AFRICAN DEVELOPMENT BANK GROUP

TOGO: DECISION POINT DOCUMENT UNDER THE ENHANCED HIPC INITIATIVE
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LIST OF ACRONYMS AND ABBREVIATIONS

AfDB: African Development Bank
AfDF: African Development Fund
AFRITAC: West Africa Technical Assistance Center-West (Bamako)
BADEA: Arab Bank for Economic Development in Africa
BCEAO: Central Bank of West African States
BOAD: West African Development Bank
CBAO: Eastern Africa Banking Company
DSA: Debt Sustainability Analysis
ECOWAS: Economic Community of West African States
EIB: European Investment Bank
EITI: Extractive Industries Transparency Initiative
EPA: Economic Partnership Agreement
EPCA: Emergency Post-Conflict Assistance
EU: European Union
FED: European Development Fund
FEGECE: Fund of Aid and of Loans Guarantee of the Agreement Council
FSF: Fragile States Facility (AfDB)
FSAP: Financial Sector Assessment Program
GFS: Government Finance Statistics
HIPC: Heavily Indebted Poor Country
IFAD: International Fund for Agricultural Development
IDA: International Development Association
IMF: International Monetary Fund
IsDB: Islamic Development Bank
LIC: Low-income country
MDG: Millennium Development Goal
MDRI: Multilateral Debt Relief Initiative
NPV: Net Present Value
OFID: OPEC Fund for International Development
PEMFAR: Public Expenditure Management and Financial Accountability Review
PFM: Public Financial Management
PRGF: Poverty Reduction and Growth Facility
PRSP: Poverty Reduction Strategy Paper
WAEMU: West African Economic and Monetary Union
EXECUTIVE SUMMARY

Background

On November 25, 2008, Togo became the 28th regional member country (RMC) to reach decision point under the enhanced HIPC Initiative. As a result, the Boards of Directors of the IMF and the World Bank approved a HIPC assistance of US$ 270 million in end-2007 NPV terms for Togo. It is now the Bank Group’s turn to assess the situation and decide on this proposal to approve the Bank Group’s share of debt relief to Togo at Decision Point estimated at US$ 17.3 million in end-2007 NPV terms.

Assessment of Togo’s eligibility for HIPC initiative Assistance

Five requirements are used to assess Togo’s decision point and eligibility for the HIPC Initiative assistance, namely: (i) satisfactory macroeconomic management and progress; (ii) high incidence of poverty and low standard of living; (iii) the preparation of an Interim Poverty Reduction Strategy Paper (I-PRSP); (iv) unsustainable external debt; and (v) the promotion of good governance and the rule of law. Togo has fulfilled all the requirements for debt relief under the HIPC Initiative and can now reach its HIPC decision point.1

Togo External Debt Stock and its Breakdown

As of end-December 2007, Togo’s external debt stock before traditional debt relief was estimated at US$2.2 billion in nominal terms, which is equivalent to US$1.8 billion in NPV terms. Multilateral creditors accounted for 51.1 percent of the total debt in nominal terms, bilateral creditors, 47.5 percent, and commercial creditors 1.4 percent. Debt owed to IDA accounted for 34.6 percent of the total debt, that to the AfDB, 6.7 percent, and that to other official multilaterals 9.8 percent. Debt owed to the Paris Club accounted for 43.7 percent of the total debt, that to non-Paris Club bilaterals, 3.8 percent, while 1.4 percent was owed to commercial creditors.

HIPC Assistance at Decision Point and its Breakdown

Togo’s total external debt of US$2.2 billion in nominal terms, as at-end 2007, about US$1.8 billion in NPV terms, was equivalent to 72 percent of GDP, 191 percent of exports and 396 percent of fiscal revenue. After the full application of traditional debt relief mechanisms, Togo’s NPV of debt was estimated at US$1.41 billion at end-2007, equivalent 309 percent of fiscal revenues and 149 percent of exports. The NPV of debt to revenues ratio exceeded the HIPC Initiative threshold of 250 percent but its NPV of debt to exports ratio was slightly below the

1 Togo is among the list of countries that were grandfathered for HIPC eligibility. See IDA and IMF, “Heavily Indebted poor Countries (HIPC) Initiative – Issues related to the Sunset Clause,” IDA/R2006-0175 and SM/06/288, August 18, 2006.
HIPC threshold of 150 percent. Togo, therefore, qualifies for debt relief under the HIPC Initiative’s “fiscal window.

