 **Global appreciation of governance:** The will to serve is evident from the part of political leaders but political practice does not go hand in hand with the principles set forth. The

elections held out of their legal framework in 1998 and the outcome of the presidential elections diversely interpreted are one of the most striking illustrations. However, the will for dialogue encouraged by the international community has made it possible to conclude an agreement between the political parties called the Lome Accord following the Paris meeting in 1999 and the setting up of a Joint Monitoring Committee of this Accord. Thus, the government with the help of its partners, is taking the steps necessary to promote good governance through the financing of (i) structures that enhance the rule of law by providing further training to magistrates and security officials; (ii) the decentralisation of the administrative and economic process initiated by the authorities that established most of the democratic institutions to foster accountability, multi party politics and transparency in the affairs of State and recommended by the WAEMU.

3.1.24 In view of the foregoing and inspite of the fits and starts, the principal democratic institutions have been set up but these structures lack the requisite resources for their good running. The signing of the Lome Accord and the putting in place of a Joint Monitoring Committee of this Accord offer fresh perspectives for the country. On the political front, fresh legislative elections will be held in 2000 and their smooth organisation will depend on the resumption of cooperation with Togo by international finance institutions. From the budgetary viewpoint, visible progress has been made in enhancing the efficiency of fiscal administration by providing government services with the appropriate material and human resources. The recent reforms aimed at simplifying taxes and dues and the setting up of a single rate VAT have contributed in creating a more transparent taxation system and reduced tax evasion. The government took the necessary steps to render public expenditure management efficient and has given up the practice of exemptions characterised by orders for payment without previous commitment.

Requirements in external resources

3.1.25 The public investment programme for 1999-2001 provides for a global volume of investment of about 167.8 billion CFAF broken down as follows; 55.34% for infrastructure, 18.8% for rural development, 14.71% for the socio-cultural sector, 5.52% for recurrent expenditure, 4.98% for tourism and the environment and 0.59% for industry, mines and trade. Financing will be provided as follows: 14.87% from domestic resources, 58.12% by formal loans and grants and 27% through negotiations or earmarked. The current deficit balance of the balance of payments (excluding current transfers) was estimated at -8.2% of GDP in 1999, at -9.2% in the year 2000, and -9.32% in 2001, corresponding respectively to -72.1 billion, -85.8 billion and -92.2 billion CFAF making a total of 250.1 billion CFAF for the period. External debt principal (amortization due) should be financed from an estimated amount of 95.0 billion CFAF during this period. The increase of net external assets will necessitate external financing estimated at 65.1 billion and a reduction of external arrears by 9.5 billion. The overall requirements for external capital is thus estimated at 400.7 billion between 1999 and 2001. The resources earmarked to meet these needs are estimated at 312.5 billion CFAF, showing a residual gap of 88.2 billion CFAF as illustrated in Annex 11.

3.2. Evaluation of the Programme

3.2.1 The government's programme is coherent and pragmatic. It takes into account the country's capacity to institute economic reforms which for the past years has slowed down. It is also a reflection of the government's will to revive the economic reforms and renew dialogue with the international community. It concentrates on the pursuit of the consolidation of government finances, sectoral reforms and monetary development as well as on poverty alleviation which are primal objectives for development. To attain these objectives, the programme will lay down measures to strengthen public resource management and rationalisation of public spending

including well targeted and courageous sectoral reforms. The strengthening of the income tax services coupled with control of expenditure should enhance public savings for investment financing and support the growth rate of 4.6% which will greatly help in poverty reduction. Albeit, this rate seems quite low to enable the creation of sufficient jobs in the public and private sectors for a more effective poverty reduction. The orthodox financial discipline recommended will allow for more transparency in Treasury operations, which is one of the weak points in the management of government finances in Togo.

3.2.2 Monetary and financial development as described in the government's programme is in line with community policy recommending a prudent currency management and the reorganisation of the financial sector to put the financing of the economy on a sound footing and so facilitate private sector development. The sectoral reform measures and good governance seeking to ensure long-term development, poverty alleviation and bring unemployment under control are on target. The implementation of these measures of the programme will be a great test of the government's will to pursue economic reforms as well as sustained and durable growth. It will send out a strong signal to the population, to investors and donors to support the poverty reduction programme and economic growth.

Growth potential

3.2.3 The agricultural and mining sectors have great potentials that are still to be tapped. In the agriculture sector, land is abundant, arable lands account for 0.8 million to 1 million hectares for a cultivable potential of about 3.46 million hectares. At the same time, the archaic character of production techniques, the little use of modern inputs show that there are real advantages to be drawn from this sector if the necessary efforts are made to improve productivity. The country has considerable potential in the livestock sector and livestock is practised on a very wide scale.

3.2.4 In the mining sector, phosphate and marble are a considerable wealth for Togo. Phosphates exploited in open pit mines in Hahotoè and at Kpogamè provides an annual production of 3.5 million tonnes. The present deposit can be exploited for another forty (40) years, whilst other reserve deposits have been identified and studied in the region of Tabligbo and Bassar. The marble deposit is also important for domestic and external use. Togo disposes of other important deposits such as iron (reserves estimated at more than 600 million tonnes, with a grade of about 50%), manganese (15 million tonnes with a grade of around 35%) calcium (374 million tonnes) attapulgitite and bentonite (tens of millions of tonnes, industrial minerals including sand glass (0.5 million tonnes "grenats" (100,000 tonnes), "disthenes" (semi-precious stones) (1 million tonnes) and kaolin (3 million tonnes).

3.2.5 Services are one of the important sectors of the economy. Because of her geographical position and the availability of sea and land infrastructure that are relatively adequate, Togo provides a keen competition in sub-regional trade exchanges. The Port of Lome boasts of a capacity that enables it to meet traffic needs for the next ten years, and this has led the government to strengthen its road network called upon to play a complementary role through the creation of a road fund. Services in the country and sub-region would also benefit from the support of the banking system, the restructuring of which has been undertaken within the framework of Structural Adjustment Programmes and under the WAEMU.

3.2.6 Industry contributes less to production and employment than the agriculture sector and services. Nevertheless, emphasis will be laid on agricultural development, the improvement of basic infrastructure and human resources development, which should open prospects for industrial development, if again, a policy to step up competition with other countries in the sub-region was

applied. The value added growth of the sector of about 10% a year between 1988 and 1990, in production structures concentrated in a few branches indicate that higher growth is possible if efforts of diversification and restructuring are intensified in the future.

3.3 Challenges and Risks

3.3.1 Three major challenges and risks to the government's programme have been identified, and are likely to counter balance the attainment of rapid and high economic growth for a more effective poverty alleviation in Togo. The first challenge is the need to restore political stability and the macro-economic framework and so instill confidence in the population and the international community for a revival of the economy. The risk here is the repeated socio-political crises in the country, which in the past, have led to a halt of activities in several sectors and a suspension of cooperation with some donors. To lessen this risk, the government and opposition parties have initiated dialogue with the backing of the international community. The Lome Accord, the Joint Committee for the monitoring of the Accord, the Statement of the current President not to renew his term of office in 2003, and the independent national electoral Commission, considered as a positive out come of this dialogue are as many pledges for future political stability consolidated by the holding of free and fair legislative elections.

3.3.2 The second challenge concerns the commitment to maintain a high economic growth rate in order to effectively fight against poverty. The risk in this area was the decreased variability of the GDP rate between 1994 and 1997 following the wearing out of the catch up effects resulting from the devaluation of the CFAF in 1994. The average growth rate of 9.4% from 1994-1997 fell from 14% in 1994 to 4.1% in 1997. This rate stood at -2.3% in 1998 because of the energy crisis and bad rainfall. It was estimated at 3.6% in 1999 after a good food crops harvest. For the two coming years, the projection is about 4.6% a year, albeit insufficient to reduce poverty, account taken of the population growth rate of 2.6% even though the per capita income is positive and is around 2%. This low growth rate is also due to the scarcity of capital inflow and the "wait and see" attitude of national and international private sector. In order to reduce the growth rate variability risk linked to climatic conditions, the government will take the necessary steps concerning water control and agricultural diversification. The reduction of the risk resulting from the scarcity of capital and feet dragging by the private sector would be the result of good governance as well as free and fair elections leading to the constitution of a National Assembly and a government regaining the confidence of the population and the international community.

3.3.3 Finally, the last challenge concerns the institutional capacity of the public sector to effectively implement the economic reform programmes. Indeed, institutional capacity is still low and is a constraint in providing good quality services and fighting against poverty. Among these sort-comings are the irrational use of human resources, the low moral of civil servants, poor salaries, and the impunity enjoyed by officials guilty of embezzlement and dishonesty that engender corruption and hamper the provision of good quality and efficient services to the populations. Thus a low institutional capacity impedes the effective management of the global economy and sectoral projects. In order to lessen these risks, the government will (i) put a stop to the culture of impunity that encourages corruption and fraud; (ii) lay emphasis on the training of men and women and on modernization of the administration. It already benefits from institutional support projects from several donors including the ADF, UNDP and IDA for capacity building and human resources development. To improve public finances, the IMF has put at the disposal of the Ministry of Finance, short-term technical assistance to conduct diagnostic studies at the inland revenue and customs and make the required recommendations for a programme review. All the same, the OAU Heads of State Summit of July 2000 has strongly recommended a normal execution of the 2000 budget for the first half of the year. The government indicated that the Summit was financed by

grants in cash and in kind from friends of Togo, and domestic resources provided by public firms, will be repaid by making profitable the infrastructure set up of which they have become the proprietors. For the sake of more transparency, the government undertook the preparation of an amended budget in August 2000 that will give account of expenses and grants received and thus make it possible to introduce corrective measures to be implemented in December 2000.

3.4 Strategic Partnership

3.4.1 The government counts on a renewed cooperation with all its development partners to attain its development objectives. Since 1996, there has been, a significant reduction of aid to development which stood at around 212 million US dollars in 1990. Between 1996 and 1997, external aid slumped to 30.8%, falling from 146 million dollars to 101 million US dollars. This decrease in aid is explained by the absorption capacity of committed resources and the freeze or suspension of external assistance from Germany, US and European Union.

3.4.2 In general, loans account for roughly 54.8% of aid. The loans are granted by international finance institutions such as the World Bank, the ADF, BOAD (West African Development Bank) and the IMF, 42% of these resources were used in 1997 for economic management. Grants are usually made by countries and some multinational institutions. The major donors are: France, European Union and the UNDP operating in several economic sectors, especially, agriculture, infrastructure and the social sector. Besides these donors, there are numerous national and foreign NGOs. These NGOs provide support to local populations in various ways through the development of activities in areas directly related to sustainable human development, AIDS/STD control, the promotion of primary health care for the most deprived, the construction of essential social infrastructure, health centres, schools, bridges, wells, rural paths, the promotion and enrolment of young girls and adult literacy programmes for men and women, decentralised credit facilities, sanitation through the construction of latrines and disposal of household waste, environmental conservation through reforestation and healthy cultivation practices; good governance etc. Resources provided by NGOs in 1997 amounted to 11.3 million dollars i.e. 11% of total aid and those mobilised by 5 NGOs (International Plan, Aide et Action Bonafonden, CARE and CBM) were estimated at about 8.4 million dollars accounting for 74% of total aid.

