INTERNATIONAL MONETARY FUND

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TOGO

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FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TOGO

In the context of the First Review Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 20, 2024, following discussions that ended on October 19, 2024, with the officials of Togo on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 3, 2024.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Togo.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 24/494

IMF Executive Board Completes the First Review under the Extended Credit Facility (ECF) Arrangement for Togo

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed today the first review under the ECF-arrangement for Togo, allowing the authorities to draw the equivalent of about US$57.4 million (SDR 44.0 million). The Executive Board approved the 42-month ECF-arrangement in March 2024.
- Togo's growth performance has remained robust, and inflation is moderating. The medium-term outlook is broadly favorable, with continued robust growth but also elevated risks.
- Togo has continued to advance its reform agenda, and the program is on track. Policy priorities are to (i) make growth more inclusive while strengthening debt sustainability, and (ii) implement structural reforms to support growth and limit financial sector and associated fiscal risks.

Washington, DC – December 20, 2024: The Executive Board of the International Monetary Fund (IMF) completed the first review of the ECF-arrangement for Togo. The Board's decision enables the immediate disbursement of SDR 44.0 million (about US$ 58.7 million), which will be used for budget support. The ECF-arrangement provides overall financing of SDR 293.60 million (about US$ 390 million).

The IMF approved the ECF-arrangement on March 1st, 2024 (see Press Release No. 24/64) to help the authorities address the legacies of the shocks seen since 2020, notably the COVID-pandemic and the increase in global food and fuel prices. The Togolese authorities were able to lessen these shocks' impacts on the Togolese economy and population. However, this resulted in an increase in fiscal deficits and debt. The IMF-supported government program aims to (i) make growth more inclusive while strengthening debt sustainability, and (ii) implement structural reforms to support growth and limit financial sector and associated fiscal risks.

The medium-term outlook is broadly favorable, with continued robust growth. Economic growth reached an estimated 5.6 percent in 2023 and is projected at 5.3 percent in 2024-25 and around 5.5 percent per year thereafter according to IMF staff projections, barring major adverse shocks. Headline inflation eased to 3.3 percent in October 2024 and core inflation (which excludes the prices of food and transport) to 2.2 percent (annual averages).

However, the outlook is subject to high risks. In particular, terrorist attacks in the country's North continues unabated and appears to be intensifying, putting pressure on spending. The authorities are contending with the challenging trade-offs between fiscal consolidation to lower the debt burden and the need to maintain robust growth in the context of limited fiscal space.

Implementation of the program is on track. The authorities have met all end-June quantitative performance criteria, and prospects for meeting the quantitative targets for the rest of the year are favorable. The authorities also have met two out of the four due structural benchmarks , and there are prospects for the authorities to deliver at a later stage on the limited elements that have led to the missing of two benchmarks. Further, prospects for meeting the two end-

December benchmarks are good. Finally, the authorities have made good progress on the reform of the remaining state-owned bank.

At the conclusion of the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, and Acting Chair, made the following statement:

"The Togolese authorities have shown strong implementation of the program supported under the Extended Credit Facility (ECF). The authorities have met all quantitative targets despite security challenges and tight financing conditions, and they have progressed on structural reforms to strengthen revenue mobilization, inclusion, and public financial management.

"Togo's outlook is subject to elevated risks, broadly as at the program request in March 2024, while security conditions have deteriorated. In line with this, the design of the program as conceived at the outset remains broadly appropriate, and the authorities should continue to implement the program with determination to place the country on the path of strong and sustainable growth.

"In the area of fiscal policies, the authorities should continue to aim to address debt vulnerabilities in a context of regional vulnerabilities while supporting growth and enhancing inclusion. For this, it will be important to implement the agreed fiscal anchor by limiting fiscal deficits to 3 percent of GDP from 2025 onwards, continue to raise tax revenue while making taxation more efficient, and implement structural reforms to enhance the efficiency of spending and make the social safety net more effective and efficient.

"It will also be essential to continue efforts to strengthen governance. The authorities' recent request for an IMF Governance Diagnostic is welcome, as is their commitment to strengthening beneficial ownership declarations for companies benefiting from public procurement contracts. On the financial sector, the authorities should continue the reform of the remaining public bank by bringing the bank's capital in line with regulatory requirements and reforming its operations to ensure its stability and profitability. Efforts to strengthen the AML/CFT framework will also be important.

Togo: Selected Economic and Financial Indicators, 2020-29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Estimates				Projections					
	(Percentage change, unless otherwise indicated)									
Real GDP	2.0	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Real GDP per capita	-0.4	3.5	3.3	3.1	2.8	2.8	3.0	3.0	3.0	3.0
GDP deflator	1.8	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	1.8	4.5	7.6	5.3	3.3	2.3	2.0	2.0	2.0	2.0
GDP (CFAF billions)	4,253	4,621	5,069	5,507	5,927	6,366	6,850	7,371	7,932	8,536
Exchange rate CFAF/US$ (annual average level)	575	554	622	606	...	...	...	...	...	...
Real effective exchange rate (appreciation = –)	-2.0	-1.4	2.3	-5.4	...	...	...	...	...	...
Terms of trade (deterioration = –)	-1.4	6.6	23.3	3.4	0.9	-1.7	-0.8	1.4	1.3	0.4
Monetary survey	(Percentage change of beginning-of-period broad money)									
Net foreign assets	14.1	5.6	-0.6	6.2	4.9	-0.1	3.0	2.8	2.2	2.2
Net credit to government	-1.6	-0.3	8.0	0.2	-2.9	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	7.3	6.5	4.4	4.6	4.9	4.8
Broad money (M2)	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Investment and savings	(Percent of GDP, unless otherwise indicated)									
Gross domestic investment	21.4	23.4	25.9	28.0	25.7	24.2	25.0	25.9	26.7	27.2
Government	9.3	8.2	9.7	11.5	9.0	7.1	7.7	8.4	8.9	9.4
Nongovernment	12.1	15.2	16.2	16.5	16.7	17.1	17.3	17.5	17.8	17.8
Gross national savings	21.1	21.2	22.5	25.1	22.7	21.2	22.4	23.7	24.7	25.2
Government	2.2	3.6	1.4	4.8	4.1	4.1	4.7	5.4	5.8	6.4
Nongovernment	18.9	17.6	21.0	20.3	18.6	17.1	17.7	18.3	18.9	18.8
Government budget										
Total revenue and grants	16.6	17.1	17.6	19.8	18.8	18.6	19.1	19.5	19.9	20.3
Revenue	14.1	15.3	15.1	16.8	16.6	17.1	17.6	18.1	18.5	19.1
Tax revenue	12.5	14.0	13.9	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Expenditure and net lending (excl. banking sector operation)	23.7	21.8	26.0	26.6	23.7	21.6	22.0	22.6	22.9	23.3
Overall primary balance (commitment basis, incl. grants)	-4.7	-2.5	-5.9	-3.9	-3.7	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-7.0	-4.7	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-7.0	-4.7	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-3.9	-3.7	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
External sector										
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.0	-2.9	-2.6	-2.2	-2.0	-2.0
Exports (goods and services)	23.3	23.7	26.6	25.5	25.7	25.6	26.0	26.2	26.2	26.1
Imports (goods and services)	-32.3	-34.0	-38.8	-36.2	-35.4	-34.4	-33.9	-33.7	-33.5	-33.5
External public debt[1]	27.6	27.3	26.2	25.9	29.5	29.0	29.9	30.6	30.8	30.4
External public debt service (percent of exports)[1]	6.9	5.2	8.3	8.2	8.4	15.5	9.2	8.3	7.2	6.5
Domestic public debt[2]	34.6	37.6	41.2	42.1	40.2	39.1	36.6	34.3	32.3	31.4
Total public debt[3]	62.2	64.9	67.4	68.0	69.7	68.2	66.4	64.8	63.1	61.8
Total public debt (excluding SOEs)[4]	60.1	63.0	65.8	66.6	68.6	67.2	65.6	64.1	62.5	61.3
Present value of total public debt[3]	…	...	...	60.6	60.7	57.7	54.5	51.5	48.8	47.1

Sources: Togolese authorities and IMF staff estimates and projections.

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

INTERNATIONAL MONETARY FUND

TOGO

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

December 3, 2024

EXECUTIVE SUMMARY

Context. Following the shocks of recent years, fiscal expansion has helped preserve robust economic growth but has also pushed up Togo's public debt and contributed to vulnerabilities in the West African Economic and Monetary Union (WAEMU). Further, despite the fiscal expansion, Togo's progress towards the SDGs has slowed sharply. Meanwhile, undercapitalization of two important banks, while improving, has not been fully resolved so far and continues to threaten financial sector stability.

Outlook and Risks. The medium-term outlook is broadly favorable, with continued robust growth. However, the outlook is subject to high risks. In particular, terrorist activity in the country's North continues unabated and appears to be intensifying. While the number of casualties from terrorist attacks remains far below those of some neighboring countries, they are on a rising trend, putting pressure on spending. The authorities are contending with the challenging trade-offs between fiscal consolidation to lower the debt burden and the need to maintain robust growth in the context of limited fiscal space.

The Fund-Supported Program. In March 2024, the Executive Board approved financial support of 200 percent of quota (SDR 293.60 million) under a 42-month ECF-arrangement that aims at (i) making growth more inclusive while strengthening debt sustainability, and (ii) supporting structural reforms to support growth and limit financial sector and associated fiscal risks.

Program Performance. Implementation of the program is on track notwithstanding limited delays on some structural benchmarks. The authorities have met all quantitative targets to date and prospects for meeting the quantitative targets for the rest of the year are broadly favorable. The authorities also have met two out of the four structural benchmarks due to date, and there are prospects for the authorities to deliver at a later stage on the limited elements that have led to the missing of two benchmarks. Further, prospects for meeting the two end-December benchmarks are good. Finally, the authorities have made good progress on reform the remaining state-owned bank, UTB.

In particular, they have raised the bank's regulatory capital into positive territory, as confirmed by an independent third-party audit.

Program Strategy Going Forward. For now, despite the persistent or even intensifying security challenges, Togo's economic prospects remain broadly unchanged from the time of the program request. In line with this, the program design as conceived at the outset remains broadly appropriate. In particular:

- In the area of quantitative targets, the dual fiscal anchor will remain unchanged, as it remains appropriate for achieving the program goal of strengthening debt sustainability, contributing to the strengthening of regional reserves, and avoiding overtaxing the regional financial market. The anchor consists of limiting fiscal deficits to 3 percent of GDP from 2025 and returning to moderate risk of overall debt distress from 2026 (by bringing the present value of debt below 55 percent of GDP).
- In the area of structural targets, the program will also remain broadly unchanged, continuing the focus on measures to raise tax revenue through both tax policy and revenue administration efforts, enhance inclusion, and strengthen public financial management. In addition, the authorities have agreed to a structural benchmark (SB) on strengthening beneficial ownership declarations (and they commit in the MEFP to requesting an IMF Governance Diagnostic Assessment by end-2024). Further, the authorities have agreed to SBs on remaining steps of UTB reform, comprising (i) completing the bank's recapitalization to the regulatory minimum; (ii) in consultation with Fund staff, adopting a restructuring plan to ensure the bank's profitability and stability; and (iii) implementing the restructuring plan.

Risks to the Program. The authorities indicate that should threats to security from terrorism continue unabated or further intensify, they may need to slow the pace of fiscal consolidation to address the associated spending pressures without crowding out other priority spending. Should the authorities present at a future point that this risk has realized, staff will discuss a possible recalibration of the program. Any relaxation of the consolidation path would need to remain within the constraints set by Togo's limited fiscal space as given by its high risk of overall debt distress, the WAEMU region's limited foreign reserve coverage, and the limited ability to finance a higher deficit in the regional market or externally. Further, a relaxation would require additional reform efforts to address the additional risks it creates.

Approved By
Annalisa Fedelino (AFR) and Fabian Bornhorst (SPR)

Discussions took place in Lomé during October 6-18, 2024. The staff team comprised Mr. H. Weisfeld (head), Ms. G. Li, Mr. E. Vaccaro-Grange (all AFR), Mr. M. Kaffo (Resident Representative), Mr. J. Fanning (SPR), and Mr. S. Napo (Local Economist). Ms. E. Boukpessi (ED office) participated in the first week of the discussions. The team held talks with Minister of Finance E. Barcola, representatives of the BCEAO, and other senior officials. Prime Minister V. Dogbé also received the team. The mission further met with the donor community. Ms. E. Eckling provided administrative assistance.

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ANNEXES

APPENDIX

CONTEXT

1. Togo's growth has been resilient to the shocks of recent years, thanks in part to substantial fiscal support, but development needs remain acute and security threats appear to be intensifying. Food insecurity remains high, with 27 percent of the population facing at least some degree of food insecurity (Text Figure 1a). The pace of poverty reduction has slowed, and about a quarter of the population remains extremely poor (income below US$2.15 a day, Text Figure 1b).[1] More broadly, the distance to the Sustainable Development Goals (SDGs) remains large. Also, the authorities have so far not been able to reduce terrorist activity. While the number of casualties from terrorist attacks remains far below those of some neighboring countries, they are on a rising trend (Text Figure 2). This, together with deadly recent attacks in Burkina Faso and Mali, suggests that risks from terrorism are growing.

2. The fiscal expansion implemented in response to the shocks pushed up deficits and public debt (Text Figure 3) and could, if not reversed, jeopardize debt sustainability. The fiscal deficit peaked at 8.3 percent of GDP in 2022 following measures to protect the population's purchasing power, including large fuel and gas subsidies (Text Figure 4). The risk of external debt distress is moderate, and the risk of overall debt distress is high (DSA). High tax expenditure continues to constrain revenue (Text Figure 4).

3. In addition, Togo's, and other WAEMU members' large fiscal deficits and limited external financing in recent years have contributed to a weakening of regional reserves. Ongoing fiscal consolidations and external inflows have helped, but regional reserves remain low, at 3.3 months of imports in October.

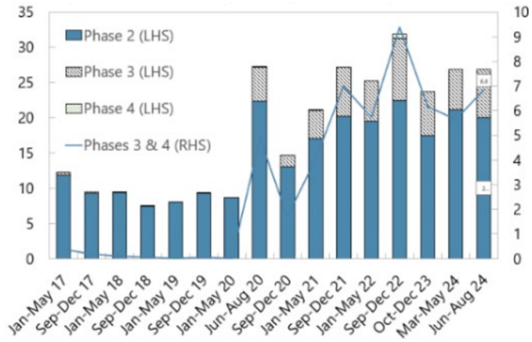
4. The IMF approved a 42-month ECF-arrangement with access of 200 percent of quota in March 2024. The arrangement aims to help the authorities (i) make growth more inclusive while strengthening debt sustainability, and (ii) conduct structural reforms to support growth and limit fiscal and financial sector risks. Key policies include efforts to strengthen social and pro-poor spending and the social safety net, a large fiscal consolidation thanks in part to ambitious fiscal revenue mobilization, and banking sector reform including recapitalization of the state-owned bank.

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

Text Figure 1. Persistent Food Insecurity and Slowing Progress on Eradicating Poverty

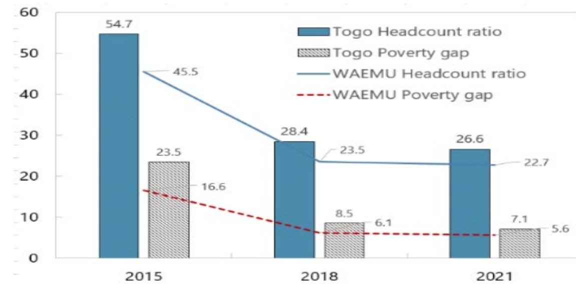
1a. Prevalence of Food Insecurity,[1] 2017–24

(Percent of analyzed population)



1b. Poverty Headcount Ratio and Poverty Gap at $2.15/Day,[2] 2015–21

(Percent of population; percent shortfall of poverty line)



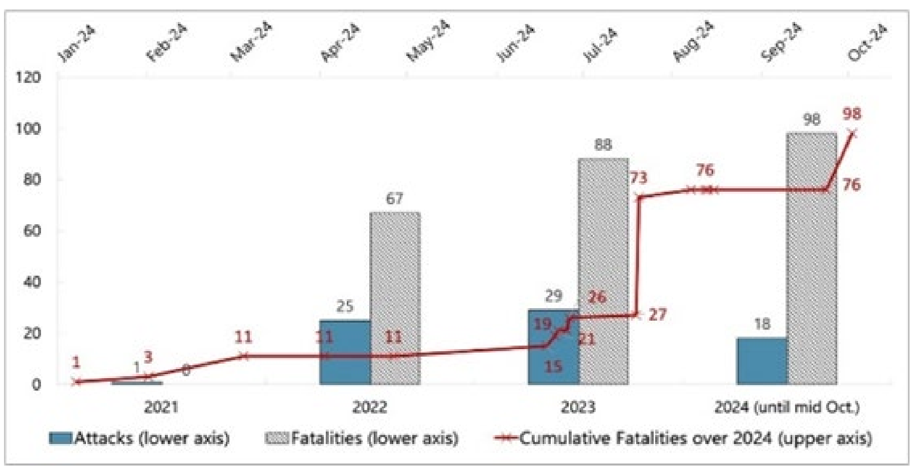
Sources: Integrated Food Security Phase Classification (1a), World Bank (1b); IMF staff calculations.

1/ The IPC Acute Food Insecurity (IPC AFI) classification distinguishes levels of severity of acute food insecurity in five distinct phases: (1) Minimal/None, (2) Stressed, (3) Crisis, (4) Emergency, (5) Catastrophe/Famine.

2/ In 2017 PPP. The poverty gap is the ratio by which the mean income of the poor falls below the poverty line.

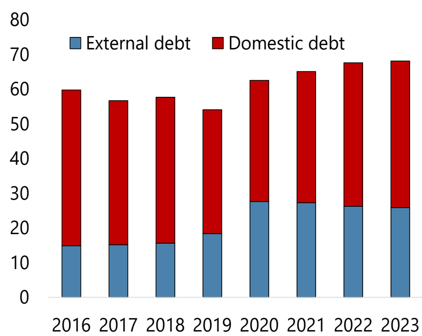
Text Figure 2. Terrorist Attacks and Fatalities, 2021–24

(Number)



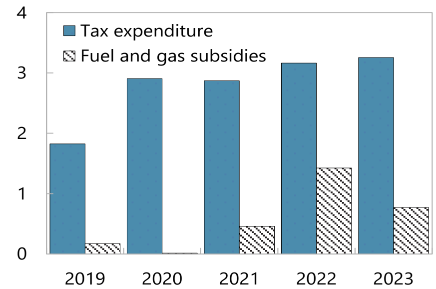
Sources: Armed Conflict Location and Event Data (ACLED); www.acleddata.com. Data accessed on 16/10/2024. The chart shows attacks and estimated fatalities attributed to various armed groups between January 2021 and October 11th, 2024. (2); IMF staff calculations.

Text Figure 3. Total Public Debt, 2016–23
(Percent of GDP)



Sources: Togolese authorities and IMF staff calculations.

Text Figure 4. Tax Expenditure and Fuel and Gas Subsidies, 2019-23
(Percent of GDP)



Sources: Togolese authorities and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

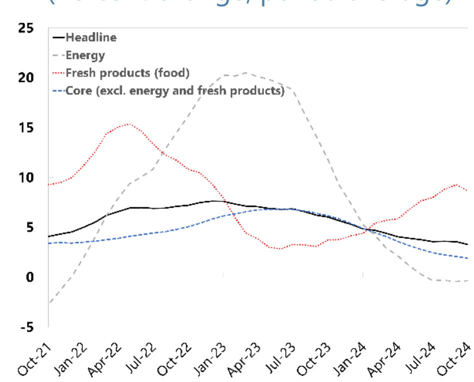
5. **Growth has remained resilient and is estimated to have reached 5.6 percent in 2023,** thanks in part to dynamic activity in the *Adetikopé* special economic zone.

6. **Inflation is declining, albeit more slowly than anticipated due to renewed food price inflation (Text Figure 5).** Headline inflation eased to 3.3 percent by October 2024 and core inflation (which excludes food and transport) to 2.2 percent (annual averages).

7. **The authorities have made good progress on tax revenue mobilization.**

- In 2023, tax revenue rose by 0.9 percent of GDP to reach 14.8 percent of GDP, exceeding the authorities' goal of increasing tax revenue by an annual average of 0.5 percent of GDP. However, revenue of 0.3 percent of GDP reflects a recovery of arrears that is unlikely to recur. With this, the permanent component of tax revenue in 2023 is estimated at 14.5 percent of GDP.
- In 2024, the authorities have undertaken further tax policy efforts, including measures agreed at ECF-request (Text Table 1), with estimated yields of 0.3 percent of GDP, as well as further revenue administration efforts. On the basis of revenue performance through August, tax revenue for the year as a whole is projected to reach 15.2 percent of GDP, in line with the program target. The rerouting of Nigerien sea-borne imports to Togo from Benin following the Niger and Benin border closure has supported activity in Togo's logistics sector but likely benefitted tax revenue only little given that goods in transit are exempt from import duties and taxes.

Text Figure 5. Consumer Price Index, 2020–24
(Percent change, period average)



Sources: Togolese authorities and IMF staff calculations.

Text Table 1. Implemented Tax Policy Measures and Expected Revenue Gains in 2024

	Tax Policy Measures	Expected revenue impact	
		CFAF million	percent of GDP
1	Increase in the excise duty rate on imported energy drinks from 5% to 10%	95	0.00
2	Increase in the excise tax rate on beers from 18% to 20%	1125	0.02
3	Increase in the excise tax rate on other imported alcoholic beverages from 50 percent to 60 percent	885	0.01
4	Introduction of an excise duty rate of 5% on imported plastic bags	151	0.00
5	Introduction of a 15 percent excise tax rate on imported culinary stock products	724	0.01
6	Changing the VAT rate from 10% to 18% for hotels on services provided by hotels, restaurants and approved equivalent bodies as well as approved tour operators	1685	0.03
7	Increase of the rate of the minimum flat tax levied on used vehicles from 1% to 2%	674	0.01
8	Introduction of business license fees for import activities regarding the resale of used vehicles	206	0.00
9	Reduction of the rebate on the importation of new passenger vehicles from 90% to 80%	398	0.01
10	Elimination of tax exemptions, duties and levies related to medical equipment in the context of the fight against the coronavirus	18	0.00
11	Tax on gambling products increased from 5% to 7%	632	0.01
12	Rationalization of property tax exemptions and utilization of the results of the Lomé land census	3850	0.06
13	Extension of tariff specification codes to other products	2400	0.04
14	Taxation of money transfer operations via mobile telephone subject to the Tax on Financial Activities (TAF)	124	0.00
15	Broadening the concept of markets within the framework of the formality on tax registration	4986	0.08
	TOTAL	**17952**	**0.30**

Sources: Togolese authorities and IMF staff estimates.

8. **The authorities have also raised non-tax revenue.** As with higher tax revenue, however, part of the increase seen in 2023 reflects arrears collection that is unlikely to recur.

9. **Further, they have delivered a good start on fiscal consolidation (Text Table 2).** The overall deficit (including grants) fell to 6.7 percent of GDP in 2023 (from 8.3 percent of GDP in 2022) and is projected to decline further thanks to progress in revenue mobilization and rationalization of spending, including lower fuel subsidies (projected at 0.5 percent of GDP for 2024, from 0.8 percent of GDP in 2023).[2] Excluding the one-time banking sector operations, the overall fiscal deficit is projected at 4.9 percent of GDP in 2024 (the headline deficit including these operations is projected at 6.4 percent of GDP).

10. **Amid tight regional financing conditions, Togo's space to absorb shocks to external debt has shrunk following the taking up of a large external short-term credit.** Yields for Togo's debt in the regional market have remained high (at 7.5 percent per year on average) and maturities short. In this context, given initially slow progress in mobilizing external financing, the authorities front-loaded domestic borrowing in the first half of the year. They also took up a trade credit of EUR 150 million (1.7 percent of GDP), resulting in a one-off spike in debt service obligations in 2025. The

[2] Historically, almost all (94 percent) of fuel subsidies go to gasoline, a product consumed mainly by higher-income households.

authorities are in advanced discussions with the WB on a liability management operation to lessen or remove the spike.[3] The assessed risk of external debt distress is maintained at "moderate", but the space to absorb shocks is now seen as "limited" (from "some space" previously, see the DSA).

Text Table 2. Fiscal Developments, 2019–H1 2024[1]

(Percent of GDP)

	2019[1]	2020	2021	2022	2023	H1 2024[2]
Revenue and grants	18.2	16.6	17.1	17.6	19.8	8.5
Total revenue	15.2	14.1	15.3	15.1	16.8	7.8
Tax revenue	13.5	12.5	14.0	13.9	14.8	7.1
Nontax revenue	1.8	1.6	1.3	1.2	2.0	0.6
Grants	3.0	2.5	1.8	2.5	3.1	0.7
Expenditures and net lending	16.6	23.7	21.8	26.0	26.6	10.9
Current expenditures	13.4	14.4	13.6	16.2	15.1	7.7
of which: Fuel subsidies	0.2	0.1	0.2	1.4	0.8	0.3
of which: Social protection cash transfers	...	0.3	0.2	0.1	0.2	...
Capital expenditures	3.2	9.3	8.2	9.7	11.5	3.3
of which: emergency program for Northern regions	...	...	...	0.7	1.2	...
of which: Security spending	1.5	1.4	1.0	3.0	4.6	...
Overall balance (commitment basis, incl. grants)	1.7	-7.0	-4.7	-8.3	-6.7	-2.5
Change in arrears	-2.6	0.0	-1.0	0.0	0.0	...
Overall balance (cash basis, incl. grants)	-0.9	-7.1	-5.6	-8.3	-6.7	-2.1
Overall balance (cash basis, excl. grants)	-3.9	-9.6	-7.4	-10.8	-9.8	-2.8
Financing	2.9	7.5	7.2	10.8	9.8	2.8
Domestic financing (net)	-3.2	0.6	4.5	7.1	4.5	2.0
External financing (net)	6.1	6.9	2.7	3.6	5.3	0.7
Exceptional financing	1.0	2.1	0.2	0.0	0.0	...
of which: IMF-ECF	1.0	1.9	0.0	0.0	0.0	...

Sources: Togolese authorities and IMF staff estimates.

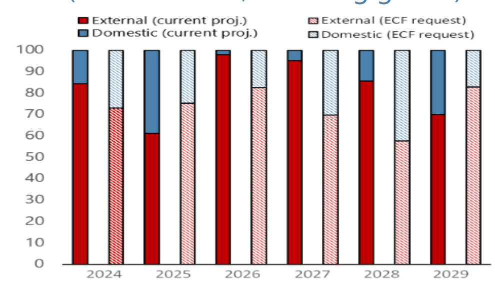
[1] Excluding transactions with the Social Security Fund, CNSS, in 2019.

[2] Non-annualized outcomes for H1 2024.

11. **Increased World Bank (WB) concessional financing helps debt sustainability.** Compared to the time of the program request, the WB has increased concessional budget support by US$50 million in each of 2024, 2025, 2027 and 2028, and committed an additional US$783 million in project loans over 2024-29.[4] With this, WB support is projected to rise from 2.3 percent of GDP in 2023 to 3.7 percent of GDP in 2027 before falling back to 2.6 percent of GDP in 2029, and the composition of financing will shift towards more external financing (Text Figure 6).[5]

Text Figure 6. Net Deficit Financing – Current Compared with ECF Approval

(Share of total, including grants)



Sources: Togolese authorities and IMF staff calculations.

[3] Short-term trade credits are excluded from the performance criterion on the PV of new external borrowing. One-off breaches in DSA thresholds do not automatically trigger changes in risk ratings. This said, near-term breaches can change risk ratings if there are insufficient mitigating circumstances.

[4] The authorities are also in discussion with the African Development Bank (AfDB) about a potential guarantee for further external borrowing in 2025.

[5] The increase in commitments reflects the WB's new Country Policy Framework that aims at helping Togo address security challenges, enhance cohesion, and cope with climate change and was incorporated in the macroeconomic framework and DSA underlying the Article IV Staff Report, except for the recent addition of US$50 million budget support in 2024. US$973 million of the new loan commitments will be highly concessional 50-year credits with a grant element of 74 percent. The WB is also projecting a reduction in grants of US$37 million over 2024-29.

12. Reported financial soundness indicators for 2023 point to some improvement in the banking system, but fragilities remain (Table 5 and Annex I). Soundness and compliance with norms are improving thanks in part to actions undertaken by the Togolese authorities concerning the two largest banks. In particular, an independent audit confirms that the authorities' purchase of the remaining public bank's headquarters building and additional capital injection helped push the bank's regulatory capital into positive territory.[6] Further, the authorities recently purchased the headquarters building of a bank privatized in 2021 to help strengthen its regulatory capital as well, and the bank is expected to undertake further efforts from private sources. At the same time, preliminary data suggest that two smaller banks have started breaching norms, one of which including on capitalization.

13. Togo's external position is assessed as broadly in line with the level implied by fundamentals and desirable policies.

OUTLOOK AND RISKS

14. Macroeconomic performance is expected to remain robust (Text Table 3). Growth is projected to soften to 5.3 percent in 2024-25 due to fiscal consolidation before recovering to a trend of 5.5 percent thanks to structural reforms to boost productivity and private investment. Headline inflation is projected to converge to 2 percent, the overall fiscal deficit to fall to 3 percent of GDP, and the current account deficit to remain below 3 percent of GDP.

Text Table 3. Key Macroeconomic Estimates and Projections, 2022–29

	2022	2023	2024	2025	2026	2027	2028	2029
	Est.		Projections					
Real GDP (percent change)	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
GDP deflator (percent change)	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0
CPI inflation, average (percent)	7.6	5.3	3.3	2.3	2.0	2.0	2.0	2.0
	(percent of GDP)							
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-4.7	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-4.7	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Current account balance	-3.5	-2.9	-3.0	-2.9	-2.6	-2.2	-2.0	-2.0
Total public and publicly guaranteed debt	67.4	68.0	69.7	68.2	66.4	64.8	63.1	61.8

Sources: Togolese authorities; and IMF staff projections.

Note: Data for 2023 are preliminary.

15. However, the outlook is subject to elevated risks (Annex II, Risk Assessment Matrix), chief among them intensification of terrorism, with possible impacts ranging from a dampening of logistics activities to a destabilization of Togo's economy. This risk may grow the longer the terrorists are present in Togo, as continued presence may allow them to establish themselves more firmly. Difficulty in obtaining financing at affordable rates in the regional market is another important risk, as is a further potential decline and eventual shortage of regional foreign exchange reserves. Further, risks to financial sector stability from undercapitalized banks have likely lessened in

[6] The audit assessed the bank's regulatory capital at CFAF 2.9 billion (US$ 4.8 million) at end-June.

line with the strengthening of the capital of the two important undercapitalized banks but have not yet subsided fully. Over the longer term, economic performance is subject to the risk of weakening debt sustainability should efforts to achieve fiscal consolidation while maintaining growth fall short. It is also vulnerable to intensifying climate change. This said, there are upside risks, too. For example, business environment reforms and industrial policies could lift growth more than expected.

PROGRAM PERFORMANCE

16. The program is on track notwithstanding limited delays on some structural benchmarks:

- **Quantitative targets:**
  - **The authorities have met all quantitative targets through end-June.** They have met the end-June quantitative performance criteria (QPCs) on the basic primary fiscal balance and net domestic financing as well as the indicative targets on tax revenue and social and pro-poor spending (Table 10). Also, the contracting of new external loans has remained within the continuous QPC ceiling, and the authorities have met the continuous QPCs on external debt arrears and pre-financing arrangements.
  - **Prospects for meeting the end-December quantitative targets are favorable.** The authorities are projected to meet all end-December targets, assuming that they will exercise strong spending control to achieve the fiscal balance target.

- **Structural targets:**
  - **The authorities have met two out of three structural benchmarks (SBs) due at end-June (Table 11) and are expected to complete the actions under the missed benchmark before the end of the year.** The authorities prepared an analysis comparing customs and trade data (SB 1.1) and adopted a strategy for strengthening the social safety net (SB 2.1). They also extended the scope of the public investment plan to extrabudgetary entities and PPPs and prepared a report on SOE investment projects but have yet to share this report with Parliament (SB 3.2).[7]
  - **The authorities missed the benchmark on the preparation of a revenue mobilization strategy for 2024-27 due at end-October, but the actions they have taken towards this benchmark are nevertheless useful.** They prepared a revenue mobilization strategy for

[7] The authorities explained that they were unable to share the plan with Parliament earlier because no regulatory text provides for the transmission of budget-related documents to Parliament prior to the draft budget. The authorities intend to share the plan with Parliament together with the budget law for 2025.

2025-26 that includes both tax policy and revenue administration measures and that can guide policy for now.[8]

- **The authorities have already met one of the two benchmarks due at end-December and are making good progress on the remaining benchmark:**
  - **They have established a biometric identification system and a Social Register of Persons and Households (RSPM) by creating and operationalizing the necessary IT platforms, thereby meeting SB 2.2.** However, the authorities anticipate needing the year 2025 to populate these systems to a degree that will allow them to support policy implementation. Concretely, they anticipate providing by end-2025 (i) a unique identification number to 90 percent of the population and (ii) register half of the population and more than half of the poor in the RSPM.
  - **The authorities are working on strengthening the budgetary risk analysis report** and expect to meet SB 3.1 due by end-December.
- **The authorities have met their commitments to date on the reform of the state-owned bank.** They recapitalized the bank to (slightly above) zero and commissioned an independent audit of the bank's capital in April as well as an audit of its operations in October.

POLICY DISCUSSIONS

17. As Togo's circumstances have remained broadly unchanged since the ECF-request notwithstanding the persistent and possibly intensifying security challenges, the design of the program remains broadly appropriate. Discussions focused on (i) making growth more inclusive while strengthening debt sustainability and (ii) conducting structural reforms to support growth and limit risks.

A. Making Growth More Inclusive While Strengthening Debt Sustainability

Strengthening Debt Sustainability

18. The authorities' dual fiscal anchor remains appropriate for now, and the authorities remain committed to the path of the fiscal deficit agreed at the ECF-request (Text Table 4). The anchor's first element is to reduce the overall risk of debt distress to "moderate" in 2026 by bringing the present value (PV) of debt below 55 percent of GDP. The second element is to lower the overall fiscal deficit to 3 percent of GDP by 2025 to avoid overtaxing the regional market and

[8] The strategy for 2027 will become part of the medium-term revenue strategy that the authorities intend to prepare by mid-2026.

converge to the WAEMU norm.[9] The fiscal deficit path agreed at program request respects both anchors, with a projected PV of debt of 54.5 percent of GDP in 2026, broadly unchanged from the program request. The authorities have committed to submitting to Parliament a budget law for 2025 that will call for limiting the overall fiscal deficit to 3 percent of GDP. The authorities should continue to prioritize grants and concessional external borrowing and assess the costs and risks of other borrowing options. They should also seek to keep external debt risks moderate, including by refinancing the trade credit to avoid the associated spike in debt service obligations in 2025. Other options should be explored as a contingency, including mobilizing additional long-term external loans.

