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TOGO

July 2025

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, EXTENSION OF THE ARRANGEMENT, AND REPHASING OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TOGO

In the context of the Second Review Under the Arrangement Under the Extended Credit Facility, Requests for Waiver of Nonobservance of a Performance Criterion, Modification of Performance Criteria, Extension of the Arrangement, and Rephasing of Access, 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 June 30, 2025, following discussions, that ended on May 29, 2025, with the officials of Togo on economic developments and policies underpinning the IMF arrangement under Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 16, 2025.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- 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.

IMF Executive Board Completes the Second Review under the Extended Credit Facility Arrangement for Togo

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the second review under the Extended Credit Facility (ECF) arrangement for Togo, allowing the authorities to draw about SDR 44.0 million (about US$ 60.5 million). The Executive Board approved the 42-month ECF arrangement in March 2024 and concluded the first review in December 2024.
- Growth has remained robust, and inflation has continued to slow. The medium-term economic outlook is favorable, with sustained robust growth, but elevated risks remain.
- Implementation of the IMF-supported program has been broadly satisfactory: the authorities met all quantitative targets at end-December 2024 except for the performance criterion on the fiscal balance, and they have met all but one structural benchmark due since the completion of the first ECF review.

Washington, DC – June 30, 2025: The Executive Board of the International Monetary Fund (IMF) completed the second review of the Extended Credit Facility (ECF) arrangement for Togo. The Board's decision enables the immediate disbursement of about SDR 44.0 million (about US$ 60.5 million), which will be used for budget support. The ECF-arrangement provides overall financing of SDR 293.60 million (about US$ 403.4 million) on favorable terms.

The IMF approved the ECF arrangement in March 2024 to help the authorities address the legacies of shocks experienced since 2020, notably the COVID pandemic and the increase in global food and fuel prices. The Togolese authorities were able to lessen the impacts of these shocks on the Togolese population, but this came at the price of large fiscal deficits and a rapidly rising public debt burden. 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 fiscal and financial sector risks. The IMF Executive Board completed the first ECF review in December 2024.

The medium-term outlook is broadly favorable, with continued robust growth. Economic growth reached an estimated 5.3 percent in 2024 and is projected at 5.2 percent in 2025 and 5.5 percent per year thereafter, according to IMF staff projections, barring major adverse shocks. Headline inflation eased to 2.6 percent in April 2025 and core inflation (which excludes the prices of energy and fresh products) fell to 1.3 percent (annual averages).

However, the outlook is subject to high risks. In particular, insecurity from the presence of terrorist groups at the country's northern border continues, putting pressure on spending. The authorities face challenging trade-offs between the need to achieve fiscal consolidation to lower the debt burden and the need to maintain security, enhance inclusion, and support growth.

Implementation of the IMF-supported program has been broadly satisfactory. The authorities met all quantitative targets at end-December 2024 except for the performance criterion on the fiscal balance. A notable success has been that the authorities raised tax revenue in 2024 as planned and pushed non-tax revenue beyond expectations. At the same time, higher-than-budgeted spending pushed debt higher. The authorities also met all but one structural benchmark due since the completion of the first ECF review, thanks to public financial management and banking sector reforms.

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

"The authorities have implemented the IMF-supported program in an overall satisfactory manner in an environment marked by continued security challenges, tight financing conditions, and elevated global uncertainty. Among other achievements, the authorities mobilized tax revenue in line with targets, while non-tax revenue exceeded projections.

"Nonetheless, progress on fiscal consolidation has been slower than programmed due to operations the authorities recorded below the line, resulting in faster-than-expected debt accumulation. The authorities' efforts to address this development, in particular the publication of an innovative note on budget execution and debt accumulation, are welcome.

"Against this background, the authorities are encouraged to redouble their efforts at fiscal consolidation while preserving growth and strengthening inclusion. The IMF approves the authorities' request for a limited relaxation of the fiscal deficit target for 2024 and for delaying the goal of lowering the present value of debt below 55 percent of GDP by one year, to 2027. These modifications appropriately balance the need to respond to security threats against the need to strengthen debt sustainability.

"Further, the authorities are encouraged to continue efforts to enhance revenue while making taxation more efficient, supported by a timely elaboration of a medium-term revenue mobilization strategy. Reforms to improve the efficiency of spending and strengthen the effectiveness of the social safety net, including phasing out fuel subsidies, will also be important. Further, it will be important to strengthen electricity and water provision, including raising tariffs to ensure cost recovery in combination with measures to protect the most vulnerable.

"The IMF welcomes the authorities' efforts to reduce financial sector and fiscal risks by recapitalizing the remaining state-owned bank, which have boosted the bank's compliance with regulatory norms. Further efforts will be needed to address the remaining breaches of regulatory norms and to restructure the bank's operations to ensure its stability and profitability.

"Finally, efforts to strengthen governance will be critical for nurturing the business environment and supporting sustainable growth. The authorities' commitment to publishing the planned Governance Diagnostic Assessment is very welcome. The authorities should also align asset and income declarations regime with international standards."

Togo: Selected Economic and Financial Indicators, 2023–27					
	2023	2024	2025	2026	2027
	Estimates		Projections		
Real GDP	5.6	5.3	5.2	5.5	5.5
Real GDP per capita	3.1	2.8	2.7	3.0	3.0
GDP deflator	2.9	2.2	2.0	2.0	2.0
Consumer price index (annual average)	5.3	2.9	2.3	2.0	2.0
GDP (CFAF billions)	5,507	5,927	6,360	6,843	7,364
Exchange rate CFAF/US$ (annual average level)	606	…	…	…	…
Real effective exchange rate (appreciation = –)	-8.2	…	…	…	…
Terms of trade (deterioration = –)	2.5	-0.4	-0.3	0.9	0.6
Monetary survey					
Net foreign assets	2.0	1.3	3.6	2.4	2.3
Net credit to government	1.2	8.6	2.6	-1.3	-0.1
Credit to nongovernment sector	2.9	3.6	1.4	7.4	7.0
Broad money (M2)	6.5	8.5	7.3	7.6	7.6
Velocity (GDP/end-of-period M2)	2.0	2.0	2.0	2.0	2.0
Investment and savings					
Gross domestic investment	28.0	26.8	25.6	24.4	25.3
Government	11.5	10.1	8.5	7.1	7.8
Nongovernment	16.5	16.7	17.1	17.3	17.5
Gross national savings	24.0	23.7	23.2	23.0	24.3

Government	4.8	2.7	4.6	4.1	4.8
Nongovernment	19.2	20.9	18.7	18.8	19.5
Government budget					
Total revenue and grants	19.8	19.0	18.8	18.5	19.0
Revenue	16.8	17.0	16.6	17.1	17.6
Tax revenue	14.8	14.9	15.4	15.9	16.4
Expenditure and net lending	26.6	26.4	22.7	21.5	22.0
Expenditure and net lending (excl. banking sector operations)	26.6	25.4	22.3	21.5	22.0
Primary balance (commitment basis, incl. grants)	-3.9	-4.5	-1.2	-0.2	-0.4
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-6.7	-6.4	-3.5	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-6.7	-7.4	-3.9	-3.0	-3.0
Primary balance (cash basis, incl. grants)	-3.9	-4.5	-1.2	-0.2	-0.4
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-6.7	-6.4	-3.5	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-6.7	-7.4	-3.9	-3.0	-3.0
External sector					
Current account balance	-4.0	-3.2	-2.3	-1.4	-1.0
Exports (goods and services)	26.3	25.5	25.5	25.5	25.7
Imports (goods and services)	-37.8	-35.9	-34.3	-32.8	-32.5
External public debt[1]	26.3	30.4	32.8	32.1	32.7
External public debt service (percent of exports)[1]	7.7	10.0	14.8	15.0	8.1
Domestic public debt[2]	42.3	41.7	37.5	36.6	34.3

Total public debt[3]	68.6	72.1	70.2	68.7	66.9
Total public debt (excluding SOEs)[4]	67.3	71.2	69.6	68.2	66.6
Present value of total public debt[3]	62.3	63.2	60.0	57.0	54.0
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

June 16, 2025

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, EXTENSION OF THE ARRANGEMENT, AND REPHASING OF ACCESS

EXECUTIVE SUMMARY

Context. Following the shocks of recent years starting with the COVID-19 pandemic, fiscal expansion helped preserve robust growth but also pushed up Togo's public debt and contributed to a temporary drawdown of foreign exchange reserves in the West African Economic and Monetary Union (WAEMU), while progress on the sustainable development goals has slowed.

Outlook and Risks. Staff expects Togo's robust growth to continue, but the outlook is subject to high risks. In particular, the terrorist threat in the country's North continues, putting pressure on public spending. Togo also faces heightened global economic risks, the risk of seeing official development aid for health care (0.7 percent of GDP) curtailed or stopped, and growing risks from climate change. Risks from a further weakening of regional reserves have lessened, given their recent strong recovery, though still subject to downside risks. In this context, the authorities are contending with the challenging trade-offs between the need for fiscal consolidation to lower the debt burden and the need to preserve security, support growth, and enhance inclusion.

Program Performance.

- **Performance on quantitative conditionality in the second half of 2024 was mixed.** The authorities succeeded on revenue mobilization but fell short on fiscal consolidation due to operations recorded below the line, resulting in debt growing faster than programmed. With one of these operations needing to be brought above the line, the authorities missed the quantitative performance criterion (QPC) on the basic primary fiscal balance. They met all other quantitative targets.

- **Performance on structural conditionality has been strong overall.** The authorities have met all but one structural benchmark falling due since the completion of the First ECF-review. They missed the benchmark on preparing a plan for the operational restructuring of the remaining state-owned bank as more time is needed for this. The authorities have also already met one of two structural benchmarks due by end-June 2025.

Program Strategy going Forward.

- **Waiver for non-observance of a QPC based on corrective actions:** The authorities request a waiver for the non-observance of the QPC on the fiscal balance, and staff supports the request in view of the authorities' commitment to corrective actions aimed at making future debt surprises less likely and strengthening fiscal reporting.
- **Recalibration of the fiscal targets:** Following the debt overshooting of 2024, the program's existing fiscal anchor would require an undesirably large fiscal contraction. To avoid this, the authorities request, and staff support, a recalibration of the fiscal targets and associated extension of the program.
- **Continuation of structural reforms:** The structural reform program will remain broadly unchanged, continuing the focus on measures to raise fiscal revenue, strengthen public financial management, enhance governance and the business environment, and reform the remaining state-owned bank.

Risks to the Program. Risks to the program are elevated, as a range of shocks (e.g., from insecurity, a challenging external environment, and ongoing climate change) as well as potential weaknesses in policy implementation could undermine progress towards program goals. The agreed corrective measures including the integration of a fiscal buffer of 0.25 percent of GDP should help enhance resilience.

Approved By
Annalisa Fedelino (AFR) and Jacques Miniane (SPR)

Discussions took place in Lomé during March 17-28, 2025. The staff team comprised Mr. H. Weisfeld (head), Ms. M. Chu, 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. Li led the advance team during March 17–18. Ms. E. Boukpessi (ED office) participated as well. 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 civil society representatives and the donor community. Ms. E. Eckling provided administrative assistance.