A. Aid coordination by the government

3.4.3 Thanks to a multiple form of technical assistance support from the World Bank, UNDP, ADF and other development partners, the Ministry of Planning and Coordination has conformed its place as the central body for the planning and coordination of economic policies and mobilisation of external resources. It contributed by putting in place planning units in most of the online ministries whose members receive regular training to serve as an interface in their respective sectors. In some key ministries like the ministries of rural development and education, these units have been upgraded into sectoral planning and programming directorates. The Ministry for Planning and Development as well as the Planning Units in the online ministries are the government's instrument of dialogue with the international community. But the Ministry of Planning and Development, particularly the directorate in charge of the plan's coordination within the general directorate of planning and development directly in charge of resource mobilisation and internal and external aid coordination lacks the appropriate human and material resources to accomplish its mission. Furthermore, since the holding of the round table in 1985, it has been observed that aid coordination is limited to the organising of a few sectoral meetings, including the meeting on transport and infrastructure in 1997. This is due to the problem of good governance and the enforcement of the rule of law by certain donors as a conditionality for the renewal of

cooperation. With an improved political situation in 1999 and 2000, round tables on the private sector and good governance have been envisaged with the technical support of the BOAD, the World Bank and UNDP. At the internal level, the Ministry of Planning and Development tends to assume the functions of the online ministries in terms of identification, preparation, appraisal, and monitoring-evaluation of projects for the public investment programme (PIP). Aware of these shortcomings, the government and donors are taking the necessary steps to resolve them, and this means the strengthening of the Ministry of Planning, the training of civil servants and project personnel.

3.4.4 Considering the growing importance of NGOs and of civil society in the implementing of the country's development policy, the government has established within the Ministry of Planning and Development, the Division of local and participatory development and non-governmental organisations in charge of applying its policy and serve as a link between the government and NGOs. The legal grounds of the government's policy are based on three regulatory instruments: (i) the law of 1 July 1901 concerning the contract of partnership; (ii) the decree of 29 May 1992 setting the terms of cooperation between NGOs and government and (iii) the bye law dated 20 March 1997 laying down the standard type of agreement between NGOs and government. This led to a proliferation of NGOs which rose from 4 in 1960 to 180 in 1999 divided into two federations, the federation of Togolese NGOs with a membership of 66 organisations and the Union of NGOs in Togo with about 70 members.

B. Donor and coordination

3.4.5 For the sake of efficiency donors represented in Togo have, decided to formalise and organise sectoral meetings between themselves and, in this way will designate the institutions to represent them. The sectoral representatives are charged with: (i) facilitating sectoral consultations; (ii) making sure that information is transmitted; (iii) organise meetings and prepare the necessary reports. These meetings are an opportunities to harmonise viewpoints on important issues and send messages to the national authorities. Given its terms of office, the donors have mandated the UNDP to host these meetings. The burden is shared in the following way: (i) the UNDP is in charge of governance and capacity building; (ii) the European Union for proximity cooperation; (iii) France for health and urban planning; (iv) the World Bank for education; (v) FAO for the environment and agriculture and (vi) a rotating coordination depending on missions to be undertaken in the transport sector. In addition to thematic meetings, the heads of missions meet regularly to review the state of cooperation with the country.

3.4.6 Since the Bank has no representation in Togo, it has been informally agreed that UNDP and/or the World Bank will submit to it reports of thematic meetings and reports from heads of mission, this is currently done by the UNDP, as it transmits minutes of meetings and documents for the observation of donors. The Bank is also in charge of aid coordination with other donors during the course of its missions of identification, preparation, evaluation and supervision of development projects and programmes and participates in round tables and sectoral meetings initiated by the government. Box No.2 presents Togo's major donors and their areas of activity based on data for 1997 and those obtained during the preparation and dialogue meeting for the 1999-2001 CSP.

Box 2 :

Major partners and their sectors of intervention

WORLD BANK: The World Bank is present in all the sectors: agriculture, public utilities, transport, health, education, economic reforms and restructuring of public concerns. In 1997, disbursements amounted to 1.8.4 million US dollars, i.e. 31.5% of total aid devoted to urban development (17.1%), energy (11.6%) and macro-economic management (9.9%). Considering the absence of a programme with the IMF, the World Bank suspended the reforms initiated for the development of the private sector and the financial sector. It however monitors the public enterprise reforms

some of which are earmarked in the government's intermediary programme under IMF control. Togo's strategy of assistance was elaborated in 1995, reviewed in 1997 and in March 2000, and presented to the Board in June 2000. A new strategy will be prepared when the political and economic situation returns to normalcy. Meanwhile, the World Bank is conducting an annual review of the PIP and government expenditure. The last PIP running from 1999-2001 and 2000-2002 have been prepared with its agreement.

IMF: Following the devaluation of the CFAF, Togo drew up a programme with the IMF which was implemented with a few slippages in 1996. The last tranche of the loan of 14.20 million dollars was disbursed in 1997. Since then all programmes with the Fund have been suspended. But the Fund continues to monitor the socio-economic evolution by preparing economic reports in pursuant to article IV, the last was prepared in February 1999. In December 1999, it accepted to monitor the government's interim programme and has endorsed the measures contained in the budget for 2000, adopted by the Assembly in 2000. It envisages the setting up of a bureau in Lome in October/November 2000. An evaluation mission under article IV of the interim programme is expected in October 2000 and will include a study of the budget amendment following the OAU Summit to be carried out from October to December 2000.

EU: EU financial assistance since the suspension of cooperation is limited to social proximity activities. In 1999, it amounted to 5.20 million dollars earmarked for financing projects relative to the democratic environment (training of journalists, setting up of new democratic institutions and support to the electoral process). Considerable resources still available under the 5th, 6th and 7th EDF cannot be disbursed because of the suspension of cooperation, the resumption of which depends on the progress achieved by Togo in democracy and human rights. Currently EU interventions aim at the elaboration of regional environmental plans, the fight against AIDS, education, and training of cadres, agricultural census, micro projects and community development, village water supply and sanitation.

BOAD: (West African Development Bank): intervenes in the infrastructure sector and support to Togo. In 1997, the BOAD disbursed 4.7 million dollars for the financing of economic infrastructure rehabilitation, in particular, equipment in the port of Lome. With the World Bank it participates in the preparation of a private sector round table to be held this year and acts as the executing agency of a micro-finance project, jointly financed by IFAD and the UNDP.

French cooperation: This cooperation programmes implemented by two agencies: The Aid and Cooperation Fund and the French Development Agency. In 1997, French aid amounted 11.4 million i.e. a short fall of two thirds compared to 1996. This shortfall was due to the country's low capacity of absorption, with credit commitments staying at the same level as in 1996. French cooperation is active in agriculture, education, health, technical assistance, proximity cooperation directly aimed at local communities. For 1998-2000 - the Aid and Cooperation Fund - State have earmarked a financial package of 10.15 billion CFAF for a health sector programme; support to internal security and order, support to renewed apprenticeship and cottage industry, education, urban integration, sports and mainstreaming of young people, public reading, the enhancement of the rule of law and human rights. The French development agency has set aside a financial package of about 300 million FF for (i) the rural sector for poverty reduction by supporting coffee and cocoa production (ii) local initiatives in the north of the country; (iii) village water supply development and the semi-urban network; (iv) urban planning and project financing in 5 major towns; (v) reduction of wastage of water by the State; (vi) health; (vii) microfinance ; (viii) electric energy with North Togo-North Benin interconnection and (ix) a line of credit for the financing of SMIs/SMEs in the WAEMU.

American aid: Since the departure of USAID in 1994, cooperation with Togo has been suspended except for humanitarian actions, the promotion of democracy and the rule of law. In 1997, American aid was estimated at 1.5 million US dollars. Part of this aid, i.e. 0.311 million dollars administered by the Embassy helped to finance school and social infrastructure, the other part of the grant of 1.369 million dollars, from the "Peace Corps" was used in environmental conservation and in agroforestry, in the development of small-scale enterprises, in health, in rural development and local communities. In 1999, the Embassy was in charge of two funds of 100,000 dollars each, for health, education, the promotion of democracy and the rule of law.

Germany: German aid of around 10 million US dollars a year fell to 1.4 million dollars in 1997. Aid is provided through the GTZ and KFW (cooperation agencies), the Embassy and NGOs for health, education, water and sanitation, agriculture and food security, micro projects and the private sector.

Japan: Japanese assistance about 2.1 million US dollars in 1997 was used to back up economic reforms through support to the balance of payments and the reduction of domestic arrears.

UN System: UN assistance other than that of the World Bank and the IMF was 9.9 million US dollars in 1997 and served to finance projects in the arrears of activity of the agencies concerned. UNDP, FENU, HCR, UNICEF, WHO, UNFPA and the UN volunteers programme. Each agency undertakes the activities agreed upon with the government according to a programming cycle for 2000 and 2001

Sources : UNDP Report - Togo 1997 and ADF missions. February-April 2000

C. Cofinancing

3.4.7 Certain projects receive joint donor financing. This is the case with the structural adjustment programmes with the IMF, World Bank and Japan. For transport and public utilities projects financed between 1996-1998 and in order to avoid delays due to donor procedures, the Bank has granted priority to parallel financing with well-targeted components such as the Lome-Notsé section under the road maintenance programme concerning the Lome-border-Burkina Faso road.

3.4.8 Considering the limited ADF VIII resources allocated to Togo, the projects contained in the Bank's strategy of intervention in the social and transport sectors should form the subject of joint-financing. The Bank and the government should endeavour to provide this financing.

IV BANK GROUP STRATEGY

4.1 Evaluation of Past Strategy

4.1.1 The last Bank Group intervention strategy paper in Togo based on a normal programme and upgraded to an enlarged programme in 1998 was approved by the Boards in September 1996 for 1996 to 1998. It aimed at supporting the reform efforts of the government with the view to reducing poverty. The sectoral priorities were the transport sector, public utilities, agriculture and economic reforms. The Bank granted the government of Togo, a financial package amounting to UA 34.48 million out of an estimated amount of UA 42.35 million. The reduction of 18.5% in resources is basically due to the fact that water supply and sanitation projects were not financed because of the absence of technical, economic and financial studies. These studies were financed by the TAF in 1998 and will be completed in 2001 for future lending programmes. Table 4.1 below gives an overview of the use of ADF VII resources in Togo between 1996-1998.