Text Table 4. Medium-Term Fiscal Plans, 2023–29

(Percent of GDP)

	2023	2024	2025	2026	2027	2028	2029
	Estimates	Projections					
Revenue and grants	19.8	18.8	18.6	19.1	19.5	19.9	20.3
Total revenue	16.8	16.6	17.1	17.6	18.1	18.5	19.1
Tax revenue	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Nontax revenue	2.0	1.4	1.4	1.4	1.4	1.4	1.4
Grants	3.1	2.2	1.6	1.5	1.4	1.3	1.2
Expenditures and net lending	26.6	23.7	21.6	22.0	22.6	22.9	23.3
Primary Expenditure	23.8	22.6	19.1	19.7	20.3	20.8	21.4
Current expenditures	15.1	14.7	14.5	14.3	14.2	14.0	13.9
of which: Fuel subsidies	0.8	0.5	0.4	0.2	0.0	0.0	0.0
of which: Social protection cash transfers	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Capital expenditures	11.5	9.0	7.1	7.7	8.4	8.9	9.4
of which: emergency program for Northern regions	1.2	1.0	0.7	0.6	0.6	0.5	0.5
of which: Security spending	4.6	3.2	2.4	0.6	0.6	0.5	0.5
Overall balance (commitment basis, incl. grants, excl. banking sector operation)	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, excl. grants)	-9.8	-8.6	-4.5	-4.4	-4.5	-4.3	-4.2
Financing	9.8	7.3	3.4	3.7	4.0	4.3	4.2
Domestic financing (net)	4.5	1.2	1.3	0.1	0.2	0.6	1.3
External financing (net)	5.3	6.2	2.1	3.6	3.8	3.7	2.9
Exceptional financing	0.0	1.3	1.1	0.8	0.5	0.0	0.0
of which: IMF-ECF	0.0	1.3	1.1	0.8	0.5	0.0	0.0
Memorandum Item:							
Social and pro-poor spending	4.8	5.3	5.1	5.3	5.4	5.5	5.6

Sources: Togolese authorities; and IMF staff estimates. Data for 2023 are preliminary.
Note: Following the recent ECF request, social and pro-poor spending is defined here as expenditure executed from the Government budget (from both domestic and external resources) relating mainly to education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, microfinance, and law and justice. This spending includes cash transfers. For detail, see Annex I of Attachment II to IMF Country Report No. 24/79.

19. The authorities remain committed to raising tax revenue by at least 0.5 percent of GDP per year, and they have prepared a revenue mobilization strategy for 2025-26 that combines tax policy and revenue administration efforts. Aiming at broadening the tax base, the measures are broadly in line with staff recommendations.

- **Tax policy measures** will include introducing or increasing various excise duties and reducing tax exemptions, for an expected yield of 0.4 percent of GDP (MEFP Text Table 1). To accelerate revenue mobilization, staff recommends that the authorities also aim to scale back VAT exemptions, broaden the base of the Personal Income Tax (PIT), align corporate taxation with the Global Minimum Tax, and require companies that receive tax advantages related to special economic regimes to move to a special economic zone over time. As an input for enhancing

[9] Prior to the pandemic, the WAEMU countries sought to implement a convergence pact that required convergence to a fiscal deficit of 3 percent of GDP. The pact was suspended in 2020 and has not yet been re-instituted. In addition to Togo, Benin, Cote d'Ivoire, Guinea Bissau and Niger have also committed to such a target by 2025.

VAT revenue and the preparation of a comprehensive Medium-Term Revenue Strategy (likely by mid-2026), the authorities will *prepare an analysis of VAT exemptions to determine which are progressive and which regressive (by end-June 2025, SB 4.1)*.

- **Revenue administration measures** will include (i) on domestic taxation, improving on-time filing and payment rates, reducing the stock of arrears, and strengthening audits through technical assessments and capacity building for auditors; (ii) on taxation at customs, strengthening the post-clearance audit function, targeting high risk imports and exports, enhancing customs monitoring and verification, and enhancing the of ASYCUDA World; (iii) on both internal taxation and customs, forcefully addressing suspected fraud cases. The authorities also intend to continue land surveys to enhance property taxation. In addition, they will *transfer collection of personal income tax for civil servants from the General Directorate of Budget and Finance to the Togolese Revenue Authority (by end-December 2025, SB 4.2)*. The authorities expect that these efforts will yield revenue of 0.1-0.2 percent of GDP in 2025.

20. The authorities are also to raise non-tax revenue., including by strengthening enforcement of mining royalty regulations and introducing new royalties at the port of Lomé.

21. The authorities' spending plans aim to balance priority spending (for security, social, investment, and banking sector repair purposes) and consolidation.

- Current spending is projected to decline from 15.1 percent of GDP in 2023 to 13.9 percent of GDP in 2029, reflecting mainly declining interest payments as a share of GDP due to fiscal consolidation and greater reliance on concessional lending. The wage bill and spending on goods and services are projected to remain broadly unchanged as shares of GDP from 2023 outturns. Successful expenditure control on goods and services in 2023 has led staff to project a somewhat larger projected decline in current spending than at the time of the program request. Fuel subsidies are set to decline (see discussion below).
- Investment including on security is projected to decline from 11.5 percent of GDP in 2023 to 9.0 percent in 2024 and 7.1 percent of GDP in 2025 before recovering in later years in line with revenue mobilization. This path is moderately higher than in the ECF request, reflecting higher security spending financed by higher domestic revenue and new external debt. Security investment remains elevated since the onset of terrorism attacks in late 2021, reaching 4.6 percent of GDP in 2023 and a projected 3.2 percent of GDP in 2024 and 2.4 percent of GDP in 2025 (up from less than 1.5 percent of GDP before). The associated compression of non-security investment through 2025 will weigh on growth, highlighting the importance of structural reforms.

- Social and pro-poor spending in the program definition, which cuts across current and capital spending, is projected to expand gradually from 4.8 percent of GDP in 2023 to 5.6 percent of GDP in 2029.[10]
- Spending plans also include lifting the state-owned bank's capital to the regulatory minimum and the purchase of real estate assets from a former public bank. The cost of banking sector repair amounts to 1.5 percent of GDP, all in 2024.

22. The authorities should prepare an overarching medium-term fiscal strategy that would (i) enshrine the fiscal anchor, and (ii) integrate the revenue mobilization strategy with a spending strategy to help achieve both tax efficiency and income distribution goals. The authorities should make greater use of cash transfers to reach both efficiency and distributional goals.

23. The authorities remain committed to strengthening debt sustainability by rebalancing their debt portfolio from commercial domestic debt to more concessional external debt. The program includes a limit on the contracting of new external debt to avoid excessive external debt accumulation.

Making Growth More Inclusive

24. While the authorities intend to strengthen Togo's social safety net, further consideration may be needed to find the best way forward. The recently adopted strategy for strengthening the social safety net appears to be a largely qualitative description of the authorities' existing framework. It recommends better financing and implementation of existing elements of the social safety net and does not seem to provide a vision for streamlining Togo's numerous safety net interventions into a more unified, manageable, and efficient whole where targeted cash transfers would play a key role. One of the few concrete goals is to make the universal health insurance scheme fully operational. Extending it to the most vulnerable will be a challenge, though, given that the insurance premia for this group would need to be paid or at least subsidized by the government.

25. The authorities also aim to expand pro-poor and social spending. They plan to raise such spending as defined in the program as a share of overall spending during the fiscal consolidation phase (through 2025) and raise it as a share of GDP thereafter. This said, in the context of a deficit target of 3 percent of GDP, the authorities anticipate being unable to make the full amount of cash transfers that were previously envisaged for 2025 due to security spending needs arising from terrorist activity.

26. The authorities plan to reduce fuel subsidies. They adopted a quasi-automatic fuel price smoothing mechanism and associated fuel price stabilization fund in February but applied it fully

[10] The program defines this spending broadly as expenditure in the areas of education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, and microfinance. It also includes spending on "law and justice", which staff understands relates to spending on police stations and courts.

only in September.[11] In line with this, fuel subsidies for 2024 are projected at 0.5 percent of GDP, moderately lower than the budget allocation of 0.7 percent of GDP. Going forward, the authorities aim to fully implement the fuel pricing mechanism. In line with this, they aim to limit fuel subsidies to at most 0.4 percent of GDP in 2025 (except in a case of a large spike in fuel prices) and phase them out in 2026, when they will be better able to make targeted transfers thanks to the biometric ID and unified register of the poor. Staff encourages the authorities to use cash transfers to help the most vulnerable in case of large fuel price increases.

27. Further, the authorities continue implementing an emergency program for the North to benefit its historically underserved populations, which now also face terrorist attacks. The program aims to lessen fragility by strengthening access to basic services including water, energy, health care, and education; boosting the telecommunications and rural road networks; and supporting agriculture. The program was originally projected to cost a cumulative 5.6 percent of GDP over the period 2022-26. The authorities made spending of 1.9 percent of GDP in 2022-23 for this program and expect to be able to execute 1 percent of GDP in 2024. This leaves spending of 2.7 percent of GDP for the coming years (likely beyond 2026).

B. Structural Reforms to Support Growth and Limit Risks

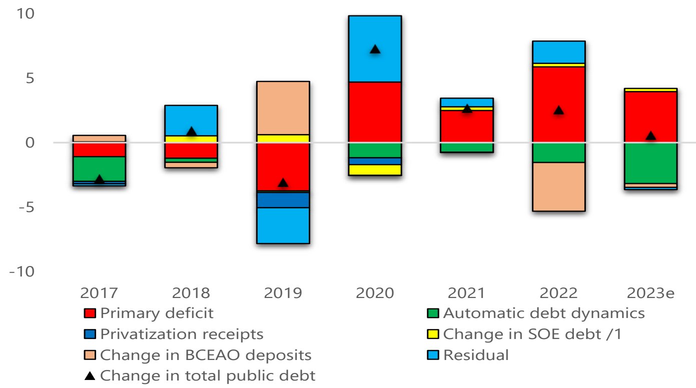
Enhancing Public Financial Management (PFM), Including Supervision and Management of SOEs

28. The authorities intend to determine the reasons for the growth in public debt beyond known drivers of its accumulation (Text Figure 7) and strengthen debt reporting accordingly. Staff finds average annual residuals of 1.0 percent of GDP over 2017-23.[12] Establishing consistency with changes in the government's position vis-à-vis the banking system, incorporating more recent SOE debt data in public debt reports, and a deeper analysis of the impact of valuation changes are important next steps. A recent government finance statistics mission also suggests a need to address apparent inconsistencies between debt data. The authorities commit to preparing a report on the reasons for the unexplained debt accumulation and a strategy for stopping it by end-December 2025. They also commit to (i) *broadening the scope of the debt bulletin to include SOE debt (by end-June 2025, SB 5.1)*, and (ii) *updating the medium-term debt strategy to include the reasons for variations with respect to previous plans (by end-April 2025, SB 5.3).*

[11] The mechanism seeks to ensure that domestic fuel prices will be set at a level that on average allows recovering the cost of providing fuel (including applicable taxation) while at the same time limiting price changes. Starting from the initial price at the pump, changes in this price will be made to move towards cost recovery until cost recovery is reached, with monthly price adjustments of at most 5 percent.

[12] Compared with 1.5 percent of GDP for the region as a whole over the last decade, as discussed in IMF Country Report 23/102. This report found higher residuals for Togo using an older macroeconomic framework and alternative exchange rate assumptions for regional comparisons. It also did not account for BCEAO deposits.

Text Figure 7. Change in Total Public Debt, 2017–23
(Percent of GDP)



Sources: Togolese authorities and IMF staff calculations.
1/ SOE debt accumulation for 2022-23 are projections, as data are not available yet.

29. They also aim to provide greater clarity on SOE and PPP-related risks. As described above, the authorities have already prepared a report that integrates SOE investment plans with broader public investment plans as part of efforts towards meeting SB 3.2. They are also working towards *strengthening documentation accompanying annual budgets by identifying the companies where the state is the majority shareholder with key financial information and commitments under PPP contracts (SB 3.1 for end-December 2024)*. Further, the authorities (i) are working toward the adoption by Parliament of a new law for the governance and oversight of SOEs;[13] (ii) will adopt an SOE ownership policy in line with the new legal framework (by end-September 2025); and (iii) will *adopt legislation that requires the routine production of audited financial statements for six key SOEs (by end-December 2025, SB 5.1)*. They also intend to professionalize SOE management and create a dashboard of financial information that will facilitate SOE monitoring. There is also a need for stronger PPP management, including by integrating PPPs into the budget process, improving their fiscal reporting, and assigning a clear monitoring role to the Ministry of Finance.

30. There is a need to strengthen the electricity and water utilities. Tariffs remain below cost recovery levels, likely resulting in growing financial imbalances (not captured in fiscal reporting) and associated fiscal risks, as well as contributing to a weakening of service delivery. The authorities should accelerate efforts to ensure cost-recovery pricing and enhance the utilities' operations, ideally in combination with targeted cash transfers or block tariffs that limit costs for the small consumption volumes typical of poor households.

[13] The draft law provides a new framework for the governance and oversight of SOEs and has already been submitted to Parliament. It clarifies the role of technical and financial supervision of SOEs, codifies conditions and procedures for the appointment of state representatives, opens the possibility of professional appointments from the private sector in supervisory boards, strengthens the role of the board, enhances performance monitoring, and establishes procedures for the appointment of the members of the Board of Directors and managers. Performance contracts with SOEs are mandatory, including statement of the development strategy, objectives to be achieved in terms of financial results, productivity and quality of service, and resources needed to achieve these objectives.

Enhancing Governance and The Business Environment

31. While Togo has made progress on governance, substantial challenges remain. As discussed in the Article IV consultation, business risk from corruption is considered high and perceptions of corruption remain weaker than in WAEMU neighbors. Key laws of the governance and anti-corruption framework remain in need of amendment, and gaps in the legal framework exist. Implementation of laws also shows room for improvement.

32. The authorities plan to address these issues with determination to boost private investment and enhance public support for challenging reforms. They have committed to requesting an IMF Governance Diagnostic Assessment (GDA) by end-2024. Due to staffing constraints, however, the Fund will be able to field the GDA mission only in the course of 2025, and results will be available only in early 2026, leaving little time for reform implementation before the ECF-arrangement ends in 2027. Against this background, the authorities have committed to *amending the legal framework for public procurement to require the collection and publication of the names and nationalities of beneficial owners of companies awarded public contracts (by end-December 2025, SB 6.1)*. In addition to procurement, this measure could benefit revenue collection, AML/CFT efforts (see below), and the business climate.

33. There is substantial room for improving AML/CFT. Togo faces elevated terrorism financing risks, and its main money laundering risks include those from tax evasion and corruption (2022 GIABA AML/CFT Assessment Report). In line with available resources and risks, a sequenced approach to reform implementation would be appropriate. The authorities intend to address the challenges related to (i) the terrorist financing offence, (ii) the implementation of UN Resolutions on terrorism and proliferation financing, and (iii) measures regarding politically exposed persons, and cross-border cash couriers. The WAEMU Council of Ministers adopted a Directive on AML/CFT in March 2023, and the Togolese authorities are working on incorporating it into national law.

Strengthening the Banking System

34. The authorities intend to strengthen prudent credit provision by the banking system. For this, they will continue to support access to financial services and undertake steps that help generate the information banks need to extend credit, continue to improve banks' operating environment, including by strengthening the land ownership registry, and support compliance with prudential norms to strengthen the sector's ability to absorb shocks and enhance the public's confidence. For this, the Togo authorities should support efforts by the Banking Commission to strengthen enforcement of norms.

35. The authorities are committed to completing the reform of the state-owned bank through further recapitalization and a restructuring of its operations. Specifically, the authorities will (i) *transfer to the bank cash and/or marketable government debt titles that cover the remaining recapitalization needs to reach the regulatory minimum (by end-December 2024, SB 7.1)*; and (ii) *in consultation with Fund staff, adopt a plan for its restructuring that ensures prudent and independent management aimed at ensuring the bank's profitability and stability (by end-April 2025,* *SB 7.2)*. An external audit of the bank's operations that the authorities commissioned in October will inform the restructuring plan. Finally, the authorities will (iii) *implement the restructuring plan (by end-October 2025, SB 7.3)*.[14] The authorities plan to keep the bank in public ownership at least until the recapitalization and operational restructuring have been completed. Staff encourages the authorities to restart privatization efforts soon thereafter to reduce longer-term fiscal risks.

36. Regarding the bank privatized in 2021 in an undercapitalized condition, staff takes note of the government's efforts to help it strengthen its regulatory capital by purchasing its headquarters building. The bank's capital will need to be further strengthened to meet prudential standards. These funds for this should come solely from private sources.

PROGRAM MODALITIES AND OTHER ISSUES

37. Program modalities remain unchanged. The program will continue to be reviewed every six months through quantitative performance criteria, indicative targets, and structural benchmarks. The second and third reviews will take place on or after May 15, 2025, and November 15, 2025, respectively. The reviews will be based on quantitative performance criteria for end-December 2024 and end-June 2025, respectively. Program disbursements will be used for budget support. The quantitative performance criteria, indicative targets, and structural benchmarks are set out in MEFP Tables 1 and 2.

38. Risks to the program. The authorities indicate that should threats to security from terrorism continue unabated or further intensify, they may need to slow the pace of fiscal consolidation to address the associated spending pressures without crowding out other priority spending. Should the authorities present at some point that this risk has realized, staff will discuss a possible recalibration of the program. Any relaxation of the consolidation path would need to remain within the constraints set by Togo's limited fiscal space as given by its high overall risk of debt distress, the WAEMU's limited foreign reserve coverage, and the ability to finance a higher deficit in the regional market or externally. Further, a relaxation would require additional reform efforts to address the additional risks it creates. Options for doing so could include efforts to accelerate revenue mobilization and reduce tax expenditure, supported by additional governance efforts, e.g., strengthening the asset declaration framework for high-level officials.[15]

39. The program is fully financed through December 2025. The financing gap for 2025 is estimated at US$288 million and is expected to be fully financed by the ECF disbursement (SDR 88 million, about US$117 million) and firm WB budget support loan commitments (US$150 million) and

[14] If needed, the plan's implementation deadline can be updated once staff and the authorities have visibility on its contents, with the aim to ensure that by the end of the program, the bank no longer poses undue risks.

[15] Togo's asset declaration regime faces significant weaknesses, including the lack of mandatory publication, limited access to declarations, and the absence of mechanisms for verification, which undermines transparency and accountability. Ambiguities in including assets beneficially owned in the declaration and the absence of specific sanctions for false declarations further weaken the system's ability to prevent and detect corruption.

AfDB and EU grants (US$20 million). There remain good prospects that financing will be adequate for the remainder of the program.

40. Togo's capacity to repay the IMF remains adequate under the baseline but subject to significant risks. Credit outstanding peaks in 2026 at 253.8 percent of quota and remains above the 75th percentile of past PRGT arrangements when measured against GDP and external debt. Total debt service to the IMF is also above the 75th percentile over the next three years when measured against revenue, exports, and external debt service. Risks from a potential deterioration in security and contingent fiscal risks from the banking sector and SOEs in other sectors are mitigated by policy measures on banking reform and reforms to bolster growth and limit fiscal risks. Faster progress in revenue mobilization and the ongoing fiscal consolidation will reduce the overall risk of debt distress to medium by 2026, further supporting Togo's capacity to repay. Finally, Togo has a strong track record of IMF repayments.

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

42. Capacity development priorities are aligned with program objectives (Annex III).

43. Togo's Poverty Reduction and Growth Strategy, the 2020-25 Government Roadmap, is available online. It is a comprehensive development plan focused on strengthening social inclusion, boosting job creation, and modernizing the country. Key targeted sectors include agriculture, fisheries, health, education, and infrastructure.

44. Staff will work with the authorities on preparing a request for support under the RSF. Preparatory work is underway**,** and staff expects to bring an RSF request to the Executive Board likely in the second half of 2025.

STAFF APPRAISAL

45. Togo has weathered the shocks of recent years well , but the fiscal expansion supporting this performance has pushed up public deficits and debt, while progress towards the SDGs has slowed. Poverty and food insecurity remain high.

46. Today, Togo is facing a situation where development needs remain acute but fiscal space is very limited due to elevated debt vulnerabilities, tight regional financing conditions, and low regional reserves.

47. The baseline macroeconomic outlook is favorable but subject to elevated downside risks, including from continued and apparently intensifying terrorist activity.

48. Program implementation is on track notwithstanding limited delays on some structural benchmarks. Staff welcomes the authorities' success in meeting all quantitative targets to date and two out of four structural benchmarks through end-October, with meaningful actions on the two missed benchmarks. Prospects for meeting quantitative and structural targets for the remainder of 2024 appear broadly favorable. Staff also welcomes the fact that the authorities have made good progress on strengthening the state-owned bank.

49. The authorities should continue to implement the program with determination. In the area of strengthening debt sustainability while maintaining growth and strengthening inclusion, staff see the following priorities through end-2025:

- **After having delivered a good start on fiscal consolidation, the authorities should seek to implement the fiscal anchor by limiting deficits to 3 percent of GDP from 2025 onwards and lowering the PV of debt below 55 percent of GDP in 2026.** The security challenges constitute important risks in this context and present difficult trade-offs. At the same time, the observed robust growth should facilitate consolidation.

- **The authorities should continue efforts to raise tax revenue by at least 0.5 percent of GDP per year and make taxation more efficient.** For this, the authorities should broaden the tax base through both tax policy and revenue administration measures. The authorities' tax policy and revenue administration measures for 2025 are broadly welcome. This said, the authorities should also aim to reduce the substantial tax expenditure resulting from VAT exemptions, an effort that would benefit from being accompanied by greater use of cash transfers to protect the most vulnerable. Further, they should reduce tax expenditure by scaling back the granting of new CIT exemptions, including by implementing international minimum taxation agreements. Finally, they should aim to impose higher taxes on those who can shoulder a higher burden, for example by strengthening property taxation, as planned.

- **The authorities should seek to enhance the efficiency of spending and the coverage and efficiency of the social safety net, as well as implement the agreed social and pro-poor spending.** The recently prepared strategy for enhancing the social safety net should be considered a start of steps toward strengthening the safety net in a cost-effective manner. The safety net comprises a large number of programs that are not always well-funded or well-executed, and the authorities should consider which of these they could replace by efficient and easy to administer cash transfers. In this context, it will be important to further reduce and eventually phase out fuel subsidies and replace them with more efficient cash transfers, as the authorities envisage doing.

50. Staff welcomes the authorities' commitment to the agreed fiscal consolidation. The authorities should continue to implement it while defending against threats from terrorism and enhancing inclusion. The authorities noted that they may need to slow the pace of fiscal consolidation in case threats to security from terrorism should continue unabated or further intensify. The feasibility of a relaxation will depend on debt trends, WAEMU's foreign reserve coverage, and the ability to finance a higher deficit in the regional market or externally. With this, the authorities should consider what they can do to generate additional fiscal space, e.g., by enhancing revenue efforts and spending rationalization, as well accelerating supporting reforms such as on governance.

51. The authorities should also continue structural reforms to boost growth and limit fiscal and financial sector risks:

- **PFM reforms.** The authorities should proceed with their plans to strengthen their understanding of drivers of debt, enhance debt reporting, and deepen the understanding of fiscal risks from SOEs and PPPs, as well as enhance SOE supervision and management. In particular, it will be important to strengthen the electricity and water utilities to support growth and inclusion as well as limit fiscal risks, including by implementing tariffs that allow cost recovery, while protecting the most vulnerable users.

- **Banking sector reforms.** Staff recommends continuing efforts to encourage prudent credit provision, including by further improving banks' operating environment and strengthening its compliance with regulatory norms. As concerns the state-owned bank, the authorities should continue their reform efforts. Staff also recommends restarting privatization efforts to contain fiscal risks. Regarding the bank privatized in 2021, any further capital needs should be met solely from private resources.

- **Strengthening governance.** Governance reforms are low-cost options for attracting investment and strengthening the population's willingness to pay taxes and support challenging reforms. Staff welcomes the authorities' plan to request an IMF Governance Diagnostic Assessment and to strengthening beneficial ownership declarations. Staff also recommends strengthening the asset declaration regime.

52. The authorities may wish to request more IMF technical assistance and capacity building. For example, staff could provide more support for developing fiscal strategies, enhancing revenue administration, and strengthening public financial management.

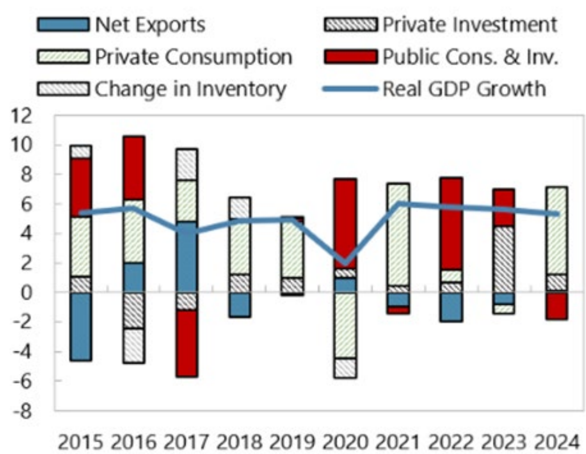
53. Staff supports the authorities' requests for completion of the First Review.

Figure 1. Indicators of Economic Activity, 2015–24

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

Contribution to Growth - Demand, 2015-24

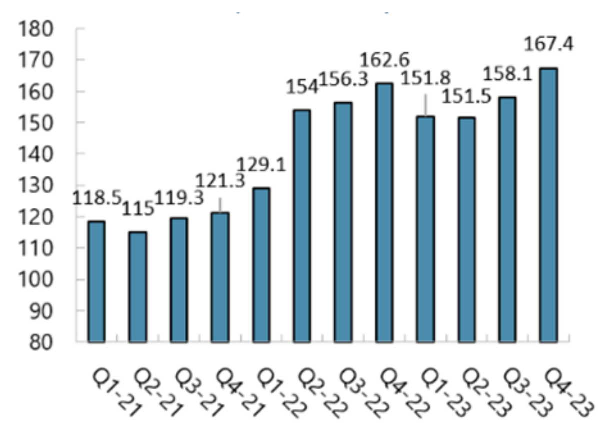
(percent change, year-on-year)



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

Trade Turnover Index, Q1 2021 - Q4 2023

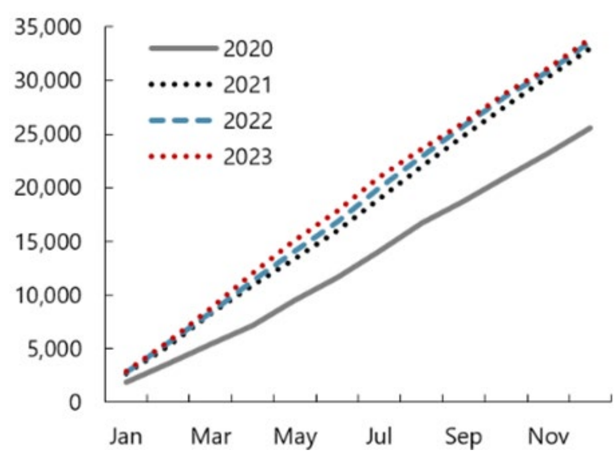
(Base 2013 = 100)



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

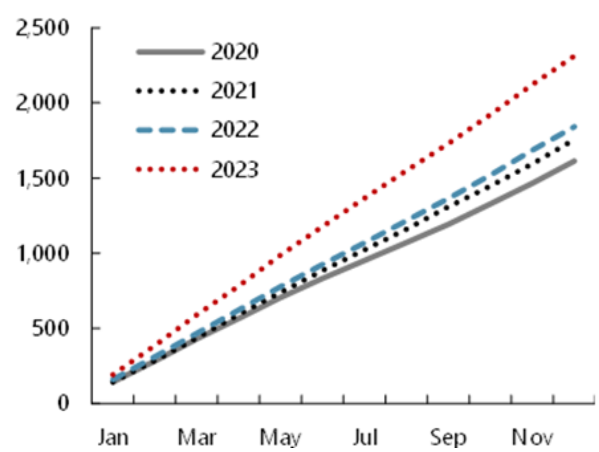
Overall Port Activity, 2020 – 2023

(millions of tons, cumulative)



Consumption of Electricity, 2020 - 2023

(Base 100 = Jan 2015, cumulative)



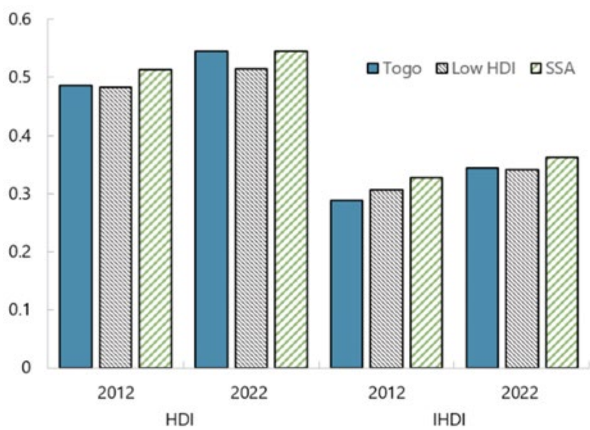
Sources: INSEED; PAL; BCEAO; and CEET.

Figure 2. Social Development Indicators, 2012–22

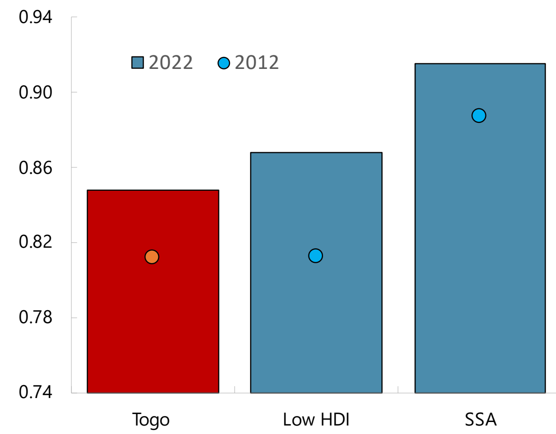
While Togo's Human Development Index (HDI) increased over the last decade, the score is still reduced by about 40 percent when adjusted for inequality …

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

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



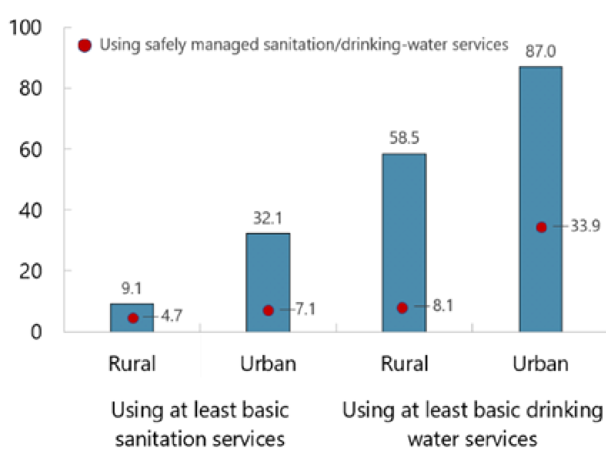
Gender Development Index (GDI), 2012–22



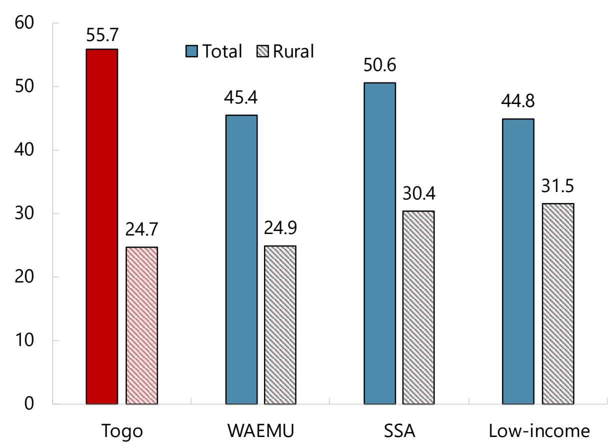
Less than ten percent of Togolese living in rural areas have access to safely managed sanitation and drinking-water services.

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

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



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



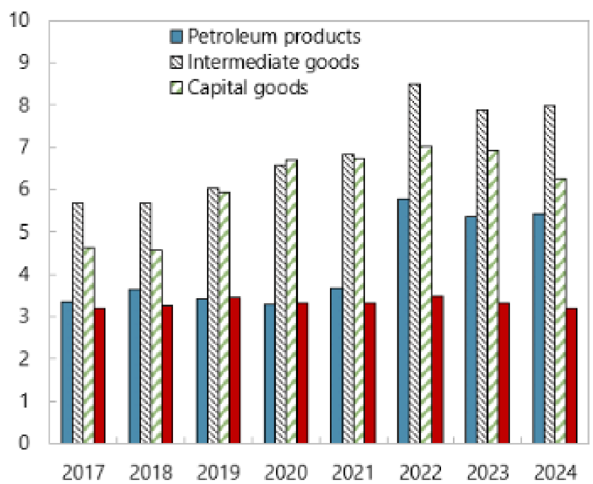
Sources: UNDP, WHO, and World Bank.

Figure 3. External Sector, 2017–24

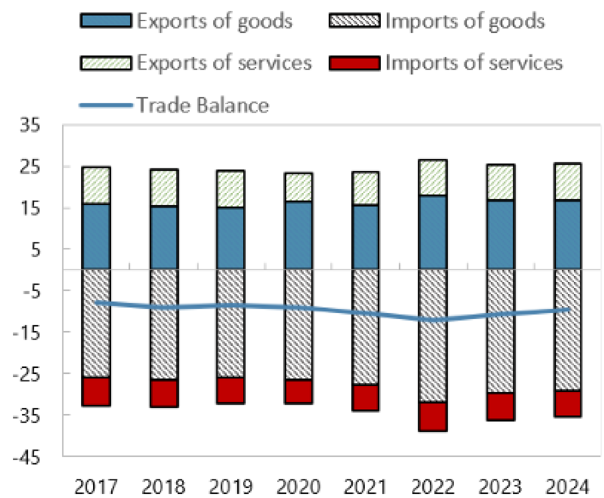
Due to the easing of supply chain disruptions and high global food and fuel prices, the value of all categories of goods imports grew significantly in 2022 and eased somewhat in 2023 and 2024.

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

Imports by Category, 2017-24
(percent of GDP)



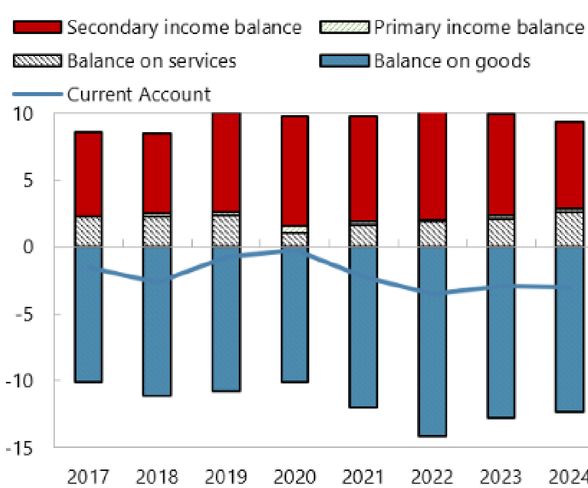
Trade Balance, 2017-24
(percent of GDP)



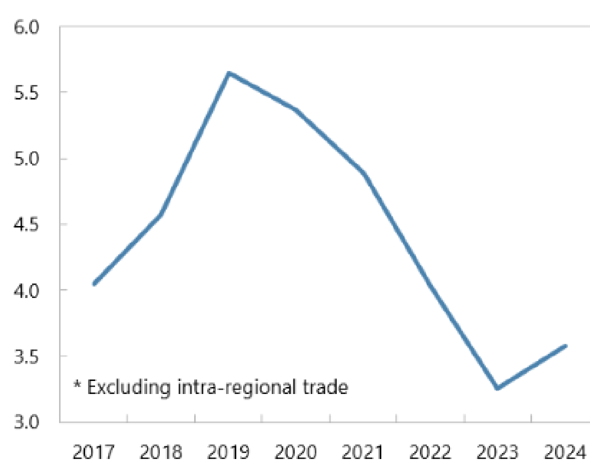
… and the current account deficit narrowed slightly in 2023 and 2024 compared to 2022.