The HIPC assistance needed to bring the NPV of debt-to-revenues ratio down from 309 percent to the HIPC threshold of 250 percent is estimated at US$270 million in end-2007 NPV terms. The assistance represents a common reduction factor of 19 percent. Based on proportional burden-sharing approach multilateral assistance would amount to US$150 million and bilateral and commercial assistance to US$120 million (both in NPV terms). The Bank Group’s share of debt relief amounts to US$17.3 million in 2007 NPV terms, equivalent to 11.5 percent of multilateral assistance, and 6.4 percent of the total assistance from all creditors.

Debt Relief under the MDRI

On reaching the completion point under the Enhanced HIPC Initiative, Togo would qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI). If Togo reaches the completion point in October 2010, preliminary estimates indicate that MDRI relief could amount to US$753 million in nominal terms (US$404 million in NPV terms). Of this amount, US$618 million will be provided by IDA and US$135 million by the AfDB. Togo repaid its MDRI-eligible debt to the IMF in early 2008, and would therefore not be eligible for MDRI debt relief from the IMF.

Debt Sustainability and Sensitivity Analyses

After traditional debt relief and HIPC debt relief, the NPV of external debt-to-revenues ratio would decrease from 395.6 percent in 2007 to 211.1 percent in 2010. Furthermore, with MDRI debt relief and additional bilateral debt relief beyond HIPC, Togo’s NPV of debt-to-revenues ratio would decline further to 65.0 percent in 2010. Debt service ratios would also become substantially lower, particularly in the period just following the completion point.

A sensitivity analysis to test the vulnerability of Togo’s external public debt under four different scenarios of adverse shocks to the economy show that Togo’s external debt situation would deteriorate under all scenarios, but would remain under a downward path over the projection period, except under the scenario with a combination of shocks. The results of the sensitivity analysis point to the need for fiscal prudence and policies to promote economic growth, and the importance of external grant assistance to debt sustainability.

Floating Completion Point Triggers

The Togolese authorities and IMF, IDA and AfDB staff have agreed to ten floating point triggers in the areas of PRSP, macroeconomic stability, public financial management, governance, debt management, and the social sector (See Annex 1).


**Delivery Modality and Indicative Financing Arrangement**

The entire amount of the Bank Group’s share of Togo’s debt relief, US$17.3 million in 2007 NPV terms, has already been provided through its arrears clearance operation. Consequently, no further debt relief assistance will be provided during the interim period to Togo’s completion point. The country will need to meet its debt service due to the Bank Group in full.

**Recommendations**

The Boards of Directors are invited to: (i) approve Togo’s qualification for HIPC assistance at decision point under the Enhanced HIPC Initiative; (ii) approve the Bank Group’s share of HIPC debt relief for Togo, equivalent to US$ 17.3 million in end-December 2007 NPV terms and (iii) note that the Bank Group’s assistance comes entirely in the form of grants through the FSF arrears clearance mechanism already provided in July 2008.
I. INTRODUCTION

1.1 On November 25, 2008, Togo became the 28th regional member country (RMC) to reach decision point under the enhanced HIPC Initiative, and as a result, the Board of Directors of the IMF and the World Bank approved a HIPC debt relief assistance of about US$ 270 million, in end-2007 NPV terms, for Togo. It is now the Bank Group’s turn to assess the situation and decide on this proposal to approve the Bank Group’s share of debt relief to Togo at Decision Point estimated at US$ 17.3 million in end-2007 NPV terms.

1.2 Togo’s long political crisis has had a significant impact on the standard of living. Togo’s social indicators remain among the lowest in the world. About 62 percent of the population lives below the poverty line; adult illiteracy rate is about 47 percent, compared to 33 percent for Africa; under five mortality rate is 75 per 1,000, compared to 85.3 per 1,000 for Africa, and 57.3 per 1,000 for developing countries; life expectancy at birth is about 55 years and HIV prevalence is 3.2 percent.