Table 4.1
Implementation of the Lending Programme 1996-1998
(in UA million)

Sectors	Estimated	Approved	Percentage
Transports	12.840	12.84	100%
Public Utilities	11.17	1.20	12%
Population	0	1.0	
Agriculture	8.24	8.24	100
Multisector	10.10	11.2	110.9%
Total	42.35	34.48	81.42

4.1.2 From table 4.1 above, it can be deduced that the loan of UA 11.2 million granted for multisectoral activities was entirely disbursed in 1997 for the financing of the third structural adjustment programme 1995-1998 cofinanced by the IMF, World Bank and Japan. This amount exceeding UA 10.10 million came as a result of the review of ADF VII country allocations. A population study was financed by the TAF for the preparation of future projects in line with the defined intervention strategy, and recommendations of the portfolio review of 1995 aimed at conducting sectoral studies with the view to adapting projects to present day requirements. Its implementation is on course. Other loans and grants are being disbursed for the financing of a road maintenance project as well as a sanitation and water supply study for secondary towns according to the 1995 review that has drawn the necessary lessons as to the inclusion of studies in projects that delay their implementation. The East Mono rural development project will be formally approved

after payment of the country's arrears. Apart from the absence of the study on the public utilities sector which did not allow for the financing of the programmed project, the lending programme was implemented as expected.

4.2 Bank Group Portfolio and Management

4.2.1 Scope and sectoral breakdown: From June 1972, date of its first intervention in the country, to 29 February 1999, the Bank Group has granted Togo loans and grants amounting UA 145.35 million for the financing of 19 projects, 3 Structural Adjustment Programmes, 1 Institutional Support Project and 4 Studies. The amount of loans granted from ADB, ADF and NTF stand respectively at UA 22.12 million, UA 110.11 million and UA 13.12 million. Multinational projects including Togo are four (4) and concern the public utilities sector, industry and agriculture (Nangbéto hydro-power dam, the Centre for dispatching, production and conveyance of electric power, the West African Cement Works, the Mono Valley hydroagricultural development feasibility study). All these multinational projects have been completed. A sectoral analysis of 23 projects and national studies is given below.

4.2.2 Sectoral portfolio analysis: A sectoral analysis of national projects show the priority given to the three sectors that have absorbed 88% of commitments: the transport sector (32%) multi-sector (29%) the social sector (27%). with 12% allocated to the equipment sector (7%) industry and Banks (5%). This sectoral breakdown is in keeping with the government's strategy. The importance given to the transport sector illustrates the country's commitment to play a leading role in West Africa through the disenclavement three Sahel countries (Burkina Faso, Mali, Niger) developing the transit trade, ensuring the opening of the production and marketing zones of agricultural produce in order to fight against poverty. Efforts under-taken in 1980 and 1990 to re-establish domestic and external equilibria and strengthen the managerial capacity of the country's economy explain the allocation of 29% of commitments to multisectoral activities. Finally, the pre-occupying social indicators amply justify the importance accorded to the social sector with 27% of commitments. The remaining 12% broken down between public utilities and industry have enabled these sectors to: (i) improve in a great way the quality of services offered compared to the situation in 1989 with respect to telecommunications; the installation of exchanges with 100% optic fibre links, 96% of hertzian wave links; the project helped in connecting 19,603 subscribers to the digital system as compared to an estimated total of 11,875; and (ii) meet local demand in oil thanks to the commissioning of the oil refinery contributing thus to poverty reduction by providing quality products at moderate prices for the population. A sectoral overview of interventions in Togo in summarised as follows:

4.2.3 Transport sector: This sector has been granted eight (8) loans including a complementary loan for the Sokodé-Bassar road. These loans have allowed for the financing of seven (7) projects of which four road projects, two (2) rail road projects and one (1) road project study. The total amount of the loans stands at UA 10.00 million from ADB resources and UA 28.99 million from ADF and UA 8.74 million from the NTF. The projects and studies financed in this sector have been completed except for the Lomé-Notsé road rehabilitation project approved in November 1998, its implementation is on course.

4.2.4 **Multi-sector**: In collaboration with other donors, the ADB jointly financed three Structural Adjustment Programmes for a total amount of UA 36.52 million and made a grant of UA 2.763 million for the financing of Institutional Support to the Ministry of Planning and Land Development. The SAPs have been completed and the Institutional Support project to the Ministry of Planning will be completed in December 2000.

4.2.5 **Social Sector**: Five (5) projects and studies, of which two in the health and two in the education sectors, plus a population study have been granted six (6) loans including a grant for a total amount of UA 37.51 million net of cancellation. These commitments are composed of UA 1.96 million from the ADB, UA 24.81 million from the ADF and UA 4.45 million from the NTF. The loans cancelled amount to UA 6.09 million including an NTF loan of 6 million for the Strengthening of Regional Hospitals and the Strengthening of the Central Procurement Pharmacy. Two projects, the construction and equipping of technical training colleges and the construction and equipping of the Lome Teaching Hospital have been completed. Three projects are on-going and two have encountered problems. They are: (i) the regional hospitals strengthening project and the Central Procurement Pharmacy project facing serious implementation difficulties due to mismanagement, poor performance of the technical assistance bureaus and the State's financial problems. In spite of these difficulties and poor performances, the project has helped to strengthen the pharmaceutical sector through allocations provided for the procurement of essential medicines; (ii) the Education II project also in difficulty due to the non payment of the national counterpart fund. In 1999, however the government disbursed nearly 564 million CFAF for schools constructions. The population study is on course.

4.2.6 **Public Utilities**: ADB has financed one electric power project and the ADF one telecommunications project amounting to UA 2.80 million and 5.53 million respectively. In 1988 the TAF financed a sanitation study and a water supply study for secondary towns for a total amount of UA 1.2 million. Both projects have been completed and the study is on course.

4.2.7 **Industry**: The industry sector was granted 3 loans including 2 lines of credit to the Banque togolaise de développement (BTD) and a loan for the oil refinery construction project in Lome for an amount of UA 8.66 million. The first line of credit have been entirely used within the deadline. The second line of credit was only partially absorbed due to the lack of sub-projects because of an unfavourable economic environment. The loan balance has been cancelled. The oil refinery project has been completed. There are no other on-going projects in this sector under the private sector department. The latter has not yet financed a project in Togo because of the unstable socio-political situation.

4.2.8 **Agriculture**: Bank Group interventions in Togo show the absence of operations in the agriculture sector up till 1998. This is because the three Bank approved loans in this sector for a total amount of UA 27.17 million have been cancelled at the government's request, since it had not at the time defined a global sectoral policy. In 1996, the government, in concert with its development partners, elaborated an agriculture development strategy accompanied by a national agriculture development policy declaration for 1996-1999. This policy will be updated in June 2000. The East Mono agriculture project prepared by the FAO on the account of the Bank was financed in 1998 to the amount of UA 8.24 million but has not been incorporated in the overall commitments, because even after the lifting of the reservations of some Executive Directors, the project has not been formally approved due to the arrears situation.

4.2.9 **Disbursement performances:** For all approved loans and grants, disbursements as at 29 February 2000 amounted to UA 107.78 million or 74% compared to 60% for the Bank as a whole. This high rate of disbursement is attributable to completed projects rather than the three on-going projects that have been affected by disbursement suspensions due to arrears as at 1st August 1999. Disbursement to date, concern grants approved for one project and two studies, the amounts of which are negligible compared to the amount of 1.9 billion CFAF ready for disbursement for 3 projects as soon as sanctions are lifted. Table 4.2 gives a summary of commitments and disbursements made to Togo.

Table 4.2
Bank Group Operations

Commencement of operations: 1972				
No. of operations : 27 Projects : 19 Study : 4 Non-projects : 4				
Sources	Commitments net of cancellations (UA million) ⁽¹⁾	Disbursements (UA million) ⁽²⁾	Percentage ^{(2)/(1)}	Net outstanding (UA million)
ADB	22.12	22.12	100	
ADF	110.11	72.54	65	71.2
NTF	13.12	13.12	100	0.767
TOTAL	145.35	107.78	74	71.967

4.2.10 **Loan repayment and disbursement profile:** The repayment of loans granted to Togo is irregular. Indeed due to the slackening in economic reform efforts, and a break in cooperation with other donors, flaws regularly appear in the State's finances which prevent the government from meeting its loan obligations and capital subscription to the Bank. Between 1996 and 1999 Togo fell behind in its payments. Arrears as at end July 2000 amounted to UA 2.3 million in loans and UA 430,000 as capital subscription to the ADB. This led to Togo's mediocre performance with regard to disbursements and support from the Bank Group. Between 1999 to 2001, Togo will repay an amount of UA 4.21 million to the Bank Group. During this time, the net transfer excluding loans and rapid disbursements will be UA 5.47 million.

4.2.11 **Experience in portfolio management:** The sectoral analysis shows that the Bank Group currently maintains a tight portfolio in Togo comprising four projects and two studies. The 1995 review had recommended specific actions for six projects on-going in 1995, including three that have been completed and three on course, one of these three is due for completion in December 2000. In general, project implementation in Togo has always been delayed at start-up due to red-tape, protracted delays in loans and grants effectiveness, procurement and government's financial difficulties. Quarterly progress reports and audit reports are irregular, and delays have been recorded in the disbursement of counterpart funds for all projects. Furthermore, frequent changes in priority and project costs are an impediment to the smooth running of projects. This observation came as a result of the portfolio evaluation carried out by the review mission in December 1995 (document AFD/BD/WP/96/48 of 10 June 1996) based on five performance criteria, namely: compliance with loan conditions (1.36) procurement performance (2.33) performance of works and activities (2.17) financial performance (2.7) corresponding to an average rating of 1.76 due to poor performance regarding compliance with loan and grant conditions and the provision of a counterpart fund. However, the impact on development of projects financed in Togo is relatively satisfactory.

4.2.12 To reduce the flaws observed, the government has reviewed the public contracts code and enacted decrees and laws to facilitate their application; particularly, the reduction in the number of signatures and contract amounts requiring several signatures. It has provided training to project managers. It has instituted the system of treasury cheques for the payment of counterpart funds. On its part, the Bank increased its supervision missions, requested an audit of all projects, and organised a training seminar in Cotonou in 1999 for project personnel in Benin and Togo. The Bank no longer includes studies in projects that delay their implementation on account of the preliminary financing of the said studies, as was the case with sanitation and water-supply projects in the pipeline between 1996 and 1998 but which did not contain any studies. This study was financed in 1998 in preparation of the project. The Bank conducted a population sector study with the view to preparing future projects in accordance with the recommendation of the 1995 portfolio review.

4.3. Bank Group Mid-term Strategy

4.3.1 The Bank Group assistance strategy in Togo will be centered on poverty reduction and based on recommendations from priority sectors formulated by the participatory workshop which brought together in February 2000 the government, the private sector, NGOs, civil society and donors. To obtain a significant impact because of limited resources, interventions will concentrate on two sectors, namely, the social and transport sectors outside the economic reform programmes with the objective of helping the government lift certain constraints that are an obstacle to human resources development, transport sector development and private sector promotion through suitable reforms applied both to the public and the private sectors.