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ANNEXES

APPENDIX

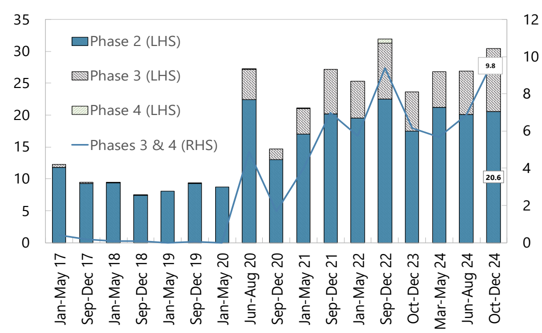
CONTEXT

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 continue.** Food insecurity remains stubbornly high, with now 30.4 percent of the population facing at least some degree of food insecurity (Text Figure 1a). The pace of poverty reduction has slowed substantially, and about a quarter of the population remains extremely poor (income below US$2.15 a day, Text Figure 1b), while the distance to the Sustainable Development Goals remains large. At the same time, the terrorist threat continues. While the number of attacks and casualties has slowed in the first few months of 2025, attacks have reportedly become more sophisticated with the use of drones for the first time in April 2025 (Text Figure 2). Further, the terrorist activity has displaced a substantial number of people in the country's North, undermining economic activity there, with continuing risks to Togo's key logistic sector that is highly dependent on transporting goods through this area.

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

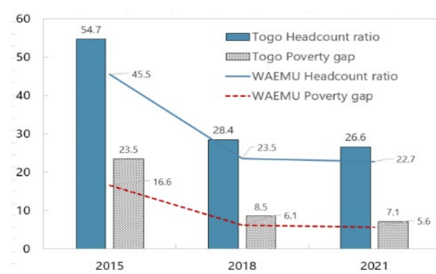
Togo: Prevalence of Food Insecurity,[1] 2017–24

(Percent of analyzed population)

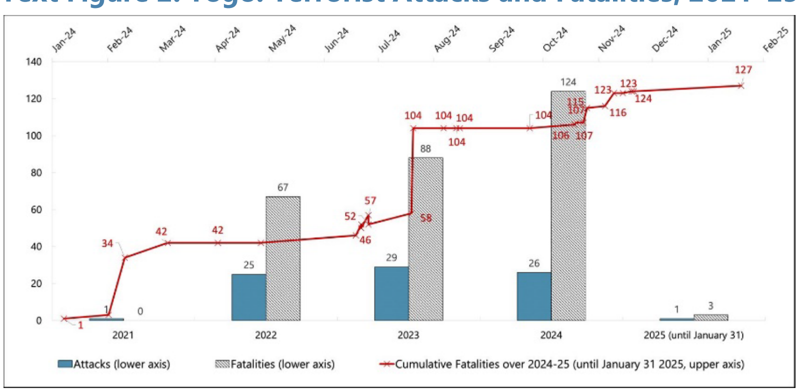


Togo: Poverty Headcount Ratio and Poverty Gap at $2.15/Day,[2] 2015–21

(Percent of population; percent shortfall of poverty line)



Text Figure 2. Togo: Terrorist Attacks and Fatalities, 2021–25



Sources: Integrated Food Security Phase Classification (1a), World Bank (1b); Armed Conflict Location & Event Data Project (ACLED); www.acleddata.com. Data accessed on February 2nd, 2025. (2); 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.

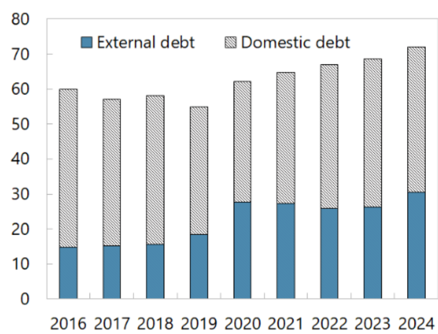
[2] In 2017 PPP. The poverty gap is the ratio by which the mean income of the poor falls below the poverty line.

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 weakly targeted fuel subsidies (Text Figure 4), while large VAT and corporate income tax exemptions continue to constrain revenue (Text Figure 4).

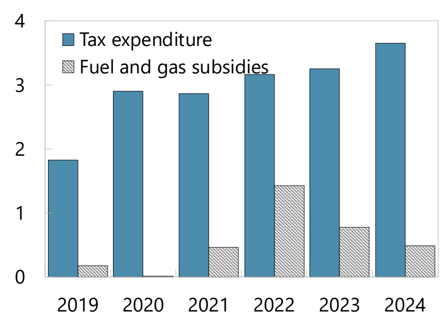
3. The ECF-arrangement aims to help the authorities (i) make growth more inclusive while strengthening debt sustainability, and (ii) conduct structural reforms to support growth and limit fiscal and financial sector risks. Key policies include a strengthening of social and pro-poor spending, a large fiscal consolidation thanks in part to ambitious fiscal revenue mobilization; public financial management reforms, governance reforms, and recapitalizing and reforming the state-owned bank, UTB.

4. The Executive Board concluded the First Review of the ECF-arrangement in December 2024, finding implementation to be strong and welcoming enhanced commitments to governance reforms.

Text Figure 3. Togo: Total Public Debt, 2016–24
(Percent of GDP)



Text Figure 4. Togo: Tax Expenditure and Fuel and Gas Subsidies, 2019–24
(Percent of GDP)



Sources: Togolese authorities and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

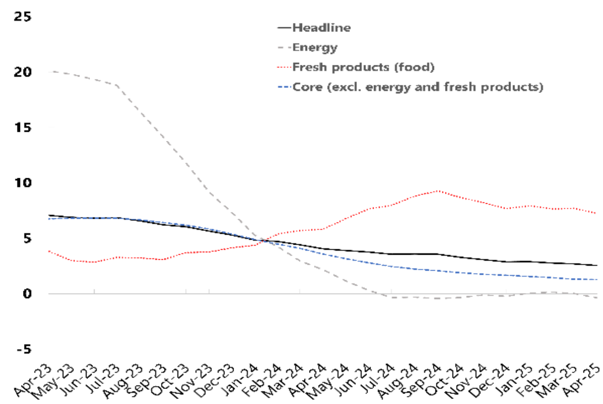
5. Growth in 2024 is estimated at a robust 5.3 percent, thanks notably to solid private consumption as seen in robust low-voltage electricity consumption, fuel product consumption, and retail trade.

6. Inflation has declined amid easing energy prices (Text Figure 5). Headline inflation declined to 2.6 percent in April 2025 and core inflation to 1.3 percent (annual averages). Food price inflation, while declining as well, remains more elevated.

7. The authorities raised tax revenue as planned and generated strong non-tax revenue in 2024 (Text Table 1). Tax revenue rose to the programmed 14.9 percent of GDP thanks to tax policy and revenue administration efforts, from a non-transitory level of tax revenue of 14.5 percent of GDP in 2023. With this, tax revenue has risen by a cumulative 1 percent of GDP over 2023 and 2024. Key tax policy measures included increases in excise taxes on products generating negative externalities such as alcoholic drinks and an increase in the VAT rate on hospitality services. Non-tax revenue reached 2.1 percent of GDP in 2024; 0.7 percentage points higher than projected at the first review thanks to improved arrears collections on mining royalties and building rents (elements that are unlikely to fully recur).

Text Figure 5. Togo: Consumer Price Index, 2020–25

(Percent change, period average)



Sources: Togolese authorities and IMF staff calculations.

Text Table 1. Togo: Fiscal Developments, 2019–24[1]

(Percent of GDP)

	2019[1]	2020	2021	2022	2023	2024 1st review	2024 est.
Revenue and grants (1)	18.2	16.6	17.1	17.6	19.8	18.8	19.0
Total revenue	15.2	14.1	15.3	15.1	16.8	16.6	17.0
Tax revenue	13.5	12.5	14.0	13.9	14.8	15.2	14.9
Nontax revenue	1.8	1.6	1.3	1.2	2.0	1.4	2.1
Grants	3.0	2.5	1.8	2.5	3.1	2.2	2.0
Expenditures and net lending (2)	16.6	23.7	21.8	26.0	26.6	25.2	26.4
Expenditures and net lending (exc. banking sector operations)	16.6	23.7	21.8	26.0	26.6	23.7	25.4
Current expenditures	13.4	14.4	13.6	16.2	15.1	14.7	15.8
of which: Fuel subsidies	0.2	0.1	0.2	1.4	0.8	0.5	0.5
of which: Social protection cash transfers	...	0.3	0.2	0.1	0.2	0.1	0.1
Capital expenditures	3.2	9.3	8.2	9.7	11.5	9.0	9.6
of which: emergency program for Northern regions	...	...	...	0.7	1.2	1.0	1.0
of which: Security spending	1.5	1.4	1.0	3.0	4.6	3.2	3.2
Overall balance (commitment basis, incl. grants)	1.7	-7.0	-4.7	-8.3	-6.7	-6.4	-7.4
Change in arrears	-2.6	0.0	-1.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-0.9	-7.1	-5.6	-8.3	-6.7	-4.9	-6.4
Overall balance (cash basis, incl. grants) (3) = (1) - (2)	-0.9	-7.1	-5.6	-8.3	-6.7	-6.4	-7.4
Financing (4) = (5) + (6)	-0.1	5.0	5.4	8.2	6.7	5.1	6.1
Domestic financing (net) (5)	-3.2	0.6	4.5	7.1	4.5	1.2	1.5
External financing (net) (6)	3.1	4.4	0.9	1.1	2.3	4.0	4.6
Financing gap (7) = - ((3) + (4))	1.0	2.1	0.2	0.1	0.0	1.3	1.3
Exceptional financing	1.0	2.1	0.2	0.0	0.0	1.3	1.3
of which: IMF-ECF	1.0	1.9	0.0	0.0	0.0	1.3	1.3

Sources: Togolese authorities and IMF staff estimates.

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

8. However, public debt exceeded projections based on the fiscal deficit by 2.4 percent of GDP at end-2024 mainly due to transactions the authorities reported below the line, with little progress towards enhancing debt sustainability. These include lending to communities affected by floods (equivalent to 0.9 percent of GDP), and efforts to ensure food security through a large purchase of fertilizer (equivalent to 1.7 percent of GDP) that is being made available to farmers at a discount.[1] The authorities assert that this accounting is in line with national laws and regional directives. This unplanned debt increase was financed mainly by the taking up of a short-term trade credit not included in the authorities' external borrowing plan (and also not constrained through the program's debt limits) without reducing domestic borrowing commensurately. Annex I presents coherent fiscal reporting for 2024.

9. Staff assesses that the largest of these transactions (a fertilizer purchase equivalent to 1.7 percent of GDP) should be recorded above the line, resulting in a miss of the fiscal deficit target. Under the 1986 GFSM methodology, all government spending and policy-oriented lending is to be shown above the line. Under the 2001 and later GFSM methodologies, the line is drawn in a different place, and loan operations and other transactions in financial assets are recorded below it, whether for policy purposes or not. Indications are that the authorities are following the 1986 methodology. This said, they appear to be working toward implementing the 2001 methodology, whereby the advances to local authorities can be kept below the line. However, the fertilizer purchase should be shown above the line as it is not primarily a loan operation, notwithstanding the fact that the central government charged an extrabudgetary unit with the storage and sale of the fertilizer and registered a claim on this unit in the value of the subsidized sales price in its books. With this, the overall deficit (including grants, excluding banking sector operations) reached 6.4 percent of GDP, exceeding the target of 4.9 percent of GDP.[2]

10. The authorities have continued to recapitalize the remaining state-owned bank, UTB. They injected another CFAF 15.2 billion in cash into the bank in December 2024 to bring regulatory capital to CFAF 20 billion, the revised minimum capital requirement for all banks.[3] The authorities have also shared with staff preliminary results of an audit of the bank's operations, which will be one of several inputs to the preparation of an operational restructuring plan.

11. Different from staff's understanding at the first review, the authorities have not yet purchased the HQ building and other real estate assets of the former public bank, privatized in an undercapitalized condition in 2021. A purchase contract was concluded, but the government has not yet remitted the funds (CFAF 27 billion, (0.4 percent of GDP)), reportedly due to shifting willingness by the bank's owners to sell these assets. The authorities anticipate finalizing the transaction by end-2025, and this has been factored into staff projections.[4] The authorities anticipate finalizing the transaction by end-2025, and this has been factored into staff projections.