1.3 This document sets out the management’s proposal for the Bank Group to provide debt relief to Togo under the enhanced HIPC Initiative for consideration by the boards of Directors. The current debt relief is being made in conjunction with other development partners at decision point.

1.4 The rest of the document is organized as follows: Sections II assesses Togo’s eligibility for HIPC Initiative assistance; Section III presents the breakdown of the current debt stock and the clearance of arrears; Section VI discusses the HIPC and MDRI debt relief; Section V summarizes results of the debt sustainability analysis for Togo and the sensitivity of the debt burden indicators to some adverse shocks; Section VI discusses the completion point triggers; Section VII reviews the Bank Group’s interventions in Togo; Section VIII presents the details of the proposed delivery modalities; and the recommendations for Board’s consideration are reserved for Section IX.

II. Assessment of Togo’s Eligibility for HIPC Initiative Assistance

2.1 Five requirements are used to assess Togo’s decision point and eligibility for the HIPC Initiative assistance, namely, satisfactory macroeconomic management and progress; high incidence of poverty and other measures of social-economic progress; the preparation of an Interim Poverty Reduction Strategy Paper (I-PRSP); unsustainability of the external debt; and the promotion of good governance and the rule of law.
A. Macroeconomic Management and Progress

2.2 Togo is emerging from more than a decade of political crisis and economic decline with per capita income declining by an average of one percent a year since the early 1980s. Adverse terms of trade and mismanagement of state-owned enterprises had a negative impact on the traditional export sector while problems in the banking sector inhibited private investment. Also, a heavy external debt coupled with weak fiscal management resulted in rapid accumulation of arrears.

2.3 Against this backdrop, the Togolese authorities launched an economic reform program supported by an IMF-Staff Monitored Program (SMP). Performance under the SMP was good. All quantitative targets were met and progress was made on governance related structural reforms. Administrative reforms helped broaden the tax base and recover arrears, and resulted in boosting fiscal revenues from 15.75 percent of GDP in 2005 to 17 percent of GDP in 2007. Despite election pressures and new outlays to address the energy crisis, expenditures were kept below the target. Consequently, the primary fiscal position for 2007 was broadly balanced compared to a 2006 primary deficit of 1 percent of GDP. Togo’s economy has been severely affected by the surge in global food and fuel prices as well as heavy flooding in the summer with a projected growth of 0.75 percent in 2008, while inflation is expected to reach 9 percent.

2.4 Following the successful SMP, the IMF Executives approved a three-year Poverty Reduction and Growth Facility (PRGF)– supported program for Togo on April 21, 2008. The PRGF-supported program targets a broadly balanced primary position and higher resources for education, health, infrastructure and restructuring of state-owned banks and enterprises. Revenues were kept in line with projections during the first half of 2008 while spending was restrained to reflect the emphasis on fiscal discipline. This resulted in a primary fiscal surplus and a sizeable government deposits for spending during the second half of 2008. The performance of the Togolese economy under the PRGF has been good, with all performance criteria for the first review met. There is continued progress on fiscal governance reforms and steps taken to reform state-owned banks and enterprises.

B. Extent of Poverty

2.5 Togo’s long political crisis and the related withdrawal of donor support resulted in an economic decline and a reduction in the living standards of a large segment of the population. Poverty and large gaps in social services remain a concern in Togo. In 2006, 62 percent of Togolese lived below the national poverty line. The level of poverty was higher in rural areas (about 74 percent) than in urban areas (about 37 percent). Adult illiteracy rate was about 47 percent in 2004, compared to 39 percent for Sub-Saharan Africa (SSA). Under five mortality rate in 2004 was 140 per 1,000, compared to 168 per 1,000 for Sub-Saharan Africa, and 57.3 per 1,000 for developing countries; life expectancy at birth was 53 years for 53 years for males and 57 years for females compared to 46 years for males and 47 years for females in SSA; and HIV prevalence is in 2006 was 3.2 percent compared to 6.2 percent in SSA. Sixty-one (61) percent of

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2 Survey on core welfare indicators conducted by the Togo Government’s General Statistics Department, Funded by the World Bank and other donors (UNDP, UNICEF and UNFPA).
people have access to improved water sources compared to 56 percent in SSA; and 30 percent have access to improved sanitation facilities compared to 37 percent for SSA.