Box No. 3

Preparation of the DSP 1999-2001 CSP

The country strategy paper 1999-2001 was prepared on the basis of a participatory approach during the mission visiting Lome from 22 January to 9 February 2000. In its bid for ownership of the document's elaboration process, the government with the help of a national consultant whose terms of reference were submitted beforehand to the Bank's approval, prepared a draft country strategy paper for 1999-2001 that was submitted to the Bank mission for study. The latter made written and detailed observations on the draft CSP and on the draft terms of reference of the Commissions that enabled the government to amend these documents. These documents jointly prepared by the government and the Bank were presented to the participatory workshop conducted on 3 and 4 February 2000. This workshop brought together 117 representatives from the government, the private sector, NGOs, civil society and donors. The official opening ceremony was attended by four government officials and representatives of multilateral and bilateral donors in Togo. The three commissions created after the opening ceremony examined themes relevant to their field of competence, the findings and recommendations were approved at the plenary session after deliberations: commission No 1 : strategy, economic reforms and regional integration; commission No 2 : good governance, poverty alleviation and sustainable human development; commission No 3 : ADB/TOGO cooperation and coordination. The summary report of the three commissions recommended three priority sectors for Bank Group interventions for 1999 to 2001; the social sector, transport and agriculture. The Bank is called upon to maintain its support to the government's reform programmes. For Bank interventions to be significant, it was agreed upon that they should be centered on the social and transport sectors.

In addition to the workshop, the mission held consultations with donor representatives in Lome, IMF, World Bank, European Union, UNDP, UNICEF, WHO, French aid and Cooperation, French development agency, the Embassies of Germany and the United States. Furthermore, the mission attended the donor meeting summoned by the IMF Resident Representative. During this meeting the IMF Representative reported on the last mission of this institution in Togo in December 1999 devoted to the government's interim programme. The dialogue mission which took place from 17 to 21 April 2000 agreed with the Togolese authorities upon the strategy and sectors of intervention described in the document. It met some donors for a second time, in order to discuss aid coordination.

A Public Sector

4.3.2 **Social sector:** Faced with a high population growth, precarious social services and challenges in the management of the economy, human resources development is a condition precedent to the increase in productivity and poverty reduction. This objective should be attained through the introduction of concrete measures aimed at poverty reduction both in urban and rural areas. In this setting, Bank interventions will be carried out in the form of a multi-sectoral poverty alleviation programme that will back the development efforts of the government, the various donors and local communities. This programme will incorporate human resources community-based development, the putting in place of social and community infrastructure and the access of deprived populations to micro-credit enabling them undertake income generating activities.

4.3.3 **Transport:** Past Bank Group interventions in the transport sector have permitted Togo to play a crucial role in the opening of the hinterland, especially production zones which made it possible to reduce poverty in rural areas. These interventions have helped the country play an important part in the development of transit trade and the disenclavement of neighbouring countries. The Bank intends to capitalise on these advantages achieved in Togo by pursuing its interventions in the transport sector. In concert with other donors, the Bank will re-direct its intervention towards maintenance and rehabilitation. This will also contribute in: (i) reducing the operating costs of vehicles for all road users; (ii) maintaining of initial road investments; (iii) creating jobs during project implementation.

B Private sector

4.3.4 Todate, the Bank has not realised projects in the private sector. In 1999, it conducted a promotion mission on the private sector but found that the investment climate was not favourable. The economic operators were still cautious and hesitant. The development of the Bank's private sector operations will depend on the evolution of the socio-political situation and measures implemented to instill confidence in private economic operators. Bank's strategy will essentially be geared towards support to expected reforms within the legal and institutional framework so as to render the business environment friendly to the private sector. Depending on the outcome of these reforms, the Bank will examine the possibilities of providing support to the development of SMEs/SMIs in collaboration with local finance institutions. Investment opportunities will be explored for firms established or in the process of begin established in the free zone on the return to a normal economic and political situation. The privatisation of parastatals, including public utilities (water, electricity, telecommunications) could also provide fresh opportunities for the Bank.

4.4 Lending Programme for 1999-2001

The public sector lending programme will be based on a close scrutiny of sectoral priorities as mentioned in paragraph 4.2 above. An estimation of resources resulting from the country's performance evaluation will facilitate the allocation to the country of a financial package of UA 25.86 million, including UA 16.19 million for projects, UA 1.56 million for the TAF and UA 8.1 million for economic reforms. The sectoral breakdown by percentage and by year is given in table 4.3 below:

Table 4.3
Sectoral Breakdown of the 1999-2001
Bank Group Lending Programme
(in percentage)

	Years			Total
	1999	2000	2001	
Social sector	-	30.8	-	30.8
Transport sector	-	-	27.2	27.2
Non-project lending	-	8.7	33.3	42.0
Total	-	39.5	60.5	100.0

4.5. Matters for Dialogue

4.5.1 Future Bank Group interventions in Togo will focus on two sectors and on economic reforms. The Bank will maintain dialogue with the government in these sectors and in the area of economic reforms. In the social sector, because of the multiple stakeholders, including NGOs, the Bank should underline the need for aid coordination in order to optimise the use of rare external and domestic resources. The Bank will establish dialogue with the government and other doors during the design of the poverty reduction programme. This policy of dialogue will equally be applied to the transport sector so as to link other donor interventions with the Lome-border-Burkina Faso road necessary for an increase of activities in the port of Lome, for disenclaving production zones and neighbouring countries (Burkina Faso, Mali, Niger). As soon as the government resumes the necessary economic reforms with the backing of the Bretton Woods institutions, the Bank will renew dialogue on financial sector reforms. This means helping the government to undertake a restructuring of the financial and banking sector and in this way ensure the financing of the economy on a healthy basis and promote the development of SMEs/SMIs.

4.5.2 The improvement of Bank Group portfolio will form the subject of dialogue with the government, especially during the supervision and portfolio review missions. The arrears problem will be at the centre of discussions. In like manner, good governance will be a subject for discussion with the government, given that the Bank has already defined its strategy and vision in this area. The Private Sector Unit has already conducted a fact-finding mission to Togo in 1999 and will step up dialogue with the government and private concerns with the view to identifying projects and programmes for financing.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

5.1.1 The social and political unrests have greatly affected the development of Togolese economy. Albeit, encouraging efforts have been made by the authorities to face the economic, financial and social challenges imposed on the State. Other actions have been undertaken with respect to institutional, legal and structural reforms. The outcome of these endeavours had helped in improving finances between 1994-1997, restructuring the debt burden and parastatals and improving the management of those maintained in the State's portfolio. These reforms had also helped to enhance the regulatory framework and providing incentives propitious to private sector promotion.

5.1.2 All these efforts were compromised by the economic crisis of 1998, the process and outcome of elections contested by the opposition parties, by the negative effects of the suspension of cooperation with some partners cutting down their financial support and by the absence of rigour in

the management of government finances creating thus an increase in domestic and external arrears. In 1998, however, the political situation was relatively normal with progress in the dialogue between government and opposition that may open prospects for economic reforms backed by the international community.

5.2 Recommendations to the Boards

The Boards of Directors are requested to approve the 1999-2001 intervention strategy for Togo as proposed in this paper. The overall financial package allocated to Togo is UA 25.86 million at the completion of the performance evaluation. In accordance with the regulations in force under ADF VIII, the lending programme will form the subject of an annual revision depending on the country's annual performance evaluation.

REPUBLIC OF TOGO
MATRIX OF 1999 – 2001 CSP

Areas of Action Objectives/Policies	Strategy/Government Actions	Performance Measures	Period of Implementation	State of Implementation	Bank Group Instrument		
					Loan	Non Loan	
I. Public Finances Strengthening of public resource management	1.1	Creation of Finance Planning Committee under the aegis of the Ministry of Finance.	- Instrument creating the Committee adopted	September - December 1999	Committee created on 15 October 1999 Adopted Done Done Carried out		
	1.2	Adoption of 2000 budget	-Budget for 2000 adopted by Assembly	January 2000 January – June 2000			
	1.3	Application of decree 178 setting up the Finance Committee	-Law N° 178 applied	June 2000			
	1.4	Debt service under Ministry of Finance.	-Debt service under Ministry of Finance	April 2000			
	1.5	Complete audit of computer systems including that of the extension projects of the present computer system.	-Audit of computer systems	April			
<i>Direct and indirect taxes</i> - Strengthen tax recovery and widen tax base - Improved VAT recovery - Upgrading and improvement of tax recovery on petroleum products - Recovery of mining dues	1.6	Establishment of a monthly performance chart of taxes and duties levied on 50 largest firms and incorporating balances to be recovered.	-Performance chart established	January 2000	Done		
	1.7	Transfer to actual system all major firms on lump-sum contract monitored by the tax office and transfer to the unit in charge of major firms.	-Transfer of actual realised	January 2000	Done		
	1.8	Putting in place of a monitoring system of major firms allowing for the systematic revival of these firms 48 hours before the deadline.	-Monitoring system set up	January	Done		
	1.9	Audit of major firms failing to declare VAT or declaring VAT credit.	-Audit of major firms		Done		
	1.10	Systematic application of decree 004 of 20 June 1997 instituting an automatic adjustment mechanism of petroleum products prices.	-Decree No° 004 applied	January – June 2000	Done		
	1.11	Suppression of all compensation between VAT credit and mining dues and insurance of effective recovery of mining dues.	-All compensations cancelled	January 2000	On-going because of VAT credit and crossed debts between the State and parastatals		

Areas of Action Objectives/Policies	Strategy/Government Actions	Performance Measures	Period of Implementation	State of Implementation	Bank Group Instrument	
					Loan	Non Loan
Customs						
- Implementation of regional integration - Strengthening of customs administration and widening of tax base	1.12 Application of the common external tariff of the WAEMU	-Common external tariff put in place	1 st January 2000	Done		
	1.13 Establishment of a monthly performance chart of taxes and dues levied on the 50 largest firms.	- Performance chart established	1 st January 2000	Done		
	1.14 Extend the SYDONIA system to main customs border posts and computerise management of the manifesto and economic regions.	SYDONIA system extended to main customs border posts	February-March 2000	Done		
Treasury						
- Strengthening of management and accounting	1.15 Freeze of correspondents accounts.	-Correspondents accounts frozen	December 1999	Done		
	1.16 Preparation of audit plan.	-Audit plan prepared	January 2000	Done		
	1.17 Preparation of a procedures handbook for the elaboration of a financing plan.	-Procedures handbook elaborated	1 st January 2000	Done		
	1.18 Establish the technical secretariat of the steering committee for the financing plan.	-Finance committee secretariat under Ministry of Finance	January-June 2000	Done		
	1.19 Closing of non-regulatory bank accounts on behalf of ministries other than those of projects	-Non regulatory bank accounts closed	February 2000	Done		
	1.20 Auditing and freeze of deposit accounts operations not linked to projects partly financed through external resources.	-Deposit account operations audited and frozen	1 st January 2000	Done		