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[1] The settlement of expenditure commitments from previous years and other legitimate below the line transactions (including both inflows and outflows from local authorities and public institutions) explain the difference between these transactions and the increase in public debt, and additional drawdowns from government accounts.

[2] The fertilizer purchases took place in the second half of the year. In relation with this, and despite small revisions to end-June 2024 debt service, staff did not find evidence for any misreporting at end-June 2024.

[3] The regulator raised the capital requirement from CFAF 10bn to CFAF 20bn effective in 2024 and gave all banks until end-2026 to meet this higher bar. The authorities represent that UTB is meeting this requirement already now.

[4] This delay does not affect program implementation. The program never included a commitment to reform the former public bank given that the bank has been under the purview of the regional regulator rather than the national authorities since its privatization.

12. Regional financing conditions remain tight. Weighted average yields on Togo's debt in the regional market have increased to 7.4 percent in 2024 from 6.1 percent over 2019–23, and maturities have shortened, with Treasury bills making up nearly three quarters of financing in 2024 compared to only one fifth over 2019–23, resulting in increased interest costs and rollover risks. The authorities plan to curtail domestic borrowing in 2025 and, to the extent possible, extend maturities.

13. Despite the rise in public debt, Togo's assessed risk of overall debt distress has lessened because of an improvement in its capacity to carry debt (DSA). Togo's assessed debt-carrying capacity has been revised to 'strong' (from 'medium') thanks to an improvement in Togo's Country Policy and Institutional Assessment (CPIA), its growth performance, and the recovery in regional reserves (Text Table 2). As a result, the benchmark beyond which overall debt would signal high risk of debt distress has risen to a PV of 70 percent of GDP (from 55 percent of GDP). With the PV of debt to GDP projected to decline steadily from 60 percent in 2025, Togo is now assessed at moderate risk of overall debt distress (from 'high' in the previous DSA). Togo remains at moderate risk of external debt distress because of elevated short-term debt service and risks associated with the estimated large non-resident holdings of Togo government securities.

Text Table 2. Togo: Composite Indicator (CI) of Ability to Carry Debt, May 2025

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.39	3.66	1.41	45%
Real growth rate (in percent)	2.72	5.20	0.14	5%
Import coverage of reserves (in percent)	4.05	43.40	1.76	57%
Import coverage of reserves^2 (in percent)	-3.99	18.83	-0.75	-24%
Remittances (in percent)	2.02	6.92	0.14	5%
World economic growth (in percent)	13.52	2.97	0.40	13%
CI Score			**3.10**	**100%**
CI rating			**Strong**	

Source: IMF World Economic Outlook (April 2025) and World Bank

14. Togo's external position is assessed as broadly in line with the level implied by fundamentals and desirable policies (ESA). The current account deficit is estimated to have narrowed slightly in 2024 to 3.2 percent of GDP, reflecting a reduction in capital imports.

15. The weakening of regional reserves seen over recent years has now reversed, and reserves reached 5.4 months of imports coverage in April 2025. Ongoing fiscal consolidations and external inflows have helped, and there are prospects for a further strengthening thanks in part to favorable export commodity prices.

OUTLOOK AND RISKS

16. Macroeconomic performance is expected to remain robust (Text Table 3). Growth is projected to reach 5.2 percent in 2025, only marginally lower than anticipated at the time of the First Review. Staff assesses that positive impacts on growth of lower oil prices relative to the First Review and hence a lower fuel products import bill will largely offset adverse impacts from slower global growth, mixed price changes on the export side (coffee, cocoa, phosphates), higher US tariffs on imports from Togo, and increased uncertainty potentially weighing on investment and financial market conditions. From 2026 on, growth should recover to a trend of 5.5 percent per year as projected earlier, thanks to structural reforms to boost productivity and private investment. Headline inflation is projected to converge to 2 percent, and the current account deficit is expected to decline to 0.5 percent of GDP thanks in part to the lower cost of fuel products.

Text Table 3. Togo: Key Macroeconomic Estimates and Projections, 2022–30

	2022	2023	2024		2025	2026	2027	2028	2029	2030
	Est.	Est.	1st Review	Est.	Projections					
Real GDP (percent change)	5.8	5.6	5.3	5.3	5.2	5.5	5.5	5.5	5.5	5.5
GDP deflator (percent change)	3.7	2.9	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0
CPI inflation, average (percent)	7.6	5.3	3.3	2.9	2.3	2.0	2.0	2.0	2.0	2.0
					(percent of GDP)					
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-8.3	-6.7	-4.9	-6.4	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-8.3	-6.7	-6.4	-7.4	-3.9	-3.0	-3.0	-3.0	-3.0	-3.0
Current account balance	-3.5	-4.0	-3.0	-3.2	-2.3	-1.4	-1.0	-1.0	-0.9	-0.5
Total public and publicly guaranteed debt	67.0	68.6	69.7	72.1	70.2	68.7	66.9	64.8	63.4	62.0

Sources: Togolese authorities; and IMF staff projections.

Sources: Togolese authorities; and IMF staff projections.

Note: Data for 2024 are preliminary.

17. However, the outlook is subject to unusually high risks (Annex III, Risk Assessment Matrix).

- **Global risks have heightened in recent months:**
  - *Impacts of US tariff increases:* The increase in US tariffs could weigh on Togo's growth more than anticipated. This said, Togo's exports to the US account for only a small share of GDP, and Togo may benefit from trade diversion from other countries that face an even higher increase in US tariffs. Beyond impacts on Togo's exports to the US, global growth and associated demand for Togolese exports due to the sharp increase in US tariffs could slow more than currently projected and impacts from increased global volatility and uncertainty on FDI inflows and financing conditions could be larger than anticipated.
  - *Impacts from a potential curtailment of USAID operations* could be substantial. It appears that USAID had planned in 2024 to continue providing grants to the government budget of USD 12 million (0.1 percent of GDP) per year and another USD 60 million (0.6 percent of GDP) per year in health spending (including for AIDS and malaria prevention) that would be disbursed directly to beneficiaries, i.e., without going through the government budget. It is not clear to which extent this support will continue. While the budgetary impact of a reduction or stop in USAID spending may be limited given the only small amount of budget grants, it could be large if the government were to cover from its own budget the additional 0.6 percent of GDP in USAID direct health spending. This could also create BoP pressures. Alternatively, a growing disease burden, in addition to exacerbating human suffering, could weigh on medium-term economic performance.
- **Domestic and regional risks remain large:**

- *Domestic risks:* Terrorism continues to be a key risk with potential impacts ranging from a dampening of logistics activities to a severe destabilization of Togo's economy, while climate change is a growing threat. Similarly, risks to financial sector stability from undercapitalized banks have likely lessened in line with the strengthening of the capital of UTB but have not yet been fully resolved. A recurrence of shortcomings in fiscal consolidation would undermine progress towards stronger debt sustainability.
- *Regional risks:* Risks from a further weakening of regional reserves have lessened, given their recent strong recovery, but the favorable outlook for reserves remains subject to downside risks.

PROGRAM PERFORMANCE

18. Performance relative to quantitative targets at end-2024 was mixed (MEFP Table 1). Given the developments discussed above, the authorities missed the QPC on the basic primary fiscal balance and met all other quantitative targets.

19. The authorities have met all but one structural benchmarks falling due since the completion of the First ECF-review (MEFP Table 2). They strengthened budgetary risk analysis, meeting SB 3.1, and recapitalized UTB to the regulatory minimum, meeting SB 7.1 at end-December 2024. (They had met SB 2.2 on establishing a biometric identification system and social register due at end-December 2024 already earlier, as reported in the Staff Report for the First Review). Further, the authorities updated the medium-term debt strategy to include reasons for variation from previous targets, meeting SB 5.2 at end-April 2025. However, they were unable to adopt a plan for the restructuring of the remaining public bank given that more time is needed to prepare the plan (see paragraph 37), missing SB 7.2.

20. The authorities have already met one of two benchmarks due by end-June 2025 (MEFP Table 2). They expanded the scope of the quarterly debt bulletin to include SOE/publicly guaranteed debt, meeting SB 5.3 at end-June 2025.

POLICY DISCUSSIONS

A. Strengthening Debt Sustainability While Enhancing Inclusion

Overall Fiscal Program / Medium-Term Plans

21. Following the unanticipated increase in debt in 2024, implementing the previously agreed dual fiscal anchor would require an undesirably sharp fiscal contraction. The fiscal deficit would need to be lowered to 2.1 percent of GDP in both 2025 and 2026, jeopardizing the authorities' ability to strengthen inclusion and maintain security and robust growth, preconditions for maintaining macroeconomic stability. Insecurity in the country's North continues to exert substantial pressures to strengthen both security and civilian spending.

22. With this, the authorities request, and staff support, recalibrating the fiscal anchor and, as a supporting measure, extending the program as follows:

- **Revising the debt target:** The authorities request, and staff support, delaying the target of reducing the present value (PV) of debt below 55 percent of GDP to 2027 (from 2026, Text Table 4). In combination with the proposed extension that would add a test date at end-2027, this modification would preserve the program's original goal to reduce debt to this level in the last full year of the program. Staff supports the delay, partly in recognition of Togo's improved debt carrying capacity (paragraph 13).

Text Table 4. Togo: Medium-Term Fiscal Plans, 2023–30

(Percent of GDP)

	2023	2024		2025		2026		2027	2028	2029	2030
	Est.	1st Review	Est.	1st Review	Proj.	1st Review	Proj.	Projections			
Revenue and grants (1)	19.8	18.8	19.0	18.6	18.8	19.1	18.5	19.0	19.4	19.9	20.2
Total revenue	16.8	16.6	17.0	17.1	16.6	17.6	17.1	17.6	18.1	18.7	19.1
Tax revenue	14.8	15.2	14.9	15.7	15.4	16.2	15.9	16.4	16.9	17.4	17.9
Nontax revenue	2.0	1.4	2.1	1.4	1.2	1.4	1.2	1.2	1.2	1.2	1.2
Grants	3.1	2.2	2.0	1.6	2.2	1.5	1.4	1.4	1.3	1.2	1.1
Expenditures and net lending (2)	26.6	25.2	26.4	21.6	22.7	22.0	21.5	22.0	22.4	22.9	23.2
Expenditures and net lending (exc. banking sector operations)	26.6	23.7	25.4	21.6	22.2	22.0	21.5	22.0	22.4	22.9	23.2
Primary Expenditure	23.8	21.0	22.5	19.1	19.7	19.7	19.7	20.4	20.9	21.4	21.0
Current expenditures	15.1	14.7	15.8	14.5	14.2	14.3	14.3	14.2	14.0	13.8	13.7
of which: Fuel subsidies	0.8	0.5	0.5	0.4	0.4	0.2	0.2	0.0	0.0	0.0	0.0
of which: Social protection cash transfers	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Capital expenditures	11.5	9.0	9.6	7.1	8.0	7.7	7.1	7.8	8.5	9.1	9.6
of which: emergency program for Northern regions	1.2	1.0	1.0	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.5
of which: Security spending	4.6	3.2	3.2	2.4	2.6	0.6	0.6	0.6	0.5	0.5	0.5
Overall balance (commitment basis, incl. grants, excl. banking sector operation)	-6.7	-4.9	-6.4	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-6.7	-6.4	-7.4	-3.0	-3.9	-3.0	-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	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-6.7	-4.9	-6.4	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, excl. grants)	-9.8	-8.6	-9.4	-4.5	-6.1	-4.4	-4.4	-4.4	-4.3	-4.2	-4.1
Overall balance (cash basis, incl. grants) (3) = (1) - (2)	-6.7	-6.4	-7.4	-3.0	-3.9	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Financing (4) = (5) + (6)	6.7	5.1	6.1	1.9	2.8	2.2	2.2	2.6	2.9	3.0	3.0
Domestic financing (net) (5)	4.5	1.2	1.5	1.3	-1.2	0.1	1.3	0.2	0.9	1.6	1.0
External financing (net) (6)	2.3	4.0	4.6	0.5	4.0	2.1	0.8	2.5	2.0	1.4	2.0
Financing gap (7) = - ((3) + (4))	0.0	1.3	1.3	1.1	1.1	0.8	0.8	0.4	0.1	0.0	0.0
Exceptional financing	0.0	1.3	1.3	1.1	1.1	0.8	0.8	0.4	0.1	0.0	0.0
of which: IMF-ECF	0.0	1.3	1.3	1.1	1.1	0.8	0.8	0.4	0.1	0.0	0.0
Present value of total public debt	62.3	60.7	63.2	57.7	60.0	54.5	57.0	54.0	50.9	49.1	47.6
Memorandum Item:											
Social and pro-poor spending	4.8	5.3	5.3	5.1	5.1	5.3	5.3	5.4	5.5	5.6	5.7

Sources: Togolese authorities; and IMF staff estimates. Data for 2024 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.