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

Current Account Balance, 2017-24
(percent of GDP)



WAEMU Reserves, 2017-2024 *
(months of next year's imports)



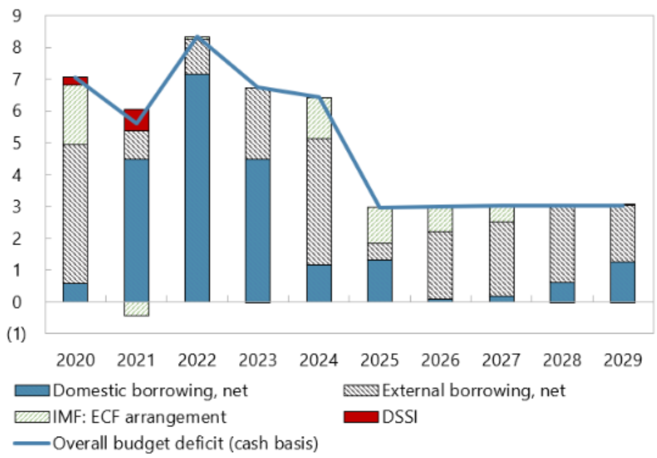
Sources: Togolese authorities; BCEAO, and IMF staff estimates.

Figure 4. Medium-Term Fiscal Developments, 2020–29

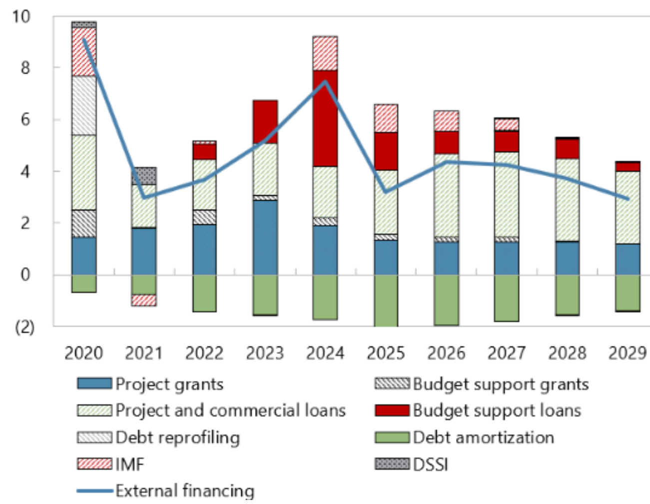
The overall budget deficit is programmed to narrow to 3 percent of GDP by 2025, which should help reduce net domestic borrowing to about 1 percent of GDP.

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

Financing of the Fiscal Deficit
(percent of GDP)



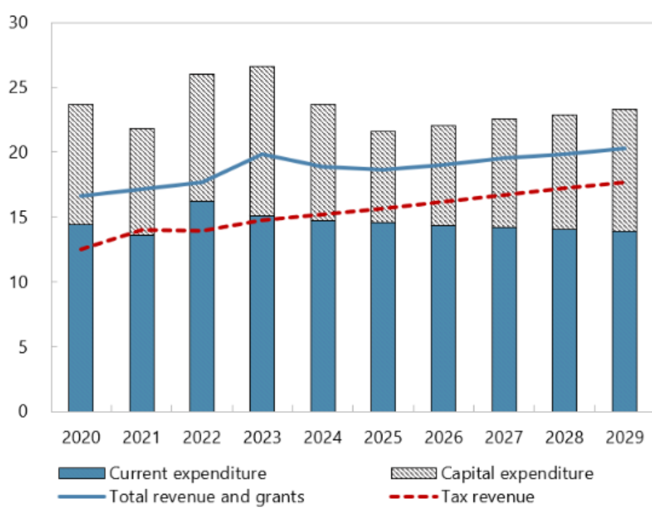
Composition of External Financing
(percent of GDP)



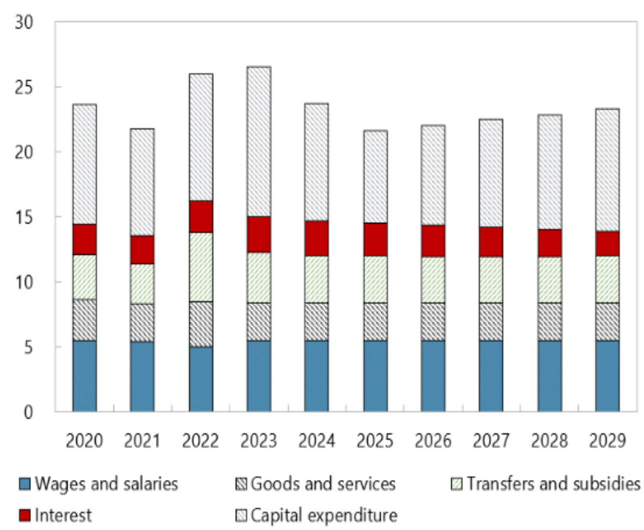
It will be essential to create room for higher social and other priority spending through a combination of revenue mobilization …

… and effective control of non-priority current spending.

Government Revenue and Spending
(percent of GDP)



Composition of Fiscal Spending
(percent of GDP)



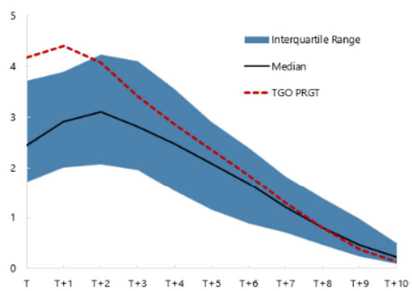
Sources: Togolese authorities and IMF staff estimates and projections.

Figure 5. Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

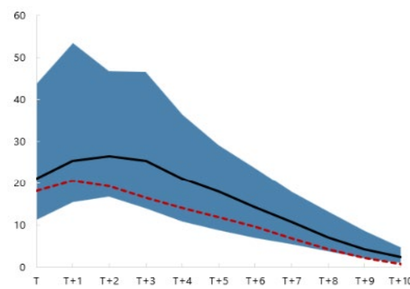
(In percent of the indicated variable)

A. Total Fund Credit Outstanding

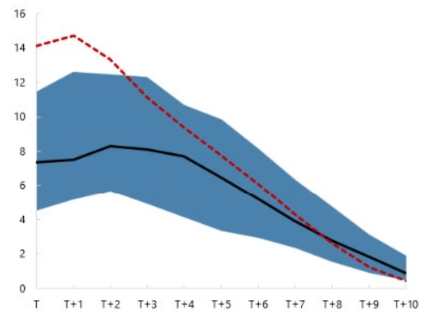
Percent of GDP



Percent of gross international reserves

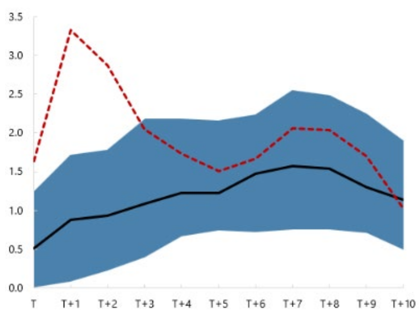


Percent of PPG external debt

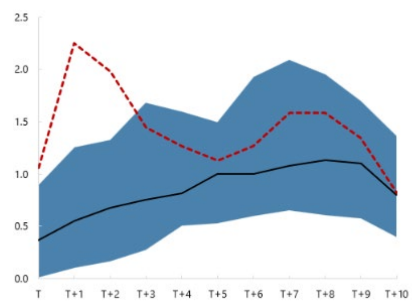


B. Total Debt Service to the Fund

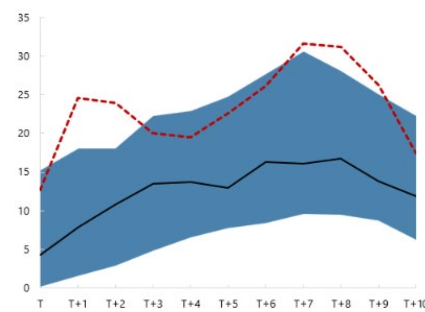
Percent of revenue excl. grants



Percent of exports of goods and services



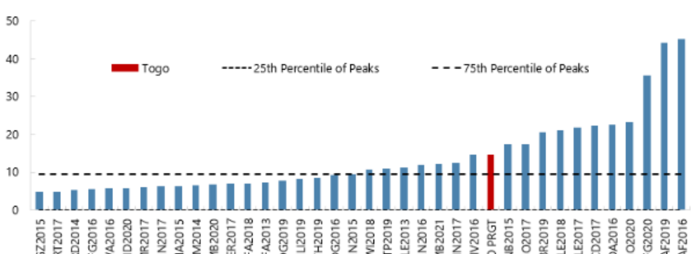
Percent of PPG external debt service



C. Largest Peaks

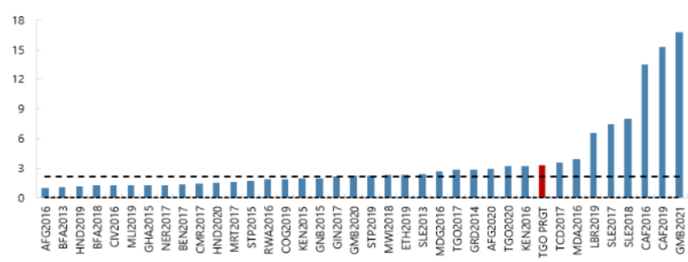
38 Largest Peaks for Fund Credit Outstanding

(Percent of PPG external debt)



38 Largest Peaks for Total Debt Service to the Fund

(Percent of revenue excl. grants)



Notes:

1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2013 and 2023.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.
8) International reserves are proxied by imputed reserves as measured by net foreign assets or by the currency union's total reserves for LICs that are part of currency unions.

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

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
					prog. app	proj.	prog. app	proj.	Projections			
	(Percentage change, unless otherwise indicated)											
Real GDP	2.0	6.0	5.8	5.6	5.3	5.3	5.3	5.3	5.5	5.5	5.5	5.5
Real GDP per capita	-0.4	3.5	3.3	3.1	2.8	2.8	2.8	2.8	3.0	3.0	3.0	3.0
GDP deflator	1.8	2.5	3.7	2.9	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	1.8	4.5	7.6	5.3	2.7	3.3	2.0	2.3	2.0	2.0	2.0	2.0
GDP (CFAF billions)	4,253	4,621	5,069	5,507	5,910	5,927	6,347	6,366	6,850	7,371	7,932	8,536
Exchange rate CFAF/US$ (annual average level)	575	554	622	606	...	...	...	...	...	...	...	...
Real effective exchange rate (appreciation = –)	-2.0	-1.4	2.3	-5.4	...	...	...	...	...	...	...	...
Terms of trade (deterioration = –)	-1.4	6.6	23.3	3.4	-2.2	0.9	-1.5	-1.7	-0.8	1.4	1.3	0.4
Monetary survey	(Percentage change of beginning-of-period broad money)											
Net foreign assets	14.1	5.6	-0.6	6.2	2.9	4.9	1.5	-0.1	3.0	2.8	2.2	2.2
Net credit to government	-1.6	-0.3	8.0	0.2	-2.9	-2.9	1.0	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	9.2	7.3	6.8	6.5	4.4	4.6	4.9	4.8
Broad money (M2)	11.4	12.3	14.9	8.5	8.8	8.8	8.6	7.4	7.6	7.6	7.6	7.6
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	1.9	2.0	2.0	2.0	2.0	2.0
Investment and savings	(Percent of GDP, unless otherwise indicated)											
Gross domestic investment	21.4	23.4	25.9	28.0	25.0	25.7	23.7	24.2	25.0	25.9	26.7	27.2
Government	9.3	8.2	9.7	11.5	8.3	9.0	6.6	7.1	7.7	8.4	8.9	9.4
Nongovernment	12.1	15.2	16.2	16.5	16.7	16.7	17.1	17.1	17.3	17.5	17.8	17.8
Gross national savings	21.1	21.2	22.5	25.1	21.4	22.7	20.2	21.2	22.4	23.7	24.7	25.2
Government	2.2	3.6	1.4	4.8	3.4	4.1	3.6	4.1	4.7	5.4	5.8	6.4
Nongovernment	18.9	17.6	21.0	20.3	18.0	18.6	16.6	17.1	17.7	18.3	18.9	18.8
Government budget												
Total revenue and grants	16.6	17.1	17.6	19.8	18.4	18.8	18.4	18.6	19.1	19.5	19.9	20.3
Revenue	14.1	15.3	15.1	16.8	16.3	16.6	16.9	17.1	17.6	18.1	18.5	19.1
Tax revenue	12.5	14.0	13.9	14.8	14.9	15.2	15.4	15.7	16.2	16.7	17.2	17.7
Expenditure and net lending (excl. banking sector operation)	23.7	21.8	26.0	26.6	23.3	23.7	21.4	21.6	22.0	22.6	22.9	23.3
Overall primary balance (commitment basis, incl. grants)	-4.7	-2.5	-5.9	-3.9	-3.9	-3.7	-0.4	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-7.0	-4.7	-8.3	-6.7	-4.8	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-7.0	-4.7	-8.3	-6.7	-6.4	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-3.9	-3.9	-3.7	-0.4	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-4.8	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.4	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
External sector												
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.6	-3.0	-3.5	-2.9	-2.6	-2.2	-2.0	-2.0
Exports (goods and services)	23.3	23.7	26.6	25.5	27.6	25.7	27.1	25.6	26.0	26.2	26.2	26.1
Imports (goods and services)	-32.3	-34.0	-38.8	-36.2	-38.1	-35.4	-37.0	-34.4	-33.9	-33.7	-33.5	-33.5
External public debt[1]	27.6	27.3	26.2	25.9	26.9	29.5	27.1	29.0	29.9	30.6	30.8	30.4
External public debt service (percent of exports)[1]	6.9	5.2	8.3	8.2	7.6	8.4	8.0	15.5	9.2	8.3	7.2	6.5
Domestic public debt[2]	34.6	37.6	41.2	42.1	41.9	40.2	39.8	39.1	36.6	34.3	32.3	31.4
Total public debt[3]	62.2	64.9	67.4	68.0	68.8	69.7	66.9	68.2	66.4	64.8	63.1	61.8
Total public debt (excluding SOEs)[4]	60.1	63.0	65.8	66.6	67.7	68.6	65.9	67.2	65.6	64.1	62.5	61.3
Present value of total public debt[3]	...	...	...	60.6	59.3	60.7	56.8	57.7	54.5	51.5	48.8	47.1

Sources: Togolese authorities and IMF staff estimates and projections.

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

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

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
	Dec.	Dec.	Dec.	Dec.	December							
	Actual	Actual	Actual	Actual	Prog. app.	Proj.	Prog. app.	Proj.	Projections			
					(Billions of CFA Francs)							
Revenue and grants	708.0	791.8	894.5	1,093.0	1,089.5	1,117.1	1,168.8	1,186.3	1,305.0	1,440.6	1,575.1	1,730.6
Total revenue	600.9	707.2	767.1	923.9	962.4	986.7	1,069.7	1,087.5	1,205.0	1,333.9	1,471.4	1,629.9
Tax revenue	531.5	646.9	704.5	812.3	880.5	902.7	978.4	998.3	1,110.0	1,232.7	1,363.5	1,509.1
Tax administration (CI)	287.9	359.3	376.7	422.9	475.1	471.1	529.9	525.4	585.9	651.8	738.4	836.5
Customs administration (CDII)	243.6	287.6	327.8	389.4	405.4	431.6	448.5	472.8	524.1	580.9	625.1	672.7
Nontax revenue	69.4	60.3	62.6	111.6	81.8	84.0	91.3	89.2	95.1	101.3	107.9	120.7
Grants	107.1	84.6	127.4	169.1	127.1	130.3	99.0	98.8	100.0	106.6	103.7	100.7
Budget support	45.0	1.6	30.0	10.1	13.6	16.8	13.2	13.0	13.0	13.0	3.0	0.0
World Bank	20.1	0.0	21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF/CCRT	4.6	0.7	...	...	...	...	...	...	...	...	...	...
Others	20.3	0.9	8.2	10.1	13.6	16.8	13.2	13.0	13.0	13.0	3.0	0.0
Project grants	62.0	83.0	97.4	159.0	113.5	113.5	85.8	85.8	87.0	93.6	100.7	100.7
Expenditure and net lending	1,007.6	1,006.8	1,316.9	1,463.6	1,375.2	1,406.0	1,358.1	1,375.0	1,509.1	1,662.5	1,815.3	1,989.5
of which: Covid-19 response	96.6	30.0	...	...	...	...	...	...	...	...	...	...
of which: Domestic primary expenditure	722.6	747.9	996.2	1,039.9	993.7	1,013.2	994.1	970.0	1,039.9	1,162.7	1,298.6	1,483.1
Current expenditure	613.5	627.0	823.3	830.9	886.5	873.1	942.2	925.1	982.6	1,045.1	1,111.3	1,188.4
Primary current spending	513.4	527.2	698.5	677.8	736.7	712.3	781.3	765.1	819.7	882.0	949.2	1,023.4
of which: Covid-19 response	36.6	30.0	...	...	...	...	...	...	...	...	...	...
Wages and salaries	234.8	251.5	255.3	301.8	309.7	324.8	332.7	348.9	375.4	404.0	434.7	467.8
Goods and services	133.1	133.8	174.8	161.8	207.5	174.2	222.9	187.1	197.3	212.3	228.4	248.3
Transfers and subsidies	145.6	141.9	268.4	212.2	219.5	213.4	225.8	229.2	247.0	265.8	286.0	307.3
of which: Fuel subsidies	4.7	7.9	72.2	42.4	47.5	29.5	...	25.5	13.7	0.0	0.0	0.0
of which: Cash transfers	11.3	11.3	6.5	10.2	6.5	6.5	...	6.4	13.7	14.7	15.9	17.1
Interest	100.1	99.8	124.8	153.0	149.8	160.7	160.8	160.1	163.0	163.0	162.1	165.0
Domestic debt	86.2	84.8	106.3	128.7	129.8	135.1	140.3	128.2	138.4	139.4	139.6	143.9
External debt	13.9	15.0	18.5	24.3	20.0	25.6	20.5	31.9	24.6	23.7	22.5	21.2
Public investment	394.2	379.8	493.7	632.7	488.7	533.0	416.0	449.8	526.5	617.5	704.0	801.1
of which: emergency program for Northern regions	...	...	35.0	65.0	62.0	62.0	44.6	44.6	40.9	40.9	40.9	40.9
Domestically financed	209.3	220.7	297.8	362.1	256.9	300.9	212.8	204.9	220.3	280.6	349.4	459.7
Foreign financed	184.9	159.1	195.8	270.6	231.7	232.1	203.2	245.0	306.2	336.9	354.6	341.4
Banking sector operations	...	...	...	...	91.6	91.6	...	...	...	...	...	...
transfers	...	...	...	...	24.7	24.7	...	...	...	...	...	...
asset purchases	...	...	...	...	66.9	66.9	...	...	...	...	...	...
Net Lending	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable and receivable	-0.4	-44.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-300.0	-259.0	-422.4	-370.5	-285.7	-289.0	-189.4	-188.7	-204.1	-222.0	-240.2	-258.9
Overall balance (cash basis, incl. grants)	-300.0	-259.0	-422.4	-370.5	-377.3	-380.6	-189.4	-188.7	-204.1	-222.0	-240.2	-258.9
Overall balance (cash basis, excl. grants)	-407.1	-343.6	-549.8	-539.7	-504.4	-510.9	-288.4	-287.5	-304.1	-328.6	-343.9	-359.7
Overall primary balance (cash basis, incl. grants)	-199.9	-159.2	-297.6	-217.5	-227.5	-219.8	-28.6	-28.6	-41.1	-59.0	-78.1	-93.9
Basic primary fiscal balance (excl. banking sector operations)	-121.7	-40.7	-229.1	-116.0	-31.3	-26.5	75.6	117.5	165.1	171.3	172.8	146.8
Financing	318.0	332.5	545.6	539.7	427.6	434.2	217.5	216.4	250.7	292.9	343.9	359.7
Domestic financing (net)	24.8	207.6	362.2	246.3	182.6	68.6	53.7	84.1	5.2	14.6	49.5	107.9
Repayments of T-Bonds	-274.1	-263.6	-252.4	-155.6	-188.0	-196.6	-388.0	-258.2	-451.6	-370.2	-499.8	-429.6
Other domestic financing (net)	299.0	471.2	614.6	401.8	370.6	265.3	441.7	342.3	456.8	384.8	549.3	537.5
External financing (net)	293.1	124.9	183.4	293.4	245.0	365.5	163.8	132.2	245.5	278.3	294.4	251.8
Grants	107.1	84.6	127.4	169.1	127.1	130.3	99.0	98.8	100.0	106.6	103.7	100.7
Budget support loan	0.0	0.0	31.1	90.7	99.0	121.4	60.3	91.3	60.7	60.8	59.8	28.4
Debt reprofiling	96.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Project loans	122.9	76.1	98.4	111.6	118.2	118.5	117.4	159.1	219.2	243.3	253.8	240.7
Amortization (incl. IMF repayments)	-29.2	-35.2	-73.5	-86.0	-99.3	-102.7	-113.0	-217.0	-134.4	-132.4	-124.0	-120.1
Other commercial loans						98.0						
Exceptional financing	89.1	11.1	0.0	0.0	76.8	76.7	71.0	71.2	53.4	35.7	0.0	0.0
Financing gap/unidentified financing	89.1	11.1	4.2	0.0	76.8	76.7	71.0	71.2	53.4	35.7	0.0	0.0
Exceptional financing	89.1	11.1	0.0	0.0	76.8	76.7	71.0	71.2	53.4	35.7	0.0	0.0
IMF-ECF	79.3	0.0	0.0	0.0	76.8	76.7	71.0	71.2	53.4	35.7	0.0	0.0
DSSI	9.8	11.1	...	...	...	...	...	...	...	...	...	...
Residual financing gap/errors and ommissions	0.0	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:												
Nominal GDP (CFAF billions)	4,253.2	4,621.5	5,068.9	5,507.2	5,909.66	5,926.6	6,347.33	6,365.6	6,850.0	7,371.3	7,932.2	8,535.9
Social and pro-poor spending (CFAF billions)	...	214.7	229.8	263.3	315.4	315.4	324.7	324.7	360.0	394.8	432.8	474.3

Sources: Togolese authorities and IMF staff estimates and projections.

Table 2b. Togo: Central Government Financial Operations, 2020–29

(Percent of GDP)

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
	Dec.	Dec.	Dec.	Dec.	December							
	Actual	Actual	Actual	Actual	Prog. app.	Proj.	Prog. app.	Proj.	Projections			
					(Percent of GDP)							
Revenue and grants	16.6	17.1	17.6	19.8	18.4	18.8	18.4	18.6	19.1	19.5	19.9	20.3
Total revenue	14.1	15.3	15.1	16.8	16.3	16.6	16.9	17.1	17.6	18.1	18.5	19.1
Tax revenue	12.5	14.0	13.9	14.8	14.9	15.2	15.4	15.7	16.2	16.7	17.2	17.7
Tax administration (CI)	6.8	7.8	7.4	7.7	8.0	7.9	8.3	8.3	8.6	8.8	9.3	9.8
Customs administration (CDII)	5.7	6.2	6.5	7.1	6.9	7.3	7.1	7.4	7.7	7.9	7.9	7.9
Nontax revenue	1.6	1.3	1.2	2.0	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Grants	2.5	1.8	2.5	3.1	2.2	2.2	1.6	1.6	1.5	1.4	1.3	1.2
Budget support	1.1	0.0	0.6	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.0	0.0
World Bank	0.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF/CCRT	0.1	0.0	...	...	...	...	...	...	...	...	...	...
Others	0.5	0.0	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.0	0.0
Project	1.5	1.8	1.9	2.9	1.9	1.9	1.4	1.3	1.3	1.3	1.3	1.2
Expenditures and net lending	23.7	21.8	26.0	26.6	23.3	23.7	21.4	21.6	22.0	22.6	22.9	23.3
of which: Covid-19 response	2.3	0.6	...	...	...	...	...	...	...	...	...	...
Current expenditures	14.4	13.6	16.2	15.1	15.0	14.7	14.8	14.5	14.3	14.2	14.0	13.9
Primary current spending	12.1	11.4	13.8	12.3	12.5	12.0	12.3	12.0	12.0	12.0	12.0	12.0
Wages and salaries	5.5	5.4	5.0	5.5	5.2	5.5	5.2	5.5	5.5	5.5	5.5	5.5
Goods and services	3.1	2.9	3.4	2.9	3.5	2.9	3.5	2.9	2.9	2.9	2.9	2.9
Transfers and subsidies	3.4	3.1	5.3	3.9	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6
of which: Fuel subsidies	0.1	0.2	1.4	0.8	0.8	0.5	...	0.4	0.2	0.0	0.0	0.0
of which: Cash transfers	0.3	0.2	0.1	0.2	0.1	0.1	...	0.1	0.2	0.2	0.2	0.2
Interest	2.4	2.2	2.5	2.8	2.5	2.7	2.5	2.5	2.4	2.2	2.0	1.9
Domestic debt	2.0	1.8	2.1	2.3	2.2	2.3	2.2	2.0	2.0	1.9	1.8	1.7
External debt	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.5	0.4	0.3	0.3	0.2
Public investment	9.3	8.2	9.7	11.5	8.3	9.0	6.6	7.1	7.7	8.4	8.9	9.4
of which: emergency program for Northern regions	...	...	0.7	1.2	1.0	1.0	0.7	0.7	0.6	0.6	0.5	0.5
Domestically financed	4.9	4.8	5.9	6.6	4.3	5.1	3.4	3.2	3.2	3.8	4.4	5.4
Foreign financed	4.3	3.4	3.9	4.9	3.9	3.9	3.2	3.8	4.5	4.6	4.5	4.0
Banking sector operations	...	...	...	...	1.6	1.5	...	...	...	...	...	...
transfers	...	...	...	...	0.4	0.4	...	...	...	...	...	...
asset purchases	...	...	...	...	1.1	1.1	...	...	...	...	...	...
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears and accounts payable and receivable	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-4.8	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.4	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, excl. grants)	-9.6	-7.4	-10.8	-9.8	-8.5	-8.6	-4.5	-4.5	-4.4	-4.5	-4.3	-4.2
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-3.9	-3.9	-3.7	-0.4	-0.5	-0.6	-0.8	-1.0	-1.1
Basic primary fiscal balance (excl. banking sector operations)	-2.9	-0.9	-4.5	-2.1	-0.5	-0.4	1.2	1.8	2.4	2.3	2.2	1.7
Financing	7.5	7.2	10.8	9.8	7.2	7.3	3.4	3.4	3.7	4.0	4.3	4.2
Domestic financing (net)	0.6	4.5	7.1	4.5	3.1	1.2	0.8	1.3	0.1	0.2	0.6	1.3
Repayment of T-Bonds	-6.4	-5.7	-5.0	-2.8	-3.2	-3.3	-6.1	-4.1	-6.6	-5.0	-6.3	-5.0
Other domestic financing (net)	7.0	10.2	12.1	7.3	6.3	4.5	7.0	5.4	6.7	5.2	6.9	6.3
External financing (net)	6.9	2.7	3.6	5.3	4.1	6.2	2.6	2.1	3.6	3.8	3.7	2.9
Grants	2.5	1.8	2.5	3.1	2.2	2.2	1.6	1.6	1.5	1.4	1.3	1.2
Budget support loan	0.0	0.0	0.6	1.6	1.7	2.0	1.0	1.4	0.9	0.8	0.8	0.3
Debt reprofiling	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	2.9	1.6	1.9	2.0	2.0	2.0	1.9	2.5	3.2	3.3	3.2	2.8
Amortization (incl. IMF repayments)	-0.7	-0.8	-1.5	-1.6	-1.7	-1.7	-1.8	-3.4	-2.0	-1.8	-1.6	-1.4
Other commercial loans						1.7						
Exceptional financing	2.1	0.2	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.5	0.0	0.0
Financing gap/unidentified financing	2.1	0.2	0.1	0.0	1.3	1.3	1.1	1.1	0.8	0.5	0.0	0.0
Exceptional financing	2.1	0.2	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.5	0.0	0.0
IMF-ECF	1.9	0.0	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.5	0.0	0.0
DSSI	0.2	0.2	...	...	...	...	...	...	...	...	...	...
Residual financing gap/errors and ommissions	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:												
Nominal GDP (CFAF billions)	4,253.2	4,621.5	5,068.9	5,507.2	5909.7	5,926.6	6347.3	6,365.6	6,850.0	7,371.3	7,932.2	8,535.9
Social and pro-poor spending (percent of GDP)	...	4.6	4.5	4.8	5.3	5.3	5.1	5.1	5.3	5.4	5.5	5.6

Sources: Togolese authorities and IMF staff estimates and projections.

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

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
	Estimates				Prog. app.	Proj.	Prog. app.	Proj.	Projections			
					(Billions of CFA Francs)							
Current account balance	-11.9	-103.6	-176.7	-158.9	-211.4	-176.8	-221.4	-185.8	-179.1	-160.0	-154.8	-170.5
Trade balance on goods	-428.2	-554.5	-716.8	-704.7	-766.2	-730.0	-814.0	-757.8	-797.9	-834.5	-885.4	-957.9
Of which: petroleum products, net	-105.3	-128.8	-218.8	-173.1	-188.8	-187.6	-188.4	-186.7	-186.3	-190.1	-196.1	-203.7
Exports	695.0	720.8	899.2	927.5	1,076.6	987.5	1,102.3	1,031.2	1,098.9	1,194.4	1,285.2	1,374.8
Imports	1,123.2	1,275.4	1,616.0	1,632.3	1,842.8	1,717.5	1,916.3	1,789.1	1,896.8	2,029.0	2,170.6	2,332.7
Services, net	43.9	76.9	96.1	115.0	142.1	153.9	186.9	198.7	253.8	279.1	303.2	325.3
Primary income, net	24.6	10.3	6.8	12.3	12.4	13.7	14.3	10.3	20.9	25.3	30.1	35.5
Secondary income, net	347.7	363.8	437.2	418.6	400.2	385.5	391.5	362.9	344.0	370.1	397.3	426.5
Capital account balance	214.5	264.8	311.7	374.7	290.5	317.5	256.2	282.6	277.2	298.3	320.9	337.7
Current and capital account balance	202.6	161.3	135.0	215.8	79.1	140.7	34.8	96.8	98.0	138.2	166.2	167.2
Financial account (- = inflow)	53.1	50.6	158.0	163.3	75.7	82.4	59.3	169.6	54.5	77.9	83.1	79.7
Direct investment, net	-30.5	36.2	74.3	105.3	-32.9	110.9	-33.2	116.6	124.2	132.2	140.8	151.5
Portfolio investment, net	48.1	-50.2	-6.7	41.8	-56.6	46.2	-58.2	51.0	56.2	60.5	65.1	70.1
Other investment, net	35.6	64.6	86.2	16.2	165.1	-74.7	150.6	2.0	-125.9	-114.8	-122.8	-141.8
Of which: general government, net	-186.1	-40.3	-56.0	-124.3	-117.9	-235.2	-64.7	-33.4	-145.5	-171.7	-190.7	-151.0
Errors and omissions	2.1	2.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	151.6	113.0	-21.0	52.5	3.4	58.2	-24.4	-72.8	43.6	60.4	83.1	87.4
Financing	-240.7	-124.1	16.8	-52.5	-80.2	-135.0	-46.5	1.7	-97.0	-96.1	-83.1	-87.4
Change NFA[1]	-240.7	-124.1	16.8	-52.5	-80.2	-135.0	-46.5	1.7	-97.0	-96.1	-83.1	-87.4
Of which: SDR allocation[2]	…	111.7	…	…	…	…	…	…	…	…	…	…
Financing gap	89.1	11.1	0.0	0.0	76.8	76.7	71.0	71.2	53.4	35.7	0.0	0.0
IMF ECF	79.3	0.0	0.0	0.0	76.8	76.7	71.0	71.2	53.4	35.7	0.0	0.0
DSSI	9.8	11.1	…	…	…	…	…	…	…	…	…	…
					(Percent of GDP)							
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.6	-3.0	-3.5	-2.9	-2.6	-2.2	-2.0	-2.0
Trade balance on goods	-10.1	-12.0	-14.1	-12.8	-13.0	-12.3	-12.8	-11.9	-11.6	-11.3	-11.2	-11.2
Of which: petroleum products, net	-2.5	-2.8	-4.3	-3.1	-3.2	-3.2	-3.0	-2.9	-2.7	-2.6	-2.5	-2.4
Exports	16.3	15.6	17.7	16.8	18.2	16.7	17.4	16.2	16.0	16.2	16.2	16.1
Imports	26.4	27.6	31.9	29.6	31.2	29.0	30.2	28.1	27.7	27.5	27.4	27.3
Services, net	1.0	1.7	1.9	2.1	2.4	2.6	2.9	3.1	3.7	3.8	3.8	3.8
Primary income, net	0.6	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4
Secondary income, net	8.2	7.9	8.6	7.6	6.8	6.5	6.2	5.7	5.0	5.0	5.0	5.0
Capital account balance	5.0	5.7	6.1	6.8	4.9	5.4	4.0	4.4	4.0	4.0	4.0	4.0
Current and capital account balance	4.8	3.5	2.7	3.9	1.3	2.4	0.5	1.5	1.4	1.9	2.1	2.0
Financial account (- = inflow)	1.2	1.1	3.1	3.0	1.3	1.4	0.9	2.7	0.8	1.1	1.0	0.9
Direct investment, net	-0.7	0.8	1.5	1.9	-0.6	1.9	-0.5	1.8	1.8	1.8	1.8	1.8
Portfolio investment, net	1.1	-1.1	-0.1	0.8	-1.0	0.8	-0.9	0.8	0.8	0.8	0.8	0.8
Other investment, net	0.8	1.4	1.7	0.3	2.8	-1.3	2.4	0.0	-1.8	-1.6	-1.5	-1.7
Of which: general government, net	-4.4	-0.9	-1.1	-2.3	-2.0	-4.0	-1.0	-0.5	-2.1	-2.3	-2.4	-1.8
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	3.6	2.4	-0.4	1.0	0.1	1.0	-0.4	-1.1	0.6	0.8	1.0	1.0
Financing	-5.7	-2.7	0.3	-1.0	-1.4	-2.3	-0.7	0.0	-1.4	-1.3	-1.0	-1.0
Change in NFA[1]	-5.7	-2.7	0.3	-1.0	-1.4	-2.3	-0.7	0.0	-1.4	-1.3	-1.0	-1.0
Of which: SDR allocation[2]	…	2.4	…	…	…	…	…	…	…	…	…	…
Financing gap	2.1	0.2	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.5	0.0	0.0
IMF ECF	1.9	0.0	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.5	0.0	0.0
DSSI	0.2	0.2	…	…	…	…	…	…	…	…	…	…
Memorandum items:												
BCEAO NFA (in months of next year's WAEMU imports)	5.4	4.9	4.0	3.3	3.0	3.6	3.1	4.2	4.9	5.5	5.9	6.1
BCEAO NFA (in million USD)	21,727	24,172	18,398	15,764	15,276	17,590	16,847	22,148	27,278	32,720	37,973	42,787.3
BCEAO NFA (in percent of broad money)	34	34	25	20	17	21	17	24	26	27	28	N.A.

Sources: Togolese authorities and IMF staff estimates and projections.