Areas of Action Objectives/Policies	Strategy/Government Actions	Performance Measures	Period of Implementation	State of Implementation	Bank Group Instrument	
					Loan	Non Loan
II. Budget and expenditure management						
- Rationalisation/ simplification of normal procedure	2.1 Merger of the Directorate of Finance with Directorate for financing and control of implementation plan. 2.2 Introduction of a single derogatory procedure with simultaneous commitment and order to pay applied to expenditure dependent on the demand for simplified procedure or of urgent nature. 2.3 Precise definition of limits and conditions of recourse to derogatory procedure.	-Directorate of Finance and Directorate for financing merged -a single derogatory procedure with simultaneous commitment introduced	June 2000 End March 2000	Done Done		
- Extension of single budget	- Definition of criteria - Introduction of fresh criteria - Unified presentation of 2000 budget	-Limit and condition of recourse to derogatory procedure defined -Criteria defined -Fresh criteria introduced Unified 2000 Budget presented	End January 2000 Beginning February 2000 January 2000	Done Done Done		
III. Structural reforms						
Restructuring of the Civil Service	3.1.1 Salary freeze and review of the administrative conditions of civil servants. 3.1.2 Civil service census.	-Salaries freezed and administrative conditions of civil servants reviewed -Civil Service census	January 2000 February 2000	Done Done		

Areas of Action Objectives/Policies	Strategy/Government Actions	Performance Measures	Period of Implementation	State of Implementation	Bank Group Instrument	
					Loan	Non Loan
3.2 Reform of Parastatals						
3.2.1 Energy sector. Privatisation of Electricity Board	3.2.1.1 Invitation to tender for private leasing 3.2.1.2 Selection of successful bidder	-Invitation launched	Mid-January 2000	Done		
3.2.2 Mining sector. Privatisation of phosphates Marketing Board	3.2.2.1 Resumption of negotiations with acquirer selected during bidding. 3.2.2.2 Transfer of 40% of shares.	-Successful bidder selected	End February 2000	Done Contract on-going as government rejected the 1 st acquirer and negotiated with another. Invitation launched for some firms. Process on-going for others		
3.2.3 Other parastatals. Private leasing/ privatisation		-Resumption of negotiations -Transfer of 40% of shares	January 2000 June 2000	On-going Done Done On-going Done Done On-going		
3.2.4 Banking sector. - Strengthening of UTB - Privatisation of UTB, BTIC and BTD - Privatisation of SNF	3.2.3.1 Pursuance of economic revival support programme (ERSP) in collaboration with World Bank. 3.2.4.1 Appointment of an independent administrator delegate. 3.2.4.2 Preparation of evaluation reports. 3.2.4.3 Invitation to tender. 3.2.4.4 Transfer of shares. 3.2.4.5 Preparation of evaluation report. 3.2.4.6 Invitation to tender. 3.2.4.7 Transfer of shares.	-ERSP project pursued -Administrator delegate appointed -Evaluation report established -Invitation to tender launched -Shares transferred - Evaluation report established -Invitation to tender launched -Shares transferred	January-June 2000 January 2000 February 2000 March 2000 June 2000 February 2000 March 2000 June 2000	On-going Done Done On-going Done Done On-going		
3.2.5 Reform of free zone. Re-organisation of free zone and restructuring of SAZOF	3.2.5.1 Evaluation of law governing free zone and its applications. 3.2.5.2 Cancellation of all authorisations not executed for more than one year.	-Law on free zone evaluated and applied	June 2000	On-going Invitation launched on April 2000		
3.2.6 Telecommunications. Privatisation of TOGOTELCOM	Selection of advisers.	-Non executed authorisation cancelled	1 st June 2000			
3.2.7 Agriculture sector. Restructuring of SOTOCO	Completion of audit of SOTOCO accounts for fiscal year 1999.	-Advisers selected -1999 Audit of SOTOCO	March 2000 June 2000	Done Done		

Areas of Action Objectives/Policies	Strategy/Government Actions	Performance Measures	Period of Implementation	State of Implementation	Bank Group Instrument	
					Loan	Non Loan
IV. <u>Poverty reduction</u>						
4.1 Strengthening of human resources	- Adequate budget allocation for promotion and functioning of health and education services	-Adequate budget allocation	2000 - 2001	On-going	Educa- tion Project II and Health Project Educa- tion II "	
4.2 Women's development. Facilitate access to credit and training	- Enhancement of women's economic power - Reduction of illiteracy - Improvement of women's legal status	-Women's economic power enhanced -Illiteracy rate reduced -Legal status improved	2000 - 2001 2000 - 2001	On-going On-going		
4.3 - Targeting of deprived. Setting up of poverty alleviation programme	- Preparation of alleviation programme - Organisation of roundtable on poverty and setting up of poverty reduction action plan	-Poverty reduction programme established -Round table on poverty organised and action plan put in place	2000 - 2001 2000 - 2001	On-going On-going		
	- Drawing up of an environmental policy	-Environmental matters in development policies	2000-2001	Don		
	- Capacity building to incorporate environmental matters in development policies	-Capacity for incorporating environmental matters in strengthened development policies	2000 - 2001	On-going		
V. <u>Good governance</u>						
5.1 <u>Anti-corruption policy</u> - Corruption is an obstacle to the smooth running of the administration of the private sector and harms the country's development.	- Establish an anti-corruption policy in government - Review of the Contracts Code and introduction of anti-corruption clauses	-Anti-corruption policy adopted -Contracts Code revised incorporating anti-corruption clauses	2000 - 2001 2000 - 2001	On-going with UNDP On-going within the framework of WAEMU		
5.2 <u>Accountability and transparency</u> - Efficient accounting according to international norms ensuring the transparency of public resource management and the right information to the public	- Review of accounting system with nomenclatures adopted by WAEMU - Review of codes and strengthening of trade tribunals - Dissemination and application of the single OHADA instrument	-Accounting system revised with nomenclature adopted by WAEMU -Code of commerce revised and trade tribunals reinforced -Single OHADA instrument disseminated and applied	2000 - 2001 2000 - 2001 2000 - 2001	On-going On-going On-going		

REPUBLIC OF TOGO
TABLE OF BANK GROUP COMMITMENTS IN TOGO
15/01/2000 (in UA million)

	Contribution by Sector	Window	Date of Approval	Date of Signature	Date of entry into Force	Deadline of last Disbursement	Amount Approved	Amount Disbursed	Amount Cancelled	Balance for Disburse.	Net of Cancellation	Structure Rates Net Disburse.	Status of Progress
Transports	31.66%												
1 Cimaio Railway		ADB	20/12/76	09/02/77	29/09/77	30/06/82	5.00	4.97	0.03	0.00	4.97	100%	Completed
2 Sokodé-Bassar Road		NTF	25/03/75	06/05/75	25/10/78	01/03/79	4.14	4.14	0.00	0.00	4.14	100%	Completed
3 Sokodé-Bassar Road (compl.)		NTF	07/06/78	07/07/78	//	07/07/78	4.60	4.53	0.07	0.07	4.53	100%	Completed
4 Yégué-Longobou Road Study		ADF	18/09/75	04/02/76	//	30/09/80	0.23	0.23	0.00	0.00	0.23	100%	Completed
5 Construction of Yégué-Longobou Road		ADF	26/04/79	17/05/79	15/07/80	01/03/84	7.37	7.37	0.00	0.00	7.37	100%	Completed
6 Kara-Kétao Road and Kétao-Kpakouda Link		ADF	08/04/82	20/03/84	04/12/84	30/06/94	9.21	4.99	4.21	4.22	4.99	100%	Completed
7 Construction of Tibligo-Lomé Port Railway		ADB	18/12/76	09/03/77	31/12/77	31/12/81	5.00	5.00	0.00	0.00	5.00	100%	Completed
8 Lome-Notse Road		ADF	26/11/98	10/05/99	//	//	12.18	0.00	0.00	12.18	12.18	0%	On-going
SUB TOTAL TRANSPORT							47.73	31.23	4.31	16.47	43.41	72%	
Social Sector	27.36%												
1 Lomé Teaching Hospital		ADB	17/10/78	29/11/78	10/06/80	31/12/82	2.00	1.96	0.04	0.00	1.96	100%	Completed
2 Lomé Teaching Hospital		NTF	17/10/78	29/11/78	10/06/80	31/12/82	4.50	4.45	0.05	0.00	4.45	100%	Completed
3 Education : Technical Teaching College		ADF	23/03/78	04/05/78	30/06/79	30/06/94	5.24	5.24	0.00	0.00	5.24	100%	Completed
4 Rehabilitation of Regional Hospitals and Strengthening of the Procurement Pharmacy			27/11/91	13/05/93	02/09/93	31/12/98	13.81	5.74	0.00	8.07	13.81	42%	In progress
5 Rehabilitation of Regional Hospitals and Strengthening of the Procurement Pharmacy			27/11/91	13/05/92	8/09/93	31/12/98	6.00	0.00	6.00	0.00	0.00	0%	Loan cancelled
6 Education II		ADF	16/12/91	13/05/92	18/05/93	31/12/99	11.05	5.34	0.00	5.71	11.05	48%	On-going
7 Population Sector Study		TAF	04/09/97	17/10/97	12/12/97	30/03/00	1.00	0.29	0.00	0.71	1.00	29%	On-going
SUB TOTAL SOCIAL SECTOR							43.60	23.02	6.09	14.50	37.51	61%	
Public Utilities	6.85%												
1 Electricity		ADB	27/06/74	13/11/74	21/7/76	30/06/78	2.80	2.67	0.14	0.00	2.67	100%	Completed
2 Telecommunication		ADF	16/01/90	20/04/90	06/02/91	31/12/94	5.52	4.59	0.00	0.93	5.52	83%	Completed
3 Water Supply Study in Semi-Urban Centres		TAF	15/07/98	//	//	//	1.20	0.00	0.00	1.20	1.20	0%	On-going
SUB TOTAL PUBLIC UTILITIES							9.52	7.26	0.14	2.13	9.39	77%	
Agricultural Sector													
East Mono Development Project* (PM)		ADF					8,24	-	-	8,24	8,24	-	On-going

TABLE OF BANK GROUP COMMITMENTS IN TOGO
15/01/2000 (in UA million)