- Revising the path of fiscal balances: The authorities request, and staff support, relaxing the fiscal deficit ceiling to 3.5 percent of GDP in 2025 (not including the delayed banking sector operations, from 3 percent of GDP) in light of the persistent security challenges and resulting spending pressures. The 3 percent of GDP deficit target will be maintained from 2026 on. Further, the authorities request, and staff support, a tightening of the ceiling on net domestic financing (see paragraph 42).

Revenue Mobilization

23. The authorities rightly aim to raise tax revenue by at least 0.5 percent of GDP in 2025.

Text Table 5. Togo: Revenue mobilization measures in 2025

	Measures	Yield (CFAF millions) in 2025	Yield (% GDP) in 2025
	Tax Policy Measures		
1	Introduction of a 15% excise tax on precious metals and stones	952.4	0.01
2	Raise the excise tax rate on sugar-sweetened beverage products (5 to 10 percent)	2648.6	0.04
3	Introduction of the telecom tax of 5% on the turnover excluding tax of telecommunications companies	11905.5	0.19
4	Subject to registration of externally financed public contracts at a proportional rate of 1.5% instead of a fixed fee	897.1	0.01
5	The increase in VAT collection related to the tariff increase for the lower voltage segment	3013.8	0.05
	TAX POLICY MEASURES	**19417.4**	**0.31**
	Revenue Administration Measures		
6	Strengthening tax and customs control, e.g. introducing a technical assessment grid for inspectors and auditors to better fight against tax fraud	7500	0.12
7	Step up of actions to collect outstanding balances	6934	0.11
8	Increase in the number of products under the tariff specification code	1043.8	0.02
9	Strengthening property taxation by conducting property surveys in the Greater Lome area	851.5	0.01
	TAX ADMINISTRATION MEASURES	**16329.3**	**0.26**
	TOTAL	**35746.7**	**0.56**

- **The Tax policy measures,** which have already been implemented, include introducing or increasing various excise duties, for an expected yield of 0.3 percent of GDP (Text Table 5). 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 VAT revenue, the authorities will *prepare an analysis of VAT exemptions to determine which are progressive and which regressive (by end-June 2025, SB 4.1)*. In addition, they will *prepare a report on the taxation of civil servants that (i) explains why personal income tax appears low relative to ordinary personnel expenditures, (ii) assesses the compliance of withholding taxes with existing regulations based on annual salary declarations submitted to the revenue agency, and (iii) examines whether the PIT tax on civil servants could and should be raised and if so, presents a strategy for this (by end-December 2025, SB 4.2).*

- **The revenue administration measures** include strengthening tax auditing, arrears collection, and property tax collection. The authorities expect this to yield revenue of 0.25 percent of GDP.

24. The authorities also aim to raise tax revenue by at least 0.5 percent of GDP in 2026. Tax policy measures include *abolishing VAT exemptions generating annual revenue losses of at least 0.25 percent of GDP* (by end-March 2026, proposed SB 8.1) and a further strengthening of excise taxes (on tobacco and used vehicles), as well as expanding property taxation. Revenue administration efforts include *reducing by half the number of operations (import, export and transit) subject to customs suspension procedures, expired and not discharged* (by end-June 2026, SB 8.2) and continued strengthening of tax audits and arrears collection. The authorities will also *adopt a Medium-Term Revenue Mobilization Strategy* (by end-June 2026, SB 8.3) that can guide efforts from 2027 onwards.

25. The authorities should continue efforts to strengthen non-tax revenue, including by strengthening enforcement of mining royalty regulations and introducing new royalties at the port of Lomé.

Spending Plans and Enhancing Inclusion

26. The authorities' spending plans aim to balance priority spending (for security, social, investment, and banking sector repair purposes) and consolidation, in line with the 2025 budget law adopted by Parliament that broadly corresponds to the program baseline.

- Current spending is projected to decline from 15.1 percent of GDP in 2023 to 13.7 percent of GDP in 2030, mainly driven by the fact that the large fertilizer purchases of 2024 (equivalent to 1.7 percent of GDP) are not expected to recur, declining interest payments due to increased reliance on concessional lending, and lower transport-related fuel subsidies. These subsidies will decline to 0.4 percent of GDP in 2025 (except in a case of a large spike in fuel prices) and decline further in 2026, when they will be better able to make targeted transfers thanks to the biometric ID and register of the poor.
- Public investment including on security is projected to decline from 11.5 percent of GDP in 2023 to 9.6 percent in 2024 and further to 8.0 percent of GDP in 2025, before recovering in line with revenue mobilization. Security investment remains elevated since the onset of terrorist attacks in 2021 but is nevertheless following a downward trend, reaching 4.6 percent of GDP in 2023, 3.2 percent of GDP in 2024, and 2.7 percent of GDP in 2025.
- Social and pro-poor spending in the program definition, which cuts across current and capital spending, is projected to expand from 4.8 percent of GDP in 2023 to 5.7 percent of GDP in 2030.[5] Within social and pro-poor spending, the authorities are implementing an emergency program for the North to benefit its underserved populations, now also exposed to terrorist attacks. The program aims to strengthens access to services including water, energy, health care, and education; boost telecommunications and road networks; and support agriculture.

[5] 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.

The program is projected to cost a cumulative 5.6 percent of GDP over 2022-26, of which 3.1 percent of GDP have been spent so far, leaving a balance of 2.5 percent of GDP for 2025–26.

- Spending plans also include the purchase of real estate assets from the former public bank, shifted to 2025.

27. As one of several corrective actions aimed at making a future debt overshooting less likely, and to contend with increased risks, the authorities intend to build a buffer into budget execution. As part of the corrective actions aimed to address the issues encountered in 2024, and to strengthen contingency procedures in an increasingly risky global environment, they will retain a buffer of 0.25 percent of GDP until the last month of the budget execution period for addressing any shocks that may occur. Staff recommends that the authorities retain this buffer as a contingency reserve at the Ministry of Finance.

Other Fiscal Issues

28. The authorities should prepare an overarching medium-term fiscal strategy. The strategy would ideally integrate the revenue mobilization strategy with a spending strategy to help achieve both tax efficiency and income distribution goals. Making greater use of cash transfers would help reach both efficiency and distributional goals.

29. The authorities should continue to pursue prudent debt management, including by prioritizing concessional borrowing and seeking to manage elevated short-term debt service costs in 2025–26.[6]

B. Structural Reforms to Support Growth and Limit Risks

Enhancing Public Financial Management (PFM)

30. In addition to building a buffer into budget execution as explained above, the authorities will take the following corrective PFM-related actions to make future debt surprises less likely and enhance fiscal reporting:

- **Ensuring fiscal reporting in line with GFSM norms.** As requested by the authorities, IMF reports will (i) show above the line all policy operations that are not first and foremost lending operations or acquisitions of financial assets, such as the fertilizer purchase in 2024;[7] and (ii) show the full borrowing costs, including from issuing debt security with a discount.

[6] The authorities took out a EUR 150 million trade loan (1.7 percent of GDP) in May 2024 that results in elevated debt service in 2025. In April 2025, the authorities signed a short-term trade finance facility guaranteed by the WB to replace this loan on more favorable terms with the possibility of rolling over the guarantee by two years. See DSA.

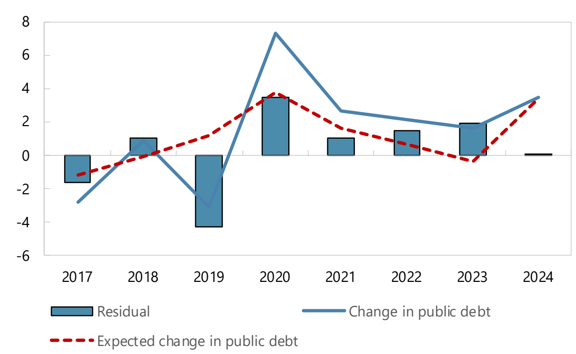
[7] The authorities purchased the fertilizer and subsequently charged an extra-budgetary entity with its sale to farmers at a subsidized price, entering a credit to the entity equivalent to the subsidized value of the fertilizer in its books. Staff assessed that the entering of a credit to the extra-budgetary unit did not qualify the fertilizer purchase as a below-the line operation.

- **Informing the public about the drivers of debt.** The authorities have published a note establishing coherence of fiscal reporting in 2024, thereby meeting the prior action for the Second ECF-Review. This will help the public understand why debt increased at a fast pace in the first year of an ECF-arrangement aimed at strengthening debt sustainability. Further, they have agreed to publish similar such notes in future years and will *publish such a note regarding the execution of the 2025 budget* (by end-June 2026, SB 9.2).

31. The authorities are pursuing additional efforts to enhance reporting on debt accumulation. They have (i) *expanded the scope of the quarterly debt bulletin to include SOE/publicly guaranteed debt* earlier than expected (published in March ahead of the end-June 2025 deadline, SB 5.3 met); and (ii) *updated the medium-term debt strategy to include the reasons for variations with respect to previous plans* (by end-April 2025, SB 5.2 met). They have committed to *preparing a report on the reasons for the historic unexplained debt accumulation and a strategy for ending it* (by end-December 2025, SB 9.1). This effort will be helped by the successful clarification of the drivers of debt accumulation in 2024. Incorporating its results into historical analysis already reduces the average unexplained residual to 0.4 percent of GDP over 2017-24 from 1 percent of GDP previously calculated over 2017–23 (Text Figure 6).

32. The authorities also aim to provide greater clarity on SOE and PPP-related risks. Following the already implemented strengthening of budgetary risks analysis relating to SOEs (SB 3.1) and of investment planning relating to SOEs and other public entities (SB 3.2), the authorities (i) are working toward the adoption by Parliament of a new law for the governance and oversight of SOEs; (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)*.

Text Figure 6. Togo: Change in Total Public Debt, 2017–24
(Percent of GDP)



Sources: Togolese authorities and IMF staff calculations.
Data on the change in central government deposits, included in the expected change in public debt, are not available prior to 2023.

33. Electricity and water utilities need strengthening. Electricity tariffs remain below cost recovery levels, resulting in financial imbalances (not captured in fiscal reporting) and associated fiscal risks, and undermining power supply. The authorities have recently adopted a roadmap for energy sector reforms developed with the WB and implemented a first tariff increase, with further increases needed to reach cost-recovery. Water utilities also charge tariffs that do not cover costs, requiring reforms.

Enhancing Governance and the Business Environment

34. Substantial governance challenges remain. Key laws of the governance and anti-corruption framework remain in need of amendment, and gaps in the legal framework exist.

For example, Togo's asset declaration regime faces a lack of publication requirements, ambiguities on assets to be included, lack of verification mechanisms, and lack of sanctions for incorrect declarations. Implementation of laws also shows room for improvement.