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

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

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Actual	Actual	Projections					
	(Billions of CFA Francs)									
Net foreign assets	982.2	1092.7	1080.2	1239.9	1374.8	1373.1	1470.1	1566.2	1649.3	1736.8
BCEAO	77.1	-27.0	-407.6	-281.2	-176.9	-210.8	-151.0	-144.0	-155.0	-166.8
Assets	890.0	1369.1	1300.3	1461.9	1587.6	1566.8	1642.7	1661.1	1661.1	1661.1
Liabilities	-812.9	-1396.1	-1707.9	-1743.1	-1764.5	-1777.6	-1793.7	-1805.1	-1816.1	-1827.9
Commercial banks	905.1	1119.7	1487.8	1521.1	1551.7	1584.0	1621.1	1710.2	1804.3	1903.5
Assets	1118.3	1435.3	1811.3	2529.8	3533.2	4934.6	6891.8	9625.4	13443.2	18775.2
Liabilities	-213.2	-315.6	-323.6	-1008.7	-1981.5	-3350.6	-5270.8	-7915.1	-11638.9	-16871.7
Net domestic assets	1104.1	1222.7	1593.9	1663.0	1783.3	2018.9	2180.1	2361.7	2577.5	2811.8
Credit to the government (net)[1]	15.5	8.8	185.8	192.1	112.5	143.4	183.1	253.2	260.4	268.4
BCEAO	-42.0	70.0	259.0	272.6	181.0	181.0	181.0	181.0	181.0	181.0
Commercial banks	57.5	-61.1	-73.2	-80.5	-68.5	-37.6	2.1	72.2	79.4	87.4
Credit to nongovernment sector	1305.5	1425.0	1663.5	1701.5	1902.9	2098.0	2241.2	2402.4	2584.6	2778.8
of which: Credit to private sector	1158.8	1241.7	1433.3	1454.2	1637.9	1815.2	1940.3	2083.1	2246.6	2421.7
Other items (net)	58.8	14.0	10.0	-36.0	-54.9	-85.7	-87.4	-63.0	-116.5	-177.8
Shares and other equities	158.1	197.2	245.5	266.7	287.0	308.2	331.6	356.9	384.0	413.2
Total broad money liabilities	2086.3	2315.3	2674.2	2902.9	3158.2	3392.0	3650.2	3927.9	4226.9	4548.5
Money supply (M2)	1980.8	2224.6	2556.3	2774.9	3020.4	3244.1	3491.0	3756.6	4042.5	4350.1
Currency Outside Depository Corporations	328.0	327.1	371.7	370.8	370.2	369.3	368.0	366.3	364.1	361.5
Transferable Deposits	725.6	884.4	1125.8	1298.5	1495.3	1668.3	1862.6	2073.8	2303.1	2551.9
Other Deposits	927.2	1013.1	1058.8	1105.6	1154.9	1206.5	1260.3	1316.6	1375.3	1436.7
Non-liquid liabilities (excl. from broad money)	105.4	90.7	117.8	128.0	137.8	148.0	159.2	171.3	184.3	198.4
	(Annual change as percent of beginning-of-period broad money)									
Net foreign assets	14.1	5.6	-0.6	6.2	4.9	-0.1	3.0	2.8	2.2	2.2
BCEAO	-9.7	-5.3	-17.1	4.9	3.8	-1.1	1.8	0.2	-0.3	-0.3
Commercial banks	23.8	10.8	16.5	1.3	1.1	1.1	1.1	2.6	2.5	2.5
Net domestic assets	-2.3	6.0	16.7	2.7	4.3	7.8	5.0	5.2	5.7	5.8
Credit to the government (net)[1]	-1.6	-0.3	8.0	0.2	-2.9	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	7.3	6.5	4.4	4.6	4.9	4.8
Other items (net)	0.0	-2.3	-0.2	-1.8	-0.7	-1.0	-0.1	0.7	-1.4	-1.5
Shares and other equities	0.9	2.0	2.2	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Total broad money liabilities										
Money supply (M2)	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Currency Outside Depository Corporations	-0.6	0.0	2.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Transferable Deposits	7.2	8.0	10.8	6.8	7.1	5.7	6.0	6.0	6.1	6.2
Other Deposits	4.8	4.3	2.1	1.8	1.8	1.7	1.7	1.6	1.6	1.5
Non-liquid liabilities (excl. from broad money)	0.4	-0.7	1.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Memorandum items:										
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	(Percent of GDP)									
Net foreign assets	23.1	23.6	21.3	22.5	23.2	21.6	21.5	21.2	20.8	20.3
BCEAO	1.8	-0.6	-8.0	-5.1	-3.0	-3.3	-2.2	-2.0	-2.0	-2.0
Assets	20.9	29.6	25.7	26.5	26.8	24.6	24.0	22.5	20.9	19.5
Liabilities	-19.1	-30.2	-33.7	-31.7	-29.8	-27.9	-26.2	-24.5	-22.9	-21.4
Commercial banks	21.3	24.2	29.4	27.6	26.2	24.9	23.7	23.2	22.7	22.3
Assets	26.3	31.1	35.7	45.9	59.6	77.5	100.6	130.6	169.5	220.0
Liabilities	-5.0	-6.8	-6.4	-18.3	-33.4	-52.6	-76.9	-107.4	-146.7	-197.7
Net domestic assets	26.0	26.5	31.4	30.2	30.1	31.7	31.8	32.0	32.5	32.9
Credit to the government (net)[1]	0.4	0.2	3.7	3.5	1.9	2.3	2.7	3.4	3.3	3.1
BCEAO	-1.0	1.5	5.1	4.9	3.1	2.8	2.6	2.5	2.3	2.1
Commercial banks	1.4	-1.3	-1.4	-1.5	-1.2	-0.6	0.0	1.0	1.0	1.0
Credit to nongovernment sector	30.7	30.8	32.8	30.9	32.1	33.0	32.7	32.6	32.6	32.6
of which: Credit to private sector	27.2	26.9	28.3	26.4	27.6	28.5	28.3	28.3	28.3	28.4
Other items (net)	1.4	0.3	0.2	-0.7	-0.9	-1.3	-1.3	-0.9	-1.5	-2.1
Shares and other equities	3.7	4.3	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Total broad money liabilities	49.1	50.1	52.8	52.7	53.3	53.3	53.3	53.3	53.3	53.3
Money supply (M2)	46.6	48.1	50.4	50.4	51.0	51.0	51.0	51.0	51.0	51.0
Currency Outside Depository Corporations	7.7	7.1	7.3	6.7	6.2	5.8	5.4	5.0	4.6	4.2
Transferable Deposits	17.1	19.1	22.2	23.6	25.2	26.2	27.2	28.1	29.0	29.9
Other Deposits	21.8	21.9	20.9	20.1	19.5	19.0	18.4	17.9	17.3	16.8
Non-liquid liabilities (excl. from broad money)	2.5	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3

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

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

Table 5. Togo: Financial Soundness Indicators of the Banking System, 2016–23

(Percent, unless otherwise indicated)

	2016	2017	2018*	2019	2020	2021	2022	2023
Capital adequacy[1]								
Regulatory capital to risk-weighted assets[2]	5.8	8.4	6.0	2.6	3.0	4.0	4.4	8.7
Regulatory Tier 1 capital to risk-weighted assets	4.6	7.4	4.2	2.1	2.5	3.1	3.5	7.8
Common Equity Tier 1 to risk-weighted assets (solvency ratio)[3]	N.A.	N.A.	4.2	2.3	3.2	3.1	3.5	7.8
Provisions to total assets	13.9	16.1	13.5	13.3	11.1	9.1	7.7	6.5
Capital to assets	2.9	4.3	3.4	1.3	1.5	1.8	1.8	3.9
Asset quality and composition								
Loans to total assets	49.1	46.8	47.0	49.5	44.3	43.6	47.5	49.4
Loans to top 5 borrowers to capital	186.0	128.7	169.0	463.9	351.6	283.7	305.2	135.2
Sectoral distribution of credit (percent of total credit)[4]								
Agriculture and fishing	0.3	0.2	0.1	0.1	0.1	0.1	0.1	1.2
Extracting industries	0.8	1.8	1.5	0.9	0.4	0.4	0.4	0.9
Manufacturing	9.2	9.4	8.8	4.5	5.1	3.0	6.3	8.8
Electricity, gas, and water	6.0	8.9	4.6	4.6	6.1	5.1	3.9	3.1
Building and construction	21.4	13.1	13.5	9.1	18.2	19.0	21.6	19.8
Commerce	34.6	33.8	30.7	23.9	30.6	29.1	27.1	26.2
Transport and Communication	10.6	14.1	17.6	16.4	15.3	15.7	12.9	11.9
Insurance, real estate, business services	2.5	3.6	3.0	1.8	3.6	7.1	7.0	6.8
Services	14.8	15.0	20.2	38.7	20.6	20.6	20.6	21.3
Non-performing loans to total gross loans	16.2	19.3	17.8	15.6	16.0	12.0	8.1	8.0
Bank provisions to non-performing loans	77.3	77.8	78.6	75.0	68.4	70.5	74.5	70.9
Non-performing loans net of provisions to total loans	4.2	5.0	4.4	4.4	5.7	3.9	2.2	2.5
Non-performing loans net of provisions to capital	70.8	54.4	61.7	167.6	170.0	96.7	59.8	31.2
Earnings and profitability[5]								
Average cost of funds	3.1	3.3	3.0	0.9	1.3	2.6	2.6	3.1
Average lending rate	7.8	8.2	7.8	7.3	7.2	6.9	6.6	7.3
Average interest rate spread[6]	4.7	4.9	4.8	6.4	5.9	4.3	4.0	4.2
Return on assets (ROA)	2.6	1.1	0.8	1.1	0.6	0.9	0.9	1.0
Return on equity (ROE)	98.6	28.1	14.3	21.7	11.6	16.6	15.7	15.5
Non interest expenses to net banking income	64.3	63.8	65.2	61.9	62.1	60.9	59.7	58.5
Personnel expenses to net banking income	26.7	27.1	27.0	24.3	25.1	25.9	25.1	23.7
Liquidity								
Liquid assets to total assets (liquid asset ratio)	17.6	19.5	17.1	17.5	14.5	15.6	20.2	20.9
Liquid assets to deposits	28.5	30.9	25.6	26.0	21.6	22.1	29.1	29.4
Loans to deposits ratio	90.6	87.2	82.0	83.3	73.9	67.7	72.9	73.7
Deposits to total liabilities ratio	61.9	63.1	66.7	67.3	67.2	70.4	69.4	71.1
Demand deposits to total liabilities[7]	26.6	25.8	27.0	27.9	26.9	31.2	31.6	31.1
Term deposits and loans to total liabilities	35.3	37.3	39.7	39.4	40.3	39.3	37.8	40.0

Source: BCEAO

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

[1] Raw data collected from the banking system

[2] RC/RWA ratio excluding banks with negative equity: 16.14% in dec. 2018 (2), 13.18% in june 2019 (3), 12.48% in dec. 2019 (3), 12.75% in june. 2020 (3) et 13.4% in dec. 2020 (3), 13.34% in june. 2021.

[3] Data reported from June 2018

[4] Credits reported to the Central Risk Office

[5] Income statement items at semi-annual frequency

[6] Excluding tax on banking transactions

[7] Including savings accounts

Table 6. Togo: External Financing Requirements and Sources, 2020-29[1]

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	(Billions of CFA Francs)									
Gross financing requirements (a)	**340.7**	**282.7**	**266.7**	**310.3**	**423.7**	**407.4**	**416.6**	**395.0**	**367.9**	**383.6**
Current account deficit, excl. budget grants (+)	66.2	122.8	210.0	171.7	186.1	192.1	185.3	166.6	160.8	176.1
Change in Net Foreign Assets, BCEAO (+) (1)	-182.3	-90.6	-384.9	151.1	104.3	-33.9	59.9	6.9	-11.0	-11.8
Change in Net Foreign Assets, Other depository institutions (+)	423.0	214.7	368.1	-98.6	30.6	32.2	37.1	89.2	94.1	99.2
External debt amortization (excl. IMF) (+)	27.4	35.2	71.5	78.0	86.0	184.3	93.7	94.0	93.9	96.1
IMF Repurchases / repayment	6.3	0.6	2.1	8.0	16.7	32.7	40.7	38.3	30.0	24.0
Available financing (b)	**109.5**	**269.9**	**201.5**	**201.5**	**110.9**	**231.9**	**289.6**	**285.5**	**307.1**	**353.2**
Foreign Direct Investment (net)	30.5	-36.2	-74.3	-105.3	-110.9	-116.6	-124.2	-132.2	-140.8	-151.5
Loan disbursements (public sector)	122.9	76.1	98.4	111.6	118.5	159.1	219.2	243.3	253.8	240.7
External grants (public sector)	71.2	100.5	100.8	161.8	106.0	79.1	80.2	87.2	106.8	106.3
Project grants	62.0	83.0	97.4	159.0	113.5	85.8	87.0	93.6	100.7	100.7
Miscellaneous public transfers	9.2	17.6	3.3	2.8	-7.6	-6.8	-6.8	-6.5	3.0	5.5
Other capital flows	-117.2	127.2	74.6	33.4	-2.7	110.4	114.4	87.3	87.2	157.7
Net errors and emissions	2.1	2.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap (a)-(b)	**231.1**	**12.8**	**65.2**	**108.8**	**312.9**	**175.5**	**127.1**	**109.5**	**60.8**	**30.4**
Budget support loans	96.9	0.0	31.1	90.7	219.4	91.3	60.7	60.8	60.8	30.4
Budget support grants	45.0	1.6	30.0	10.1	16.8	13.0	13.0	13.0	3.0	0.0
Exceptional financing	89.1	11.1	4.2	0.0	76.7	71.2	53.4	35.7	0.0	0.0
o/w G20 moratorium	9.8	11.1	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w IMF ECF	79.3	0.0	0.0	0.0	76.7	71.2	53.4	35.7	0.0	0.0
	(Percent of GDP)									
Gross financing requirements (a)	**8.0**	**6.1**	**5.3**	**5.6**	**7.1**	**6.4**	**6.1**	**5.4**	**4.6**	**4.5**
Current account deficit, excl. budget grants (+)	1.6	2.7	4.1	3.1	3.1	3.0	2.7	2.3	2.0	2.1
Change in Net Foreign Assets, BCEAO (+) (1)	-4.3	-2.0	-7.6	2.7	1.8	-0.5	0.9	0.1	-0.1	-0.1
Change in Net Foreign Assets, Other depository institutions (+)	9.9	4.6	7.3	-1.8	0.5	0.5	0.5	1.2	1.2	1.2
External debt amortization (excl. IMF) (+)	0.6	0.8	1.4	1.4	1.5	2.9	1.4	1.3	1.2	1.1
IMF Repurchases / repayment	0.1	0.0	0.0	0.1	0.3	0.5	0.6	0.5	0.4	0.3
Available financing (b)	**2.6**	**5.8**	**4.0**	**3.7**	**1.9**	**3.6**	**4.2**	**3.9**	**3.9**	**4.1**
Foreign Direct Investment (net)	0.7	-0.8	-1.5	-1.9	-1.9	-1.8	-1.8	-1.8	-1.8	-1.8
Loan disbursements (public sector)	2.9	1.6	1.9	2.0	2.0	2.5	3.2	3.3	3.2	2.8
External grants (public sector)	1.7	2.2	2.0	2.9	1.8	1.2	1.2	1.2	1.3	1.2
Project grants	1.5	1.8	1.9	2.9	1.9	1.3	1.3	1.3	1.3	1.2
Miscellaneous public transfers	0.2	0.4	0.1	0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.1
Other capital flows	-2.8	2.8	1.5	0.6	0.0	1.7	1.7	1.2	1.1	1.8
Net errors and emissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap (a)-(b)	**5.4**	**0.3**	**1.3**	**2.0**	**5.3**	**2.8**	**1.9**	**1.5**	**0.8**	**0.4**
Budget support loans	2.3	0.0	0.6	1.6	3.7	1.4	0.9	0.8	0.8	0.4
Budget support grants	1.1	0.0	0.6	0.2	0.3	0.2	0.2	0.2	0.0	0.0
Exceptional financing	2.1	0.2	0.1	0.0	1.3	1.1	0.8	0.5	0.0	0.0
w/o G20 moratorium	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
w/o IMF ECF	1.9	0.0	0.0	0.0	1.3	1.1	0.8	0.5	0.0	0.0
	(Millions of USD)									
Memorandum Items:										
Projected disbursement from the IMF (ECFs)										
SDR million	96.6	0.0	0.0	0.0	95.4	88.1	66.1	44.0	0.0	0.0
In percent of quota	65.8	0.0	0.0	0.0	65.0	60.0	45.0	30.0	0.0	0.0
IMF credit outstanding (PRGT)										
SDR million	248.5	247.7	245.1	232.6	307.8	356.1	372.6	369.6	332.7	333.7
In percent of quota	169.3	168.7	167.0	158.4	209.7	242.5	253.8	251.8	226.6	227.3
CFA billion	192.6	200.9	201.8	186.6	248.0	287.7	301.7	300.6	271.2	272.5
In percent of GDP	4.5	4.3	4.0	3.4	4.2	4.5	4.4	4.1	3.4	3.2

Sources: Togolese authorities and IMF staff estimates and projections.

[1] This is not indicative of the country's impact on WAEMU's aggregate external position or the pooled WAEMU reserves since the data contains intra-WAEMU flows from the current, capital and financial account.

Table 7. Togo: Indicators of Capacity to Repay the IMF, 2024-38[1] (CFAF Billions)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Fund obligations based on existing and prospective credit															
In millions of SDRs															
Principal	20.1	39.9	49.5	47.0	36.9	34.5	33.2	40.4	54.3	58.7	53.6	35.2	18.4	4.4	0.0
Charges and interest[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit															
In millions of SDRs	20.1	39.9	49.5	47.0	36.9	34.5	33.2	40.4	54.3	58.7	53.6	35.2	18.4	4.4	0.0
In billions of CFAF	16.2	32.2	40.1	38.2	30.1	28.2	27.1	32.9	44.3	47.9	43.7	28.7	15.0	3.6	0.0
In percent of government revenue	1.6	3.0	3.3	2.9	2.0	1.7	1.5	1.7	2.1	2.0	1.7	1.0	0.5	0.1	0.0
In percent of exports of goods and services	1.1	2.0	2.3	2.0	1.4	1.3	1.1	1.3	1.6	1.6	1.3	0.8	0.4	0.1	0.0
In percent of debt service[2]	12.7	12.7	24.6	23.9	20.0	19.5	22.6	26.1	31.6	31.1	26.2	17.4	8.8	2.1	0.0
In percent of GDP	0.3	0.5	0.6	0.5	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.2	0.1	0.0	0.0
In percent of quota	13.7	27.2	33.7	32.0	25.2	23.5	22.6	27.5	37.0	40.0	36.5	24.0	12.5	3.0	0.0
Outstanding IMF credit															
In millions of SDRs	307.8	356.0	372.6	369.6	332.7	298.1	265.0	224.6	170.3	111.6	58.0	22.8	4.4	0.0	0.0
In billions of CFAF	247.5	287.6	301.3	300.0	270.9	243.3	216.2	183.3	139.0	91.0	47.3	18.6	3.6	0.0	0.0
In percent of government revenue	25.1	26.5	25.0	22.5	18.4	14.9	12.0	9.3	6.5	3.9	1.8	0.7	0.1	0.0	0.0
In percent of exports of goods and services	16.3	17.6	16.9	15.5	13.0	10.9	9.0	7.1	5.0	3.0	1.5	0.5	0.1	0.0	0.0
In percent of debt service[2]	194.0	113.7	184.9	187.6	180.4	168.0	180.8	145.1	99.2	59.1	28.3	11.2	2.1	0.0	0.0
In percent of GDP	4.2	4.5	4.4	4.1	3.4	2.8	2.4	1.9	1.3	0.8	0.4	0.1	0.0	0.0	0.0
In percent of quota	209.7	242.5	253.8	251.8	226.6	203.1	180.5	153.0	116.0	76.0	39.5	15.5	3.0	0.0	0.0
Net use of IMF credit (millions of SDRs)															
Disbursements	95.4	88.1	66.1	44.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	20.1	39.9	49.5	47.0	36.9	34.5	33.2	40.4	54.3	58.7	53.6	35.2	18.4	4.4	0.0
Memorandum items:															
Nominal GDP (in billions of CFAF)	5,927	6,366	6,850	7,371	7,932	8,536	9,185	9,884	10,637	11,446	12,317	13,254	14,263	15,349	16,517
Exports of goods and services (in billions of CFAF)	1,522	1,630	1,779	1,930	2,078	2,226	2,402	2,592	2,797	3,018	3,256	3,504	3,771	4,059	4,360
Government revenue (in billions of CFAF)	987	1,087	1,205	1,334	1,471	1,630	1,799	1,974	2,151	2,356	2,571	2,797	3,054	3,322	3,614
Debt service (in billions of CFAF)[2 3]	128	253	163	160	150	145	120	126	140	154	167	165	170	173	189
CFAF/SDR (period average)	804	808	809	812	814	816	816	816	816	816	816	816	816	816	816

Sources: IMF staff estimates and projections.

[1] Includes proposed extension and augmentation of access.

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

[3] Includes state-owned enterprises debt.

[4] Charges and interest here differs from the one presented in Table 8 of Country Report No. 2024/079, where it was accidentaly set to a non-zero value.

Table 8. Togo: Access and Phasing Under the ECF Arrangement, 2024-27

Amount	Availability date	Conditions for disbursement[1]
SDR 51.380 million (35.0 percent of quota)	March 1, 2024	Approval of the ECF arrangement by the Executive Board.
SDR 44.040 million (30.0 percent of quota)	November 15, 2024	Observance of continuous and end-June 2024 performance criteria and completion of the first review under the arrangement
SDR 44.040 million (30.0 percent of quota)	May 15, 2025	Observance of continuous and end-December 2024 performance criteria and completion of the second review under the arrangement
SDR 44.040 million (30.0 percent of quota)	November 15, 2025	Observance of continuous and end-June 2025 performance criteria and completion of the third review under the arrangement
SDR 36.700 million (25.0 percent of quota)	May 15, 2026	Observance of continuous and end-December 2025 performance criteria and completion of the fourth review under the arrangement
SDR 29.360 million (20.0 percent of quota)	November 15, 2026	Observance of continuous and end-June 2026 performance criteria and completion of the fifth review under the arrangement
SDR 22.020 million (15.0 percent of quota)	May 15, 2027	Observance of continuous and end-December 2026 performance criteria and completion of the sixth review under the arrangement
SDR 22.020 million (15.0 percent of quota)	June 15, 2027	Observance of continuous and end-May 2027 performance criteria and completion of the seventh review under the arrangement
SDR 293.600 million (200 percent of quota)	Total amount of the arrangement	

Sources: Togolese authorities; and IMF staff estimates.

[1] In addition to the generally applicable conditions under the Extended Credit Facility.

Table 9. Togo: Decomposition of Debt and Debt Service by Creditor, 2023-25[1]

	Debt Stock (end of period) 2023			Debt Service 2023	2024	2025	2023	2024	2025
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	**6221**	**100**	**68.0**	**1185**	**742**	**810**	**12.9**	**7.6**	**7.7**
External	**2367**	**38**	**25.9**	**190**	**210**	**240**	**2.1**	**2.2**	**2.3**
Multilateral creditors	1486	24	16.2	70	88	123	0.8	0.9	1.2
IMF	316	5	3.5	13	28	55	0.1	0.3	0.5
World Bank	541	9	5.9	5	8	8	0.1	0.1	0.1
AfDB	84	1	0.9	2	1	1	0.0	0.0	0.0
Other Multilaterals	544	9	5.9	50	51	59	0.5	0.5	0.6
o/w: BOAD	295	5	3.2	29	27	31	0.3	0.3	0.3
o/w: Islamic Development Bank	101	2	1.1	4	9	10	0.0	0.1	0.1
Bilateral Creditors	573	9	6.3	75	73	67	0.8	0.7	0.6
Paris Club	48	1	0.5	2	2	3	0.0	0.0	0.0
o/w: Belgium	10	0	0.1	0	0	0	0.0	0.0	0.0
o/w: France	39	1	0.4	2	2	3	0.0	0.0	0.0
Non-Paris Club	525	8	5.7	73	71	64	0.8	0.7	0.6
o/w: China	381	6	4.2	58	56	51	0.6	0.6	0.5
o/w: India	65	1	0.7	8	6	6	0.1	0.1	0.1
Bonds	0	0	0.0	0	0	0	0.0	0.0	0.0
Commercial creditors	308	5	3.4	46	50	50	0.5	0.5	0.5
o/w: Societe General	123	2	1.3	25	24	24	0.3	0.3	0.2
o/w: Bank of Tokyo	108	2	1.2	9	19	18	0.1	0.2	0.2
Other international creditors	0	0	0.0	0	0	0	0.0	0.0	0.0
Domestic	**3854**	**62**	**42.1**	**995**	**532**	**569**	**10.9**	**5.5**	**5.4**
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	257	4	2.8	278	0	0	3.0	0.0	0.0
Bonds	3186	51	34.8	698	498	536	7.6	5.1	5.1
Loans	366	6	4.0	19	34	33	0.2	0.3	0.3
Domestic arrears	69	1	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Memo items:									
Collateralized debt[2]	…	…	…	…	…	…	…	…	…
o/w: Related	155	2	1.7	20	24	24	0.2	0.2	0.2
o/w: Unrelated	…	…	…	…	…	…	…	…	…
Contingent liabilities	…	…	…						
o/w: Public guarantees	0	0	0						
o/w: Other explicit contingent liabilities[3]	…	…	…						
Nominal GDP	9154			9154	9746	10483			

[1] As reported by Country authorities according to their classification of creditors except Eximbank China and Eximbank India are reported by the authorities as commercial creditors, but classified as bilateral non-Paris Club here and in the DSA. Debt coverage is the same as the DSA.
[2] Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Kev Considerations for Public Lenders and Borrowers" for a discussion of issues raised bv collateral.
[3] Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Annex I. Banking Sector Soundness and Compliance with Regulatory Norms

Reported financial soundness indicators for 2023 point to some improvement in the banking system, but fragilities remain.

1. Three Togolese banks were found to be in violation of prudential norms at end-2023. The remaining state-owned bank and a formerly public bank (together accounting for 20 percent of banking sector assets), violated capital adequacy requirements and other norms. A very small third bank (accounting for 0.1 percent of sector assets) also violated capital requirements and is under provisional administration.

2. Key financial soundness indicators for the banking system as a whole have improved. The sector's solvency ratio improved to 8.7 percent at end-2023, a significant increase from 2.6 percent in 2019 and 4.4 percent in 2022. Furthermore, asset quality has improved, with the proportion of non-performing loans decreasing to 8 percent at end-2023, down from 15.6 percent in 2019 and 8.1 percent in 2022, due in part to recovery efforts and the write-off of non-performing loans. Preliminary data indicates a further decline in this ratio to 7.6 percent by end-June 2024.

3. The improvement in capital ratios mainly reflects government efforts to bolster the capital of the remaining public bank. The government purchased the bank's headquarters building for CFAF 31 billion[1] and injected another CFAF 12.6 billion in capital in early 2024. As of June 30, 2024, the bank's regulatory capital is estimated at CFAF 2.9 billion (0.05 percent of GDP), a marked improvement from a capital position equivalent to a negative 1 percent of GDP in June 2023.

4. Additionally, a formerly public bank is likely to see an improvement in its compliance with regulatory norms. In particular, the government in September purchased this bank's headquarters building as well. The related improvement in the bank's regulatory capital will likely be seen in end-2024 data. Compliance with norms should also benefit from the implementation of a reform plan submitted to the Banking Commission. Among other things, the bank is expected to implement a further capital increase from private sources, as well as eliminate loans to related parties and credit institutions with negative equity.

5. In the first half of 2024, however, two additional banks (together accounting for 9 percent of sector assets), appear to have started violating certain norms for reasons that remain to be understood. Preliminary information for end-June suggests that one of these banks breaches capital requirements, the limit on non-operating assets, and the risk concentration norm; and the other breaches risk concentration norms.

6. The Banking Commission has instructed these two banks to submit action plans to resolve their breaches of prudential norms.

[1] The contract was signed in late 2023, and while the payment (in form of government securities) was transferred to the bank only in early 2024, the bank reflect the transaction already in its end-2023 financial statements.

Annex II. Risk Assessment Matrix[1]

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

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

[1/]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex III. Capacity Development Strategy

Fund capacity development (CD) will support key government objectives, including strengthening fiscal revenue, enhancing the social safety net, and improving public financial management. The areas identified below include past and possible future CD, in case the authorities were to express interest.

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

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

2. Fund CD provision will support key government objectives:

- **Raising fiscal revenue through tax policy and tax administration reforms.** Following a desk analysis of tax policy options prepared in early 2024 and tax policy and revenue administration missions in March, future CD could help the authorities prepare a comprehensive Medium-Term Revenue Mobilization Strategy. FAD could also provide CD on a range of selected topics, such as strengthening taxation of property or mining activities.
- **Strengthening PFM.** CD could help strengthen fiscal reporting, including to help establish consistency between fiscal reporting and changes in the government's position vis-a-vis the banking system. CD could also aim at assessing and strengthening public investment management. Finally, CD could help enhance the framework for public private partnerships (PPPs) and the management of SOEs. Last but not least, CD could help further strengthen the medium-term debt strategy.
- **Strengthening Togo's social safety net to make growth more inclusive.** Fund CD could help the authorities determine the best way to use limited budget resources to support the most vulnerable. This could be done in coordination with work on a *Medium-Term Revenue Mobilization Strategy* to arrive at a comprehensive *Fiscal Policy Strategy* that integrates revenue generation and spending policies.

- **Further, CD will continue helping the authorities enhance statistical capacity.** CD will continue to strengthen capacity to compile statistics on national accounts, government finance, and public sector debt. Staff could also help to strengthen compilation of external sector data.

- **In addition, Fund staff could provide CD on governance.** Staff could prepare a comprehensive Governance Diagnostic and assist in strengthening the legal and institutional framework for AML/CFT to bring it in line with FATF standards.

- **Finally, FAD could provide CD on climate issues, including to help underpin a request for financing under the RST.** Staff will continue to accompany the introduction of green budgeting and could prepare a climate policy diagnostic[1]

[1] So far, staff has analyzed the impacts of climate change on Togo through analysis in the 2024 Article IV consultation, including via a Selected Issues Paper and a Climate-Public Investment Management Assessment (CPIMA) report. [The World Bank has prepared a Country Climate and Development Report (CCDR).]

Appendix I. Letter of Intent

Lomé, November 29, 2024

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

Madam Managing Director,

Despite the detrimental impact of a series of shocks in recent years, including the COVID-19 pandemic, the conflict between Russia and Ukraine, and security threats in the north of the country, the Togolese economy has shown resilience and sustained growth.

However, due to measures implemented to mitigate the effects of these shocks on the population, fiscal deficits have risen sharply and the economy's buffers to absorb shocks have shrunk. We also face a challenging external environment, with still elevated interest rates on regional and international financial markets and declining official development aid. Also, substantial security and development challenges persist.

The Government is committed to taking all necessary actions to respond to these challenges, in line with the 2020–25 Government Roadmap. In particular, we will aim to (i) make growth more inclusive while strengthening debt sustainability, and (ii) conduct structural reforms to support growth and limit fiscal and financial sector risks. We are happy that the IMF is supporting our policy program through an arrangement under the Extended Credit Facility (ECF).

The arrangement became effective on March 1, 2024, and will run for a period of 42 months with access of 200 percent of quota (SDR 293.600 million) to be disbursed as budget support. The ECF-arrangement also catalyzes additional resources from other technical and financial partners, enabling us to implement reforms and increase the available resources to foster development by focusing on social and pro-poor spending.

We have successfully implemented our program to date. In particular, the momentum for fiscal consolidation is firmly established. The Government has taken measures aimed at improving revenue and controlling expenditures to contain the deficit, and we anticipate achieving the end-2024 fiscal targets. As part of the discussions for the conclusion of the first review, IMF staff confirmed that all quantitative performance criteria and indicative targets for end-June 2024, as well as all continuous performance criteria to date, have been met.

Looking ahead, we believe that the program's objectives remain appropriate for now. Specifically, for the year 2025, the Government reaffirms its commitment to achieve an overall fiscal deficit of 3 percent of GDP, and we intend to submit a draft Finance Law for 2025 to Parliament that adheres to this deficit.

That said, we are facing an increasingly challenging security crisis that poses growing risks to economic stability and sustainability. This crisis exerts significant pressure on both security and civilian expenditure. Should this crisis persist or worsen, it may become necessary to increase expenditures beyond a level compatible with a deficit of 3 percent of GDP. In that case, we may need to propose to the IMF an adjustment of our program to allow for a maximum fiscal deficit of 4 percent of GDP in 2025, before returning to a 3 percent of GDP deficit in 2026.

The Government continues its efforts to achieve the Sustainable Development Goals (SDGs). In October 2024, the Government published its Sustainable Financing Framework, a reference document for financing socially responsible projects that contribute to the fight against climate change. In this context, Togo seeks rapid support from the IMF under the Resilience and Sustainability Facility (RSF) to catalyze its efforts.

The attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) set out the Government's short- and medium-term policies, updating our MEFP and TMU of February 6, 2024. We believe that these policies are adequate for achieving our overarching objectives outlined above, and we stand ready to take any additional steps that may become necessary. We will consult with IMF staff prior to any revisions to the policies contained in the MEFP, in accordance with IMF policies on such consultations, and we will provide IMF staff with all information needed to monitor the program on a timely basis. In light of the level of program implementation to date and the commitments set out in the MEFP, the government is requesting the conclusion of the first review under the Extended Credit Facility and the disbursement of SDR 44.04 million (or 30 percent of Togo's quota).

In keeping with our longstanding commitment to transparency, the Government consents to the publication of the IMF staff report, including this letter and the attached MEFP and TMU. Therefore, we authorize the IMF to publish these documents on its website once the IMF Executive Board approves our request for an ECF arrangement.

Please accept, Madam Managing Director, the assurance of my high regard.

/s/

Essowè Georges Barcola
Minister of Economy and Finance

Attachments (2):

I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Growth prospects are favorable but achieving the Sustainable Development Goals (SDGs) remains a challenge as our development needs remain large. Also, Togo is facing a wide range of risks, including from persistent security challenges in the North of the country. With IMF support under the ECF-arrangement approved in March 2024, we intend to maintain macroeconomic stability and accelerate progress towards the SDGs, in line with the 2020–25 Government Roadmap. The overarching goals of the Government's program remain to (i) make growth more inclusive while strengthening debt sustainability, and (ii) conduct structural reforms to support growth and limit fiscal and financial sector risks.

I. BACKGROUND AND CONTEXT

1. In recent years, our economy has demonstrated resilience in the face of various shocks, due in part to the fiscal support we provided, but we recognize that significant challenges persist. Notably, while growth has held up well, food insecurity shot up and is receding only slowly, still affecting approximately 27 percent of our population.[1] Also, the reduction in poverty has slowed, and around a quarter of our citizens still live in extreme poverty, subsisting on less than USD 2.15 a day.[2] Achieving the Sustainable Development Goals (SDGs) remains a priority. In a context of increasing terrorist activity in the Sahel, terrorist attacks in the northern *Savanes* region continue, and the number of casualties is on a rising trend, with an acceleration of attacks since June 2024, which also hinders development progress.

2. The fiscal expansion we implemented has helped counteract the impact of the shocks of recent years on growth but has also led to sharp increases in fiscal deficits and public debt, necessitating a reassessment of our fiscal strategy. In 2022, the fiscal deficit reached 8.3 percent of GDP, driven by measures to safeguard the purchasing power of our population, including significant fuel subsidies. With a fiscal deficit of 6.7 percent of GDP in 2023, central government debt is projected to reach 68.6 percent of GDP in 2024 (a high level, yet still below the community threshold of 70 percent of GDP). While our public debt remains sustainable and the risk of external debt distress is moderate, we are mindful of the high risk of overall debt distress. Additionally, the significant fiscal deficits seen in Togo and other WAEMU members, coupled with limited external financing, have contributed to a weakening of regional reserves. While ongoing fiscal consolidation in WAEMU member countries and foreign reserves inflows in the context of IMF-supported programs have provided some relief, regional reserves remain low, standing at 3.3 months of imports in September 2024.[3]

3. In response to these challenges, we adopted an ambitious program of economic and financial policies, described in our MEFP of February 6, 2024. This program remains broadly

[1] The data on food insecurity are sourced from the Harmonized Framework (Cadre Harmonisé | IPC - Integrated Food Security Phase Classification).

[2] Projection of 24.5 percent for 2024 by the World Bank.