	Contribution by Sector	Window	Date of Approval	Date of Signature	Date of entry into Force	Deadline of last Disbursement	Amount Approved	Amount Disbursed	Amount Cancelled	Balance for Disburse.	Net of Cancellation	Structure Rates Net Disburse.	Status of Progress
Industry and Banks	5.48%												
1 Line of Credit to BTB (phase 1)		ADB	20/06/72	07/09/72	//	31/12/75	1.35	1.35	0.00	0.00	1.35	100%	Completed
2 Construction and Equipping of Oil Refinery in Lome		ADB	19/09/77	24/11/77	08/12/80	31/12/82	3.81	3.80	0.01	0.00	3.80	100%	Completed
3 Line of Credit to BTB (phase 2)		ADB	25/03/80	26/06/80	30/06/82	31/12/90	3.50	2.37	1.12	0.00	2.37	100%	Completed
SUB TOTAL INDUSTRY AND BANKS							8.66	7.52	1.13	0.00	7.52	100%	
Multisector	28.65%												
1 Sectoral Adjustment Programme (SAP I)		ADF	24/06/88	21/11/88	//	30/06/94	13.81	13.81	0.00	0.00	13.81	100%	Completed
2 Institutional Support to Ministry of Planning and Land Development			17/12/90	10/02/91	30/08/91	31/12/00	2.76	2.23	0.00	0.53	2.76	81%	On-going
3 Sectoral Adjustment Programme (SAP II)		ADF	24/08/92	09/10/92	30/09/93	31/12/96	11.51	11.51	0.00	0.00	11.51	100%	Completed
4 Sectoral Adjustment Programme (SAP III)		ADF	21/05/97	29/05/97	//	31/12/99	11.20	11.20	0.00	0.00	11.20	100%	Completed
SUB TOTAL MULTI SECTOR							39.28	38.75	0.00	0.53	39.28	99%	
GRAND TOTAL	100.00%						148.79	107.78	11.67	33.63	137.11	79%	
TOTAL ADB							23.46	22.12	1.34	0.00	22.12	100%	
TOTAL ADF + TAF							106.09	72.54	4.21	33.55	101.87	71%	
TOTAL NTF							19.24	13.12	6.12	0.07	13.12	100%	

Republic of Togo
1999 – 2001 CSP
Data Base
Comparative Socio-Economic Indicators

	Year	Togo	Africa	Develop Country	Develop. Country
Basic Indicators					
Area ('000 Km ²)		57	30 061	80 976	54 658
Total Population (million)	1998	4.4	748.0	4 718.9	1 182.2
Urban Population (% of Total)	1998	32.6	38.2	39.6	75.6
Population Density (to Km ²)	1998	77.4	24.9	58.3	21.6
Per Capita GDP (US \$)	1998	330	663	1 250	25 890
Participation of Labour Force - Total (%)	1998	41.0	43.7
Participation of Labour Force - Women (%)	1998	16.4	37.0
Value of Gender Specific Development Index	1997	0.5	0.5	0.6	0.9
Human Development Index (Rank out of 174 Countries)	1997	143	n.a.	n.a.	n.a.
Population Living Below \$ 1a Day (%)	1989-94	...	45.0	32.2	...
Demographic Indicators					
Total Population Growth Rate (%)	1998	2.6	2.3	1.6	0.3
Urban Population Growth Rate (%)	1998	4.4	4.3	3.1	0.6
Population Below 15 years (%)	1998	46.0	42.9	33.2	18.8
Population above 65 years and more (%)	1998	3.2	3.3	19.7	26.7
Dependency Ratio (%)	1998	76.7	86.9	61.7	48.8
Sex Ratio (per 100 females)	1998	98.3	99.3	103.3	94.8
Female Population 15-49 years (million)	1998	1.0	176.2	1 213.4	296.8
Life Expectancy at Birth – Total (years)	1998	49.4	52.7	64.0	75.4
Life Expectancy at Birth – Female (years)	1998	50.7	53.4	65.8	79.1
Crude Birth Rate (per 1000)	1998	40.3	37.7	23.8	11.0
Crude Death Rate (per 1000)	1998	14.8	13.7	8.4	10.3
Infant Mortality Rate Below 5 years (per 1000)	1998	79.3	80.7	58.9	9.0
Child Mortality Rate Below 5 years (per 1000)	1998	115.4	116.1	76.2	10.4
Maternal Mortality Rate (per 100,000)	1996	640.0	698.0	488.0	30.0
Total Fertility Rate (per women)	1998	6.9	4.9	2.9	1.6
Women Using Contraceptive (%)	1988	33.9	...	56.0	70.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	1990-96	6	23	76	253
Nurses (per 100,000 people)	1988-96	31	89	85	780
Births attended by Trained Health Personnel (%)	1984-88	54	...	54	99
Access to Safe Water (% of Population)	1990-97	67	55	72	100
Access to Health Services (% of Population)	1995	61	60	80	100
Access to Sanitation (% of Population)	1990-97	41	45	43	100
Percentage of Adults (aged 15-49) Living with HIV/AIDS	1997	8.5	5.7
Incidence of Tuberculosis (per 100000)	1995	244	201	157	24
Child Immunization Against Tuberculosis (%)	1996	53	77	88	93
Child Immunization Against Measles (%)	1996	38	63	79	90
Underweight Children (% of children under 5 years)	1990-97	19	26	31	...
Daily Calorie Supply	1996	2 207	2 406	2 650	3 222
Public Expenditure on Health (as % of GDP)	1995-97	1.6	1.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					

Republic of Togo
1999 – 2001 CSP
Data Base
Comparative Socio-Economic Indicators

	Year	Togo	Africa	Develop Country	Develop. Country
Primary School - Total	1996	119.6	78.3	100.0	103.0
Primary School - Female	1996	99.4	71.2	93.8	103.2
Secondary - Total	1996	27.2	32.7	50.4	100.3
Secondary - Female	1996	14.5	29.5	45.3	101.8
Primary School Female Teaching Staff (% of Total)	1996	14.1	45.0	51.0	82.0
Adult Illiteracy Rate - Total (%)	1997	45.5	43.5	28.2	1.3
Adult Illiteracy Rate – Male (%)	1997	31.3	33.0	19.6	1.0
Adult Illiteracy Rate – Female (%)	1997	61.7	51.6	35.8	1.5
Percentage of GDP Spent on Education	1995	4.0	3.5	3.9	5.9

Environmental Indicators

Land Use (Arable Land as % of Total Land Area)	1996	38.1	5.9	9.9	11.6
Annual Rate of Deforestation (%)	1990-95	1.4	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1980-90	23.0	4.0
Per Capita CO2 Emissions (metric tons)	1996	0.2	1.1	2.1	12.5

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

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER 1999 - 2001
Gross Domestic Product in Constant Base Prices 1978 (1995 - 2003)
(in CFAF million)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Primary Sector	86380.9	100509.6	104998.6	101734.3	109063.3	113690.9	118448	12351.5	128716.4
Food products	57208.7	64637.8	70090.5	64342.7	70174.1	73225.3	76475.8	79854.4	83564.5
Cash crops	8063.6	13727.3	12719.1	14335.6	14886.7	15414.5	15985.4	16576.1	16895.7
Others (Fisheries and animal products)	21108.6	22144.6	22189	23056	23975.5	24951.1	25986.8	27087	28256.2
Secondary Sector	51303.8	53287.6	55226.2	55708.9	57876.7	61605.1	66478.4	70299.5	73932
Mining industries	14842.5	16220	16100.3	15661.6	16560.9	17353.1	19750.5	19666.4	17871.5
Phosphates	13955.6	15335.7	14777.7	12655.2	12916.8	13478.4	15511.4	14141.1	11681.3
Clinker	0	0	398.1	2032.9	2638.2	2821.2	3146.1	4391.4	5013.7
Others	887	884.3	924.5	973.5	1005.9	1053.5	1093	1133.9	1176.5
Manufacturing industries	19072.1	19584.4	20141.5	21321.7	21685.1	23692.8	24755.7	27129.9	30897.1
Food industries, drinks, tobacco	10100.7	10240	9571.7	9884	9824.3	10299.5	10353.4	11444	13601.5
Textile industry, clothes, hides	1605.4	1695.6	1823.8	1933.2	2086.8	2259.6	2335.7	2437.3	2543.3
Wood industry and wood works	1045.3	1392.3	1586.8	1461.6	1687.6	1897.5	2136.1	2479.1	2877.2
Paper industry, printing	755.2	713.3	715.9	637.9	666.5	700.8	741.7	784.9	856.3
Chemical industries	1802.3	1717.2	1750.7	1364.5	1814.3	1846.4	2090.8	2440.9	2849.5
Non-metal mineral products	1561.5	1472.7	1671.7	2060.5	2369.1	2723.8	2764.9	2806.6	2848.9
Basic steel industries	12.2	12.1	12.1	12.4	12.6	12.9	13.3	13.6	14
Metal works	1935.3	2045.4	2629.1	3449.4	2668.8	3360.7	3705.2	4085.1	4643.2
Other manufacturing industries	254.2	295.7	379.6	518.2	555.1	591.6	614.6	638.4	663.2
Construction (building and civil works)	8824.3	9225	9714.2	9714.2	10077.1	10512	10906.2	11315.1	11739.4
Energy and water	8538.3	9359	9759.4	9011.4	9593.6	10047.2	11066	12188.1	13424
Tertiary Sector	85833.4	90718.2	95440	92249.6	91857.8	94680.7	96923.9	101417.7	106626.8
Commerce, bars, restaurants	35622.3	37681.8	40281.4	38763.3	37988	39154.7	40279.2	42625.1	45510.3
Transports and communications	11058.4	11343	11489.4	11217.9	11097.6	11466.4	11811.6	12514.1	13304.3
Public services	21501.6	21812.2	21546.9	21665.9	21637	21985.8	21596.3	21761.4	21928.2
Other services	17651.1	19881.2	22122.2	20602.4	21173.2	22073.8	23236.7	24517.1	25884
GDP to market prices	223518.1	245215.4	255664.8	249692.7	258770.8	269876.7	281850.2	295234.7	309275.2
Growth rate (in %)	6.9	9.7	4.3	-2.3	3.66	4.29	4.44	4.75	4.76
GDP deflator	298.6	328.97	337.02	334	339.2	345.5	351	356.5	362.2
Deflator growth (in %)	9.09	10.17	1.23	-2.4	1.54	1.86	1.6	1.57	1.59

Source : GDP Committee, November 1999

Investments balance/Savings 1995 - 2001
(in GDP percentage)

	1995	1996	1997	1998	1999	2000	2001
Gross domestic investment	16.1	16.4	14.9	14.2	15.2	15.3	15.0
Government investments	3.5	2.8	2.0	4.0	3.8	3.7	3.7
Investment excluding public sector	12.6	13.6	12.9	14.2	11.4	11.6	11.3
Domestic savings	11.9	8.4	8.4	7.5	8.1	8.7	9.8
Government savings	-1.2	-1.2	0.5	-0.6	-0.7	-0.7	-0.1
Savings excluding public sector	13.1	9.6	7.9	8.1	8.8	9.4	9.9
National savings	11.3	8.8	9.1	8.3	8.8	8.7	9.9
Government savings	-2.9	-3.0	-0.1	-1.0	-1.7	-1.2	-0.4
Private savings	14.3	11.8	9.2	9.3	10.5	9.9	10.2

Source : Ministry of Economy, Planning and Privatisation: Directorate of the Economy