35. The authorities plan to strengthen governance and the business environment. As a first step that will create a basis for determining further steps, they have requested an IMF Governance Diagnostic Assessment (GDA), for which a first mission will take place in August 2025, and they intend to *publish the GDA report* (by end-December 2025, proposed SB 10.1).[8] In the meantime, 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). Staff also recommends that the authorities align the income and asset declaration regime for senior officials with best practice, including by requiring the publication of declarations. The authorities argue that this would expose declaring individuals to undue social pressure to share their wealth. In contrast, staff believe that strengthening asset and income declarations can be an important step towards enhancing the public's trust and may at some point be needed to ensure support for revenue mobilization and fiscal consolidation.

36. 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). 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. Parliament is considering a draft bill that incorporates a 2023 WAEMU AML/CFT Directive into national law.

Strengthening the Banking System

37. The authorities intend to strengthen prudent credit provision, including by improving banks' operating environment, e.g. enhancing land ownership information, and supporting efforts by the Banking Commission to enhance enforcement of norms.

38. Following the authorities' actions to strengthen UTB's capital, provisional data indicate that UTB's compliance with regulatory norms has improved substantially. While UTB (representing 9.1 percent of banking sector assets) breached 12 norms at end-2023, it violated only three norms at end-2024, a Tier 1 capital threshold, a solvency criterion that accounts for risk-weighted assets, and a risk concentration norm. Further, UTB's asset quality has improved, with NPLs declining to 8.6 percent of assets at end-2024 (from 13.2 percent at end-2023), which the authorities believe reflects in part strengthened recovery efforts.[9]

39. Despite some improvements, the authorities will need to renew/intensify efforts to ensure that UTB ceases to create undue risks to financial sector stability and the government

[8] Recent experience suggests that the need for multi-stakeholder consultation requires time.

[9] These developments are not yet reflected in Table 5 on financial soundness indicators (FSIs) for the banking system as a whole, as FSIs for end-2024 are not yet available.

finances. In particular, they will need to restructure the bank's operations to ensure its stability and profitability. For this, they will (i) *adopt a plan for UTB restructuring that ensures prudent and independent management aimed at ensuring the bank's profitability and stability (by end-March 2026, SB 7.2),* informed by credible diagnostics of the bank's financial position and forward-looking viability; and *(ii) implement the plan (by end-December 2026, SB 7.3)*. These dates had to be pushed back because the independent audit of the bank's operations had gaps that need to be addressed. In addition to restructuring UTB's operations, the authorities will need to help it address the remaining breaches of regulatory norms. The required steps and associated costs remain to be determined.

40. The former public bank continues to show a large capital shortfall and breach all prudential norms.[10] Regulatory capital is estimated at a negative CFAF 49.2 billion (0.8 percent of GDP) at end-2024. The government's envisaged purchase of the headquarters building and certain other real assets (estimated at 0.4 percent of GDP), along with efforts to recover loans to connected parties, could bring regulatory capital close to zero. From there, the bank's owner will need to strengthen the bank further. The bank's asset quality has changed little, with NPLs standing at 8.2 percent of assets at end-2024 (from 8.1 percent at end-2023).

41. Developments are mixed at another two banks that breached norms at end-June 2024. One bank, accounting for 4.4 percent of banking sector assets, has shown improvement and is now missing the limit on non-operating assets only by a small margin. The other bank, accounting for 4.7 percent of banking sector assets, has seen its regulatory capital weaken further and thus continues to breach the capitalization norm, prompting the regulator to prepare a corrective action plan. The owners are reportedly trying to raise subordinated debt to strengthen Tier 2 capital.

PROGRAM MODALITIES AND OTHER ISSUES

42. The authorities request, and staff support, a waiver of the missed QPC on the fiscal balance, given their commitment to corrective actions aimed at making future debt surprises less likely and enhancing fiscal reporting. In addition to building a buffer into budget execution (paragraph 27), as well as ensuring fiscal reporting in Fund documents in line with GFSM norms and informing about the drivers of debt (paragraph 30), the authorities have requested a tighter ceiling for net domestic financing (NDF). Specifically, (i) NDF has been defined more narrowly to ensure it will not be affected by distortions from below-the-line operations (while allowing for limited, legitimate below the line operations that can arise I the regular conduct of fiscal policy); and (ii) its adjustor has been widened beyond deviations of external budget support from plan to include deviations in other external borrowing from plans.[11] Taken together, these actions should reduce

[10] The bank represents 8.8 percent of banking sector assets.

[11] The definition of NDF will henceforth exclude the "Treasury Correspondents Accounts" that showed outflows for fertilizer purchases and support to local communities in 2024 and that as a result unintentionally lowered NDF. In connection with this exclusion, the NDF ceiling will include a new buffer of CFAF 30 billion (0.5 percent of GDP) to allow for legitimate below-the line operations that can arise, e.g., from transactions between the central government and other parts of the public sector. In addition, the existing adjustor that requires reducing NDF in response to

(continued)

substantially the likelihood and size of unexplained future debt accumulation, an important achievement.

43. Conditionality comprises semi-annual quantitative performance criteria, continuous performance criteria, quarterly indicative targets, and structural benchmarks through end-June 2026 as well as one additional structural benchmark set for end-December 2026.

- The authorities request, and staff support, a modification of the QPCs on the floor on the basic primary balance and the ceiling of net domestic financing for the remainder of 2025. QPCs for both these variables have been set for end-June 2026.
- The authorities request, and staff support the authorities' request for changes in three SBs:
  - The authorities request modifying SB 4.2 on the taxation of civil servants to increase the chances that this action can prepare the ground for future revenue gains. (Paragraph 23 and MEFP Table 2 present the proposed revised SB.)
  - The authorities request delaying SBs 7.2 and 7.3 on agreeing the restructuring strategy of the remaining public bank and implementing the restructuring, given a need for further preparations. (Paragraph 39 and MEFP Table 2 present the proposed revised due dates.)
  - Six new SBs have been set, of which three on revenue mobilization, two on public financial management, and one on governance (paragraphs 24, 31, 32, and 35, and MEFP Table 2).

44. The authorities request, and staff support, an extension of the program to July 31, 2028, and a related change in the disbursement schedule. The program extension allows adding a test date at end-2027. In connection with this, the authorities request and staff support, splitting the disbursement that was planned to follow the last review in two equal shares and disbursing it over the last two review, keeping the overall financing volume unchanged.

45. Fund financial support under the ECF-arrangement will be used for budgetary purposes in accordance with rules for the use of Fund resources for budget support (EBS/10/55).

46. The program is fully financed, with firm commitments in place for the 12 months immediately following the completion of this review. The financing gap for 2025 is estimated at US$288 million (Table 6) and is expected to be fully financed by the ECF disbursement (SDR 88 million, about US$117 million), WB and AfDB budget support loan commitments (US$157 million), and EU grants (US$15 million). There remain good prospects that financing will be adequate for the remainder of the program, including the requested extension.

47. Togo's capacity to repay the IMF remains adequate but subject to significant risks. Credit outstanding peaks in 2026 at 272.6 percent of quota and is above the 75th percentile of past

external budget support exceeding planned levels by more than a certain amount (CFAF 18 billion (0.3 percent of GDP)) will be complemented by an adjustor that requires reducing NDF in case of higher-than-planned other external borrowing (from the first dollar on). Similarly, the existing adjustor that enables expanding NDF by a limited amount (up to CFAF 50 billion (0.8 percent of GDP)) in response to shortfalls in external budget support will be complemented by an adjustor that allows expanding NDF in case of shortfalls in other external borrowing to enable suitable debt management that adjusts borrowing to market conditions.

PRGT arrangements when measured against GDP and external debt. Total debt service to the IMF is also above the 75th percentile over the next two 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 other SOEs are mitigated by policy measures on banking reform and reforms to support inclusion and limit risks. The ongoing fiscal consolidation will further support Togo's capacity to repay by lowering debt distress risks. Finally, Togo has a strong track record of IMF repayments.

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

49. Capacity development priorities are aligned with program objectives (Annex IV).

50. In line with Fund policy on Poverty Reduction Strategies, the authorities have presented their Poverty Reduction Strategy (PRS), anchored in the 2020–25 Government Roadmap. The roadmap encompasses strategic initiatives across various sectors to drive social inclusion, job creation, and modernization. Staff assess that the roadmap meets PRS requirements, having been developed through extensive stakeholder consultations and outlining priorities consistent with program objectives, including enhancing social safety nets, reducing fiscal risks, and stimulating private sector growth (Annex V). Staff will submit the roadmap and a WB assessment of it to the Executive Board ahead of the meeting for the Second Review. The authorities are preparing a successor roadmap for 2026-30, building on the current one.

51. The authorities have expressed interest in a future RSF-supported program. A recent climate policy diagnostic prepared by FAD has specified the climate risks to the economy, identified policy gaps, and recommended reform options.

STAFF APPRAISAL

52. Togo's macroeconomic performance has demonstrated resilience to the shocks of recent years, but the fiscal expansion supporting this resilience has pushed up public deficits and debt while progress towards the SDGs has slowed. Poverty and food insecurity remain high and the distance to the SDGs more broadly remains large, underscoring the need to boost growth and inclusion in a sustainable manner.

53. The baseline macroeconomic outlook remains favorable but is subject to significant downside risks, including from continued terrorist activity and heightened global risks. The volatile environment could weigh on growth and exacerbate financing pressures.

54. Program implementation since the First Review has weakened somewhat, with a shortfall in consolidation and associated debt overrun but an otherwise overall strong record. The authorities fell short on efforts to slow the growth of the debt burden in 2024, while succeeding on revenue mobilization and meeting most structural reform conditionality.

55. Nevertheless, with a recalibration of the fiscal path and associated extension of the arrangement, key program goals remain attainable, and staff supports the authorities' request for a waiver of the missed QPC, given their commitment to substantial corrective actions. These actions aim at both (i) lowering the likelihood of future debt overruns and (ii) improving fiscal reporting by determining and present publicly all drivers of debt, thereby providing a much stronger basis for rational decision making on the fiscal stance. Staff believes that with these corrective actions, the authorities will successfully implement the program.

56. Going forward, it will be important that the authorities implement the program within the recalibrated fiscal envelope.

- **Achieving substantial fiscal consolidation to slow debt accumulation:** Following the observed slowdown of fiscal consolidation in 2024, the authorities should implement the revised fiscal anchor by limiting deficits to 3.5 percent of GDP in 2025 and 3 percent of GDP from 2026 onward, while closely monitoring and containing drivers of debt not included in the fiscal deficit. This approach should allow bringing the PV of debt below 55 percent of GDP in 2027.
- **Continuing revenue mobilization:** The authorities should continue efforts to raise tax revenue by at least 0.5 percent of GDP per year and make taxation more efficient. Their measures for 2025 and 2026 are welcome. More broadly, looking forward over several years, it will be particularly important to reduce the substantial tax expenditure resulting from VAT exemptions, ideally complemented by greater use of cash transfers to the most vulnerable. The authorities should also scale back the granting of new CIT exemptions. Finally, they should impose higher taxes on those who can shoulder a higher burden, for example by strengthening property taxation as planned. The preparation of a medium-term revenue strategy by mid-2026 will be a good opportunity to develop these elements and obtain the public's buy-in for them. Finally, the authorities should continue their successful efforts at non-tax revenue mobilization.
- **Improving spending efficiency and prudence:** 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. As discussed in earlier reports, the social 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 implement the stated intention to further reduce and eventually phase out fuel subsidies and replace them with more efficient cash transfers. Finally, the authorities' intention to retain spending of 0.25 percent of GDP until the last month of the budget execution period is welcome as it will enhance their ability to address most shocks within the programmed fiscal envelope.