[3] Total public debt, including that of public enterprises, is projected to reach 69.7 percent of GDP in 2024.

appropriate. We aim to maintain macroeconomic stability and accelerate poverty reduction by (i) making growth more inclusive while strengthening debt sustainability, and (ii) conducting structural reforms to support growth and limit fiscal and financial sector risks. Key policies include efforts to bolster social and pro-poor spending and the safety nets, a large fiscal consolidation through ambitious revenue mobilization efforts, and banking sector reform including the recapitalization of the state-owned bank. The IMF supports our efforts through an arrangement under the Extended Credit Facility (ECF), approved in March 2024. The arrangement runs for a total of 42 months and provides financing equivalent to 200 percent of our quota.

4. This said, in case the security situation does not improve or deteriorate further despite our ongoing efforts, it may be needed to slow the fiscal consolidation to address the associated spending pressures. We are concerned that the longer terrorists remain on our national territory, the greater the risks of their sustainable establishment will become, creating persistent threats to economic stability and debt sustainability, thereby compromising our capacity to achieve the primary objectives of the program.

II. RECENT ECONOMIC DEVELOPMENTS

5. In 2023, our economy showed robust growth of 5.6 percent according to the IMF. This growth was partly fueled by increased activities within the Adetikopé special economic zone. Meanwhile, headline inflation over the past 12 months has fallen somewhat slower than envisaged, reaching 3.2 percent year-on-year by end-September 2024, due in part to renewed food inflation, while core inflation (which excludes food and transport items) has come down to 0.9 percent year-on-year.

6. We have raised tax revenue faster than programmed. Tax revenue rose by 0.9 percent of GDP in 2023, exceeding our goal of raising tax revenue by an annual average of 0.5 percent of GDP. This achievement reflects both tax policy measures and progress in revenue administration, but tax revenue of 0.3 percent of GDP reflects arrears collection that is not likely to repeat. We have seen continued progress in revenue collection in 2024, allowing us to exceed the indicative revenue target for end-June by 1.3 percent of GDP. Again, revenue mobilization benefits from both tax policy and revenue administration measures. The first include certain excise duties and the removal of certain tax exemptions granted in the context of the COVID pandemic. Revenue administration measures include progress on digitalization (e.g., launch of a mobile application for motor vehicle tax declaration and payment; expansion of online financial statement filing to all taxpayers; and introduction of an automated tax risk analysis system), the improvement of tax audits through better training and evaluation of auditors, and the introduction of new product categories into the Customs value control module.

7. We have also raised non-tax revenue, by 0.8 percent of GDP in 2023. Here, too, part of the increase reflects arrears collections that are not likely to recur in the future.

8. Thanks to the strong revenue mobilization and continued spending control, we have made progress in fiscal consolidation in the first half of 2024, and we are undertaking additional efforts to reach the end-year deficit target. The basic primary fiscal balance was above its end-June program floor (before adjustors) by 0.8 percent of GDP. Given that a substantial portion of spending occurs in the second half of the year, we are restraining spending to achieve our end-year deficit target. Further increases in revenue will also help us meet the target.

9. Togo's financing conditions remain challenging, and Togo faces substantial rollovers needs. Average annual yields on government bonds are elevated, at 7.5 percent, and current market appetite is for shorter maturities, as evidenced by a heightened reliance on Treasury bills in 2024. External loans with a present value of CFAF 53 billion were signed by end-June, well within the debt limit. However, delays in mobilizing external borrowing meant that we had to front-load our domestic borrowing in the first half of 2024, and we also mobilized a short-term trade credit to pay for imports. The acceleration of our borrowing plan in the second half of the year, a larger budget support loan from the World Bank, and an additional budget support grant from the African Development Bank will reduce our financing needs and bring domestic debt within projections by the end of the year. At the same time, we are discussing options to refinance the external trade credit, including with the support of the World Bank, to ensure that debt service in 2025 does not undermine debt sustainability.

10. In the financial sector, we have observed, and helped bring about, improvements in banking soundness indicators, although challenges remain with three banks violating prudential norms. Efforts to strengthen the solvency of the state-owned bank have seen progress in recent months, see the discussion in paragraph 13 (last bullet point).

III. OUTLOOK AND RISKS

11. Growth is expected to remain robust. Growth is expected to moderate to 5.3 percent in 2024-25, attributable in part to the unavoidable ongoing fiscal consolidation. We are, however, optimistic about a resurgence in growth to a trend of 5.5 percent per year thereafter, supported by the end of fiscal consolidation (the deficit will remain at 3 percent of GDP from 2025 onwards, in line with the regional benchmark), and the implementation of reforms to enhance productivity and spur private investment. Concurrently, we project a convergence of headline inflation to close to the BCEAO's 2 percent target by 2025.

12. However, the outlook remains subject to elevated risks. The relentless continuation or even escalation of terrorism is a key risk that, if realized, could disrupt activities in our key logistics sector and destabilize Togo's economy and society, making achievement of program targets impossible. Challenges in securing sufficient financing at affordable rates and desirable maturities in the regional market present an additional concern, as does our ability to refinance the short-term trade credit. Further, risks to financial sector stability, particularly from undercapitalized banks, remain to be fully addressed. Over the longer term, our economic performance is also subject to the risk of weakening debt sustainability should our efforts to achieve fiscal consolidation while maintaining growth come up short. Additionally, both growth and the fiscal accounts are vulnerable to the impacts of climate change. This said, there are also upside risks. For instance, ongoing reforms to improve the business environment and implement industrial policies could result in growth exceeding expectations.

IV PROGRAM IMPLEMENTATION

13. We are making progress with the implementation of the program and see the program as being broadly on track:

- **We have met all quantitative targets to date** (quantitative performance criteria (QPC) and indicative targets for end-June and continuous quantitative performance criteria, Table 1).

- **Prospects for meeting quantitative targets for the remainder of the year are favorable.** We anticipate that we will meet all end-December targets, provided that we exercise spending restraint to achieve the fiscal balance target.

- **We have met two out of the four structural benchmarks (SBs) due to date in 2024 (Table 2).**

    - SB for end-June: *Based on an analysis comparing customs and trade data, we have prepared a corrective action plan for non-compliance with customs procedures on 15 products identified as potentially being the most exposed to fraud (meeting SB 1.1 for end-June)* and *adopted a strategy to strengthen the social safety net (meeting SB 2.1 for end-June)*. We have also *extended the scope of our public investment plan to include extrabudgetary entities and public-private partnerships (PPPs) and prepared a report on state-owned enterprise (SOE) investment projects (SB 3.2 due by end-June)*[4]. However, we were unable to *share this report with Parliament* by the SB's deadline as the law does not provide for such sharing outside the budget process, and we have thus not met this SB. This said, we intend to share the report with Parliament when we submit the 2025 Budget Law to it, and we intend to keep submitting this report together with the draft budget every year in the future.

    - SB for end-October: Finally, we have *prepared and published a revenue mobilization plan comprising both tax policy and revenue administration measures (SB 1.2 for end-October)*. We were however unable to include the year 2027 in this plan, as called for under the SB. We intend to prepare a strategy covering 2027 at a later date.

- **We are making good progress on the two remaining structural benchmarks for 2024.**

    - We have *established a biometric identification system for all citizens and a register of the poor* by creating the needed IT platforms and making them fully operational (thereby meeting SB 2.2 for end-December). We anticipate that 90 percent of all residents will have a unique identification number by end-December 2025. The integration of households into the register will also take time. We project to register half of the population and over half of the poor and vulnerable households by end-2025. Once completed, the biometric identification

[4] Togo does not currently have PPP, defined as a written, remunerated administrative contract through which a contracting authority entrusts one or more economic operators with a comprehensive mission for a specified duration. This mission may include the realization, development, acquisition, transformation, rehabilitation, maintenance, dismantling, or destruction of infrastructure, equipment, or intangible assets essential for public service or general interest, as well as the management or operation of public services and areas contributing to national economic interest. The financing of these missions is primarily ensured by the operator.

system and the register will enable better targeting of poor and vulnerable individuals for social protection, including by avoiding situations where certain individuals or households are counted more than once and receive more transfers than intended. These innovations will facilitate the implementation of effective, efficient, and streamlined social public policies. They will also help in other areas, including mobilizing revenue and enhancing governance.

   - Further, we are working on *enhancing the documentation accompanying our draft annual budgets by detailing the portfolio of companies where the state holds a majority stake, along with key financial information and commitments under PPP contracts (SB 3.1 for end-December)* and expect to meet this benchmark.

- **Lastly, we have made the intended progress on the reform of the state-owned bank.** As a prior action for the program request, we purchased certain illiquid assets of this bank and provided the funds deemed necessary to bring the bank's regulatory capital to at least zero. These actions reached their goal: an independent third-party audit commissioned in April found that the bank's regulatory capital was positive at CFAF 2.9 billion at end-June. We also commissioned an audit of the bank's operations in October to inform a restructuring plan. We are committed to strengthen this bank further in line with program understandings.

V. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

A. Strengthening Public Debt Sustainability

Setting the Fiscal Policy Stance in Line with our Fiscal Anchor

14. Our dual fiscal anchor that aims at strengthening debt sustainability remains appropriate. The first element of the anchor is to reduce the overall risk of debt distress from high to moderate (PV of public debt below 55 percent of GDP) in 2026. The second element is to lower the fiscal deficit to 3 percent of GDP by 2025, as envisaged by the regional convergence framework.

15. In line with this, we remain committed to adhering to the path for the overall fiscal deficit as agreed at the ECF request. The path respects both anchors, with a projected present value (PV) of debt of 54.5 percent of GDP in 2026. We will continue to prioritize grants and external concessional borrowing, particularly for budget support, and will weigh the costs and risks of other external borrowing options that would reduce our reliance on the regional market. Further, we are committed to trying to refinance the trade credit contracted earlier this year by early 2025 to ensure that risks to external debt sustainability remain moderate, and notifying the IMF ahead of time of new borrowing that deviates from our borrowing plan.

16. That said, if the security crisis does not improve or deteriorates further, it may become necessary to slow fiscal consolidation. It may be necessary to implement a budget deficit to 4 percent of GDP in 2025, before reaching a deficit of 3 percent of GDP starting in 2026. This would also delay the goal of reducing of the present value of public debt to 55 percent of GDP by one year (from 2026 to 2027). We believe that a moderately and temporarily higher deficit will strike the optimal balance between competing needs: on one hand, the need to contain terrorism and associated risks to stability, and on the other hand, the need to enhance debt sustainability and strengthen regional reserves through continued fiscal consolidation. We also think that this temporarily higher budget deficit will align with the limited capacity of the regional financial market to provide financing, particularly as we anticipate increased external financing, primarily relying on concessional external financing. This said, we are committed to informing of, and discussing with, IMF staff any increase in spending that could result in a deviation from the deficit target of 3 percent of GDP in 2025.

Creating Fiscal Space to Finance Development

17. We reaffirm our commitment to increasing tax revenue by 0.5 percent of GDP annually, and we have prepared a revenue mobilization strategy for 2025-26 that combines tax policy and revenue administration efforts**.** These measures are designed to broaden the tax base:

- **Tax policy measures** will include introducing or increasing various excise duties and reducing tax exemptions, for an expected yield of 0.4 percent of GDP (Text Table 1). As an input for enhancing VAT revenue and the preparation of a comprehensive Medium-Term Revenue Strategy (MTRS, by mid-2026), we will *prepare an analysis of VAT exemptions to determine which are progressive and which regressive (by end-June 2025, SB 4.1)*.

- **Revenue administration efforts** will include (i) as regards domestic taxation, improving on-time filing and payment rates, reducing the stock of arrears, and strengthening audits through technical assessments and capacity building for auditors; (ii) as regards customs, strengthening the post-clearance audit function, targeting high risk imports and exports, enhancing customs monitoring and verification, and enhancing the of ASYCUDA World; (iii) as regards both internal taxation and customs, forcefully addressing suspected fraud cases. We also intend to continue land surveys in Grand Lomé to enhance property taxation, among other things. In addition, we will *transfer collection of personal income tax for civil servants from the General Directorate of Budget and Finance to the Togolese Revenue Authority (SB 4.2, due by end-December 2025)*, and develop an action plan to implement the following four revenue administration measures (by end-June 2025):

    - Set up a digitized, streamlined, and secure customs transit procedure from the Port of Lomé. Monitor the suspension procedures for customs duties and ensure timely collection of owed duties.

    - Leverage data from cross-referencing tax and customs records to plan and execute at least 50 percent of the annual tax audit program.

    - Carry out post-clearance controls to verify compliance with exemption conditions by importers, aiming to cover at least 40 percent of the revenue loss resulting from these exemptions each year.

    - Undertake targeted tax audits and other measures to detect and address inaccurate declarations and fraud in the following sectors: phosphate, clinker, cement, and iron.

Text Table 1. Measures Planned for Strengthening Fiscal Revenue in 2025 (Subject to Parliamentary Approval)

Measurements	Explanatory memorandum	2025	
		in CFAF millions	in percent of GDP)
Tax Policy Measures			
Introduce a 15% excise tax on marble, gold ingots, and precious stones.	• Expand the tax base • Follow the community mobilization action plan • Compliance with WAEMU Directive No. 03/2009/CM	952.4	0.01
Increase the excise tax rate on sugary soft drinks from 5% to 10%	• Broaden the tax base • Compliance with WAEMU Directive No. 03/2009/CM	2648.6	0.04
Reduced (from 90% to 80%) the allowance for new commercial vehicles and new construction machinery, equipment and machinery and elimination of VAT and PNS exemptions on vehicles, machinery,	• Reduce budget revenue losses (CFAF 35.68 billion in 2023)• Encourage the renewal of the vehicle fleet and construction equipment	23490.3	0.37
Tax Policy Measures		**27091.3**	**0.43**
Tax Administration Measures			
Strengthen tax auditing	Improve the companies' audit programming and the taxpayer coverage rate to ensure tax fairness in accordance with risk management	4300	0.068
Intensification of actions to collect tax arrears.	Reduce the stock of outstanding balances and improve revenue mobilization	4834.4	0.076
Mobilization of property taxes: Use of land survey data from 2 municipalities for 2025 and 8 municipalities for 2026	Broadening the tax base and improving the yield of property taxes		-
Total tax administration measures		**9134.4**	**0.143**
Customs administration measures			
Increase the number of products covered by tariff specification codes (CSTs)	• Reduce declared value fraud• Improve customs revenue	1043.8	0.02
Audit the companies that have declared that they are supplying themselves with Distilled Diesel Oil (DDO)	• Combat tariff slippage • Better regulate fuel supply	767.6	0.01
Step up actions to recover unpaid debts	• Reduce the stock of unpaid customs invoices • Improve customs revenue mobilization		-
Total customs administration measures		**1811.4**	**0.03**
Administration measures		**10945.8**	**0.17**
Total Expected Revenue Gains		**38037.1**	**0.60**

Sources: Togolese authorities and Fund staff.

18. We also plan to continue to increase non-tax revenue. The establishment of a new non-fiscal revenue collection counter, enhanced enforcement of mining royalty regulations, and the introduction of new royalties from Togo Terminal—following last year's change in its shareholding—are pivotal measures to support non-tax revenues. Additionally, the ongoing digitalization of non-fiscal revenue payment processes, coupled with the review and update of lease contracts for entities utilizing state-owned spaces, will bolster non-fiscal revenue collection in the medium term.

Expenditure Policies

19. Our medium-term spending plans aim to balance priority spending (for security, social, investment, and banking sector repair purposes) with consolidation.

- Current spending is projected to decrease from 15.1 percent of GDP in 2023 to 14.1 percent of GDP in 2029, primarily due to declining interest payments as a share of GDP resulting from fiscal consolidation and increased reliance on concessional borrowing. The wage bill and expenditures on goods and services are expected to remain stable as a share of GDP.

- Investment, including security-related expenditures, is projected to decline from 11.5 percent of GDP in 2023 to 9.3 percent in 2024 and 7.3 percent in 2025, before recovering in later years in line with revenue mobilization. This path is moderately higher than what was proposed in the ECF request, reflecting increased security spending financed by higher revenue and debt. The reduction in non-security investment through 2025 will impact growth, but this effect is expected to be partially counterbalanced by the impacts of recent and planned structural reforms.

- Social and pro-poor spending as defined in our program, which cuts across current and capital spending, is projected to gradually increase from 4.8 percent of GDP in 2023 to 5.6 percent of GDP by 2029.

- Our spending plans also include lifting the state-owned bank's regulatory capital from the current level of close to zero to the regulatory minimum. It also includes the purchase of limited real estate assets from a former public bank at an estimated cost of about 0.5 percent of GDP in 2024. These actions will bring the total expected costs of banking sector repair to 1.5 percent of GDP.

Preparing an Overall Fiscal Strategy

20. We are considering the preparation of a comprehensive medium-term fiscal strategy that will (i) establish our fiscal anchor and (ii) integrate our revenue mobilization strategy with our spending strategy, thereby achieving both tax efficiency and income distribution goals.

Enhancing Debt Management

21. To strengthen debt sustainability, we intend to rebalance our debt portfolio, shifting from commercial domestic debt towards more concessional external debt. In accordance with the Fund Debt Limits Policy, our program includes a limit on the contracting of external debt (continuous QPC) to facilitate this transition while avoiding excessive external debt accumulation.

22. We further intend to strengthen transparency on debt and our debt strategy. For this, we will (i) *expand the scope of the quarterly debt bulletin to include SOE debt and publicly guaranteed debt (by end-June 2025, SB 5.2),* and (ii) *update the medium-term debt strategy to include reasons for variation from previous targets and annual borrowing plans (by end-April 2025, SB 5.3).*

B. Making Growth More Inclusive

23. We aim to strengthen the social safety net and expand pro-poor and social spending, including by expanding health insurance. However, the budget constraints arising from the need to reduce the deficit to 3 percent of GDP will prevent us from achieving the desired level of cash transfers in 2025. We still plan to increase broadly defined pro-poor and social spending as a share of overall spending during the fiscal consolidation phase (through 2025) and as a share of GDP in subsequent years. In line with the recently adopted strategy for strengthening the social safety net, we plan to establish the necessary modalities to extend universal health insurance to the most-vulnerable (with insurance premia paid or subsidized by the government). Nonetheless, despite our intention to schedule cash transfers in 2025 based on World Bank financing for a target of 110,000 beneficiaries with a targeted support program, the available fiscal resources will not allow us to reach this goal given the expenditure pressures stemming from security challenges.

24. We are also committed to limiting fuel subsidies to ensure better targeting of measures to support the most vulnerable. In February 2024, we adopted a largely automatic fuel price smoothing mechanism along with an associated fuel price stabilization fund, and we have started fully applying this mechanism in September. In line with this, fuel subsidies provided through August amounted to 0.4 percent of GDP, broadly in line with the full-year budget allocation of 0.7 percent of GDP that we had hoped to not use fully. We intend to keep implementing the fuel pricing mechanism, which should allow us to limit fuel subsidies to at most 0.5 percent of GDP in 2024. We also intend to limit fuel subsidies to at most 0.4 percent of GDP in 2025, except in the case of large and sustained global oil price increases. We further intend to phase these subsidies out in 2026, when our cash transfer tools should be largely operational (see above).

25. Further, we are executing our emergency program for the North and adjacent regions to enhance living conditions for historically underserved populations who are also facing terrorism challenges. This program mainly aims to improve access to essential services, including water, energy, health care, and education; strengthen telecommunications and rural road networks; and bolster agricultural initiatives. The program is projected to cost a cumulative 5.6 percent of GDP over the period 2022-26, with implementation constrained by available funding. We made spending of 1.9 percent of GDP in 2022-23 for this program and expect be able to execute 1 percent of GDP in 2024. This leaves spending of 2.7 percent of GDP for the coming years (likely beyond 2026). The program has achieved significant milestones over 2023-24, including the installation of 127 human-powered wells benefiting 45,000 people and the implementation of 73 water and sanitation programs for approximately 136,500 individuals. Additionally, the program provided hot meals to over 30,000 students across multiple schools, supported 49,265 households with cash transfers, and equipped over 2,100 young entrepreneurs with toolkits. Infrastructure improvements included the construction of 111 classrooms, the electrification of 7 health centers, and the installation of 25,445 solar streetlights, thereby enhancing the overall quality of life and access to essential services in the region.

C. Structural Reforms to Support Growth and Limit Risks

Enhancing Public Financial Management (PFM), Including Supervision And Management of SOEs

26. Since 2021, Togo has implemented program budgeting. To take full advantage of this modern approach, we will continue to strengthen the capacities of the sectoral players under the results-based management framework.

27. We intend to determine and address the reasons behind the faster-than-expected growth of our debt. Updated analysis indicates that debt has grown faster than explain by known drivers of debt at an annual average of 1.0 percent of GDP over 2017 - 23. Next steps on determining why this was the case include establishing consistency between the fiscal reporting and changes in the government's net position relative to the banking system, incorporating updated state-owned enterprise (SOE) debt data into public debt reports, and conducting a more thorough analysis of the impact of valuation changes. Additionally, a recent government finance statistics mission has highlighted the need to address apparent inconsistencies in debt data reported across various platforms. We have created a working group on this topic and commit to preparing a report on the reasons for unexplained debt accumulation and a strategy for ending it (by end-December 2025).

28. We will also enhance the supervision and management of SOEs more broadly as well as strengthen the framework for PPPs.

- Regarding public enterprises, we (i) have submitted the draft new legal framework for the governance and oversight of SOEs to Parliament and are advocating for its adoption; (ii) will adopt an SOE ownership policy in line with the new legal framework (by end-September 2025); and (iii) *adopt legislation that requires the routine production of audited financial statements for six key SOEs (PAL, CEET, TdE, UTB, LONATO, SPT, SNPT) within six months of the year-end, which will be attached to the budget risk declaration document (by end-December 2025, SB 5.1)*. We also intend to professionalize SOE management. To improve oversight, we will establish a dashboard to monitor the operational and financial performance of our most strategic SOEs.

- We also recognize the need to create a stronger framework for PPPs, including incorporating them into the budget process and assigning a clear monitoring role to the Ministry of Finance. In 2021, we enacted a new PPP law, followed by its implementing decree. A PPP unit has been operational since 2022 with support from the International Finance Corporation and Canadian Pacific Consulting Services. A director has been appointed, and an initial project portfolio has been developed in accordance with the 2020-25 Government Roadmap. The next steps include defining the optimal structure of the unit, identifying required skills, and expanding the project pipeline. We expect to complete these actions in 2025.

29. We will enhance the supervision and management of SOEs. We aim to strengthen the management of the public electricity and water providers to enhance service provision and limit fiscal risks. We have been reviewing electricity and water provision with assistance from the

World Bank. We are committed to improving the operational efficiency of these utilities and ensuring cost-recovery pricing for their services while ensuring a balance between their costs and revenues. Potential measures include revising/optimizing tariffs, introducing and expanding pre-paid solutions to facilitate payments and relying more on digitalization to improve customers' experience. Acknowledging the vital role of energy in investment and economic growth, our strategy to enhance electricity access includes accelerating solar projects to achieve approximately 130 MW and developing hydroelectric dams like Tététou and Titira. We are implementing network extension initiatives, such as the TINGA project, which facilitates affordable meter installations with extended payment plans. Additionally, we plan to modernize existing electrical infrastructure to minimize technical losses and enhance energy efficiency.

Enhancing Governance and the Business Environment

30. While we have made progress on governance, challenges remain. We are committed to addressing these challenges to stimulate private investment and ensure the public's trust. We commit to requesting an IMF Governance Diagnostic Assessment (GDA) by end-2024. This initiative will signal our commitment to transparency and should foster a shared understanding of the governance challenges we face, as well as of the best strategies for addressing them. However, due to staffing constraints on the part of the IMF, the results of the GDA can only be available in early 2026, and we intend to further step up our efforts on governance already now. We commit to *amending the public procurement legal framework to require collection and publication of the names and nationalities of beneficial owners of companies awarded procurement contracts (by end-December 2025, SB 6.1).* In addition to strengthening transparency and trust, this will support revenue collection; and enhance public expenditure management, including procurement.

31. Additionally, we will enhance our governance framework by strengthening the AML/CFT framework. Togo faces medium-high risks related to terrorism financing, while the primary money laundering risks are linked to tax evasion and corruption, as noted in the 2022 GIABA AML/CFT Assessment Report. Given our available resources and the identified risks, we believe that a sequenced approach to implementation is warranted. We are committed to addressing critical challenges, including (i) combating the offense of terrorist financing, (ii) implementing UN Resolutions related to terrorism and proliferation financing, and (iii) strengthening measures concerning politically exposed persons and cross-border cash couriers. The Directive on AML/CFT was adopted by the WAEMU Council of Ministers on March 31, 2023. This Directive is being incorporated into our internal law through the development of a new uniform law. Upon its adoption, this uniform law will enable the swift implementation of priority texts, reflecting the conclusions of the 2022 GIABA report. Strengthening beneficial ownership declarations will also enhance AML/CFT efforts.

32. We have also continued efforts to enhance the business environment and intend to continue doing so. Our reform drive has positioned Togo as a key player in Africa by cultivating a favorable business environment, as highlighted in the World Bank's Business Ready 2024 report. We take pride in our strong performance in business entry, dispute resolution, and location, where foreign firms encounter no restrictions, and our legal framework provides robust safeguards in mediation and land disputes. However, we recognize the need to address challenges in market competition, financial services, and labor, particularly regarding the digitalization of procurement processes, collateral registration, and the provision of unemployment insurance.

Strengthening the Banking System

33. We are committed to enhancing prudent credit provision within the banking system. To achieve this, we will continue to promote access to financial services and implement measures that facilitate the generation of information necessary for banks to extend credit. We will also work on improving the operating environment for banks, including continuing to strengthen the land ownership registry, and ensuring compliance with prudential norms. These actions are essential for bolstering the sector's resilience to shocks and fostering public confidence. In this regard we will back the Banking Commission's efforts to enhance the enforcement of regulatory norms.

34. We remain committed to completing the reform of the state-owned bank through additional recapitalization and restructuring of its operations. Specifically, we will *transfer to the bank cash and/or marketable government debt titles that cover the remaining recapitalization needs to reach the regulatory minimum (by end-December 2024, SB 7.1); and in consultation with Fund staff, adopt a plan for its restructuring that ensures prudent and independent management aimed at ensuring the bank's profitability and stability (by end-April 2025, SB 7.2)*. An external audit of the bank's operations, which we commissioned in October, will inform this restructuring plan. Ultimately, we will *implement the restructuring plan (by end-October 2025, SB 3.2)*. We intend to maintain the bank in public ownership for the time being, at least until the recapitalization and operational restructuring have been completed.

35. The Government also commits, in the event of resale, to publish the sale prices of the real estate assets acquired from the remaining public bank and the formerly public bank.

D. Monitoring of the Program

36. The program will continue to be reviewed every six months through quantitative performance criteria, indicative targets, and structural benchmarks. The second, third, and fourth reviews will take place on or after May 15, 2025, November 15, 2025, and May 15, 2026, respectively. The reviews will be based on quantitative performance criteria for end-December 2024, end-June 2025, and end-December 2026, respectively. Program disbursements will be used for budget support. The quantitative performance criteria, indicative targets, and structural benchmarks are set out in Tables 1 and 2.

Table 1. Togo: Quantitative Performance Criteria and Indicative Targets, 2024-25

(Billions of CFA Francs)

	2024										2025			
	End-March				End-June				End-September	End-December	End-March	End-June	End-September	End-December
	IT	IT- adj.	Actual	Status	Target	Target-adj.	Actual	Status	Indicative Targets	Performance Criteria	Indicative Targets	Performance Criteria	Indicative Targets	Indicative Targets
A. Quantitative performance criteria[1]														
Basic primary fiscal balance (excl. banking sector repair transactions, floor)[2]	-38	-38	-4	Met	-50	-54	-4	Met	-38	-31.3	-26	-20	14	117
Net domestic financing (ceiling)[3]	13	13	23	Not met	123	123	80	Met	147	183	8	64	76	84
B. Continuous quantitative performance criteria (ceilings)[4]														
Accumulation of arrears on external public debt	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Government guarantees on bank prefinancing for public investments and domestic loans to suppliers and contractors	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Present value of new external debt contracted or guaranteed by the government[5]	480	480	40	Met	480	480	53	Met	480	480	320	320	320	320
C. Indicative targets (floors)[1]														
Tax revenue	161	161	208	Met	345	345	421	Met	519	880.5	183	392	588	998
Social and pro-poor spending[6]	88	88	79	Not met	105	105	143	Met	210	315	82	108	216	325
Memorandum item														
Projected external budget support [1]	1	1	1	...	39	43	43	...	43	113	1	36	40	104
Social spending (including external project grants and loans)	139	139	113	...	166	166	214	...	333	499	139	166	332	498

Sources: Togolese authorities; and IMF staff estimates and projections.

[1] Cumulated from the beginning of the calendar year.

[2] The basic primary fiscal balance is defined as the difference between (i) the government's total fiscal revenue on a cash basis (tax and nontax) excluding grants and (ii) basic primary fiscal expenditure, excluding the banking sector repair transactions of up to CFAF 91.6 billion. The balance will be calculated cumulatively from the beginning of the calendar year. The floor will be adjusted downwards by the amount of additional external budget support (grants and loans) that exceeds the projected external budget support for the program, up to a maximum of CFAF 18 billion.

[3] The ceiling will be adjusted downwards (upwards) depending on external budget support (grants and program loans). (i) The net domestic financing ceiling will be adjusted downward by the amount of the surplus of external budget support projected under the program, less 18 billion CFA francs. (ii) The net domestic financing ceiling will be adjusted upward by the amount of the deficit between the external budget support projected under the program and that which will be realized, up to a maximum of 50 billion CFA francs.

[4] 2024 targets are cumulated from January 1, 2024, and 2025 targets are cumulated from January 1, 2025.

[5] Including debt owed to BOAD and excluding IMF resources. The ceiling will be adjusted upward by the present value equivalent of additional concessional budget support beyond the programmed (nominal) CFAF 113 billion and downward by the present value equivalent of the amount of any World Bank project loans included in the borrowing plan up to a maximum of CFAF 304.4 billion that are not contracted in 2024.

[6] Social and pro-poor spending as defined includes expenditure executed from the Government budget (from both domestic and external budget support), relating mainly to public interventions in the areas of education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, microfinance (small and medium enterprises), as well as law and justice.

Note: Precise definitions and details are included in the Technical Memorandum of Understanding (TMU).

Table 2. Togo: Structural Benchmarks, February 2024-December 2025

Reform Targets	Macroeconomic Rationale	Target Date	Status (pre-liminary)
Existing Structural Benchmarks			
1. Raising fiscal revenue			
1.1 Based on a mirror analysis comparing customs and trade data, prepare a corrective action plan for non-compliance with customs procedures on 15 products identified as potentially being the most exposed to fraud.	Focus customs controls on operations with high revenue potential and high degree of fraud suspicion.	End-June 2024	Met
1.2 Prepare and publish a report identifying the revenue mobilization strategy for the period 2024-27, comprising both tax policy and revenue administration measures, together with a quantification of their expected yields.	Support revenue mobilization efforts over the medium term.	End-October 2024	Not met (the authorities prepared a strategy for 2025-26)
2. Making growth more inclusive			
2.1 Adopt a strategy for strengthening the social safety net (including steps to adopt a national digital cash transfer program).	To provide clarity on the overarching strategy for expanding the social safety net.	End-June 2024	Met
2.2 Establish the biometric identification system and prepare a register of the poor that may benefit from cash transfers.	Strengthen the foundations for targeting social and pro-poor spending.	End-December 2024	Met
3. Strengthening public financial management to reduce fiscal risks			
3.1 Strengthen the budgetary risk analysis report accompanying the draft annual budgets by setting out (i) the portfolio of companies where the state is the majority shareholder with key financial information (annual financial results, debt level, guaranteed and unsecured), and (ii) commitments under PPP contracts with information on government liabilities related to these contracts and exposure to guarantees or contingent liabilities.	3.2. Strengthening the supervision of public enterprises and PPPs and improving budget information.	End-December 2024	Future target
3.2 Extend the scope of the public investment program (PIP) to extrabudgetary entities and PPPs and prepare, alongside the PIP, a consolidated annual report on investment projects of state-owned companies (SOEs) and local authorities that exceed CFAF 1 billion for SOEs and CFAF 50 million for local authorities. Share the report with Parliament.	Strengthening control over the public investment process and its efficiency.	End-June 2024	Not met (the authorities prepared the plan on time but did not share it with Parliament on time)

Table 2. Togo: Proposed New Structural Benchmarks, February 2024-December 2025 (concluded)

Reform Targets	Macroeconomic Rationale	Potential Target Date	Status
4. Raising fiscal revenue			
Tax policy:			
4.1. Prepare an analysis of VAT exemptions to determine which are progressive and which regressive.	Support fiscal consolidation and provide room for priority spending.	End-June 2025	Future target
Revenue administration:			
4.2. Transfer collection of personal income tax for public servants from the General Directorate of Budget and Finance to the Togolese Revenue Authority.	Support fiscal consolidation and provide room for priority spending.	End-December 2025	Future target
5. Strengthening public financial management to reduce fiscal risks			
SOE supervision:			
5.1 Adopt legislation that requires the routine production of audited financial statements for six key SOEs (PAL, CEET, TdE, UTB, LONATO, SPT, SNPT) within six months of the year-end, which will be attached to the budget risk declaration document.	Improving SOE oversight and debt management.	End-December 2025	Future target
Debt management:		End-June 2025	
5.2 Expand the scope of the quarterly debt bulletin to include SOE/publicly guaranteed debt.	Improving SOE oversight and debt management.	End-April 2025	Future target
5.3 Update the medium-term debt strategy to include reasons for variation from previous targets and annual borrowing plans.	Improving debt management.		Future target
6. Enhancing governance and the business environment			
6.1 Amend the public procurement legal framework to require collection and publication of the names and nationalities of beneficial owners of companies awarded procurement contracts.	Boosting investment and facilitating reforms by strengthening the public's trust.	End-December 2025	Future target
7. Reforming the remaining state-owned bank			
7.1 Transfer to UTB cash and/or marketable government debt titles that cover the remaining recapitalization needs to reach the regulatory minimum.	Reduce risks by ensuring compliance with the key capital adequacy norm.	End-December 2024	Future target
7.2 In consultation with Fund staff, adopt a plan for UTB restructuring that ensures prudent and independent management aimed at ensuring the bank's profitability and stability (unless the bank has been sold by then).	Lay the basis for UTB's eventual restructuring	End-April 2025	Future target
7.3 Implement the plan for UTB restructuring (unless the bank has been sold by then).	Bring about UTB's operational restructuring.	End-October 2025 (to be reviewed after preparation of the restructuring plan).	Future target

Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) sets out understandings regarding assumptions and the definitions of the performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) that will be applied under Togo's program supported by a 42-month Extended Credit Facility (ECF) arrangement. It also specifies the periodicity and deadlines for the transmission of data to IMF staff for program monitoring purposes.

PROGRAM ASSUMPTIONS

1. **Exchange rates under the program.** For the purposes of this TMU, the value of transactions denominated in foreign currencies will be converted into the domestic currency of Togo (the CFA franc, or CFAF), based on the exchange rates in Table 1.

Table 1. Togo: Exchange Rates. (End of period, 2023)	
CFAF/US$	607.04
CFAF/€	655.96
CFAF/SDR	804.80

DEFINITIONS

Definition of Government and Public Entities

2. **Government.** Unless otherwise specified, the term "government" is defined in this TMU as the central administration of the Togolese Republic and does not include local governments, social security funds, the Central Bank of West African States (BCEAO), nonfinancial public enterprises, or any other public or government-owned entity with autonomous legal status not included in the table detailing the financial operations of the state (TOFE).

3. **Public entities.** Unless otherwise indicated, the term "public entities" is defined in this TMU as majority government-owned companies and other public entities receiving earmarked tax and quasi-tax revenues.