2.6 A recent assessment of the MDGs indicates that there is progress in reaching the goal of universal primary education. Net primary enrollment, primary completion rate, and youth literacy improved between 1990 and 2005. Also, there has been some progress toward the attainment of the goal of promoting gender equality. However, it would be difficult to achieve the goals of: (i) halving extreme poverty and hunger; (ii) improving access to improved water and sanitation facilities; and (iii) reducing maternal and infant mortality.

C. Preparation of Interim Poverty Reduction Strategy Paper (I-PRSP)

2.7 Togo has prepared the I-PRSP through an inclusive process involving the government, civil society organizations, and donors. The PRSP sets out a poverty reduction strategy to revive economic growth and improve basic standard of living with three strategic objectives: (i) to strengthen political and economic governance with a focus on institutional reform and fiscal governance; (ii) to promote economic recovery and sustainable development, with measures to reform state-owned enterprises and financial institutions, improve business environment, strengthen regional integration and trade, revive agricultural production, rehabilitate infrastructure, and improve management of natural resources and the environment; and (iii) develop social sectors, human resources and employment, with a focus on improving access to and the quality of basic education and health services. The I-PRSP was adopted in March 2008, with the PRGF-supported program anchored in the I-PRSP. The full PRSP is expected to be completed during the first half of 2009.

D. Unsustainable External Debt

2.8 As of end-December 2007, Togo’s public and publicly guaranteed external debt before traditional debt relief was estimated at US$2.2 billion, in nominal terms, equivalent of US 1.8 billion in NPV terms. After the application of traditional debt relief, The NPV of debt was estimated at US$ 1.41 billion which was about 309 percent of fiscal revenues. The NPV of debt-to-fiscal revenues ratio, is above the HIPC Initiative threshold of 250 percent, rendering Togo’s debt as unsustainable. Thus, Togo qualifies for debt relief under the HIPC Initiative’s fiscal window.

E. Promotion of Good Governance

2.9 The long-lasting socio-political crisis and the withdrawal of donor support had a major adverse effect on Togo’s economy, infrastructure and institutions. The traditional export sectors suffered from negative terms of trade and mismanagement of state-owned enterprises. Governance problems and banking sector difficulties inhibited private investment. The huge external debt coupled weak fiscal management led to the accumulation of arrears. In 2006, the Togolese authorities launched an economic reform program supported by an IMF Staff-Monitored Program (SMP). Progress was made on governance-related structural reforms. The Togolese authorities have implemented a wide range of public financial management reforms. These include: (i) phasing out of payment orders without budget line identification.; (ii)
introducing a new mechanism for the monthly monitoring of budget execution; (iii) a significant shortening of the time lag for analyzing fiscal data and providing policymakers with the ability to make timely and informed spending decisions; (iv) the establishment of a new General inspectorate of Finance to conduct ex-post inspections of agencies that handle public resources; (v) developing and adopting an action plan for public procurement reforms; (vi) introducing financial audits of state-owned enterprises and strengthening internal controls; (vi) preparing a strategy to strengthen Togo’s state-owned banks and placing the largest banks under a new management and oversight; (vii) establishing a Board of Directors for electricity utility; and (viii) adopting new statutes in harmonization with WAEMU corporate law and appointing a new general manager for electricity utility.

2.10 Furthermore, the 2007 parliamentary elections marked a significant milestone in Togo’s political reform and paved the way for donor re-engagement.

F. Overall Assessment of Eligibility for HIPC Initiative Assistance

2.11 From the above discussions, Management believes that Togo has fulfilled all the requirements for debt relief under the HIPC Initiative and can now reach its HIPC decision point. Moreover, the Togolese authorities and the IMF, IDA and AfDB staffs have reached an understanding on the appropriate completion point triggers discussed in Section V.

III. Breakdown of Current Debt Stock and Arrears Clearance

3.1 As of end-December 2007, Togo’s external debt stock before traditional debt relief was estimated at US$2.2 billion in nominal terms, which is equivalent to US$1.8 billion in NPV terms.