57. 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 multifaceted plans to strengthen public financial management, including clarifying drivers of debt since 2017, enhancing the reporting on debt, deepening the understanding of fiscal risks from SOEs, and enhancing 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 their compliance with regulatory norms. As concerns the state-owned bank, the authorities should continue their reform efforts, including by preparing a solid operational restructuring plan and making all relevant underlying data and analysis available to Fund staff in a timely manner. 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, and staff urge the authorities to work closely with the regional supervisory authority to decisively address the bank's longstanding weaknesses.
- **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' commitment to publish the IMF Governance Diagnostic Assessment that staff will prepare, and to strengthen the framework for beneficial ownership declarations. Staff also recommends strengthening the income and asset declaration regime to boost public support for revenue mobilization and fiscal consolidation.

58. IMF technical assistance and capacity building support key program goals, including in the areas of developing fiscal strategies, enhancing revenue administration, and strengthening public financial management (Annex VI).

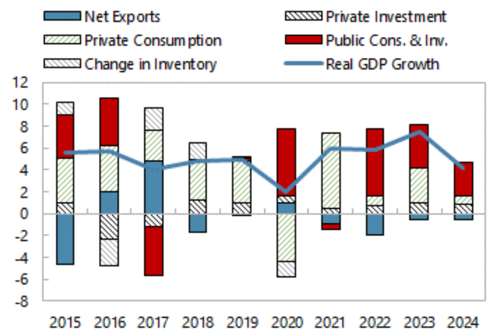
59. Staff supports the authorities' requests for (i) completion of the Second Review under the ECF arrangement, (ii) waiver for the non-observance of the performance criteria on the basic primary fiscal balance, (iii) modification of performance criteria on basic primary fiscal balance and net domestic financing, (iv) extension of the ECF arrangement for 11 months through July 31, 2028 and rephasing of access by splitting the disbursement associated with the original seventh review into two equal disbursements, and (v) disbursement of the third tranche under the ECF-arrangement in the amount of SDR 44.04 million.

Figure 1. Togo: Indicators of Economic Activity, 2015–24

Private consumption was an important driver of growth in 2024, as ...

Togo: Contribution to Growth - Demand, 2015–24

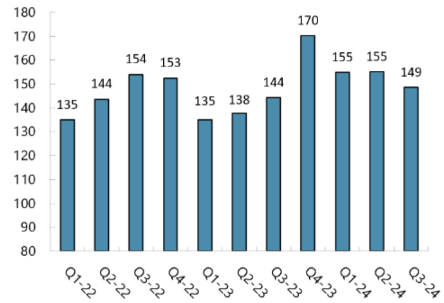
(percent change, year-on-year)



... the service sector, proxied by retail trade, did well in the first three quarters of 2024.

Togo: Trade Turnover Index, Q1 2022–Q3 2024

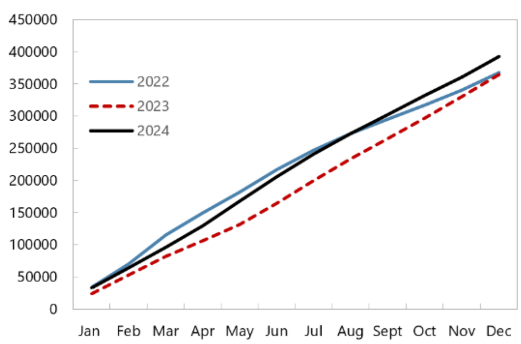
(Base 2013 = 100)



Fuel product consumption grew, too.

Togo: Cumulative Consumption of Petroleum Products

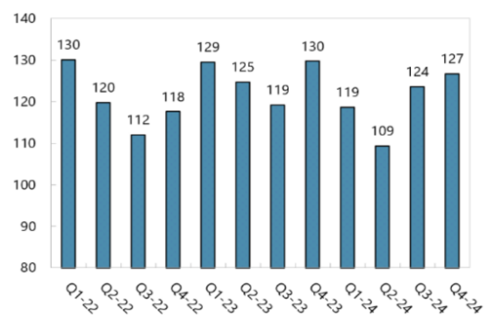
(Cubic meter, cumulative)



However, industrial production appears to have weakened...

Togo: Industrial Production Index, Q1 2022– Q4 2024

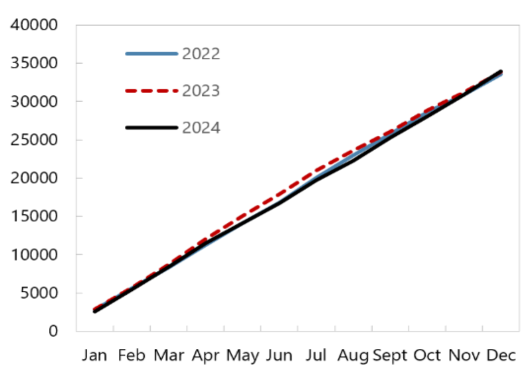
(Base 2013 = 100)



... while activity at Port of Lomé ...

Togo: Overall Port Activity, 2022–2024

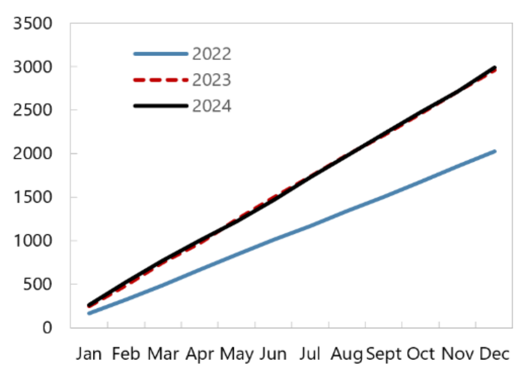
(millions of tons, cumulative)



... and high-voltage electricity consumption (used by industry) were flat, suggesting a likely slowing of GDP growth.

Togo: Consumption of Electricity, 2022–2024

(Base 100 = Jan 2015, cumulative)

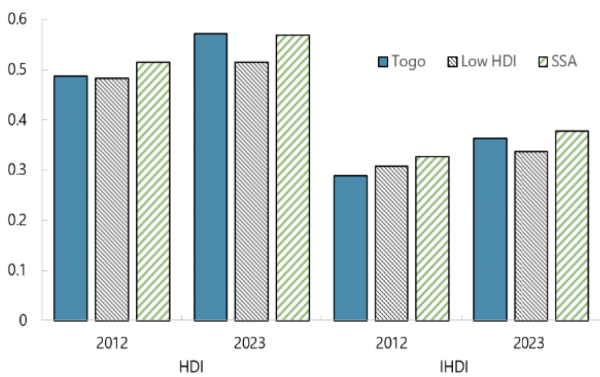


Sources: INSEED; PAL; BCEAO; and CEET.

Figure 2. Togo: Social Development Indicators, 2012–23

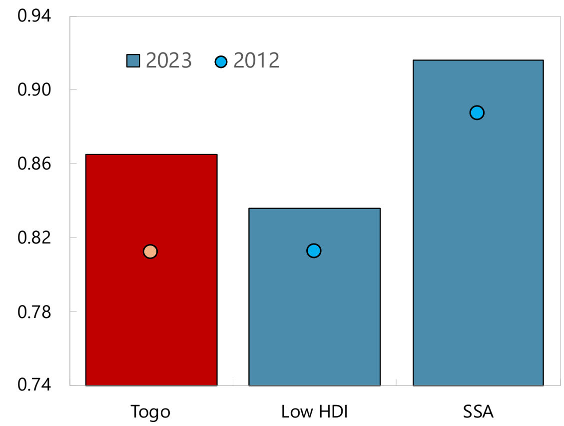
While Togo's Human Development Index (HDI) increased over the last decade, the score is still reduced by about 40 percent when adjusted for inequality …

Togo: Human Development Index (HDI) and Inequality-Adjusted Human Development Index (IHDI), 2012-2023



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

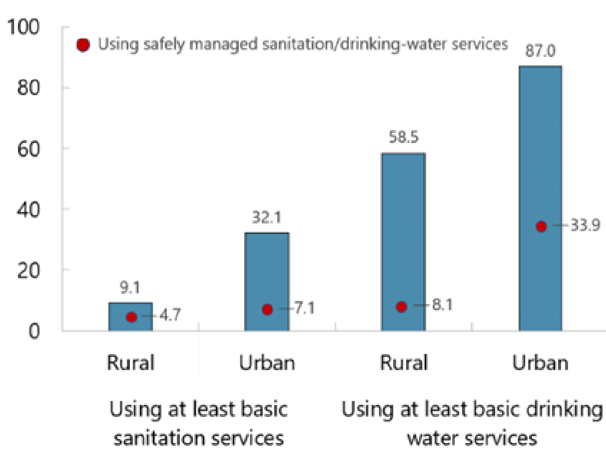
Togo: Gender Development Index (GDI), 2012–23



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

Togo: Population Using Basic and Safely Managed Sanitation and Drinking-Water Services, 2022

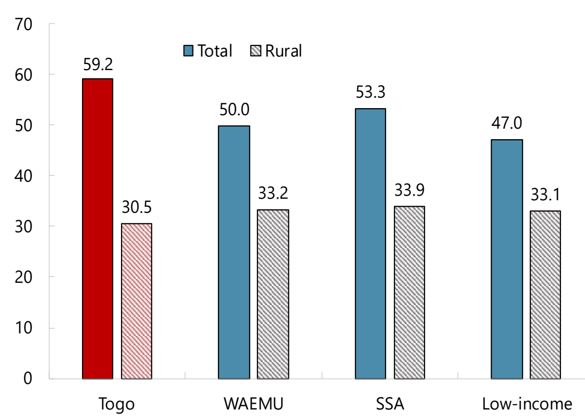
(Percent of rural and urban populations)



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.

Togo: Access to Electricity, 2023

(Percent of total and rural populations)



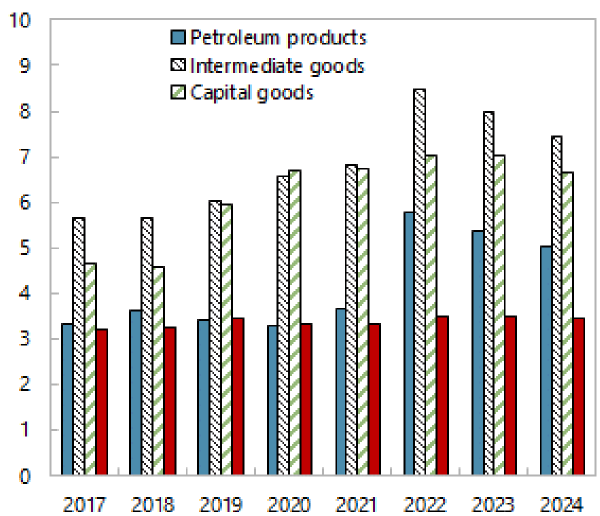
Sources: UNDP, WHO, and World Bank.

Figure 3. Togo: External Sector, 2017–24 / April 25

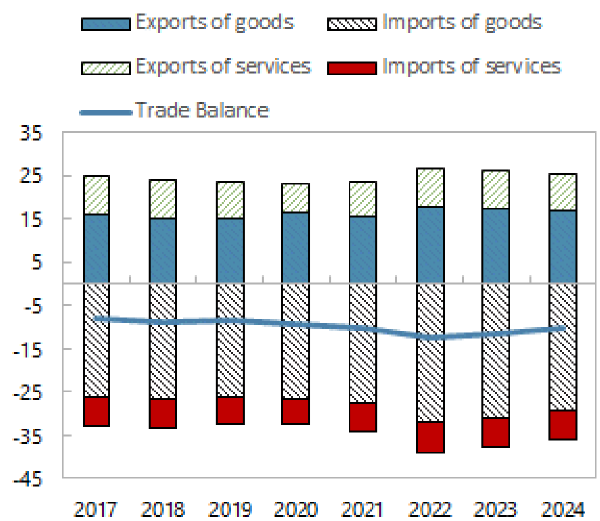
Due to the easing of supply chain disruptions and high global food and fuel prices, the value of all categories of goods imports grew significantly in 2022 but eased somewhat in 2023 and 2024.