Definitions of Debt

4. **Debt.** For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board

Decision No. 16919(20/103), adopted on October 28, 2020.[1]

a. For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms; the primary ones being as follows:

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

b. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

5. **Public debt** includes obligations of the central government and public entities. It excludes non-guaranteed debt of Port Autonome de Lomé.

6. **Guaranteed debt.** For program purposes, a 'guaranteed debt' is an explicit promise by the public sector to pay or service a third-party obligation (involving payments in cash or in kind) in the event of the debtor's default.

[1] Reform of the Policy on Public Debt Limits in Fund-Supported Programs 16919-(20/103) (imf.org)

7. **Contracted Debt.** For program purposes, a debt is considered contracted when all conditions for its entry into effect have been met, including approval by the Minister of Finance whenever necessary. Contracting of credit lines (which can be drawn at any time and entered into effect) with no predetermined disbursement schedule or with multiple disbursements will also be considered as contracting of debt.

8. **Domestic debt** is defined as debt contracted or serviced in the franc of the Financial Community of Africa (CFAF) except for borrowing from the West African Development Bank (BOAD), which is considered external debt despite being denominated in CFAF.

9. **External debt** is defined as debt contracted or serviced in a currency other than the CFAF. Borrowing from the West African Development Bank (BOAD) is considered external debt despite being denominated in CFAF.

10. **Present value (PV). The PV of a debt will be calculated as follows**:
The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. A single discount rate of 5 percent is used for this purpose as set forth in IMF Executive Board Decision No. 15248-(13/97). The grant element of a debt is the difference between its nominal value and its PV value, expressed as a percentage of the nominal value of the debt. A debt is considered concessional if, at the date of its conclusion, the ratio between its present value and nominal value is below 65 percent (equivalent to a grant element of at least 35 percent). For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt.

11. **For debts carrying a variable interest rate in the form of a benchmark interest rates plus a fixed spread, the PV of the debt will be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract.** The program reference rates and spreads are based on the "average projected rate" for the six-month USD Financial Institution Repo Facility (FIRF) as projected in the October 2024 World Economic Outlook for the ten-year period end-2024 to end-2034. The program reference rate for the six-months USD FIRF is presently 3.08 percent; the spread of the six-month Euro FIRF over six-month USD FIRF is -50 basis points; for interest rates on other currencies, the spread over six months USD FIRF is 50 basis points. These interest rates and spreads will be updated at end-2025. Where the variable rate is linked to a benchmark interest rate other than the six-month USD FIRF, a spread reflecting the difference between the benchmark rate and the six-month USD FIRF (rounded to the nearest 50 bps) will be added.

QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

12. **The first and second reviews under the ECF arrangement will be based on quantitative performance criteria (PCs) for end-June and end-December 2024, respectively.** The program establishes quantitative PCs for the following variables:

Basic Primary Fiscal Balance (**Floor**); and

Net Domestic Financing (**Ceiling**).

13. **The program establishes continuous quantitative PCs for the following variables:**
Accumulation of Arrears on External Public Debt (**Zero Ceiling**);

Government Guarantees on Bank Prefinancing for Public Investments and Domestic Loans to Suppliers and Contractors (**Zero Ceiling**); and
PV of New External Debt Contracted or Guaranteed by the Government (**Ceiling**).

14. ITs are established for end-March, end-June, end-September, and end-December each year for the following variables:
Tax Revenue (**Floor**);
Social and Pro-Poor Spending (**Floor**).

A. Performance Criterion on Basic Primary Fiscal Balance (Floor)

Definition

15. **The basic primary fiscal balance** is defined as the difference between (i) the government's total fiscal revenue on a cash basis (tax and nontax) excluding grants and (ii) basic primary fiscal expenditure. Basic primary fiscal expenditure is defined as fiscal (current and capital) expenditure minus (a) interest payments on domestic and external debt; and (b) capital expenditure financed by external project grants or project loans. Spending on banking sector repair transactions of up to CFAF 91.6 billion are excluded from expenditure in 2024. Expenditure is assessed on a payment order basis.

16. **The balance will be calculated cumulatively from January 1 each year.** The balances at end-June and end-December (performance criteria) and the balances at end-March and end-September (indicative targets) must be equal to or greater than the amounts indicated in MEFP Table 1. The data are sourced from the Government Financial Operations Table (*Tableau des opérations financières de l'État* – TOFE), prepared monthly by the Directorate-General of the Treasury and Public Accounting of the Ministry of Economy and Finance.

17. **Adjustor.** The floor on the basic primary fiscal balance will be adjusted *downwards* by the amount of additional external budget support (grants and loans) that exceeds the projected external budget support for the program (MEFP Table 1), up to a maximum of CFAF 18 billion in 2024 and 2025.

Reporting deadlines

18. Detailed data concerning the domestic basic primary fiscal balance will be reported monthly within eight weeks of the end of the month.

B. Performance Criterion on Net Domestic Financing (Ceiling)

Definition

19. **Government net domestic financing** is defined as the sum of (i) net credit from the banking sector to the government; (ii) net domestic nonbank financing of the government; and (iii) unidentified financing. Net domestic financing will be calculated cumulatively from January 1 each year. Net domestic financing at end-June and end-December (PCs) and net domestic financing at end-March and end-September (ITs) must be equal to or less than the amounts indicated in MEFP Table 1.

- *Net credit from the banking sector to the government* is equal to changes in the balance of government claims and debts to national banking institutions in Togo. Government claims include balances in the Togolese Treasury, Treasury deposits at the central bank, Treasury deposits in commercial banks (excluding the deposits of other arms of government, such as deposits from projects financed with external resources and CNSS accounts), and blocked accounts. Government debts to the banking system include assistance from the central bank (excluding BCEAO credits to the government tied to IMF financing), assistance from commercial banks (including government securities denominated in CFAF held by commercial banks calculated based on the primary issuance not including transactions in the secondary market), and deposits in postal checking accounts.

- *Net domestic nonbank financing of the government* is calculated as reported in the Government *Financial* Operations Table (statistical TOFE): (i) changes in the balance of government securities issued in CFA francs (including on the WAEMU regional financial market) not held by Togolese investors, calculated on the basis of the initial amount underwritten; (ii) changes in the deposit accounts of Treasury correspondents; (iii) changes in various deposit accounts, including trustee accounts (comptes de consignation) in the Treasury and accounts in which fines and sentences are deposited pending distribution; (iv) repayment of other domestic public debt (including bank loans to the economy assumed by the government and securitized arrears) to nonbank entities (including nonresidents); and income from privatization. The assumption or securitization of debts and arrears by the government is not included in the definition of net domestic financing, whereas the repayment of that debt by the government is included.

- *Unidentified financing* is the difference between total financing—net external financing (the sum of grants, budget support loans, project loans, other external loans minus amortization), net domestic financing, and exceptional financing—and the overall balance on a cash basis (including grants and changes in arrears).

20. **Adjustor.** The ceiling on the net domestic financing of the State will be adjusted downwards (upwards) depending on external budget support (grants and program loans). The net domestic financing ceiling will be adjusted *downward* by the amount of the surplus of

external budget support projected under the program, less CFAF 18 billion in 2024 and 2025. The net domestic financing ceiling will be adjusted *upward* by the amount of the deficit between the external budget support projected under the program and that which will be realized, up to a maximum of CFAF 50 billion in 2024 and 2025.

21. Data are reported in the Government Financial Operations Table (statistical TOFE) prepared monthly by the Directorate-General of the Treasury and Public Accounting of the Ministry of Economy and Finance. Net credit from the banking sector to the government is calculated by the TOFE unit, whereas Treasury bill and bond amounts are determined by UMOA-Titres. Net domestic nonbank financing of the government is calculated by the Togolese Treasury. Their data will take precedence for program purposes.

Reporting Deadlines

22. Data concerning net domestic financing of the government will be reported monthly within eight weeks of the end of the month. Similarly, data concerning any domestic borrowing via issuance of negotiable debt titles and the taking up of bank loans by the government will be reported every month within eight weeks of the end of the month. Data on domestic borrowing will be categorized as short term (less than one year) and medium and long term (one year or more). Data on domestic borrowing will be primarily based on the estimates of the Debt unit.

C. Performance Criterion on Arrears on External Public Debt (Ceiling)

Definition

23. **The government will not accumulate payment arrears on external public debt** (continuous PC). For purposes of the PC on the non-accumulation of new external payment arrears, arrears are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This PC excludes arrears on external financial obligations of the government subject to rescheduling or an agreed debt service suspension. This criterion excludes arrears on debts subject to dispute or renegotiation. The source of the data is the Public Debt Directorate. The government will report accumulation of any new external payment arrears immediately to Fund staff.

D. Performance Criterion on Government Guarantees of Bank Prefinancing for Public Investments and Domestic Loans to Suppliers and Contractors (Zero Ceiling)

Definition

24. The government undertakes not to guarantee any new bank pre-financing for public investments and not to provide any new financial guarantees for domestic loans to its suppliers or contractors (continuous PC). The concept of "government" used for this performance criterion includes the definition of government in paragraph 3, public institutions of an industrial or

commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutions, public professional establishments, public health agencies, local authorities, public enterprises, national corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

25. In a typical pre-financing arrangement, a private company granted a public works contract by the government obtains a loan from a domestic commercial bank or a group of commercial banks. The Ministry of Economy and Finance guarantees this loan and, at the same time, signs an unconditional and irrevocable *substitution of debtor* agreement to service all principal and interest, which are paid automatically from the Treasury account at the BCEAO.

E. Performance Criterion on the PV of New External Debt Contracted or Guaranteed by the Government (Ceiling)

Definition

26. A performance criterion (continuous ceiling) applies to the **PV of new external debt contracted or guaranteed by the government**. The ceiling applies to debt contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended. Use of IMF resources and import-related trade debts ("trade credits") with a *maturity* of less than 365 days are excluded from the ceiling. External borrowing for debt management operations will not be subject to this ceiling provided that (i) the full terms must be communicated to IMF staff; and (ii) IMF staff analysis must confirm that the operations improve the present value of the overall debt (both internal and external) and do not worsen external debt indicators significantly before the borrowing is contracted.

27. For the purposes of this PC, "government" is understood to cover not only the definition given in paragraph 2 above, but also public institutions of an industrial or commercial nature (*établissements publics à caractère industriel et commercial* – EPIC) excluding Port Autonome de Lomé, public administrative agencies (*établissements publics administratifs* – EPA), public scientific and technical institutions, public professional establishments, public health agencies, local authorities, public enterprises, national corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

28. The present value of new external debt contracted or guaranteed by the Government in 2024 must not exceed a cumulative amount of CFAF 480 billion (MEFP Table 1). The present value of new external debt contracted or guaranteed by the Government in 2025 must not exceed a cumulative amount of CFAF 320 billion (MEFP Table 1). For information, Table 2 shows the authorities' projected and realized borrowing plan in 2024 while Table 3 shows their external borrowing plan for 2025. Changes to this ceiling may be made (subject to approval by the IMF Executive Board) based on the results of the public debt sustainability analysis prepared jointly by the staffs of the World Bank and the IMF.

29. **Adjustors.** Two adjusters will apply:

a. Change in financing terms: An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

b. Budget support and World Bank loans: The ceiling on the present value of new external debt contracted or guaranteed by the government (cumulative from January 1 – December 31 each year) will be adjusted:

i. Upward by the present value equivalent of the amount of additional concessional budget support beyond the programmed CFAF 113 billion in 2024, and concessional budget support loans of CFAF 91.3 billion in 2025.

ii. Downward by the present value equivalent of the amount of any World Bank loans included in the borrowing plan up to a maximum of CFAF 304.4 billion that are not contracted in 2024, and a maximum of CFAF 110 billion in 2025.

30. The authorities will inform IMF staff of any new external borrowing planned in 2025 that deviates from the borrowing plan.

Table 2. Togo: External Borrowing Plan for 2024 and Borrowing at End-June [1]
(Billions of CFA Francs)

PPG external debt	Volume of new debt in 2024		PV of new debt in 2024 (program purposes)		Volume of new debt contracted at end-June 2024		PV of new debt at end-June 2024 (program purposes)	
	CFAF billion	Percent	CFAF billion	Percent	CFAF billion	Percent	CFAF billion	Percent
By sources of debt financing	**754.1**	**100**	**473.6**	**100**	**66.0**	**100**	**53.3**	**100**
Concessional debt, of which	**394.0**	**52**	**123.1**	**26**	**6.6**	**10**	**4.1**	**8**
Multilateral debt	394.0	52	123.1	26	6.6	10	4.1	8
Bilateral debt	0.0	0	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	**360.1**	**48**	**350.5**	**74**	**59.4**	**90**	**49.2**	**92**
Semi-concessional	208.3	28	198.8	42	59.4	90	49.2	92
Commercial terms	151.8	20	151.8	32	0.0	0	0.0	0
By Creditor Type	**754.1**	**100**	**473.6**	**100**	**66.0**	**100**	**53.3**	**100**
Multilateral	576.1	76	304.4	64	46.4	70	40.0	75
Bilateral - Paris Club	26.2	3	17.4	4	19.7	30	13.3	25
Bilateral - Non-Paris Club	0.0	0	0.0	0	0.0	0	0.0	0
Other	151.8	20	151.8	32	0.0	0	0.0	0
Uses of debt financing	**754.1**	**100**	**473.6**	**100**	**66.0**	**100**	**53.3**	**100**
Infrastructure	182.1	24	181.4	38	19.7	30	13.3	25
Social Spending	289.7	38	87.6	19	30.0	45	26.4	49
Budget Financing	91.1	12	27.6	6	0.0	0	0.0	0
Other	191.2	25	177.0	37	16.4	25	13.6	26

[1] *Does not include new loans signed that are excluded from the external debt limit, as per the TMU, such as the short-term trade credit.*

Table 3. Togo: External Borrowing Plan for 2025
(billions of CFA Francs)

PPG external debt	Volume of new debt in 2025		PV of new debt in 2025 (program purposes)	
	CFAF billion	Percent	CFAF billion	Percent
By sources of debt financing	**616.7**	**100**	**303.9**	**100**
Concessional debt, of which	**485.6**	**79**	**172.7**	**57**
Multilateral debt	485.6	79	172.7	57
Bilateral debt	0.0	0	0.0	0
Other	0.0	0	0.0	0
Non-concessional debt, of which	**131.1**	**21**	**131.1**	**43**
Semi-concessional	0.0	0	0.0	0
Commercial terms	131.1	21	131.1	43
By Creditor Type	**616.7**	**100**	**303.9**	**100**
Multilateral	485.6	79	172.7	57
Bilateral - Paris Club	0.0	0	0.0	0
Bilateral - Non-Paris Club	0.0	0	0.0	0
Other	131.1	21	131.1	43
Uses of debt financing	**616.7**	**100**	**303.9**	**100**
Infrastructure	364.2	59	137.0	45
Social Spending	0.0	0	0.0	0
Budget Financing	252.5	41	166.8	55
Other	0.0	0	0.0	0
Memo Items				
dicative projections [1]				
2026	**578.8**		**183.6**	

1/ Future ceilings will be calibrated using the results of the public debt sustainability analysis prepared jointly by the staff of the World Bank and the IMF.

Sources: Togolese authorities; and IMF staff calculations.

Reporting Deadlines

31. The government will report a summary table of all new debt contracted, whether subject to the limit or not, on a monthly basis, within eight weeks of the end of the month. The table should include the date on which each debt was contracted, all financial information needed to calculate the PV of each loan, and the government's estimate of the present value of each loan using the IMF present value tool.

F. Standard Continuous Performance Criteria

32. Standard continuous performance criteria are also binding and include: 1) prohibition on the imposition or intensification of restrictions on making payments and transfers for current international transactions; 2) prohibition on the introduction or modification of multiple currency practices; 3) prohibition on the conclusion of bilateral payment agreements that is inconsistent with Article VIII; and 4) prohibition on the imposition or intensification of import restrictions for balance of payments reasons.

INDICATIVE TARGETS

A. Indicative Target on Tax Revenue (Floor)

Definition

33. **Tax revenue** includes revenues collected by the tax administration (*Commissariat des impôts*) and customs (*Commissariat* des *douanes et droits indirects*). The data are reported in the Government Financial Operations Table (statistical TOFE) prepared monthly by the Directorate-General of the Treasury and Public Accounting of the Ministry of Economy and Finance. The revenue is reflected on a cash basis.

34. The revenue will be calculated cumulatively from the beginning of the calendar year. Tax revenue collections at end-March, end-June, end-September, and end-December 2024 must be equal to or greater than the amounts indicated in Table 1 attached to the MEFP. The revenue floor is an IT for the entire duration of the program.

Reporting Deadlines

35. This information will be reported monthly to the IMF within eight weeks of the end of the month.

B. Indicative Target on Social and Pro-Poor Spending (Floor)

Definition

36. Social and pro-poor spending as defined in this TMU includes expenditure executed from the Government budget (from both domestic and external resources), relating mainly to public interventions in the areas of education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, microfinance (small and medium enterprises), as well as law and justice, as laid out in the Table in Annex I.

37. This indicative target will be monitored through the table of quarterly expenditure provided by the Ministry of Economy and Finance.

Reporting Deadlines

38. Social and pro-poor spending will be monitored on a payment order basis under the program. The indicative target for social and pro-poor spending will be calculated cumulatively from January 1, 2024.

STRUCTURAL BENCHMARKS (MEFP TABLE 2)

A. Tax Policy

39. **Prepare an analysis of VAT exemptions to determine which are progressive and which regressive (SB 4.1).** The analysis should draw on relevant data on existing VAT exemptions and socioeconomic indicators, including household income and consumption patterns. It involves categorizing exemptions into essential and non-essential goods, followed by assessing how different income groups utilize these exemptions. By evaluating spending behavior, the analysis can identify which exemptions primarily benefit lower-income households, indicating a progressive effect, versus those that primarily aid higher-income groups, revealing regressive implications. The SB will be considered met when Fund staff receive a report meeting these requirements by the deadline. Although it is not mandatory, economic models may be used to simulate the impact of removing specific exemptions on government revenue and the distribution of the tax burden among various socioeconomic groups.

B. Revenue Administration

40. **Transfer collection of personal income tax for civil servants from the General Directorate of Budget and Finance to the Togolese Revenue Authority (SB 4.2).** The objective is to enable the Revenue Agency to gain a holistic view of all taxes levied in the country, as it currently does not collect personal income tax for civil servants. This reform necessitates a comprehensive approach, including an assessment of existing processes, stakeholder engagement, and legal compliance. It will involve establishing operational frameworks, planning necessary IT system integrations, and implementing training programs for staff to prepare them for new responsibilities. The SB will be considered met when Fund staff receive a confirmation that the transfer has been completed by the indicated deadline and that these taxes are now included in the monthly revenue collection reports shared with staff.

C. SOE Supervision

41. **Adopt legislation that requires the routine production of audited financial statements for six key SOEs within six months of the year-end, which will be attached to the budget risk declaration document (SB 5.1).** This SB refers to the Port of Lomé (PAL), the electricity company (CEET), the water company (TdE), the remaining public bank (UTB), The gambling company (LONATO), the postal services company (SPT), and the phosphate company (SNPT). The objective is to enhance parliamentary awareness of fiscal risks associated with these companies to promote better management and accountability. This should be achieved by

adopting a new legislation. The SB will be considered met when Fund staff receive a copy of the legislative instrument enacting this change by the deadline.

D. Debt Management

42. **Expand the scope of the quarterly debt bulletin to include SOE debt and publicly guaranteed debt (SB 5.2).** The objective is to enhance awareness of SOE and publicly guaranteed debt within the administration, Parliament, and the public to promote transparency and ultimately debt management and accountability. The SB will be considered met when Fund staff receive a copy of the first report expanding the scope of the quarterly debt bulletin to include SOE and publicly guaranteed debt on time.

43. **Update the medium-term debt strategy (MTDS) to include reasons for variation from previous targets and annual borrowing plans (SB 5.3).** The updated MTDS should provide a comparison of external and domestic borrowing in 2024 by creditor category against the 2023 outturn and the optimal strategy set out in the MTDS for 2024-26. It should also include a comparison of actual domestic issuance with the 2024 domestic borrowing plan, detailing volumes, maturities and yields, as well as actual external borrowing in relation to the ceiling on the present value of external debt for 2024. Furthermore, the MTDS should discuss the reasons for significant deviations from the borrowing plan and outline actions planned in 2025 to ensure that the MTDS targets are achieved. The SB will be considered met when Fund staff receive by the indicated deadline a copy of the updated MTDS that meets these criteria.

E. Governance and Business Environment

44. **Amend the public procurement legal framework to require collection and publication of the names and nationalities of beneficial owners of companies awarded procurement contracts (SB 6.1).** The objective is to start addressing risks identified in the 2022 GIABA's Mutual Evaluation Report. This will require amending the legal framework such that it provides for the collection and publication of beneficial ownership information of companies awarded public procurement contracts at a centralized registry/platform, and for ensuring the availability of this information to competent authorities in a timely manner, in line with the revised international FATF standards. The SB will be considered met when Fund staff receive confirmation of cabinet approval of the legislative instrument implementing this change and its submission to Parliament by the indicated deadline.

INFORMATION FOR PROGRAM MONITORING

The authorities will report to the IMF staff any information needed for effective monitoring of the implementation of economic policies.

Annex I. Definition of Social and Pro-Poor Spending

	Ministries and institutions	Programs			
From previous ECF	Primary, secondary, technical and craft education (MEPSTA)	Preschool and primary education	General secondary education	Technical education and vocational training	Arts and craft
	Higher education and research (MESR)	Higher education			
	Health, Public Hygiene and Universal Access to Care	Provision of quality health services and disease control	Universal health coverage	Response to health emergencies	
	Social Action, Promotion of Women and Literacy (MASPFA)	Promotion of social action	Child protection	Gender and women promotion	Literacy and informal education
	Development from the base, Youth and Youth Employment (MDBJEJ)	Development	Youth		
	Agriculture, Livestock and Rural Development (MAEDR)	Organization of agricultural space and the agricultural and animal sector	Food security and population resilience	Improved productivity and product enhancement	
	Village Water and Hydraulics	Integrated water resources management	Drinking water's supply	Collective sanitation of rainwater, used water and excreta	
	Mines and energy	Energy			
	Ministry of Economy	Support Program for Vulnerable Populations (PAPV)	Vulnerable populations		
	Ministries and institutions	**Programs**			**Justification**
Programs to consider due to the 2020-25 Roadmap and crisis context	Digital economy and digital transformation (MENTD)	Digital and postal infrastructure	Digitalization of economic and social activities		Necessary for the implementation of social measures such as biometric identification and the expansion of the Novissi program.
	Urban Planning, Housing and Land Reform (MUHRF)	Decent housing			Key element of the national development strategy to promote inclusive growth. The most vulnerable particularly affected.
	Justice and Legislation (MJL)	Access to law and justice			Fight inequalities and enable the most vulnerable to participate in legal processes that promote inclusive growth
	Opening up and Rural Roads (MDPR)	Development and extension of the rural network roads			Connect with the rural population, which is among the most vulnerable and promote inclusive growth
	Trade, Crafts, and Local Consumption	Crafts			Previously under the MEPSTA

TOGO

December 3, 2024

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the staff of the International Monetary Fund and the International Development Association.[1]

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

This Debt Sustainability Analysis (DSA) assesses Togo to be at moderate risk of external debt distress and high overall risk of public debt distress—unchanged from the last DSA.[2] Judgement was applied to increase the risk of external debt distress from low to moderate because of Togo's high exposure to domestic currency debt and limited information about the residency of its holders. Debt is assessed as sustainable because (i) fiscal consolidation supported by the ECF-arrangement is projected to reduce the present value (PV) of public debt to GDP to below the high-risk benchmark by 2026; (ii) apart from a one-time breach in debt service indicators in 2025 relating to the repayment of a trade finance loan that is expected to be refinanced with the help of a WBG guarantee instrument, all external DSA indicators remain below their respective thresholds in the baseline and shock scenario and trend downwards over the medium term; and (iii) Togo's access to the WAEMU market and support from regional debt

[1] In collaboration with the Togolese authorities.

[2] September 2024: Country Report No. 24/299. Togo retains a medium-rating for debt-carrying capacity, given a Composite Indicator of 3.01 that uses October 2024 WEO data and the 2023 CPIA (August 2024).

institutions bolsters the country's capacity to carry CFAF debt. The authorities should continue fiscal consolidation and revenue mobilization efforts, pursue structural reforms to boost growth and exports, prioritize long-term concessional external debt to reduce dependence on the regional market, pursue appropriate refinancing to alleviate liquidity pressures, and contain contingent liabilities. This would help reduce the PV of public debt and mitigate rollover and refinancing risks

PUBLIC DEBT COVERAGE

1. Togo's public debt includes obligations of the central government and public entities. Debt data cover obligations of the central government, including arrears to suppliers and guaranteed debt, as well as SOE debt (Text Table 1). Non-guaranteed debt of the Port of Lomé (PAL) is excluded.[3] Local authorities cannot contract new debt. The central government has repaid most of the domestic arrears and residual local debt identified in recent years, including those to local authorities and the national electricity company.[4] The central bank of the currency union (BCEAO) does not issue debt on behalf of its member countries. The authorities have reported collateralized debt amounting to 1.7 percent of GDP in relation to Lomé airport, which is included in the central government debt. The DSA uses a currency-based definition of external and domestic debt, in common with other WAEMU members, because of data issues.[5] The one exception is debt owed to the West African Development Bank (BOAD), which is treated as external even if it is denominated in CFAF.[6]

Text Table 1. Togo: Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	X

1	**The country's coverage of public debt**	The central government plus social security, government-guaranteed debt, non-guaranteed SOE debt		
		Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	6.7	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		13.7	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[3] See Box 1 in the previous DSA (September 2024: Country Report No. 24/299). PAL is excluded because it has a low fiscal risk based on its financial strength, it has borrowed in some circumstances without a guarantee, and staff has not identified uncompensated quasi-fiscal activities.

[4] Historic arrears to suppliers and debt taken on from liquidated enterprises, upon which no claims have been forthcoming in recent years, amounted to 0.8 percent of GDP at end-2023. See paragraph 3 of the February 2024 DSA (Country Report No. 2024/079) for further information on historic arrears.

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

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

2. **Contingent liability stress-tests are applied to assess risks that are not included in the public debt perimeter.** The standard bank recapitalization stress test equivalent to 5 percent of GDP is included to cover any additional needs that may materialize in the financial sector.[7] Although SOE debt is included in the debt perimeter, a 2 percent of GDP stress test is included because of lags in receiving data and the possibility of contingent fiscal risk from SOEs that operate with tariffs below cost recovery levels (energy and water) and the public pension fund (CRT), to which the state has social contribution arrears.[8] A public-private partnership (PPP) shock of 6.7 percent GDP (the standard 35 percent shock applied to the 20 percent of GDP PPP stock that is reported in the World Bank's PPP database) is included, notwithstanding the fact that half of the PPP stock relates to PAL, which constitutes limited contingent fiscal risk.

3. **Debt stock changes that are not explained by the primary deficit, automatic debt dynamics, and other drivers of debt (stock-flow adjustment, SFA) create risks to the accuracy of projections.** Using end-2023 fiscal, debt and BCEAO deposits data, staff estimates that public debt increased by 6.8 percent of GDP more than can be explained by fiscal deficits and other identified transactions between 2017 and 2023 (Text Table 3), or 1.0 percent on average per year.[9] This discrepancy may be partly explained by lags in receiving actual SOE debt data, a lack of historical data on central government deposits in commercial banks, valuation effects, and below-the-line transactions related to changes in arrears and accounts payable.[10] The authorities will create a working group and will be supported by Fund technical assistance to establish coherence between fiscal, debt and banking data. An alternative scenario is included in this DSA to account for possible debt accumulation due to unexplained SFAs.

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

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

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

[7] Three Togolese banks, representing 19.4 percent of total banking sector assets, violated prudential norms at end-2023. Two of these banks previously had negative capital positions totaling just under 2 percent of GDP: one now has positive regulatory capital as of end-June 2024 whilst the other has reduced its negative capital position. With this, staff assesses that the 5 percent default value captures adequately residual financial sector contingent liability risks.

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

[9] The Selected Issue Paper of the WAEMU regional consultation (IMF Country Report 23/102) found higher residuals using an older macroeconomic framework and alternative exchange rate assumptions for regional comparisons. It also did not account for BCEAO deposits.

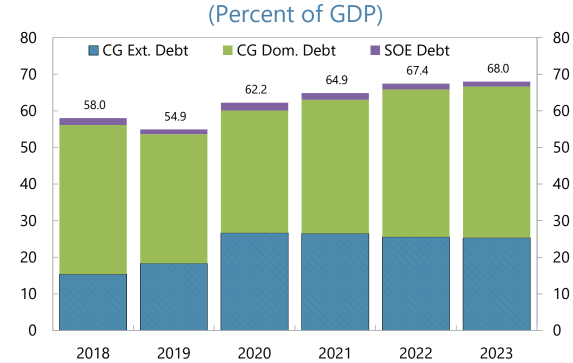
[10] Factoring these in would mean that public debt was 0.1 percent *lower* than can be explained by known factors.

BACKGROUND ON DEBT

4. **Higher fiscal deficits resulting from compound shocks since 2020 have reversed the downward trend of public debt.** The fiscal response to the pandemic, rising security incidents, and measures to contain the impact of high inflation resulted in an average fiscal deficit of 7 percent of GDP between 2020-22. Public debt surged by 12.5 percentage points of GDP between 2019 and 2022, from 54.9 percent of GDP to 67.4 percent of GDP, reversing the debt reduction under the previous IMF supported ECF arrangement (Figure 1). During this time, Togo deferred CFAF 20.9 billion of debt service through the Debt Service Suspension Initiative. The 2021 SDR allocation was on-lent from BCEAO to the government with a 20-year maturity (with possibility of rollover) at a fixed interest rate of 0.05 percent. The authorities notified staff that 93 percent of the SDR allocation was used for budget support in 2022. Its present value (PV) is, therefore, recorded as domestic debt.[11] Public debt increased further in 2023, to 68.0 percent of GDP as the deficit remained elevated.

Figure 1. Togo: Evolution of Public Debt

(Percent of GDP)

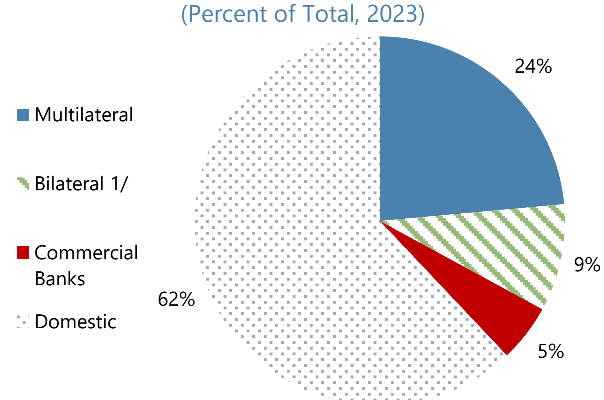


Source: Togolese Authorities and IMF Staff

5. **The composition of public debt has evolved, but nearly two thirds of the public debt stock remain domestic.** Excluding the reclassified BOAD loans, external debt jumped by 5.3 percentage points of GDP between 2019 and 2020, reflecting higher borrowing from multilateral sources, notably from an augmentation to the IMF ECF arrangement in 2020, and from commercial banks to repay domestic debt. As a share of the portfolio, domestic debt dropped by 7.2 percentage points, to 55.6 percent. However, this shift to external debt was short-lived, as nearly two thirds of the elevated financing needs in 2021-22 were met by domestic bond issuances, where Togo benefitted from longer maturities and lower yields in the regional market. As a result, domestic debt increased from 34.6 percent of GDP in 2020 to 42.1 percent of GDP in 2023, while external debt dropped from 27.6 to 25.9 percent of GDP over the same period. Regional market conditions tightened in 2023 and the authorities sought to offset the impact through higher levels of external grants and concessional loans, including a US$150 million development policy operation from the World Bank, and borrowing from external commercial and bilateral Paris Club sources. Nevertheless, domestic debt accounted for 61.9

Figure 2. Togo: Composition of Public Debt

(Percent of Total, 2023)



1/ The authorities categorize some non-Paris Club loans as commercial, which would make bilateral debt 2 percent of the portfolio and commercial debt 12 percent.

Source: Togolese Authorities and IMF Staff

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

percent of the public debt portfolio at end-2023 (Figure 2 and Text Table 3), around the same level as 2019. The authorities plan to rebalance the portfolio towards longer-term external debt at lower interest rates as part of their MTDS. To this end, the authorities signed new external loan agreements of over US$460 million to end-September 2024—half of which concessional—that will disburse over several years. Further concessional and non-concessional external borrowing is part of the 2024-25 borrowing plan.

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

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

Sources: Togolese authorities; and IMF staff calculations

1/ Actual data to end-2021 only.

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

6. **Debt service has increased, as have rollover risks.** Total debt service (interest and amortization) was 52 percent of total revenue and grants in 2023, and around 80 percent of this was domestic. Tightened financial conditions in the region have resulted in an increase in yields and shortening of maturities, particularly in the second half of 2023. The average yield on Togo government bonds rose to 7.4 percent in 2023 (from 6 percent in 2022) while the average maturity has shortened to 4 years (from 9 years in 2022),[12] as the Authorities have relied more on Treasury bills in 2023 and 2024 than in previous years. Interest payments have, therefore, increased to 2.8 percent of GDP in 2023 from 2.4 percent in 2020. Rollover needs in the regional financial market will peak in 2026 and amount to 18 percent of GDP over 2024-27. In addition, the share of securities held by other WAEMU residents at issuance has increased from 60 percent at end-2018 to 79 percent at end-2023, demonstrating Togo's dependence on the wider region.

[12] Based on issuances through end-2023. Other WAEMU members show similar trends.

BACKGROUND ON MACRO FORECASTS

7. **Macroeconomic projections remain broadly unchanged from the last DSA and reflect recent economic developments (Box 1)**. Growth projections balance expectations of higher productivity from previous infrastructure investments with the impact of fiscal consolidation and remain unchanged from the last DSA . Fiscal projections are based on the authorities' continued commitment to fiscal consolidation under the IMF-supported ECF arrangement, driven in part by planned increases in tax revenue of 0.5 percent of GDP per year over 2024-27, and have been updated based on recent developments.

Box 1. Main Assumptions in the Macroeconomic Framework

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

Inflation: Following a peak of 7.6 percent in 2022, mainly due to higher food and fuel prices, headline inflation (year-on-year) has fallen to 3.3 percent in October 2024, and core inflation (excluding energy and fresh products) to 2.2 percent. Inflation is projected to stabilize at about 2 percent in the long run, consistent with BCEAO targets.

Revenue and grants: Revenue collection exceeded expectations in 2023 because of improved administration of taxes levied at the point of import and non-tax revenue from mining fees; more grants were also received. The authorities remain committed to increasing revenue by 0.5 percentage points of GDP each year until at least 2027. Tax policy reforms such as fully unwinding measures introduced during the pandemic; raising and introducing new taxes and excise tariffs; and curtailing exemptions will be supported by technical assistance from the IMF and the World Bank. [1]Recovering arrears, increasing digitalization, and increasing the use of audits and risk-based analyses, such as cross-checking taxpayer data, will improve tax administration.

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

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

External: Togo's projected trade and current account balances have increased on account of a projected improvement in Togo's terms of trade since the last DSA. The current account deficit is now projected to stabilize in the near term, as remittances revert to pre-pandemic levels,[1] before narrowing in the medium term as earlier infrastructure investment supports productivity and exports, including through the port, and imports decline in line with fiscal consolidation and greater domestic production. It is projected at 2 percent in the long term.

1/ Improving the cost-benefit analysis of tax exemptions is a PPA under the World Bank's SDFP.