3.2 As illustrated in Figure 1 below, multilateral creditors accounted for 51.1 percent of the total debt in nominal terms, with liabilities to IDA representing 34.6 percent, those to the AfDB, 6.7 percent, and those to other official multilaterals 9.8 percent. Bilateral creditors accounted for 47.5 percent of the total debt stock, with liabilities to the Paris Club representing 43.7 percent of the total debt, and those to non-Paris Club bilaterals, 3.8 percent. About 1.4 percent of debt was held by 11 commercial creditors.

3.3 As result of the long political instability and the related economic decline, Togo accumulated external arrears which stood at US$851 million, equivalent to 39 percent of Togo’s external debt in nominal terms. Of the total arrears, US$200 million were due to multilateral creditors, US$636 million to bilateral creditors, and US$15 million to commercial creditors. Arrears to IDA, totaling US$129 million, representing 15.2 percent of the total arrears, were

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3 Togo is among the list of countries that were grandfathered for HIPC eligibility. See IDA and IMF, “Heavily Indebted poor Countries (HIPC) Initiative – Issues related to the Sunset Clause,” IDA/R2006-0175 and SM/06/288, August 18, 2006.

4 The other multilaterals include BOAD (3.4%); EU/EIB (2.4%); IsDB (1.8%); IFAD (1.2%); OFID (0.6%); and BADEA, FEGECE and the IMF together (0.2%).

5 The non-Paris Club bilaterals are China, Kuwait, and Saudi Arabia.
cleared in May 2008 through a bridge loan provided by a bilateral creditor. Arrears to the AfDB, totaling US$ 19.7 million and representing 2.3 percent of the total arrears were cleared in July 2008 under the Fragile States Facility and through bilateral donor assistance.

**Figure 1:** Composition of stock of external debt as at end-2007 by Creditor Group

![Composition of stock of external debt as at end-2007 by Creditor Group](image)

3.4 The Togolese authorities have made progress in discussions on arrears clearance with other multilaterals. The EU intends to clear all arrears until the date of decision point and to provide grants to clear Togo’s arrears to the EIB. IFAD has proposed an arrears rescheduling in the context of the HIPC Initiative. The Paris Club has provided exceptional treatment to Togo in terms of its arrears. In June 2008 the Paris Club put Togo’s external debt under Naples terms which led to an immediate cancellation of US$347 million of debt contracted prior to January 1, 1983, leaving a balance of US$392 million which was scheduled or deferred. The Togolese authorities are seeking comparable treatment with its non-Paris Club bilateral creditors.

**IV. Assistance under the HIPC Initiative**

4.1 Togo’s total external debt of US$2.2 billion in nominal terms, as at-end 2007, was about US$1.8 billion in NPV terms, and equivalent to 72 percent of GDP, 191 percent of exports and 396 percent of fiscal revenue. After the full application of traditional debt relief mechanisms, Togo’s NPV of debt was estimated at US$1.41 billion at end-2007 equivalent 309 percent of fiscal revenues and 149 percent of exports. Togo’s NPV of debt to revenues ratio exceeded the

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6 The traditional debt relief mechanism assumes a stock-of-debt operation based on the Naples terms at end-2007, and comparable action by other official creditors on eligible debt.
HIPC Initiative threshold of 250 percent but it’s NPV of debt to exports ratio was slightly below the HIPC threshold of 150 percent. Togo, therefore, qualifies for debt relief under the HIPC Initiative’s “fiscal window.

4.2 The HIPC assistance needed to bring down the NPV of debt-to-revenues ratio from 309 percent to the HIPC threshold of 250 percent is estimated at US$270 million in end-2007 NPV terms. The assistance represents a common reduction factor of 19 percent. Based on proportional burden-sharing approach multilateral assistance would amount to US$150 million and bilateral and commercial assistance to US$120 million (both in NPV terms). The Bank Group’s share of debt relief amounts to US$17.3 million in 2007 NPV terms, equivalent to 11.5 percent of multilateral assistance, and 6.4 percent of the total assistance from all creditors. Figure 2 provides a breakdown of Togo’s total debt relief in NPV terms.