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER 1999 – 2001
Evolution of Consolidated Financial Operations (1995 - 2003)
(in CFAF billion)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenues and grants	102.9	114.3	143.2	140.5	141.6	158.3	161.0	167.6	174.8
Revenues	96.3	110.4	128.4	126.81	144.37	148.51	154.60	161.19	168.37
Income tax	82.2	94.7	113.4	114.98	125.37	129.51	135.60	142.19	149.37
Direct contributions	38.13	41.6	45.19	29.66	36.57	37.31	38.64	40.0	41.64
Public enterprises	19.62	21.46	23.18	6.33	10.67	11.12	11.57	11.78	12.06
Posts and Telecommunications	4.99	4.85	5.24	1.73	5.20	5.35	5.49	5.70	5.98
OPAT - SOTOCO	7.82	9.09	9.14	4.6	5.47	5.77	6.08	6.08	6.08
Other parastatals (CSPPP)	6.81	7.52	8.8	0	0	0	0	0	0
Other direct contributions	18.51	20.14	22.01	23.33	29.9	26.19	27.07	28.22	29.58
Indirect Contributions	45.69	59.52	72.19	85.32	88.8	92.20	96.96	102.19	107.73
Paid off by customs	34.96	43.92	52.05	57.33	58.00	59.54	62.53	65.91	69.47
Paid off by income tax office	9.32	13.75	18.08	26.04	28.70	30.43	32.08	33.81	35.65
Other indirect contributions	1.41	1.85	2.05	1.91	2.1	2.23	2.35	2.47	2.61
Non-tax revenues	14.2	15.7	15.6	11.83	19.00	19.00	19.00	19.00	19.00
Grants	6.6	3.9	14.3	13.7	11.2	9.8	6.5	6.5	6.5
Expenditure and net loans	145.0	157.7	156.0	186.03	198.26	217.87	226.43	228.46	230.83
Current expenditure	124.4	136.9	137.9	132.19	135.42	158.87	163.31	165.34	167.71
Personnel	52.4	53.6	57.0	58.84	60.79	63.18	65.07	67.03	69.04
Stock III	50.77	51.7	53.57	58.19	60.79	63.18	65.07	67.03	69.04
CNSS contribution - employer	0.7	0.7	0.93	0	0	0	0	0	0
Interests on external debts	20.4	17.4	17.6	18.0	19.41	16.35	15.8	13.87	11.78
Interests on overdrafts	2.72	3.08	1.2	1.01	2.0	1.2	0.72	0.43	0.26
Net loans	0	0	0	0.49	0	0	0	0	0
Capital expenditure	20.6	20.8	18.1	34.34	27.50	59.00	63.12	63.12	63.12
Unclassified expenditure	0	0	0	0	0	0	0	0	0
Current balance (excluding grants)	-28.1	-26.5	-9	-24.39	-12.46	-10.36	-8.71	-4.15	0.66
Current primary balance (excluding grants)	-5.61	12.97	26.9	-12.66	0.45	-1.82	0.36	2.7	5.25
Deficit/ord. base (including grants)	-48.7	-47.3	-27.1	-59.22	-53.89	-69.36	-71.83	-67.27	-62.46
Deficit/ord. base (excluding grants)	-43.81	-32.67	-19.18	-59.22	-53.89	-69.36	-71.83	-63.27	-62.46
Arrears and payments (reduction)	-48.79	-23.77	-22.74	-6.93	0	0	0	0	0
Domestic	-1.92	-11.23	-22.74	-0.08	0	0	0	0	0
Foreign	-46.87	-12.54	0	7	0	0	0	0	0
Deficit (excluding grants)	77.25	-15.05	8.25	-52.29	-53.89	-69.36	-71.83	-63.27	-62.46
Domestic financing	13.51	0.12	3.27	13.5	-6.5	-0.39	-2.81	-4.04	-4.45
Banking system	12.93	10.62	-2.27	12.29	-6.5	-0.39	-2.81	-4.04	-4.45
incl. counterpart fund, Net IMF	11.03	10.62	1.89	2.44	-5.4	-5.4	-5.4	-5.4	-5.4
Non banking	0.56	-10.74	-1	1.21	0	0	0	0	0
External financing (excluding grants)	63.74	-14.93	11.52	38.82	23.71	5.27	-0.03	0.47	0.63
Borrowing linked to projects and programmes	11.63	17	18.5	29.74	24.68	21.73	22.41	22.41	22.41
Other borrowings									
Rescheduling of current deadlines	105.4	19.92	11.98	0					
Amortisement due before rescheduling	-24.45	-25.81	-19.45	-20.58	-22.89	-26.23	-28.89	-28.39	-29.49
Arrears on external amortisement	-30.89	-27.13	0	1.58	0	0	0	0	0
Others	0	0	0						
Errors and omissions									
Financing (excluding grants)									
Financing requirements (excess)	15.35	71.49	33.67	-0.03	36.6	64.48	74.67	70.84	67.54
Deficit (excl. grants) ord. base/GDP	-8.35%	-6.44%	-4.72%	-0.07%	-0.06%	-0.07%	-0.07%	-0.06%	0.06%
Deficit (excl. grants) disb./GDP				-6.3	-6.14%	-7.44%	-7.26%	-6.39%	-5.58%
Current balance (excl. grants)/GDP	-4.39%	-1.35%	0.7%	-2.92%	-1.42%	-1.11%	-0.8%	-0.39%	-1.06%
Primary current balance (excl. grants)/GDP	-0.89%	1.75%	3.24%	-0.65%	1.02%	0.77%	0.79%	0.96%	1.53%
Tax revenues/GDP	13.3%	13.65%	14.14%	13.78%	14.3%	13.89%	13.7%	13.5%	13.3%
Memorandum: GDP	630.32	740.78	829.98	834.1	877.72	932.38	989.3	1052.53	1120.53

Source : Ministry of the Economy, Finance and Privatisation – Directorate of the Economy

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER 1999 – 2001

Balance of Payments
(in CFAF billion n)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Export	151	168.6	176.5	244.81	238.97	249.83	266.31	278.02	292.51
Exports excluding re-exports	116.9	133.2	138.3	196.91	191.07	201.93	218.41	230.12	244.61
Cotton	42.4	44.9	43	59.96	53.35	60.97	69.1	74.04	78.97
Coffee	10.2	17.4	14.7	22.3	19.68	20.39	21.62	21.89	22.43
Cocoa	4.8	4.7	4.9	10.53	9.99	12.7	14.32	15.14	15.96
Phosphates	38.6	42.5	46.7	53.92	56.55	55.17	57.47	59.76	64.36
Other exports	20.9	23.7	29	50.2	51.5	52.7	55.9	59.29	62.89
Re-exports	34.1	35.4	38.2	47.9	47.9	47.9	47.9	47.9	47.9
Imports f.o.b.	182.8	193.9	207.3	-263.44	-269.17	-286.19	-295.14	-307.19	-320.51
Consumer goods	66.7	72	79.2						
Petroleum products	14.6	15.3	16.1						
Intermediary goods	46.3	48.6	51.1						
Capital goods	55.2	58	60.9						
CEB Imports	13.4	14.1	14.6						
Trade Balance	2.6	0.4	-12.2	-18.63	-30.2	-36.36	-28.83	-29.17	-28
Net Services	-52.5	-59.9	-56.6	-56.4	-56.76	-55.76	-58.74	-57.39	-60.18
Interests on external debts	-19.3	-19.9	-19.9	-20.4	-19.4	-15.63	-15.08	-13.15	-13.89
Freight and insurance	-20	-23.5	-27.2	-40.7	-42.81	-45.43	-47.07	-48.79	-50.69
Other net services	-13.2	-16.5	-9.5	4.7	5.45	5.3	3.41	4.55	4.34
Balance of goods and services	-49.9	-59.5	-68.8	-75.03	-86.96	-92.12	-87.57	-86.56	-88.18
Net transfers	31.6	29.4	-36.6	28.19	30.02	36.95	38.97	39.51	40.55
Private	3.1	3.4	4.5	7.44	7.68	8.05	8.43	8.82	9.24
Public	28.5	26	32.1	20.75	22.34	28.9	30.54	30.69	31.31
incl : Project grants	8.8	15	20	8.7	9.9	15.87	16.9	16.4	16.36
Current balance	-18.3	-30.1	-32.2	-46.84	-56.94	-55.17	-48.6	-47.05	-47.63
Current balance (excl. Govt. transf.)	-46.8	-56.1	-64.3	67.59	-79.28	-84.07	-79.14	-77.74	-78.94
Capital account	-3	-5.6	4.1	6.33	7.56	10.05	9.58	13.38	6.95
Mid and long term public capital	-6.5	-8.8	-0.9	8.2	-2.24	-0.65	-1.26	1.19	-5.58
Amortisement before rescheduling	-24.5	-25.8	-19.4	-20.6	-21.94	-20.49	-22.38	-22.5	-31.75
Public borrowings	18	17	18.5	28.8	19.7	19.84	21.12	23.69	26.17
incl. public project loans	11.6	17	18.5	18.4	19.7	19.84	21.12	23.69	26.17
Others (borrowings parastatals)	2.5	1.7	2	2.58	2.2	2.4	2.54	2.61	2.69
Mid and long term private capital	1	1.5	3	0.43	7.8	8.3	8.3	9.18	9.44
Short term public capital	0	0	0	0	0	0	0	0	0
Short term private capital	0	0	0	-7.48	-0.2	0	0	0	0
Errors and omissions	-0.1	0	0	0	0	0	0	0	0
Overall balance	-21.4	-35.7	-28.1	-40.51	-49.38	-45.12	-39.02	-33.67	-40.68
Financing	21.4	-35.8	-5.53	40.5	17.69	14.78	21.64	9.33	14.15
Variation of net external assets	-8.3	-18.4	-18	17.5	-3.98	14.78	21.64	9.33	14.15
Exceptional financing	-29.7	-17.35	12.47	23	21.67	0	0	0	0
Payment arrears	105.4	19.92	11.98	14.9	21.67	0	0	0	0
Principal	0	0	0	7.9	9.47	0	0	0	0
Interest	0	0	0	7	12.2	0	0	0	0
Rescheduling	0	0	0	8.1	0	0	0	0	0
Debt cancellation	2.05	1.09	0.49	0.58	0	0	0	0	0
Financing to be sought	0	71.5	33.6	0.01	31.69	30.34	17.38	24.34	26.53
Current balance (excl. Govt. transfers/GDP)	-7.42%	-7.57%	-7.75%	-8.1%	-9	-9 %	-8 %	-7.4 %	-7 %
GDP (in current prices)	630.32	740.78	829.98	839.1	877.7	932.4	989.3	1052.5	1120.1

Source : Ministry of the Economy, Finance and Privatisation – Directorate of the Economy

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER 1999 – 2001
Evolution of Money Supply 1996 - 2002 (Components and counterpart funds)
(in CFAF billion)