Box 1. Main Assumptions in the Macroeconomic Framework[1] (concluded)

Table 1. Main Assumptions in the Macroeconomic Framework Compared with Previous DSA

(Percent of GDP)

	2021	2022	2023	2024	2025	2026	2027	2028	2029-34
Real GDP Growth (Percent)									
Current DSA	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Article IV (September 2024)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Inflation (Average, percent)									
Current DSA	4.5	7.6	5.3	3.3	2.3	2.0	2.0	2.0	2.0
Article IV (September 2024)	4.5	7.6	5.3	2.7	2.0	2.0	2.0	2.0	2.0
Total Revenue (incl. grants, percent of GDP)									
Current DSA	17.1	17.6	19.8	18.8	18.6	19.1	19.5	19.9	21.0
Article IV (September 2024)	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	21.2
Primary Balance (Commitment basis, incl. grants, percent of GDP)									
Current DSA	-2.5	-5.9	-3.9	-3.7	-0.5	-0.6	-0.8	-1.0	-0.5
Article IV (September 2024)	-2.5	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-0.5
Exports of Goods and Services (Percent of GDP)									
Current DSA	23.7	26.6	25.5	25.7	25.6	26.0	26.2	26.2	26.3
Article IV (September 2024)	23.7	26.6	25.5	25.6	25.5	26.1	26.3	26.3	26.4
Current Account Balance (Percent of GDP)									
Current DSA	-2.2	-3.5	-2.9	-3.0	-2.9	-2.6	-2.2	-2.0	-2.0
Article IV (September 2024)	-2.2	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.4

Sources: Togolese authorities and IMF Staff calculations.

1/ Remittances are projected to decline to around 5 percent of GDP from 2026 onwards. The World Bank found that remittance inflows to sub-Saharan Africa slowed in 2023 and notes high risks to flows from 2024.

8. **Togo's financing needs will be driven by debt service and are expected to be met increasingly by external borrowing, in line with Togo's financing strategy.** Gross financing needs in the next six years are projected to stem from primary deficits (12 percent) and, most prominently, debt service (88 percent). As fiscal consolidation proceeds, the ratio will further shift to almost entirely servicing debt between 2030-34. In line with the authorities' medium-term debt management strategy (MTDS), projections of World Bank lending, and updated financing assumptions for 2024, external sources will make up a larger share of financing than in the previous DSA. Assumptions of financing shares and terms in the baseline are based on disbursement projections where available and disbursements observed over 2018-23 for the remainder. Specifically:

- **External borrowing.** This is projected based on expected disbursements from the IMF ECF (12 percent of new external finance between 2024 and 2029) and IDA[13] (68 percent) and using their respective official terms under various facilities. This includes an additional US$50 million in the

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

World Bank's Development Policy Operation (budget support) for 2024 that was approved in October 2024. Remaining external project financing is assumed to be met primarily by BOAD, other multilateral creditors, and bilateral creditors, whilst commercial creditors are projected to finance other investment on terms broadly in line with those realized over the last five years. This DSA also includes a short-term commercial trade credit, that was not included in the previous DSA, equivalent to 1.7 percent of GDP that was contracted in 2024,[14] and which creates a debt service spike when it matures in May 2025. The authorities are considering options to smooth this profile, but no debt management operation is assumed in the baseline. The overall grant element of external borrowing is projected to be lower in 2024 than in the last DSA, reflecting the new trade credit, but will revert to broadly the same path over 2025-28, reflecting the ramp-up in IDA lending, before declining thereafter as more commercial debt is taken on.

- **Domestic borrowing.** Ratios of domestic debt to GDP and debt service to revenue remain significantly higher than the median for LICs (Figure 3), indicating elevated vulnerability. They are projected to decline in the medium term as fiscal consolidation continues and as domestic financing needs reduce as the authorities take on more external debt. Rollover risks remain high but peaked in August 2024 and issuances this year have been fully subscribed, albeit at shorter maturities. Domestic financing assumptions continue to assume that conditions on regional financial markets will ease in the medium term, as fiscal consolidation takes hold and monetary policy rates decline, but yields in 2025 have been moderately increased compared to the previous DSA because of ongoing uncertainty in the regional outlook.[15] Domestic borrowing is assumed to come from Treasury bills (10 percent), 1-3 year bonds (40 percent), 4-7 years bonds (35 percent), and long-term bonds (15 percent). The main downside risk is that bond yields may remain high, and the authorities may continue to rely mainly on Treasury bills.

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

- **Drivers of overall debt dynamics.** Projections of overall public debt are unchanged from the previous DSA but are substantially higher than in the DSA of 5 years ago (Figure 6, bottom left panel). The large forecast error on debt was much larger than the 75th percentile of LICs and the largest contributor was the primary deficit, which expanded as the authorities responded to multiple shocks since 2020 (bottom right panel). The large residual reflects in part the unexplained SFA (paragraph 3). The smaller projected primary deficit and economic growth are expected to drive debt levels down (bottom middle panel). Real exchange rate depreciation is

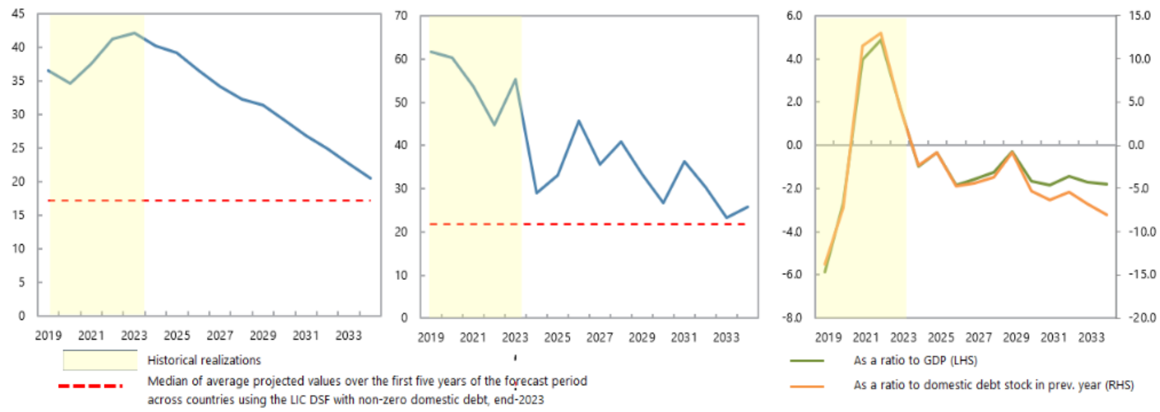
[14] This was taken out to finance one-off imports in the context of delays in mobilizing external finance and front-loaded domestic financing amid tight regional market conditions. The authorities plan to reduce domestic financing by an equivalent amount by end-2024.

[15] Regional financing conditions have improved moderately in 2024. The weighted average yield on debt issuance fell to 6.9 percent in September from a high of 8.4 percent in April, whilst the weighted average maturity was 25 months; some countries have been able to issue 10-year bonds. Togo's average maturity lengthened to 20 months for securities issued in August, from 4 months in January. The weighted average yield on Togolese securities has remained high, declining from its April peak of 7.6 percent to 7.3 percent in June but rose to 7.5 percent in August. There remains significant uncertainty in the outlook.

projected to have a lower impact than in the past, whilst real interest rates are projected to contribute more to debt creation, reflecting tight financing conditions on the regional market.

Figure 3. Togo: Indicators of Domestic Public Debt, 2019-2034

Domestic Debt to GDP Ratio | **Domestic Debt service to Revenues Incl. Grants** | **Net Domestic Debt Issuance 1/**



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	90%
Short-term	10%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	4.3%
Avg. maturity (incl. grace period)	5
Avg. grace period	3
Domestic short-term debt	
Avg. real interest rate	4.2%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need of gross financing need net of gross external financing, drawdown of asset other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

- **External debt.** Projections in the current DSA show an increase equivalent to 2.1 percent of GDP in 2024 compared to the previous DSA because of the incorporation of the short-term trade credit and larger than previously expected budget support operations. The medium-term projections from 2025 are similar to the previous DSA and are significantly higher than the DSA of 5 years ago. The forecast error falls within the 75th percentile of LICs and the positive residual and reflects the augmentation of the last tranche of the previous ECF (Figure 6 top right panel). In terms of debt dynamics, growth is projected to be a stronger factor in decreasing debt than in the past (top middle panel), along with exchange rate dynamics. The current account deficit is anticipated to create large external financing needs, reflecting infrastructure investment plans and security-related imports in response to heightened insecurity. The large residuals come from the fact that the DSA is evaluated on a currency basis while the balance of payments is based on residency criteria and should be interpreted with caution.

- **Fiscal adjustment.** The three-year adjustment in the primary balance over 2024-26 is equal to 3.3 percent of GDP reflecting fiscal consolidation to bring the overall deficit below the regional convergence criterion (Figure 7 top left panel). Despite being in the upper quartile of fiscal adjustment in typical Fund-supported programs for LICs, this adjustment is deemed achievable, with the burden falling on both revenue and expenditure measures, because of clearly identified tax policy and administration measures described in Box 1 and Togo's strong track record in achieving consolidation during the previous Fund-supported program. The authorities have made a good start, by increasing revenue by 0.9 percent of GDP in 2023 and are on track to meet revenue targets for 2024. Expenditure consolidation will come mainly from lower public investment, which is deemed to have lower implementation risk than reductions in primary current expenditure. However, escalating security risks could result in higher-than-expected security-related capital spending, and hence slow fiscal consolidation efforts.

- **Fiscal adjustment and growth**. Projected economic growth is judged to be realistic despite the significant fiscal consolidation. Growth is projected to be marginally lower in 2024 and marginally higher in 2025 than the projection under all fiscal multipliers used in Figure 7 (top right panel) but is consistent with a multiplier of 0.1 percent, which is within the plausible range found in earlier studies. Further, the inclusion of one-off banking sector operations in primary expenditure in 2024 (rather than below-the-line), keeps the primary deficit relatively high in 2024 and depicts a sharper adjustment in 2025 than if the operation is excluded.[16] The operation is unlikely to have a substantial concurrent impact on aggregate demand and growth and may therefore be ignored in projecting impacts of fiscal consolidation on growth. The projected path of growth also reflects the lagged impact of previous infrastructure investment in industrial zones and the port on productivity.

- **Public investment and growth.** Projections of private investment are unchanged from the last DSA, but projections of government investment have been revised downwards slightly to reflect recent fiscal developments. The contribution of public investment to growth is projected at 10.1 percent, lower than the historical contribution of 10.7 percent (Figure 7, bottom right).

COUNTRY CLASSIFICATION AND DETERMINATION OF SENARIO STRESS TESTS

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

[16] Excluding the banking operation in 2024 reduces the primary deficit from 3.7 percent of GDP to 2.2 percent and would bring growth in line with the projection under a fiscal multiplier of 0.2.

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

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

Text Table 4. Togo: Debt Carrying Capacity and Applicable Thresholds

Country	Togo
Country Code	742
Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 3.01	Medium 3.01	Medium 2.99

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

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

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

12. Despite a one-year breach in the debt service indicators under the baseline, the model signals a low risk of external debt distress. The addition of the short-term external trade finance results in a marginal breach of the threshold for the debt-service to exports ratio (15.5 percent compared with 15.0 percent) and a larger breach in the debt service-to-revenue ratio (23.3 percent compared with 18 percent). Debt service indicators return below these thresholds from 2026 under both the baseline and stress-test scenarios and continue to decline as fiscal deficits remain contained and exports pick up. Other notable near-term external debt service obligations are due on loans with commercial terms to BOAD, EXIM Bank of China, Société Générale and Bank of Tokyo. Payments of between SDR 20 and 50 million against previous IMF ECF-arrangements are due over 2024-29. The two other external debt indicators stay below their respective thresholds under both the baseline and stress-test scenarios. The PV of PPG external debt is assessed at 20.0 percent of GDP in 2023 and is projected to rise to 21.6 percent of GDP in 2024 before decreasing to 16.5 percent of GDP by 2029 in the baseline (Tables 1, 3 and Figure 4). The PV of PPG external debt-to-exports ratio is 78.4 percent in 2023 and is projected to decline to 63.3 percent by 2029.

13. The debt service indicators are above their thresholds under stress-tests in 2025 but fall below them thereafter, whilst other indicators remain below their thresholds. As under the baseline, the stress-test shows a one-time breach of the debt service indicators before dropping below the thresholds from 2026. The debt stock indicators would rise sharply between 2024-26 under stress tests but remain below their thresholds. Export shocks would have the greatest impact on the PV of debt-to-GDP ratio and, unsurprisingly, on the PV of debt-to-exports and debt service-to-exports ratios. The debt service-to-revenue ratio moves closest to its threshold under the most extreme shock of a one-time depreciation, which would increase the cost of servicing foreign currency debt. However, this risk is contained because around two thirds of external debt is in Euros (including the short-term trade credit) and CFAF (from BOAD), and the CFAF is pegged to the Euro.

14. The results highlight short-term liquidity pressures, which could be alleviated through a refinancing operation, whilst efforts to mobilize more domestic revenue and boost exports will have their largest impact in the medium and longer terms. After the one-year breach, the debt service-to-revenue ratio has some space to absorb shocks whilst all other indicators have substantial space (Figure 8). The authorities are in advanced discussions with the WBG regarding the use of a dedicated Short-Term Trade Finance (STTF) guarantee instrument that could help refinance the trade loan maturing in May 2025 on more favorable terms and with the possibility of rolling over the new instrument for a period of three years to avoid a breach. Combining it with larger than expected budget support and a gradual repayment schedule would build more comfortable margins within external risk thresholds in the coming years. Strengthening revenue mobilization is also a priority to contain medium-term debt risks. Given the potential impact of export shocks, efforts to increase and diversify the export base, including through the development of value chains and trade logistics centered around the port, would further mitigate risks. Improving debt management capacity, including under technical assistance provided by the World Bank, would also increase resilience to external debt shocks.

OVERALL RISK OF PUBLIC DEBT DISTRESS

15. The ratio of the PV of overall public debt to GDP remains above its benchmark during 2024-25 in the baseline, signaling high risk of overall debt distress. Under the baseline, public debt will peak at 69.7 percent of GDP in 2024 from 68.0 percent in 2023 because of the cost of bank recapitalization, before declining steadily in line with fiscal consolidation. Similarly, the PV of public debt-to-GDP is projected to rise to 60.7 percent in 2024, partly reflecting the tighter regional market, compared to the benchmark of 55 percent of GDP. It is projected to decline to 54.5 percent of GDP in 2026, in line with fiscal consolidation and the uptake of more concessional external debt (Tables 2, 4 and Figure 5). Continued robust growth, adherence to the regional deficit convergence criteria, and high levels of concessional finance would reduce its level further to 37.1 percent of GDP in 2034.

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

17. Continued unexplained debt accumulation of the size seen in recent years would delay the move to moderate risk by one year. To assess the possible impact from unexplained SFA, staff constructed another scenario in which a 1.0 percent of GDP SFA (the average over 2017-23) is added to 2024 with the size decreasing by 0.2 percent of GDP each year until it reaches zero in 2029, reflecting better fiscal discipline under the Fund-supported ECF. In this scenario, debt would rise to 70.7 percent of GDP in 2024 and decrease thereafter. The PV of public debt-to-GDP ratio would not drop below 55 percent until 2027 (see Table 5 and Figure 9). This reiterates the need to fully understand the discrepancies to avoid the need for further fiscal consolidation.

RISK RATING AND VULNERABILITIES

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

- The PV of overall public debt-to-GDP ratio is expected to stay above the indicative benchmark through 2025, meaning Togo remains at ***high risk of overall debt distress.***

- The breaches of the two external debt service thresholds occur under both the baseline and stress-test scenarios but are one-off and, therefore, discounted from the analysis. The indicators return below their thresholds thereafter. All other PPG external debt sustainability indicators are projected to remain below their indicative thresholds throughout the projection period (2024–44) in the baseline and stress-test scenarios. This means that this DSA continues to signal a low risk of external debt distress. Staff assesses that, despite occurring in the near-term, the breaches should not be brought back via judgement, which would change the assessment to high risk of external debt distress, because efforts are underway to smooth the debt service profile. These include advanced discussions with the WBG on the use of an STTF guarantee instrument and the potential use of the additional IDA budget support to lower short term external financing needs. However, the DSA retains the conclusion that external debt on a residency basis is likely to be significantly higher than shown by data using a currency definition.[18] In addition, tight conditions on the regional market have shown that this can create pressures to borrow more externally than is currently planned. In line with the LIC DSF guidance, judgement is, therefore, applied to maintain Togo at ***moderate risk of external debt distress***.

19. Togo's public debt is considered to be sustainable but there is now only limited space to absorb shocks to external debt (compared to "some space" in the last DSA). Debt is assessed as sustainable because (i) fiscal consolidation supported by the IMF ECF-arrangement is projected to reduce

[18] Whilst the absence of secondary market data prevents the use of a residency basis in this DSA, BCEAO data on the residence of holders at issuance suggest that a large amount (70-80 percent) of debt is likely held outside of Togo.

the PV of public debt to GDP to below the high-risk benchmark by 2026, (ii) apart from a one-time breach in debt service indicators in 2025, all external DSA indicators remain below their respective thresholds in the baseline and shock scenario and trend downwards over the medium term, and there are good prospects for smoothing the debt service profile in 2025, and (iii) Togo's access to the WAEMU market and support from regional debt institutions bolsters the country's capacity to carry CFAF debt. Under the granularity module used for countries rated at moderate risk of external debt distress, Togo is now considered to have *limited space to absorb shocks* because of the breaches in the debt service ratios in 2025 (Figure 8). This means that occurrence of the median observed shock that impacted on the external debt service to revenue ratio in particular, could put Togo at high risk of debt distress.

20. The main risks to debt sustainability are from fiscal pressures, tight market conditions, and the realization of contingent liabilities. Continued progress in revenue mobilization remains essential to support fiscal consolidation and to maintain space to absorb shocks. Further increases in security incidents could put pressure on spending, which could increase borrowing needs and make it more challenging to reduce the overall risk of debt distress to moderate by 2026. Togo's high levels of domestic debt amid tight conditions on the regional market raise debt service costs and interest rate and rollover risks. These factors also risk triggering sub-optimal borrowing decisions. Stress tests indicate that Togo is susceptible to the realization of contingent liabilities, whilst delays in the reporting of SOE debt and continued unexplained SFAs pose could result in upward revisions of debt levels that may necessitate further fiscal consolidation.

21. Staff recommends further efforts to improve public sector debt management to reduce short-term liquidity pressures, greater coordination with fiscal reporting, and continued efforts to track the holders of debt denominated in domestic currency. The focus of the authorities' MTDS for 2024-26 on extending maturities and rebalancing borrowing towards external debt remains appropriate. However, the costs and risks of taking on new debt that deviates from the agreed borrowing plan and MTDS should be appraised more rigorously to ensure it does not raise debt vulnerabilities unnecessarily; reporting the reasons for such deviations in the MTDS would boost transparency and help reduce the risk of a recurrence. The authorities should continue to improve the timeliness of reporting on SOE debt, which could be incorporated into the debt bulletin. The creation of a working group to ensure consistency between fiscal, debt and monetary accounts is a welcome step in addressing unexplained debt accumulation. Finally, in coordination with the BCEAO, the authorities should continue efforts to establish a mechanism for tracking the residency of the holders of regional securities beyond issuance.

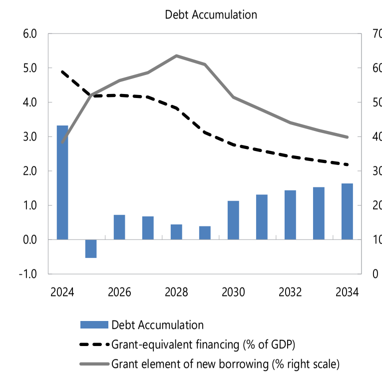
AUTHORITIES' VIEWS

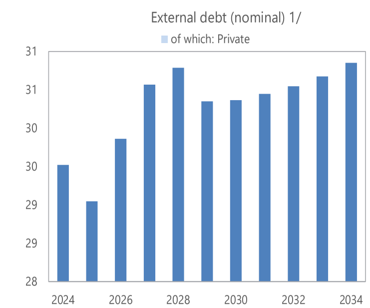
22. The authorities did not question the finding of a high risk of overall debt distress but took issue with the use of judgement to raise the assessed risk of external debt distress to "moderate" (from the mechanical "low" risk), as they had done in the previous DSA in September 2024. The authorities consider that risks emanating from domestic currency debt are already captured in the assessment of the overall risks of debt distress and they do not believe that these risks should be used to justify the application of judgement on external debt. This said, they agreed to work with staff to deepen the understanding of the residency of the holders of domestic currency debt to reduce the uncertainty that gave rise to the application of judgment.

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

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	27.3	26.2	25.9	29.5	29.0	29.9	30.6	30.8	30.4	30.9	29.6	20.0	30.3
of which: public and publicly guaranteed (PPG)	27.3	26.2	25.9	29.5	29.0	29.9	30.6	30.8	30.4	30.9	29.6	20.0	30.3
Change in external debt	-0.4	-1.0	-0.4	3.7	-0.5	0.8	0.7	0.2	-0.4	0.2	-1.3		
Identified net debt-creating flows	-0.1	5.6	2.1	3.6	3.3	2.9	2.4	2.2	2.2	2.1	6.3	3.9	2.5
Non-interest current account deficit	1.8	3.0	2.4	2.6	2.4	2.2	1.8	1.7	1.7	1.6	5.7	3.2	1.9
Deficit in balance of goods and services	10.3	12.2	10.7	9.7	8.8	7.9	7.5	7.3	7.4	7.3	11.6	10.9	7.8
Exports	23.7	26.6	25.5	25.7	25.6	26.0	26.2	26.2	26.1	26.4	22.6		
Imports	34.0	38.8	36.2	35.4	34.4	33.9	33.7	33.5	33.5	33.7	34.2		
Net current transfers (negative = inflow)	-7.9	-8.6	-7.6	-6.5	-5.7	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-6.8	-5.2
of which: official	-0.4	-0.7	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0		
Other current account flows (negative = net inflow)	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-1.0	-0.9	-0.7
Net FDI (negative = inflow)	0.8	1.5	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.2	1.8
Endogenous debt dynamics 2/	-2.7	1.2	-2.2	-0.9	-0.9	-1.1	-1.2	-1.3	-1.3	-1.3	-1.1		
Contribution from nominal interest rate	0.4	0.5	0.5	0.4	0.5	0.4	0.3	0.3	0.3	0.3	0.5		
Contribution from real GDP growth	-1.5	-1.6	-1.3	-1.3	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6	-1.6		
Contribution from price and exchange rate changes	-1.6	2.3	-1.4	...	...	...	...	...	...	...	...		
Residual 3/	-0.3	-6.6	-2.5	0.1	-3.8	-2.1	-1.7	-1.9	-2.6	-2.0	-7.6	-2.3	-2.0
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	20.0	21.6	19.7	18.9	18.3	17.4	16.5	17.2	19.4		
PV of PPG external debt-to-exports ratio	...	...	78.4	84.3	77.0	72.9	69.7	66.4	63.3	65.1	85.9		
PPG debt service-to-exports ratio	5.2	8.3	8.2	8.4	15.5	9.2	8.3	7.2	6.5	5.1	6.4		
PPG debt service-to-revenue ratio	8.1	14.6	12.5	12.9	23.3	13.5	12.0	10.2	8.9	6.5	6.2		
Gross external financing need (Billion of U.S. dollars)	0.3	0.5	0.6	0.6	0.9	0.7	0.7	0.7	0.7	1.0	3.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.5
GDP deflator in US dollar terms (change in percent)	6.3	-7.7	5.6	2.1	1.7	2.3	1.8	1.9	2.0	2.0	2.0	-0.5	2.0
Effective interest rate (percent) 4/	1.7	1.8	2.0	1.6	1.9	1.4	1.2	1.1	0.9	1.0	1.6	1.8	1.1
Growth of exports of G&S (US dollar terms, in percent)	14.4	9.7	6.8	8.5	6.8	9.5	8.3	7.6	7.1	7.9	-7.9	1.5	7.9
Growth of imports of G&S (US dollar terms, in percent)	18.5	11.5	3.9	5.3	4.1	6.5	6.8	6.9	7.5	7.6	9.0	1.8	6.9
Grant element of new public sector borrowing (in percent)	...	...	...	38.3	52.0	56.3	58.6	63.5	61.0	39.8	37.2	...	50.4
Government revenues (excluding grants, in percent of GDP)	15.3	15.1	16.8	16.6	17.1	17.6	18.1	18.5	19.1	20.9	23.5	14.7	18.9
Aid flows (in Billion of US dollars) 5/	1.0	1.1	1.4	0.5	0.5	0.6	0.6	0.6	0.5	0.6	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.9	4.2	4.2	4.1	3.8	3.1	2.2	1.1	...	3.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	53.1	63.3	66.4	68.5	72.6	71.5	51.4	48.0	...	61.9
Nominal GDP (Billion of US dollars)	8	8	9	10	10	11	12	13	14	20	42		
Nominal dollar GDP growth	12.7	-2.3	11.5	7.5	7.1	8.0	7.4	7.5	7.6	7.6	7.6	4.4	7.6
Memorandum items:													
PV of external debt 7/	...	...	20.0	21.6	19.7	18.9	18.3	17.4	16.5	17.2	19.4		
In percent of exports	...	...	78.4	84.3	77.0	72.9	69.7	66.4	63.3	65.1	85.9		
Total external debt service-to-exports ratio	5.2	8.3	8.2	8.4	15.5	9.2	8.3	7.2	6.5	5.1	6.4		
PV of PPG external debt (in Billion of US dollars)			1.8	2.1	2.1	2.1	2.2	2.3	2.3	3.5	8.2		
(PVt-PVt-1)/GDPt-1 (in percent)				3.3	-0.5	0.7	0.7	0.4	0.4	1.6	0.8		
Non-interest current account deficit that stabilizes debt ratio	2.2	4.0	2.8	-1.1	2.9	1.4	1.1	1.4	2.2	1.5	7.0		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

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

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

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

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

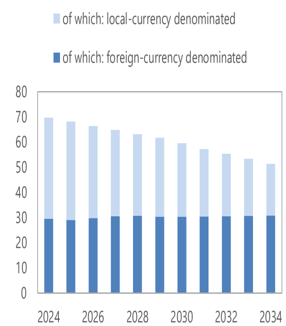
Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–44

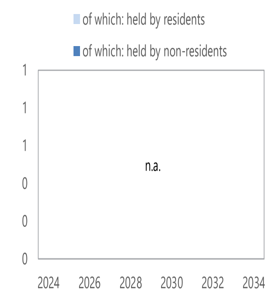
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	64.9	67.4	68.0	69.7	68.2	66.4	64.8	63.1	61.8	51.3	34.9	59.0	61.0
of which: external debt	27.3	26.2	25.9	29.5	29.0	29.9	30.6	30.8	30.4	30.9	29.6	20.0	30.3
Change in public sector debt	2.7	2.5	0.6	1.8	-1.6	-1.8	-1.6	-1.7	-1.3	-2.0	-1.5		
Identified debt-creating flows	1.7	4.3	0.8	1.3	-1.8	-1.8	-2.1	-1.7	-1.6	-2.0	-1.5	1.7	-1.7
Primary deficit	2.5	5.9	3.9	3.7	0.5	0.6	0.8	1.0	1.1	0.4	0.4	2.7	0.9
Revenue and grants	17.1	17.6	19.8	18.8	18.6	19.1	19.5	19.9	20.3	21.7	23.8	17.0	20.2
of which: grants	1.8	2.5	3.1	2.2	1.6	1.5	1.4	1.3	1.2	0.8	0.4		
Primary (noninterest) expenditure	19.6	23.5	23.8	22.6	19.1	19.7	20.3	20.8	21.4	22.1	24.3	19.7	21.1
Automatic debt dynamics	-0.8	-1.5	-3.2	-2.4	-2.2	-2.4	-2.9	-2.7	-2.7	-2.4	-1.9		
Contribution from interest rate/growth differential	-3.2	-4.0	-2.6	-2.4	-2.2	-2.4	-2.9	-2.7	-2.7	-2.4	-1.9		
of which: contribution from average real interest rate	0.3	-0.5	0.9	1.0	1.3	1.2	0.6	0.7	0.6	0.3	0.0		
of which: contribution from real GDP growth	-3.5	-3.6	-3.6	-3.4	-3.5	-3.6	-3.5	-3.4	-3.3	-2.8	-1.9		
Contribution from real exchange rate depreciation	2.5	2.5	-0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.9	-1.8	-0.2	0.5	0.2	0.0	0.5	0.0	0.2	0.0	0.1	0.9	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	60.6	60.7	57.7	54.5	51.5	48.8	47.1	37.1	24.7		
PV of public debt-to-revenue and grants ratio	...	...	305.4	322.1	309.6	285.9	263.8	245.8	232.4	171.1	103.6		
Debt service-to-revenue and grants ratio 3/	60.8	57.3	65.7	40.3	54.4	58.1	46.8	50.5	41.8	32.0	11.9		
Gross financing need 4/	12.9	16.0	17.0	11.3	10.6	11.7	10.0	11.0	9.6	7.3	3.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.5
Average nominal interest rate on external debt (in percent)	1.6	1.9	2.0	1.6	1.9	1.4	1.2	1.1	0.9	1.0	1.6	1.9	1.1
Average real interest rate on domestic debt (in percent)	3.1	2.1	3.4	3.0	3.3	3.5	3.5	3.4	3.5	3.6	4.4	3.4	3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	9.8	10.2	-2.2	...	...	...	...	...	...	...	...	3.9	...
Inflation rate (GDP deflator, in percent)	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.5	26.8	6.9	-0.2	-10.9	8.6	9.2	8.1	8.2	6.6	6.6	8.9	4.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.2	3.3	3.4	1.9	2.0	2.4	2.4	2.7	2.4	2.5	1.9	2.2	2.4
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

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

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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

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

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

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio											
Baseline	22	20	19	18	17	17	16	16	17	17	17
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	22	20	20	20	20	20	21	22	23	24	25
B. Bound Tests											
B1. Real GDP growth	22	20	20	19	18	17	17	17	17	18	18
B2. Primary balance	22	21	21	20	19	19	19	19	19	20	20
B3. Exports	22	22	25	24	23	22	22	22	22	22	22
B4. Other flows 3/	22	22	23	22	21	20	20	20	20	20	20
B5. Depreciation	22	25	21	20	19	18	18	19	19	19	20
B6. Combination of B1-B5	22	23	23	22	21	20	20	20	20	20	20
C. Tailored Tests											
C1. Combined contingent liabilities	22	22	21	20	20	19	20	20	20	20	21
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	84	77	73	70	66	63	63	63	63	64	65
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	84	79	78	78	78	78	80	83	87	91	95
B. Bound Tests											
B1. Real GDP growth	84	77	73	70	66	63	63	63	63	64	65
B2. Primary balance	84	81	80	77	73	71	72	73	74	74	76
B3. Exports	84	98	130	124	119	114	112	111	111	111	110
B4. Other flows 3/	84	86	90	86	82	78	77	77	77	77	77
B5. Depreciation	84	77	65	62	59	56	56	56	57	58	59
B6. Combination of B1-B5	84	95	82	98	93	89	88	88	88	88	89
C. Tailored Tests											
C1. Combined contingent liabilities	84	86	81	78	75	74	75	75	75	77	79
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	8	**16**	9	8	7	7	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	8	**16**	10	9	8	8	6	6	6	7	7
B. Bound Tests											
B1. Real GDP growth	8	**16**	9	8	7	7	5	5	5	5	5
B2. Primary balance	8	**16**	9	8	7	7	5	5	5	5	6
B3. Exports	8	**18**	13	12	11	9	7	7	7	8	9
B4. Other flows 3/	8	**16**	9	9	8	7	5	5	5	6	6
B5. Depreciation	8	**16**	9	8	7	6	5	5	5	5	5
B6. Combination of B1-B5	8	**17**	12	11	9	8	6	6	6	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	8	**16**	9	8	7	7	5	5	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	13	**23**	14	12	10	9	7	6	7	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	13	**24**	14	13	12	10	8	8	8	9	9
B. Bound Tests											
B1. Real GDP growth	13	**24**	14	13	11	9	7	7	7	7	7
B2. Primary balance	13	**23**	14	12	10	9	7	7	7	7	7
B3. Exports	13	**24**	14	13	11	10	7	7	7	7	8
B4. Other flows 3/	13	**23**	14	12	11	9	7	7	7	7	8
B5. Depreciation	13	**29**	17	15	13	11	8	8	8	8	8
B6. Combination of B1-B5	13	**25**	15	13	11	10	7	7	7	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	13	**23**	14	12	10	9	7	7	7	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

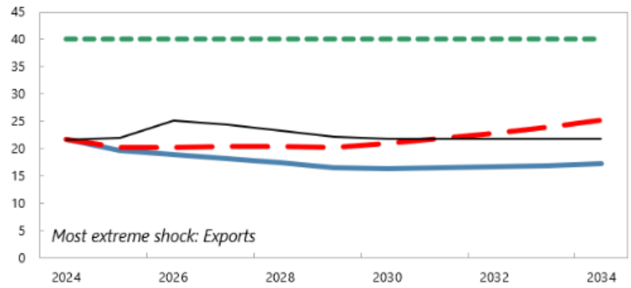
Table 4. Togo: Sensitivity Analysis for Key Indicators of Public Debt 2024–34

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	**61**	**58**	54	52	49	47	45	43	41	39	37
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**62**	**61**	**60**	**60**	**59**	**59**	**58**	**58**	**58**	**59**	**58**
B. Bound Tests											
B1. Real GDP growth	**62**	**61**	**59**	**57**	55	54	52	50	49	48	47
B2. Primary balance	**62**	**64**	**65**	**62**	**59**	**57**	54	51	49	47	45
B3. Exports	**61**	**60**	**60**	**57**	54	52	50	47	45	43	41
B4. Other flows 3/	**61**	**60**	**59**	**56**	53	51	49	46	44	42	40
B5. Depreciation	**62**	**61**	55	50	46	43	39	36	34	31	28
B6. Combination of B1-B5	**62**	**61**	**58**	54	51	49	46	43	41	39	37
C. Tailored Tests											
C1. Combined contingent liabilities	**62**	**71**	**67**	**64**	**61**	**58**	**55**	53	51	48	46
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	322	310	286	264	246	232	217	203	193	182	171
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	329	329	317	304	294	288	281	276	275	271	268
B. Bound Tests											
B1. Real GDP growth	329	324	311	291	276	265	251	240	232	223	215
B2. Primary balance	329	342	342	318	298	281	262	245	233	220	207
B3. Exports	322	320	315	291	272	257	240	225	214	202	189
B4. Other flows 3/	322	321	309	285	266	252	235	220	210	197	185
B5. Depreciation	329	327	290	258	232	212	191	173	159	144	130
B6. Combination of B1-B5	329	327	305	275	255	241	224	206	193	183	173
C. Tailored Tests											
C1. Combined contingent liabilities	329	379	352	327	306	287	267	251	239	225	212
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	40	54	58	47	50	42	33	42	37	30	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	40	55	60	49	54	49	43	53	47	41	47
B. Bound Tests											
B1. Real GDP growth	40	56	61	49	53	45	37	48	42	35	38
B2. Primary balance	40	54	60	50	53	52	50	52	40	35	40
B3. Exports	40	54	58	47	51	42	34	43	37	30	33
B4. Other flows 3/	40	54	58	47	51	42	33	43	37	30	33
B5. Depreciation	40	55	59	48	50	42	32	41	36	29	31
B6. Combination of B1-B5	40	53	57	47	50	42	38	46	36	30	34
C. Tailored Tests											
C1. Combined contingent liabilities	40	54	61	50	53	62	52	46	40	37	43
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