4.3 So far, 47 percent of HIPC relief has been delivered through multilateral arrears clearance and the cancellation of loans by China. The required threshold for financing assurances for HIPC interim and completion point relief should be easily attained, given the large share of Paris Club and multilateral debt. AfDB has already delivered its full share of HIPC assistance of US$17.3 million through the arrears clearance operations in May and July 2008.7

V. MDRI Assistance and Bilateral Debt Relief beyond HIPC

5.1 On reaching the completion point under the Enhanced HIPC Initiative, Togo would qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI). If Togo reaches the completion point in October 2010, preliminary estimates indicate that MDRI relief could amount to US$753 million in nominal terms (US$404 million in NPV terms). Of this amount, US$618 million will be provided by IDA and US$135 million by the AfDB. Togo repaid its MDRI-eligible debt to the IMF in early 2008, and would therefore not be eligible for MDRI debt relief from the IMF.

5.2 The estimated debt relief under the MDRI to be provided by the AfDB includes the cancellation of debt disbursed and outstanding before end-2004 and would be delivered in full at completion point.

Figure 2: Breakdown of Creditor Participation in Togo’s HIPC Assistance

VI. DEBT SUSTAINABILITY OUTLOOK AND SENSITIVITY ANALYSIS

6.1 After traditional debt relief and HIPC debt relief, the NPV of external debt-to-revenues ratio would decrease from 395.6 percent in 2007 to 211.1 percent in 2010. Furthermore, with MDRI debt relief and additional bilateral debt relief beyond HIPC, Togo’s NPV of debt-to-revenues ration would decline further to 65.0 percent in 2010. Debt service ratios would also become substantially lower, particularly in the period just following the completion point. Debt service-to-exports ratio and debt service-to-revenues ratio would remain below 4 percent and 7 percent, respectively, within the projection period of 2011-2027. This represents a reduction of over 70 percent in 2011 and 40 percent reduction over the period 2011-2027., compared to a projection that includes only HIPC assistance.

6.2 A sensitivity analysis to test the vulnerability of Togo’s external public debt under four different scenarios of adverse shocks to the economy show that Togo’s external debt situation would deteriorate under all scenarios, but would remain under a downward path over the projection period, except under the scenario with a combination of shocks.
• Under a first scenario of a lower GDP growth of 2.5 percent for the period 2008-2027, compared to a baseline average growth of 3.5 percent, government revenues and expenditures would decrease, causing the NPV of debt-to-revenues ratio to gradually decline to 137.4 percent by 2027, compared to 87.2 percent under the baseline scenario.

• Under a second scenario of a 2.5 percent decrease in the average growth rate of exports relative to the baseline scenario, the NPV of debt-to-exports ratio would decline gradually to 53.5 percent in 2027 compared to 34.9 percent in the baseline scenario. However, the debt service-to-exports ratio would be 60 percent higher than in the baseline scenario.

• Under a third scenario of substituting half of all project grants with new concessional borrowing, the debt service-to-exports and debt service-to-revenues ratios would be 60 percent higher than the respective indicators in the baseline scenario. Similarly, the NPV of debt-to-revenues ratio would be almost twice the value in the baseline scenario.

• Under a fourth scenario of a combination of all the shocks under the preceding scenarios, the NPV of debt-to-revenue ratio would decline gradually until 2017, and increase thereafter reaching 235.7 percent in 2027, just below the HIPC threshold. All debt burden indicators would deteriorate substantially compared to the baseline scenario.

The results of the sensitivity analysis point to the need for fiscal prudence and policies to promote economic growth, and the importance of external grant assistance to debt sustainability.

VII. FLOATING COMPLETION POINT TRIGGERS

7.1 The Togolese authorities and IMF, IDA and AfDB staff have agreed on ten floating point triggers in six areas for Togo to reach its completion point. These are:

PRSP
• Prepare a full PRSP through a participatory process and implement the recommendations satisfactorily for at least one year as evidenced by an Annual progress Report submitted by Government to the IDA and the IMF.

Macroeconomic Stability
• Maintain macroeconomic stability as evidenced by satisfactory performance under the PRGF-supported program.

Public Financial Management
• Adopt a mechanism to track public expenditures for poverty reduction on the basis of a functional expenditure classification. Publish at least two quarterly reports on these expenditures covering the period of at least two consecutive quarters preceding the completion point.
• Appoint judges for the Cour des Comptes and provide them with work space, equipment, and materials. Submit the draft of the Loi de reglement and draft General Treasury
Balance to the *Cour des Comptes* and Parliament for at least one fiscal year preceding the completion point.