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

Togo: Imports by Category, 2017–24
(percent of GDP)



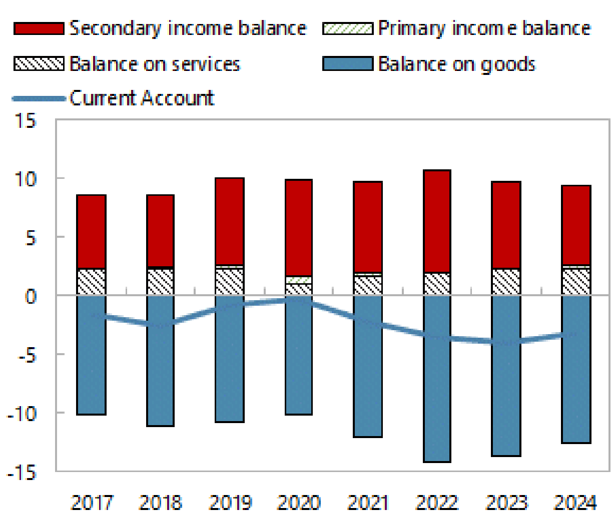
Togo: Trade Balance, 2017–24
(percent of GDP)



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

Regional foreign exchange reserves recovered somewhat in 2024).

Togo: Current Account Balance, 2017–24
(percent of GDP)



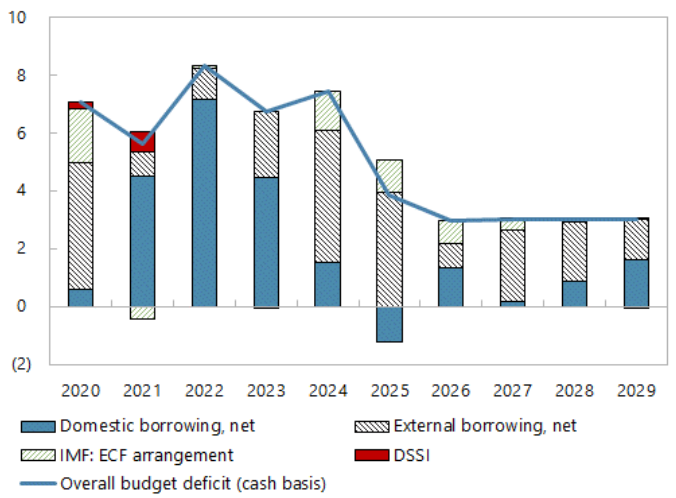
WAEMU: Reserves, 2017–2025 *
(months of next year's imports)

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

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

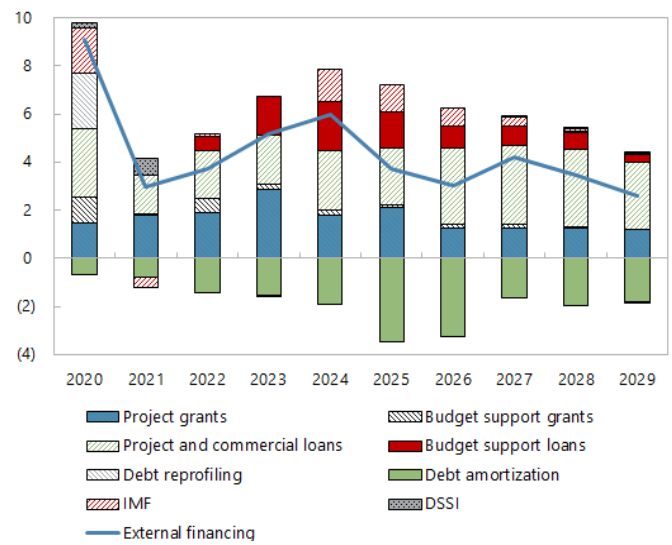
The overall budget deficit is programmed to narrow to 3 percent of GDP by 2025, which should help reduce net domestic borrowing to about 1 percent of GDP.

Togo: Financing of the Fiscal Deficit
(percent of GDP)



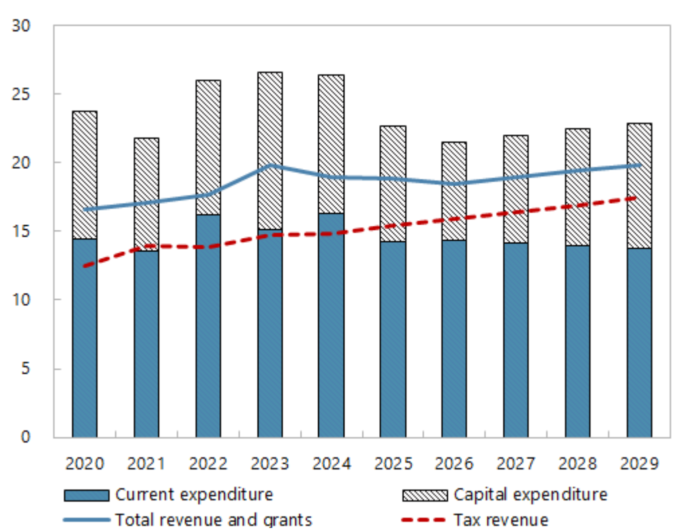
Budget support and project loans (including on non-concessional terms) are likely to be key sources of external financing over the medium term.

Togo: Composition of External Financing
(percent of GDP)



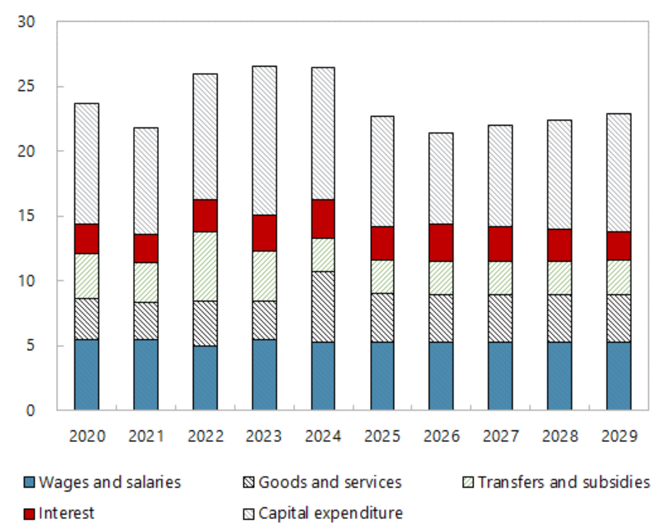
It will be essential to create room for higher social and other priority spending through a combination of revenue mobilization …

Togo: Government Revenue and Spending
(percent of GDP)



… and effective control of non-priority current spending.

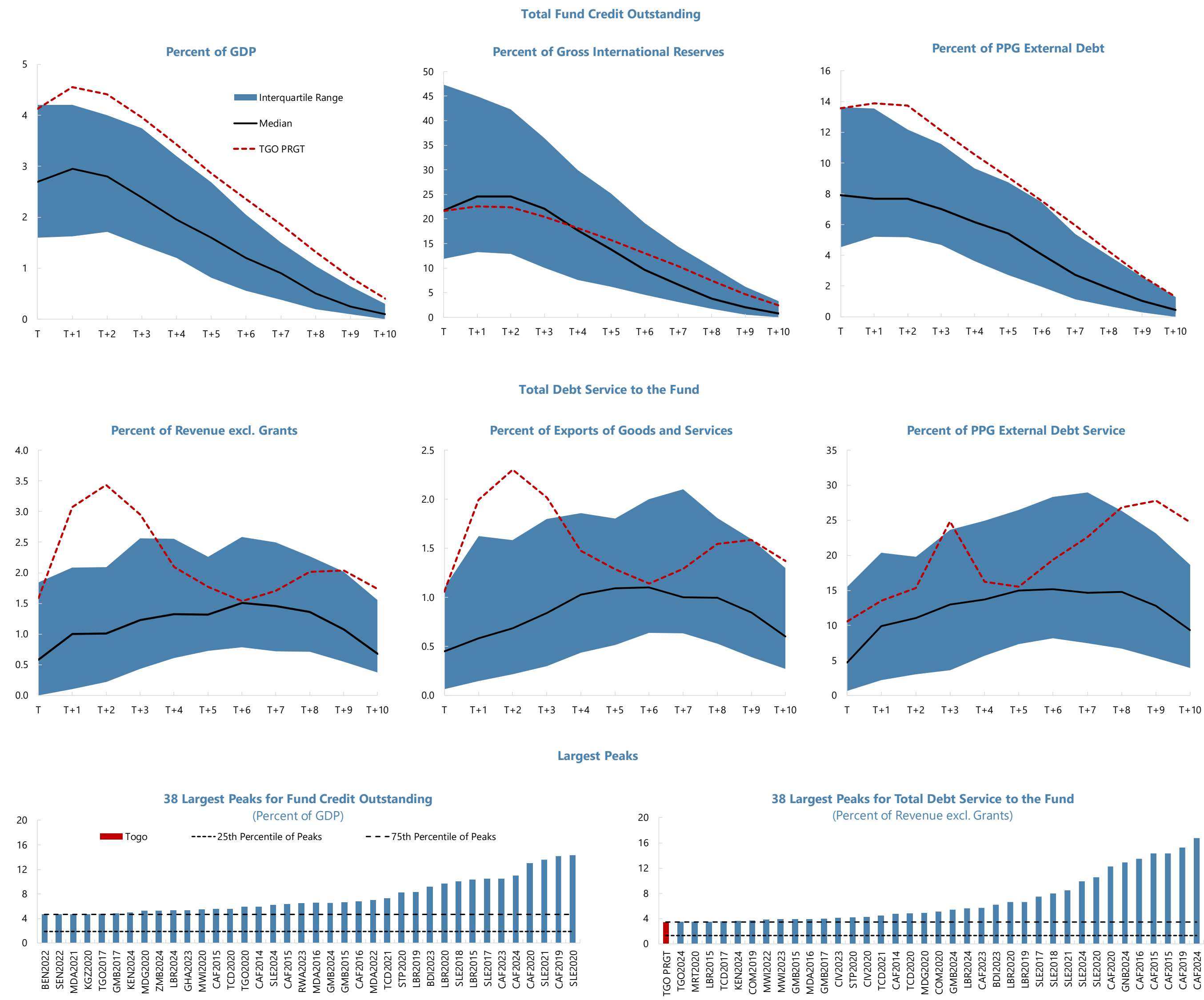
Togo: Composition of Fiscal Spending
(percent of GDP)



Sources: Togolese authorities and IMF staff estimates and projections.