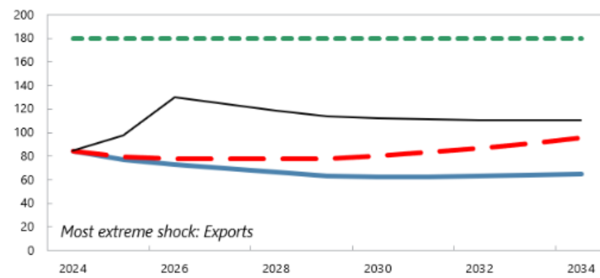
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 4. Togo: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2024-2034

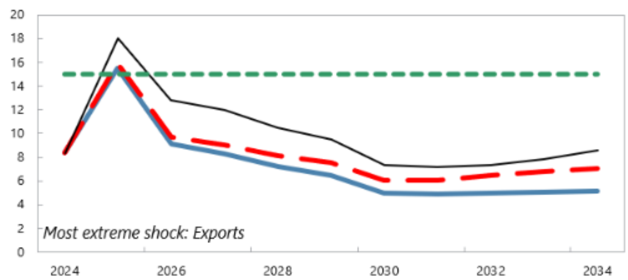
PV of Debt-to GDP Ratio



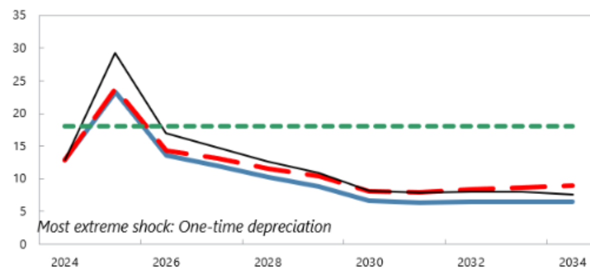
PV of Debt-to-Exports Ratio



Debt Service-to-Exports Ratio



Debt Service-to-Revenue Ratio



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

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

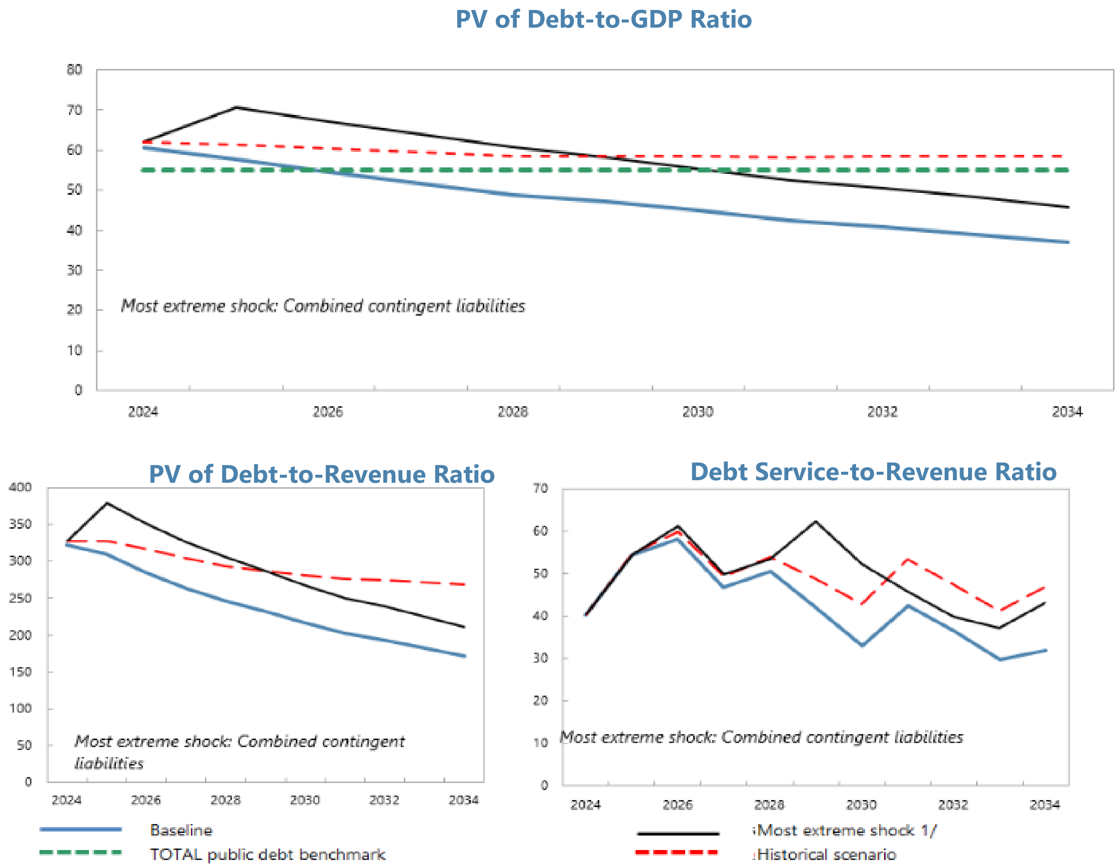
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 5. Togo: Indicators of Public Debt Under Alternative Scenarios, 2024–34



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	44%	30%
Domestic medium and long-term	50%	70%
Domestic short-term	6%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.3%	4.3%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

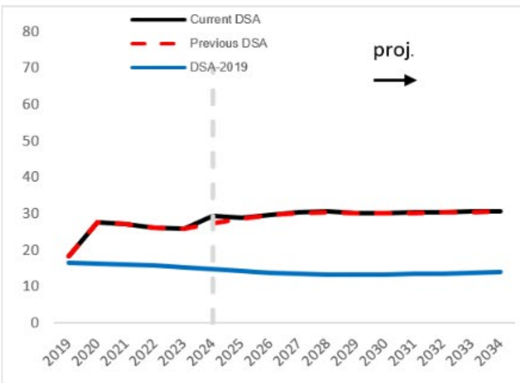
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

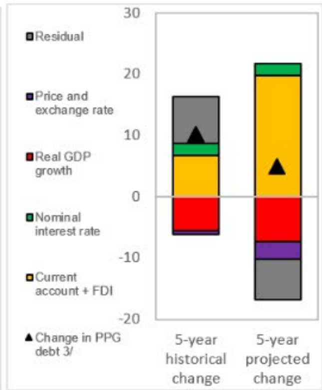
1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 6. Togo: Drivers of Debt Dynamics—Baseline Scenario

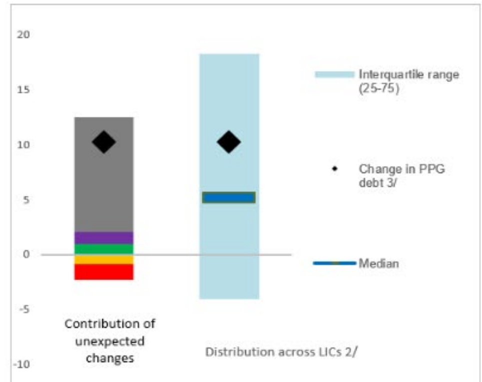
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-Creating Flows
(percent of GDP)

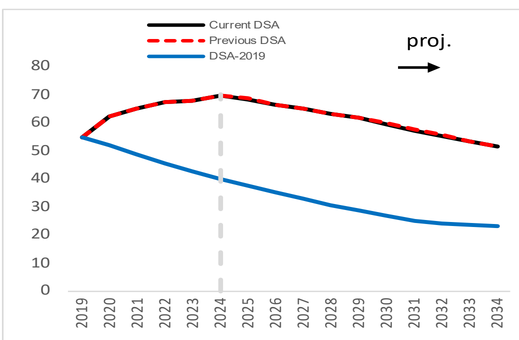


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

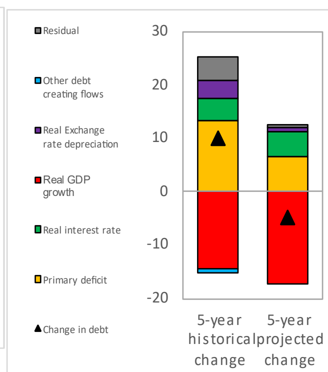


Public Debt

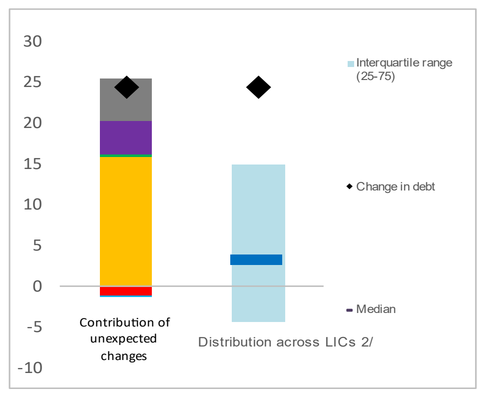
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-Creating Flows
(percent of GDP)



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



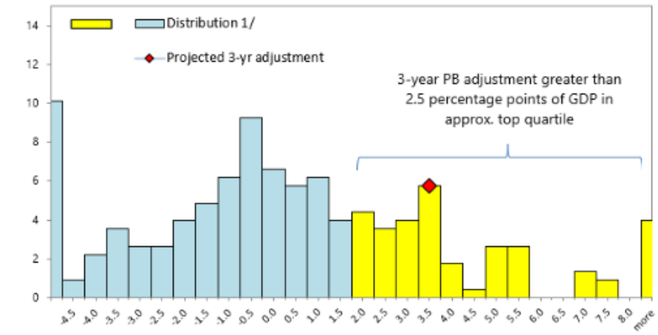
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

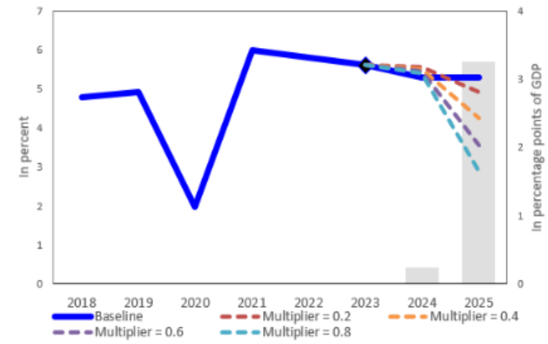
Figure 7. Togo: Realism Tools

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



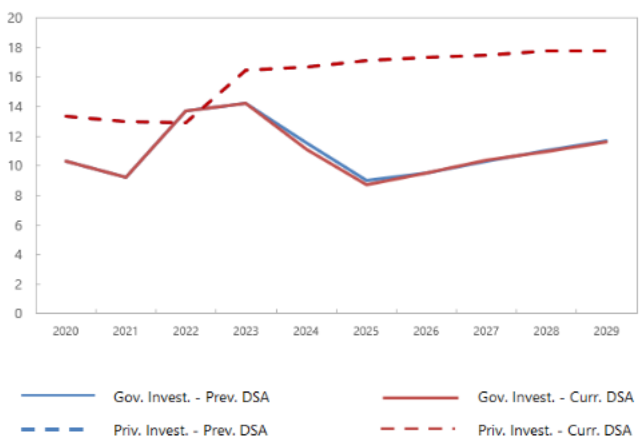
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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

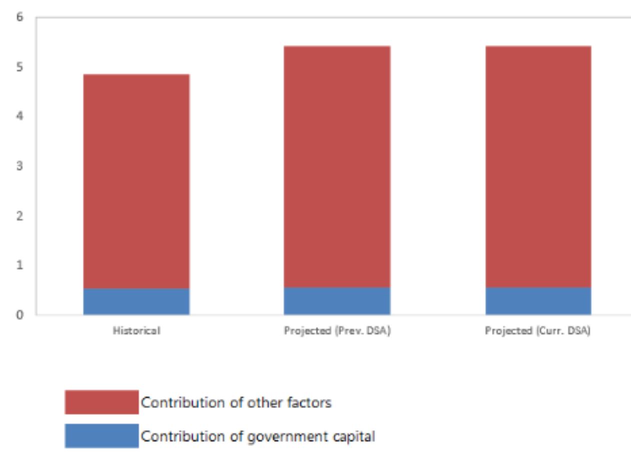
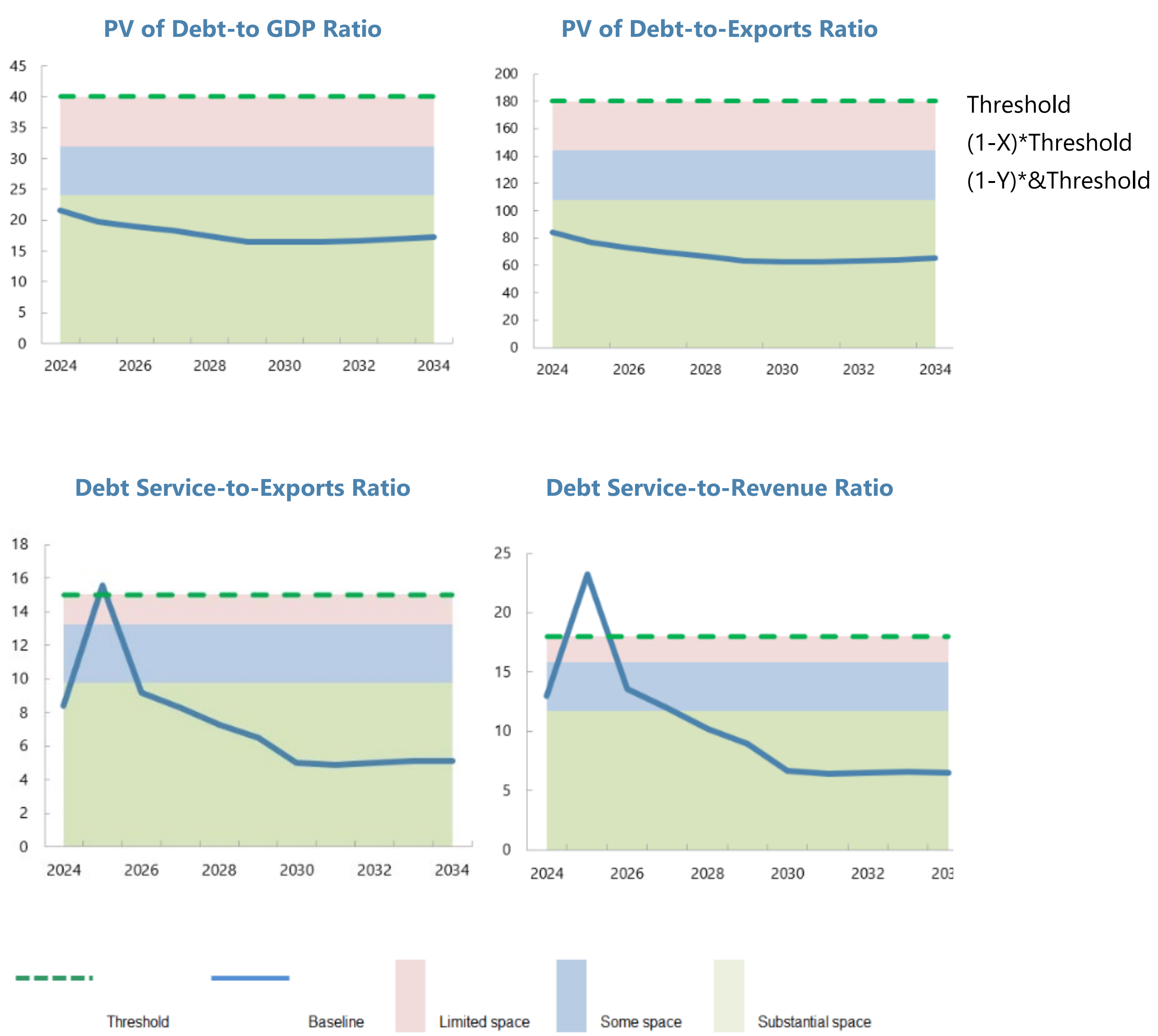


Figure 8. Togo: Qualification of the Moderate Category, 2024–34[1]



Sources: Country authorities; and staff estimates and projections.

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

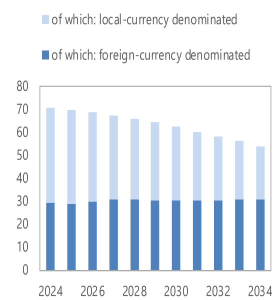
Table 5. Togo: Public Sector Debt Sustainability Framework, Stock-Flow Adjustment, 2021–44

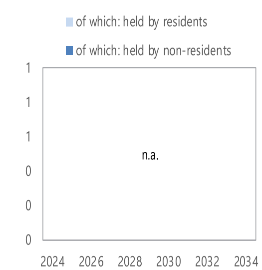
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	64.9	67.4	68.0	70.7	70.0	68.8	67.6	66.1	64.7	54.1	37.3	59.0	63.5
of which: external debt	27.3	26.2	25.9	29.5	29.0	29.9	30.6	30.8	30.4	30.9	29.6	20.0	30.3
Change in public sector debt	2.7	2.5	0.6	2.8	-0.8	-1.2	-1.2	-1.5	-1.4	-2.1	-1.5		
Identified debt-creating flows	1.7	4.3	0.8	2.3	-1.0	-1.2	-1.7	-1.6	-1.6	-2.1	-1.6	1.7	-1.4
Primary deficit	2.5	5.9	3.9	3.7	0.5	0.6	0.8	1.0	1.1	0.4	0.4	2.7	0.9
Revenue and grants	17.1	17.6	19.8	18.8	18.6	19.1	19.5	19.9	20.3	21.7	23.8	17.0	20.2
of which: grants	1.8	2.5	3.1	2.2	1.6	1.5	1.4	1.3	1.2	0.8	0.4		
Primary (noninterest) expenditure	19.6	23.5	23.8	22.6	19.1	19.7	20.3	20.8	21.4	22.1	24.3	19.7	21.1
Automatic debt dynamics	-0.8	-1.5	-3.2	-2.4	-2.2	-2.4	-2.9	-2.7	-2.7	-2.5	-2.0		
Contribution from interest rate/growth differential	-3.2	-4.0	-2.6	-2.4	-2.2	-2.4	-2.9	-2.7	-2.7	-2.5	-2.0		
of which: contribution from average real interest rate	0.3	-0.5	0.9	1.0	1.3	1.3	0.7	0.8	0.7	0.4	0.0		
of which: contribution from real GDP growth	-3.5	-3.6	-3.6	-3.4	-3.6	-3.6	-3.6	-3.5	-3.4	-2.9	-2.0		
Contribution from real exchange rate depreciation	2.5	2.5	-0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	1.0	0.8	0.6	0.4	0.2	0.0	0.0	0.0	0.0	0.3
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	1.0	0.8	0.6	0.4	0.2	0.0	0.0	0.0		
Residual	0.9	-1.8	-0.2	0.5	0.2	0.0	0.5	0.0	0.2	0.0	0.1	0.9	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	60.6	61.7	59.5	56.8	54.3	51.8	50.0	39.8	27.1		
PV of public debt-to-revenue and grants ratio	...	...	305.4	327.4	319.2	298.4	277.9	260.6	246.8	183.7	113.6		
Debt service-to-revenue and grants ratio 3/	60.8	57.3	65.7	40.3	55.2	59.2	49.6	53.3	44.9	35.2	14.5		
Gross financing need 4/	12.9	16.0	17.0	12.3	11.5	12.5	10.9	11.8	10.2	8.0	3.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.5
Average nominal interest rate on external debt (in percent)	1.6	1.9	2.0	1.6	1.9	1.4	1.2	1.1	0.9	1.0	1.6	1.9	1.1
Average real interest rate on domestic debt (in percent)	3.1	2.1	3.4	3.0	3.4	3.5	3.5	3.5	3.5	3.7	4.3	3.4	3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	9.8	10.2	-2.2	...	...	...	...	...	...	...	...	3.9	...
Inflation rate (GDP deflator, in percent)	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.5	26.8	6.9	-0.2	-10.9	8.6	9.2	8.1	8.2	6.6	6.6	8.9	4.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.2	3.3	3.4	0.9	1.2	1.8	2.0	2.5	2.5	2.5	1.9	2.2	2.1
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

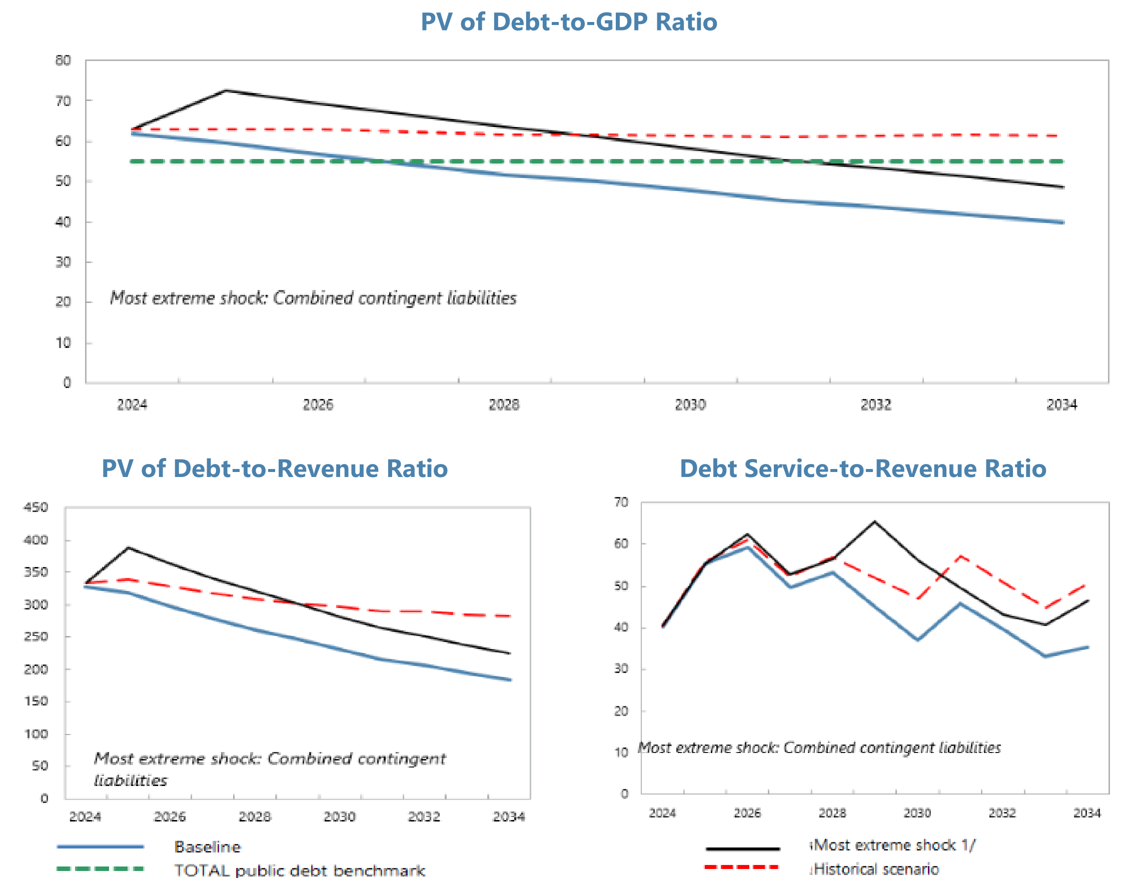
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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

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

Figure 9. Togo: Indicators of Public Debt Under Stock-flow Adjustment, 2024–34



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	40%	30%
Domestic medium and long-term	54%	70%
Domestic short-term	6%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.3%	4.3%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

INTERNATIONAL MONETARY FUND

TOGO

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—SUPPLEMENTARY INFORMATION

December 6, 2024

Approved By
Annalisa Fedelino (AFR) and Fabian Bornhorst (SPR)

Prepared by the African Department in consultation with the Strategy, Policy and Review Department

Request for an IMF Governance Diagnostic Assessment. On Wednesday, December 4, 2024, the Togo authorities requested that the IMF provide a Governance Diagnostic Assessment, in line with their commitment to do so as specified in the Memorandum of Economic and Financial Policies of November 29, 2024. Staff welcomes this request and will work to ensure that this assessment is provided as soon as is feasible subject to the availability of budget and staffing resources. The thrust of the staff appraisal remains unchanged.

Statement by Mr. Wautabouna Ouattara, Executive Director for Togo and Mrs. Esso-Solim Boukpessi, Advisor to the Executive Director

Friday, December 20, 2024

Introduction

1. Our Togolese authorities appreciate the candid discussion held with staff during the first review mission under the Extended Credit Facility (ECF) arrangement. They appreciate the Fund's continued support in close collaboration with other development partners.

2. Togo's economy continues to demonstrate resilience amidst recent global and domestic shocks, including a deteriorating security situation in the northern *Savanes* region linked to terrorist activities in the Sahel. Nonetheless, the authorities' strong policy responses have helped mitigate the impact of those shocks on the Togolese population and economy. This difficult context weighed heavily on public finances, increasing the fiscal deficit and public debt, and weakening economic resilience to shocks and the authorities' ability to meet large development needs. In this context, the authorities are committed to maintaining macroeconomic stability, and accelerating progress towards the Sustainable Development Goals (SDGs), in line with the 2020–25 Government Roadmap—*Feuille de route gouvernementale*— which is supported by the IMF's ECF arrangement approved on March 1st, 2024. They will sustain their efforts to (i) expand the fiscal space while strengthening debt sustainability, and (ii) advance structural reforms to bolster growth and limit fiscal and financial sector risks. Key policy priorities include an ambitious fiscal consolidation through increased revenue mobilization efforts, stronger social safety nets and increased social spending to support the most vulnerable, as well as advancing critical banking sector reforms.

Program Performance

3. Program performance was satisfactory with all end-June 2024 Quantitative Performance Criteria (QPCs) met, including the basic primary fiscal balance and net domestic financing. Indicative Targets (ITs) on tax revenue, social and poverty alleviating spending were reached, exceeding the program targets. No arrears on external public debt were accumulated and no pre-financing arrangements were authorized. Furthermore, the contracting of new external loans has remained below the continuous QPC ceiling. The authorities maintained a robust spending control to achieve the fiscal balance target and thus expect to meet all end-December quantitative targets.

4. On the structural front, progress continued despite minor delays. Two out of three structural benchmarks due at end-June 2024 were met, and the remaining measures are expected to be completed by year-end. An analysis comparing customs and trade data was prepared as well as the adoption of a strategy to strengthen social safety nets. The authorities also enhanced the public investment plan including by preparing a report on State-Owned Enterprises (SOEs) investment projects. However, the end-June deadline for this SB to share the report with Parliament was missed, due to the lack of regulatory provisions for transmitting budget-related documents before the draft budget. The report has now been shared with Parliament along with the 2025 draft budget

law. While the end-October structural benchmark on the preparation and publication of a revenue mobilization plan for 2024-2027 was missed, the authorities prepared and released the plan for 2024-2026 and intend to continue their ongoing work to expand the plan to 2027. Additionally, the authorities have established a biometric ID system and Social Register meeting the SBs set for end-December 2024. They have also fulfilled the SB on the budgetary risk analysis report, enhancing the annual budget documentation with key financial information and commitments under Public-Private-Partnerships (PPPs) contracts. In the banking sector, the authorities have met their commitments by recapitalizing the state-owned bank and ordering independent audits of the bank's capital earlier this year and its operations in October to inform an upcoming restructuring plan.

Recent Economic Developments and Outlook

5. Economy growth remained strong, at 5.6 percent in 2023, largely driven by the dynamic activity in the Special Economic Zone (SEZ) of *the Plateforme Industrielle d'Adétikope* (PIA). Inflation continued to decline, with headline inflation easing to 3.2 percent year-on-year by end-September 2024. Fiscal performance was robust with tax revenue surpassing targets and increasing by 0.9 percent of GDP in 2023. This momentum was sustained in 2024, with the revenue surpassing the end-June target by 1.3 percent of GDP. These efforts, along with spending rationalization, have helped to reduce the overall fiscal deficit which fell from 8.3 percent of GDP in 2022 to 6.7 percent in 2023, and is expected to reach 4.9 percent of GDP in 2024 excluding the one-time banking sector operations. The current account deficit is estimated to have narrowed from 3.5 percent in 2022 to 2.9 percent of GDP in 2023 due to improved terms of trade. However, in 2024, Togo's ability to manage external debt has been constrained by tight regional financing conditions and the contracting of a short-term credit, leading to high yields, short maturities, and increased debt service obligations for 2025. The authorities are working closely with the World Bank on a liability management operation to address these challenges.

6. Looking ahead, macroeconomic performance is expected to remain strong, with growth reaching 5.3 percent in 2024-25, before picking up to 5.5 percent in the medium term on the back of the ongoing fiscal consolidation and structural reforms aimed at boosting productivity and private investment. The authorities foresee headline inflation aligning with the regional target of the *Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)*, at 2 percent by 2025. Moreover, they anticipate the fiscal deficit to converge toward the regional ceiling of 3 percent of GDP within the same timeframe, in line with the planned consolidation. The public debt-to-GDP ratio is projected to gradually decline starting in 2025, while the current account deficit would stay below 3 percent of GDP.

7. The medium-term outlook is however subject to downside risks, including intensified threat of terrorism which could disrupt key logistics activities, challenges in securing affordable financing, as well as the persistence of financial risks particularly from undercapitalized banks. Additionally, Togo's vulnerability to the impacts of climate change, notably floods, droughts, and coastal erosion, poses further risks to growth and fiscal stability. Nonetheless, the authorities are actively mitigating these risks through their reform agenda. On the upside, ongoing reforms to improve the business environment and implement industrial policies could lead to higher-than-expected growth.

Policies and Reforms for 2025 and the Medium-Term

Fiscal Policy and Debt Sustainability

8. The Togolese authorities remain committed to their dual fiscal anchor strategy to bolster debt sustainability. They aim to reduce public debt below 55 percent of GDP by 2026 and the fiscal deficit to 3 percent of GDP by 2025, as envisaged in the soon-to-be approved 2025 budget law. However, given the difficult context, the authorities emphasized the need for flexibility in program implementation. As such, if the security situation worsens, they plan to adjust their consolidation efforts, targeting 4 percent of GDP deficit in 2025, achieving the West African Economic and Monetary Union (WAEMU) deficit norm of 3 percent in 2026, and postponing the debt reduction target to 2027. This would balance the need to address security risks with enhancing debt sustainability and regional reserves, showcasing the authorities' proactive and adaptive stance in navigating complex fiscal challenges while focusing on long-term socio-economic stability.

9. Fiscal consolidation will continue to rely on both revenue and expenditure measures, alongside public financial management (PFM) reforms. *On the revenue side,* the authorities aim to increase tax revenue by 0.5 percent of GDP annually relying on tax policy and revenue administration reforms for 2025-2026. This includes introducing new excise duties and increasing tariffs for the preexisting ones, reducing tax exemptions, enhancing VAT revenues, and improving tax filing and payment rates. A plan to boost non-tax revenue through strengthened collection procedures, better enforcement of mining royalties, and digitalizing payment processes will also be implemented. On the expenditure side, the medium-term plans balance essential spending on security, social programs, investment priorities, and banking sector repairs with fiscal consolidation. Current spending is expected to decrease over time, while investment, including security-related spending, will initially decline but eventually recover in line with revenue mobilization. Social and poverty-reduction spending is anticipated to gradually increase to 5.6 percent of GDP by 2029.

10. The authorities are committed to preserving debt sustainability through active debt management. They plan to shift from commercial domestic debt to concessional external debt to limit their exposure to domestic currency debt. The authorities will also expand the quarterly debt bulletin to include SOE debt and enhance the Medium-Term Debt Strategy (MTDS). Building on the progress achieved, the MTDS will be regularly updated, and debt bulletins on central government debt published quarterly. The authorities aim to identify and address the reasons behind the debt growth and have created a working group to this effect. They have committed to preparing a report on unexplained debt accumulation and a strategy to mitigate it by December 2025. The authorities also plan to enhance the supervision and management of SOEs by submitting a new legal framework to the Parliament, adopting an SOE ownership policy, and requiring audited financial statements for key SOEs. Improving public utilities' efficiency and expanding renewable energy projects are also central to the authorities' efforts. The framework for PPPs has also been strengthened, integrating them into the budget process and assigning a monitoring role to the Ministry of Finance.

Enhancing Social Safety Nets

11. The authorities are steadfast in enhancing the social safety nets and increasing social spending, in accordance with the first pillar of the government roadmap. In the draft 2025 Budget Law, 49.7 percent of budget expenditures have been allocated to the social sector, marking a continued increase from 48 percent in 2024. In June 2024, the Government adopted a social protection strategy, and is developing a biometric identification system and a registry of eligible vulnerable populations, all of which should help ensure the efficiency of social programs including though limiting duplication of beneficiaries. The biometric identification will also underpin a targeted cash transfer program aimed at the most vulnerable populations. The Government also plans to establish the necessary modalities to extend universal health insurance to the most vulnerable.

12. A comprehensive reform has been completed to reduce fossil fuel subsidies. An automatic fuel price smoothing mechanism and a stabilization fund to better support the vulnerable population were adopted this year and launched in September. The new mechanism aims to limit subsidies to 0.5 percent of GDP in 2024 and 0.4 percent in 2025, except during major global oil price increases, with plans to phase out subsidies by 2026.

13. An emergency program across the northern and neighboring regions affected by terrorist attacks—*Savanes, Kara, and Region Centrale*—has been rolled out. This program aims to strengthen social protection and improve living conditions which should also help to enhance the population's resilience to terrorism in these areas. Key aspects include enhancing access to essential services and basic infrastructure, including water and sanitation programs, food programs, cash transfers, toolkits for young entrepreneurs, infrastructure improvements in schools, electrification, and agriculture support.

Strengthening Financial Sector Stability

14. To safeguard financial system stability, national and regional authorities within the WAEMU are focused on enhancing prudent credit provision by improving access to financial services and the banking environment, including through strengthening the land ownership registry and ensuring compliance with prudential norms. The authorities have also committed, through program conditionalities, to pursue the reform of the state-owned bank through recapitalization and restructuring, with a target completion date of October 2025. Should there be any resale, the Government will publish the sale prices of real estate assets acquired.

Improving Governance and the Business Environment

15. Strengthening governance remains a top priority, with recent efforts aimed at enhancing transparency and accountability. The authorities are dedicated to improving governance and the business environment to attract private investment and build public trust. They have requested an IMF Governance Diagnostic Assessment to further enhance transparency and address governance challenges, leveraging recent achievements. While the completion of the mission and associated reports are not expected before early 2026, the authorities will continue to advance their governance agenda. They have committed to amending the public procurement legal framework

to improve the collection and publication of beneficial ownership data. These efforts should help enhance transparency and optimize procurement and public expenditure management.

16. Efforts to strengthen the AML/CFT framework are progressing well, with a focus on combating terrorism financing and money laundering, including tax evasion and corruption. A new uniform law, in line with the 2023 WAEMU directive on AML/CFT, is being prepared to address key vulnerabilities identified in the 2022 Intergovernmental Action Group Against Money Laundering in West Africa (GIABA) report. Significant strides have also been made in improving the business environment, positioning Togo as a leading reformer in Africa, as noted in the World Bank's Business Ready 2024 report.

Building Resilience to Climate Change

17. Climate change considerations will remain integral to the authorities' key policy decisions, given the economy's significant reliance on agriculture, and the vulnerability of coastal cities to rising sea levels. At the time of the 2024 Article IV consultation concluded by the Board in September, the authorities highly welcomed the Selected Issues paper on the Impact of Climate Change and its recommendations. They have undergone an IMF Climate-Public Investment Management Assessment (CPIMA), and the World Bank has prepared a Country Climate and Development Report (CCDR). **The authorities wish to reiterate that a request for a steadfast access under the Resilience and Sustainability Facility (RSF) has been submitted and they look forward to its favorable consideration very soon.**

Conclusion

18. Amid a challenging domestic, regional, and external environment, Togo continues to satisfactorily implement its economic and financial reform program supported by the ECF-arrangement. The authorities reiterate their commitment to prudent macroeconomic policies and bold structural reforms essential to weather the impact of exogenous shocks, improve the fiscal and economic outlook, and translate macro-economic gains into strengthened social safety nets and reduced social inequalities. Given their satisfactory program performance and dedication to reform implementation, the authorities seek Executive Directors' support for the completion of the first review under the ECF arrangement.