- Adopt a decree creating the Procurement Regulatory authority in conformity with the WAEMU Procurement Directives, nominate its managerial staff, and provide them with an adequate budget. Publish monthly, in a public procurement gazette or on a government website, a summary of all signed contracts, including sole source contracts and public concessions, for at least six months immediately preceding the completion point.

**Governance**

- Implement regular public reporting of payments to, and revenues received by, the government for the phosphates sector, in line with this aspect of the EITI criteria. Submit a recent annual report during at least the year immediately preceding the year in which the completion point is reached.

**Debt management**

- Consolidate external and domestic debt data under a single unit charged with all public debt.
- Publish an annual report on a government website providing accurate and complete data on external and domestic public debt, including information on debt stocks, actual debt service, and new loans within six months after the end of the year, for at least one year immediately preceding the completion point.

**Social Sectors**

- Adopt the medium-term National Health Development Plan and the medium-term Health Sector Human Resources Development and Management Plan after costing of the Plans has been completed.
- Start implementation of the national education sector plan as evidenced by completing the training of at least 500 new teachers and the remedial training of at least 4,000 existing teachers.

**VIII. BANK GROUP INTERVENTIONS IN TOGO**

8.1 Since August 2001, Togo has been under a Bank sanction for accumulated arrears; however dialogue with the country has been maintained. In 2006, the Boards approved a dialogue paper on Togo with two main objectives: (i) to clear the arrears of Togo in a concerted manner with the other development partners; and (ii) to contribute to the institutional capacity building in the country. Consequently, the Bank in 2006 financed an institutional support project in the amount of UA 2.2 million, with the principal aim of improving the performance of the Ministry of Economy and Finance. The project remains the only active project of the Bank in the country’s portfolio of 29 projects, 7 projects financed through the ADB window, 20 through the ADF window, and 2 through the NTF window. (See Annex 1 for a detailed description of the projects in the portfolio and the current status of projects). The institutional support project is contributing to enhancing fiscal management and transparency.

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8 Capacity building support project (PARCI).
8.2 The Bank Group interventions in Togo during the ADF-11 period would be financed through Togo’s indicative ADF-11 allocation of UA 40.75 million, made up UA 26.39 million from the normal performance-based allocation, and UA 14.36 million from the FSF Supplemental Support Window. The Bank’s intervention during the ADF-XI period would support operations in the priority areas defined in the I-PRSP which would facilitate Togo’s attainment of HIPC completion point. Towards this end, the Bank is currently processing an Interim Country Strategy Paper for Togo for the period 2009-2010. It is expected that the paper will be considered by the Boards in early February 2009.

IX. INDICATIVE FINANCING ARRANGEMENTS

9.1 Since the Bank Group’s arrears clearance is counted as part of the HIPC debt relief, the Bank Group’s share of debt relief, amounting to US$17.3 million in 2007 NPV terms, has been fully delivered through the Bank Group’s arrears clearance operation for Togo, amounting to US$ 23.1 million\(^9\) as at end-December 2007, under the FSF. Consequently, no further debt relief assistance will be provided during the interim period to Togo’s completion point. In fact, there is an over-delivery of Bank Group debt relief to Togo, equivalent to US$5.8 million in June 2007 NPV terms. The total debt relief committed by the creditors, including the Bank Group, will be revised during a DSA exercise at completion point.

X. RECOMMENDATIONS

10.1 The Boards of Directors are invited to: (i) approve Togo’s qualification for HIPC assistance at the decision point under the Enhanced HIPC Initiative; (ii) approve the Bank Group’s share of HIPC debt relief for Togo, equivalent to US$ 17.3 million in end-December 2007 NPV terms and (iii) note that the Bank Group’s HIPC assistance comes entirely in the form of grants through the FSF (under its pillar II) arrears clearance mechanism already provided in July 2008.

\(^9\) Using exchange rate (US$/SDR = 0.63) of end December 2007. The contribution from FSF amounts to UA14.57 million.
Annex 1: Bank Group Portfolio in Togo

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<th>Cancelled amount</th>
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*The only active project of the Bank Group in the country

Source: SAP as at September 2008
Annex 2

IMF/ World Bank HIPC Decision Point Document for Togo