Item	1996	1997	1998	1999	2000	2001	2002
Counterpart fund:							
Net foreign assets	4.6	4.7	4	2.1	25.8	47.9	59.6
Domestic credit	184.4	200.3	223.6	216.8	250.4	264.6	279.0
incl: credit to the economy	137.6	155.2	162.9	160.3	186.6	198.4	211.5
Net position of government	46.7	45.0	60.7	56.5	63.8	66.2	67.5
Money supply	182.1	196.9	199.0	213.8	240.6	255.3	271.6
Components:							
Circulation of paper money (notes and coins)	59.7	60.1	64.8	75.4	89.8	105.5	124.0
Bank money (demand deposits in bank and giro accounts)	122.4	136.8	134.2	138.4	162.6	172.5	183.5

Sources : Ministry of the Economy, Finance and Privatisation and from the BCEAO
Presentation Mission CSP 1999 - 2001, January/February 2000

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER PAYS 1999 – 2001
Evolution of External Debt and Debt Service 1996 – 2000
(in CFAF billion)

	<u>Fin 1996</u>		<u>1997</u>			<u>1998</u>			<u>1999</u>			<u>2000</u>		
	<u>Outstand- ing debt</u>	<u>incl : arrears</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Total external debt	741.8	46.7	24.0	17.6	41.6	27.1	18.1	45.2	28.7	19.4	48.2	32.0	15.9	47.8
Multilateral donors	461.0	6.0	13.0	4.5	17.5	14.5	4.5	19.0	15.7	6.1	21.8	14.3	3.2	17.4
incl: IMF	46.8	0.0	6.5	0.2	6.7	6.5	0.3	6.8	6.8	0.7	7.5	5.7	0.2	6.0
Bilateral donors	221.8	0.0	9.1	12.8	21.9	10.6	13.3	23.9	11.2	12.2	23.4	16.6	11.6	28.2
Debt Paris Club previous to deadline	18.2	0.0	1.9	0.3	2.2	2.0	0.3	2.3	1.9	0.3	2.2	1.1	0.1	1.2
Commercial banks	40.6	40.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service on fresh financing	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.8	0.8	0.0	0.1	0.1
Multilateral donors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.0	0.8	0.8
Bilateral donors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.2
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0

Sources : Data provided by the National Investment Bank: estimations and projections from IMF
Presentation Mission CSP 1999 - 2001, January/February 2000

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER 1999 – 2001
Status of Domestic Debt as at 31/12/98
(in CFAF billion)

	AMOUNT	
I. Commercial debt		75278.8
1.1. Debt to private sector		41853.4
1.2. Debt to parastatals		33425.4
. CEET	3007.8	
. RNET	4360.9	
. OPTT	16671.3	
. OPAT	3276.0	
. SNCT (CANAC INTERNATIONAL)	644.5	
. Other parastatals	5464.9	
II. Financial debt		89511.9
2.1. Direct financial debt		68774.6
. CNSS	49941.0	
. BICI	1853.3	
. UTB	7536.3	
. ECOBANK	1075.0	
. BTD	765.3	
. SIAB	600.0	
. Other parastatals	2025.0	
. State Securities	4530.0	
. Errors and omissions	448.7	
2.2. Guaranteed financial debt		20737.3
. BICI	6576.5	
. UTB	8644.7	
. ECOBANK	1495.0	
. BIAO-TOGO	4021.1	
III. Commitment and risks		64253.9
3.1. Deposit accounts		41291.8
3.2. Freezed assets		907.0
3.3. Legal department SNCT		319.1
3.4. Overdraft BCEAO		21736.0
TOTAL		229044.6

Source : Ministry of the Economy, Finance and Privatisation: Directorate of the Economy

REPUBLIC OF TOGO
COUNTRY STRATEGY PAPER 1999 – 2001
External Financing Requirements 1999 – 2001
(in CFAF billion)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>TOTAL</u>
Total requirement in external resources	-97.7	-145.3	-153.7	-400.7
Total current balance (excl. grants project)	-72.1	-85.8	-92.2	-250.1
Amortisement due	-29.3	-31.6	-34.1	-95
Variation of net foreign assets	-5.8	-27.9	-31.4	-65.1
Reduction of arrears and foreign payments	9.5	0.0	0.0	9.5
Errors and omissions	0.0	0.0	0.0	0.0
Estimated financing	71.9	117.1	123.5	312.5
Current transfers to public administrations	31.0	45.4	50.3	126.7
Capital transfer (grants) to public administration	1.4	5.0	5.0	11.4
Direct investments	12.1	14.4	14.7	41.2
Portfolio investment	3.0	3.2	3.4	9.6
Public borrowings	24.4	49.1	50.1	123.6
Rescheduling of external debt	0.0	0.0	0.0	0.0
Additional financing requirement	25.8	28.2	34.2	88.2

Sources : BCEAO Projections, November 1999

Annex

TOGO
1999-2001 COUNTRY STRATEGY PAPER
UPDATE

A IN THE EXECUTIVE SUMMARY

Page (i)

§ 2 Revised GDP growth rate

1998: -2.2% instead of -2.3%, following new estimates in October 2000;

1999: 2.7% instead of 3.6% due to a decline in cash crop production, which was not offset by an increase in food production;

2000: 3.4% instead of 4.6% due to a decline in cash crop production, but this rate confirms the steady economic recovery initiated in 1999;

Inflation rate measured by the harmonized consumer price index was -0.1% in 1999 instead of 1.5%, because food production was higher than expected;

Page (ii)

§ 8 (i) Read: "The OUA Summit was financed by countries friendly to Togo and some public enterprises";

(ii) The supplementary budget provided for in the memorandum on economic and financial policies for January to June 2000 was not prepared because the Summit accounts were closed late. However, the expenditure status and sources of finance are available.

Page (iii)

§ 12 Delete: "The estimated financing plan for implementing the Bank Group strategy is around 13 million including UA 1.7 million from the TAF" (on lines 9 to 11) which was the former wording before allocations were revised in 2000. The rest of the paragraph remains unchanged;

B IN THE BODY OF THE DOCUMENT

Page 2: § 2.1.2: **GDP Evolution:** Read: "An economic revival of 3.4% in 1999" instead of 3.6%; the rest remains unchanged;

Page 3: § 2.1.4: **Inflation:** Read: "In 1999, the inflation rate was estimated at -0.1%" instead of 1.5%, a drop from the 1% in 1998. The decline in the harmonized consumer price index in 1999 was due to a decline in the prices of "food products, drinks and tobacco" (-5.1%) and "housing, water, electricity, gas and fuels" (-2%) etc.;

Page 13: § 2.3.22 and 2.3.23: **Regional Integration:** It should be pointed out that application of the common external tariff (CET) had a positive impact on Togo's external trade with its UEMOA partners. In fact, it led to a 56.9% increase in imports from UEMOA countries in 2000, including 119% from Senegal and 61% from Côte d'Ivoire. On the whole, exports increased by 4.2%, including 63% and 55.8% to Niger and Burkina-Faso respectively, as against a decline by -55% and -16.6% to Côte d'Ivoire and Senegal;

Page 17: § 3.1.2: Key Elements of the Government's Programme: Negative impacts of the CET: The negative impacts of the CET are direct and indirect. The direct impacts stem from the complete dismantling of tariff restrictions and reduction of statistics fees from 3% to 1%. The shortfall resulting from the dismantling of tariff restrictions is estimated at CFAF 0.322 billion and CFAF 2.58 billion for statistics fees during the first half of the year 2000. The indirect impacts of the CET are due to the increase in customs duties for some products (oil, sugar, alcoholic drinks and batteries) which led to a decline in their imports in comparison to the first half of 1999. Consequently, customs duties declined by CFAF 0.335 billion in comparison to 1999. The total impact was CFAF 3.234 billion or 14% of the output for the first quarter of the year 2000.

Page 16: § 3.1.3: Quantitative Objectives of the Programme: (i) The GDP growth rate in 1999 was 2.7% as against 3.6%, and 3.4% in 2000 as against 4.6%; projections for 2001 are 5.4%, on the assumption that cooperation with all donors would resume; (ii) the domestic investment rate was estimated at 13.4% in 1999 as against the projected 15%; (iii) the gross domestic savings rate was 3.9% as against the projected 9.8%, and (iv) the current account transaction deficit was -8.2% in 1999 as against -5.5% estimated in the programme ;

Page 16: § 3.1.4: Continued Restructuring of the Public Sector and Parastatals: It should be pointed out that due to lack of resources, the Government instead accumulated net domestic and external arrears of about CFAF 20.3 billion and CFAF 27.34 billion respectively by the end of September 2000. On the other hand, the CEET was privatized on 5 September 2000; the privatization of 40% of the Government's share of the capital of the "Office togolais de phosphate" (OTP) is underway (contact with the buyer for a new bid, and other bids are expected). As regards the three banks, the situation is as follows: (i) improvement of the management of UTB through the appointment of an independent manager by Order No.159/MEFP/CAB of 19 May 2000; (ii) privatization of the 3 banks is underway: a contract was signed in August 2000 with the consulting firm, which submitted its provisional report on 23 November 2000;

Page 16: § 3.1.5: Revival of the Rural Sector: The auditing of the Société togolaise de coton (SOTOCO) was completed in August 2000.

Page 20: § 3.1.22: Multiparty Politics: It should be noted that the parliamentary elections scheduled for the year 2000 have been postponed to 2001;

Page 21: continuation of § 3.1.24: Global Appreciation of Governance: General elections scheduled for the year 2000 have been postponed to 2001. Furthermore, the progress made in 1994-1997 in improving the efficiency of the taxation authorities was not sustained in 1999/2000 for lack of domestic and external resources. Consequently, the Government lacked adequate operating resources, and accumulated salary arrears which resulted in demotivation of State employees;

Page 23: continuation of § 3.3.3 Challenges and Risks: Expenditure and sources of finance for the OAU Summit: As indicated earlier, the Government did not prepare a supplementary budget as provided for in the memorandum on economic and financial policies for January to June 2000;

Page 24: continuation of § 3.4.3 **Aid Coordination by the Government:** (i) It should be noted that the round tables on the private sector and good governance, scheduled for the year 2000, did not take place because cooperation did not resume with all donors; (ii) The Ministry of Planning and Development became the Ministry of the Plan, Territorial Development, Housing and Town Planning in the cabinet reshuffle of 3 October 2000;

Page 26: Box 2: IMF: After the devaluation of the CFA franc in 1994, the IMF agreed on a programme with the Government which ended in June 1998 and not in 1997. The economic mission provided for in Article IV was postponed to January 2001 during the IMF mission to Togo in November/December 2000 in which the Bank participated;

Page 33: Table 4.3: **Sectoral Breakdown of the 1999-2001 Lending Programme:** As a result of sanctions because of arrears, the lending programme will not be implemented as scheduled. Consequently, there will be concentration of activities in the selected operational sectors in 2001.