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

(In Percent of the Indicated Variable)



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 arrangements (including blends) approved for PRGT countries between 2014 and 2024.
4) The comparator group "All PRGT" excludes arrangements that never had a UCT between 2014 and 2024.
5) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
6) Comparator series is for PRGT arrangements only and runs up to T+10.
7) Debt service obligations to the Fund reflect prospective payments, including for the current year.
8) 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.
9) 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, 2021–30

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st review	est.	1st review	proj.			Projections		
				(Percentage change, unless otherwise indicated)								
Real GDP	6.0	5.8	5.6	5.3	5.3	5.3	5.2	5.5	5.5	5.5	5.5	5.5
Real GDP per capita	3.5	3.3	3.1	2.8	2.8	2.8	2.7	3.0	3.0	3.0	3.0	3.0
GDP deflator	2.5	3.7	2.9	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	4.5	7.6	5.3	3.3	2.9	2.3	2.3	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	4,621	5,069	5,507	5,927	5,927	6,366	6,360	6,843	7,364	7,925	8,528	9,177
Exchange rate CFAF/US$ (annual average level)	554	622	606	…	…	…	…	…	…	…	…	…
Real effective exchange rate (appreciation = –)	-1.9	2.4	-8.2	…	…	…	…	…	…	…	…	…
Terms of trade (deterioration = –)	10.3	24.6	2.5	0.9	-0.4	-1.7	-0.3	0.9	0.6	0.2	-0.1	0.3
Monetary survey				(Percentage change of beginning-of-period broad money)								
Net foreign assets	5.6	-0.6	2.0	4.9	1.3	-0.1	3.6	2.4	2.3	1.8	1.5	2.4
Net credit to government	-0.3	8.0	1.2	-2.9	8.6	1.0	2.6	-1.3	-0.1	4.5	6.0	0.7
Credit to nongovernment sector	6.0	10.7	2.9	7.3	3.6	6.5	1.4	7.4	7.0	2.5	1.3	5.6
Broad money (M2)	12.3	14.9	6.5	8.8	8.5	7.4	7.3	7.6	7.6	7.6	7.6	7.6
Velocity (GDP/end-of-period M2)	2.1	2.0	2.0	2.0	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	23.4	25.9	28.0	25.7	26.8	24.2	25.6	24.4	25.3	26.3	26.9	27.4
Government	8.2	9.7	11.5	9.0	10.1	7.1	8.5	7.1	7.8	8.5	9.1	9.6
Nongovernment	15.2	16.2	16.5	16.7	16.7	17.1	17.1	17.3	17.5	17.8	17.8	17.8
Gross national savings	21.2	22.5	24.0	22.7	23.7	21.2	23.2	23.0	24.3	25.2	26.0	26.8
Government	3.6	1.4	4.8	4.1	2.7	4.1	4.6	4.1	4.8	5.4	6.1	6.6
Nongovernment	17.6	21.0	19.2	18.6	20.9	17.1	18.7	18.8	19.5	19.8	19.9	20.3
Government budget												
Total revenue and grants	17.1	17.6	19.8	18.8	19.0	18.6	18.8	18.5	19.0	19.4	19.9	20.2
Revenue	15.3	15.1	16.8	16.6	17.0	17.1	16.6	17.1	17.6	18.1	18.7	19.1
Tax revenue	14.0	13.9	14.8	15.2	14.9	15.7	15.4	15.9	16.4	16.9	17.4	17.9
Expenditure and net lending	21.8	26.0	26.6	25.3	26.4	21.6	22.7	21.5	22.0	22.4	22.9	23.2
Expenditure and net lending (excl. banking sector operation)	21.8	26.0	26.6	23.7	25.4	21.6	22.3	21.5	22.0	22.4	22.9	23.2
Primary balance (commitment basis, incl. grants)	-2.5	-5.9	-3.9	-3.7	-4.5	-0.5	-1.2	-0.2	-0.4	-0.6	-0.9	-0.9
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-4.7	-8.3	-6.7	-4.9	-6.4	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-4.7	-8.3	-6.7	-6.4	-7.4	-3.0	-3.9	-3.0	-3.0	-3.0	-3.0	-3.0
Primary balance (cash basis, incl. grants)	-3.4	-5.9	-3.9	-3.7	-4.5	-0.5	-1.2	-0.2	-0.4	-0.6	-0.9	-0.9
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-5.6	-8.3	-6.7	-4.9	-6.4	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-5.6	-8.3	-6.7	-6.4	-7.4	-3.0	-3.9	-3.0	-3.0	-3.0	-3.0	-3.0
External sector												
Current account balance	-2.2	-3.5	-4.0	-3.0	-3.2	-2.9	-2.3	-1.4	-1.0	-1.0	-0.9	-0.5
Exports (goods and services)	23.7	26.6	26.3	25.7	25.5	25.6	25.5	25.5	25.7	25.8	25.7	25.9
Imports (goods and services)	-34.0	-38.8	-37.8	-35.4	-35.9	-34.4	-34.3	-32.8	-32.5	-32.4	-32.4	-32.1
External public debt[1]	27.3	25.8	26.3	29.5	30.4	29.0	32.8	32.1	32.7	32.4	31.5	31.3
External public debt service (percent of exports)[1]	5.2	8.0	7.7	8.4	10.0	15.5	14.8	15.0	8.1	9.1	8.3	5.9
Domestic public debt[2]	37.6	41.2	42.3	40.2	41.7	39.1	37.5	36.6	34.3	32.4	31.9	30.7
Total public debt[3]	64.9	67.0	68.6	69.7	72.1	68.2	70.2	68.7	66.9	64.8	63.4	62.0
Total public debt (excluding SOEs)[4]	63.0	65.8	67.3	68.6	71.2	67.2	69.6	68.2	66.6	64.5	63.1	61.7
Present value of total public debt[3]	…	…	62.3	60.7	63.2	57.7	60.0	57.0	54.0	50.9	49.1	47.6

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, 2021–30
(Billions of CFA Francs)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Dec.	Dec.	Dec.	December								
	Actual	Actual	Actual	1st Review	Est.	1st Review	Proj.	Projections				
						(Billions of CFA Francs)						
Revenue and grants (1)	791.8	894.5	1,093.0	1,117.1	1,125.2	1,186.3	1,196.4	1,264.6	1,397.8	1,538.6	1,694.2	1,857.3
Total revenue	707.2	767.1	923.9	986.7	1,007.8	1,087.5	1,053.9	1,168.6	1,295.2	1,434.9	1,593.5	1,756.5
Tax revenue	646.9	704.5	812.3	902.7	881.1	998.3	979.6	1,089.4	1,210.0	1,341.2	1,487.6	1,642.6
Tax administration (CI)	359.3	376.7	422.9	471.1	477.5	525.4	546.5	609.4	677.9	768.7	871.5	979.6
Customs administration (CDII)	287.6	327.8	389.4	431.6	403.6	472.8	433.1	480.0	532.1	572.5	616.1	663.0
Nontax revenue	60.3	62.6	111.6	84.0	126.7	89.2	74.3	79.2	85.2	93.7	105.8	113.9
Grants	84.6	127.4	169.1	130.3	117.4	98.8	142.5	96.0	102.6	103.7	100.7	100.7
Budget support	1.6	30.0	10.1	16.8	12.4	13.0	9.0	9.0	9.0	3.0	0.0	0.0
World Bank	0.0	21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF/CCRT	0.7	...	...	...	...	...	...	...	...	...	...	...
Others	0.9	8.2	10.1	16.8	12.4	13.0	9.0	9.0	9.0	3.0	0.0	0.0
Project grants	83.0	97.4	159.0	113.5	105.0	85.8	133.5	87.0	93.6	100.7	100.7	100.7
Expenditure and net lending (2) = (3) + (4)	1,006.8	1,316.9	1,463.6	1,497.6	1,565.6	1,375.0	1,442.9	1,468.2	1,619.5	1,777.5	1,952.0	2,133.0
Expenditure and net lending (exc. banking sector operations) (3)	1,006.8	1,316.9	1,463.6	1,406.0	1,506.7	1,375.0	1,415.9	1,468.2	1,619.5	1,777.5	1,952.0	2,133.0
of which: Covid-19 response	30.0	...	...	...	...	...	...	...	...	...	...	...
of which: Domestic primary expenditure	747.9	996.2	1,039.9	1,013.2	1,077.3	970.0	965.6	972.3	1,090.6	1,230.6	1,425.6	1,572.8
Current expenditure	627.0	823.3	830.9	873.1	937.0	925.1	904.6	981.4	1,042.7	1,107.8	1,172.9	1,255.6
Primary current spending	527.2	698.5	677.8	712.3	761.3	765.1	737.4	791.5	850.5	915.2	987.7	1,062.5
of which: Covid-19 response	30.0	...	...	...	...	...	...	...	...	...	...	...
Wages and salaries	251.5	255.3	301.8	324.8	314.5	348.9	337.5	363.2	390.8	420.6	452.6	487.0
Goods and services	133.8	174.8	161.8	174.2	320.1	187.1	235.2	248.1	267.0	287.3	312.2	336.0
Transfers and subsidies	141.9	268.4	212.2	213.4	129.8	229.2	164.6	180.2	192.7	207.4	222.9	239.5
of which: Fuel subsidies	7.9	72.2	42.4	29.5	28.6	25.5	25.4	13.7	0.0	0.0	0.0	0.0
of which: Cash transfers	11.3	6.5	10.2	6.5	6.5	6.4	6.4	13.7	14.7	15.8	17.1	18.4
Interest	99.8	124.8	153.0	160.7	175.6	160.1	167.2	189.9	192.2	192.6	185.3	193.2
Domestic debt	84.8	106.3	128.7	135.1	143.7	128.2	130.9	152.4	160.7	161.8	156.6	166.2
External debt	15.0	18.5	24.3	25.6	31.9	31.9	36.3	37.6	31.5	30.8	28.7	26.9
Public investment	379.8	493.7	632.7	533.0	569.8	449.8	511.3	486.8	576.7	669.7	779.1	877.4
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	40.9
Domestically financed	220.7	297.8	362.1	300.9	316.0	204.9	228.2	180.8	240.1	315.3	437.9	510.3
Foreign financed	159.1	195.8	270.6	232.1	253.8	245.0	283.1	306.0	336.6	354.3	341.1	367.1
Banking sector operations (4)	...	...	...	91.6	58.8	...	27.0	...	...	...	...	...
transfers	...	...	...	24.7	27.8	...	...	...	...	...	...	...
asset purchases	...	...	...	66.9	31.0	...	27.0	...	...	...	...	...
Net Lending	-0.1	-0.1	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	-44.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic primary fiscal balance (excl. banking sector operations)	-40.7	-229.1	-116.0	-26.5	-69.5	117.5	88.3	196.3	204.6	204.3	167.9	183.7
Primary balance (cash basis, incl. grants)	-159.2	-297.6	-217.5	-219.8	-264.7	-28.6	-79.4	-13.7	-29.5	-46.3	-72.5	-82.6
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-259.0	-422.4	-370.5	-289.0	-381.5	-188.7	-219.5	-203.6	-221.7	-238.8	-257.8	-275.7
Overall balance (cash basis, excl. grants)	-343.6	-549.8	-539.7	-510.9	-557.7	-287.5	-389.0	-299.6	-324.3	-342.6	-358.5	-376.5
Overall balance (cash basis, incl. grants) (5) = (1) - (2)	-259.0	-422.4	-370.5	-380.6	-440.4	-188.7	-246.5	-203.6	-221.7	-238.8	-257.8	-275.7
Financing (6) = (7) + (8)	247.9	418.2	370.5	303.8	361.2	117.5	175.3	150.2	194.9	229.9	257.8	275.7
Domestic financing (net) (7)	207.6	362.2	246.3	68.6	89.9	84.1	-77.0	92.1	13.7	70.4	139.1	90.7
Repayments of T-Bonds	-263.6	-252.4	-472.8	-196.6	-655.6	-258.2	-524.6	-449.8	-410.2	-553.6	-511.6	-365.6
Other domestic financing (net)	471.2	614.6	719.1	265.3	745.5	342.3	447.7	542.0	424.0	624.0	650.7	456.3
External financing (net) (8)	40.3	56.0	124.3	235.2	271.3	33.4	252.3	58.0	181.1	159.5	118.6	185.0
Budget support loans	0.0	31.1	90.7	121.4	121.2	91.3	95.4	60.6	60.6	60.7	30.3	30.3
Project loans	76.1	98.4	111.6	118.5	148.9	159.1	149.6	219.0	243.0	253.6	240.4	266.3
Other commercial loans				98.0	98.4		229.6					
Amortization (incl. IMF repayments)	-35.2	-73.5	-86.0	-102.7	-113.3	-217.0	-222.3	-221.5	-122.5	-154.8	-152.1	-111.7
Financing gap/unidentified financing (9) = - (5 +6)	11.1	4.2	0.0	76.7	79.1	71.2	71.2	53.5	26.8	9.0	0.0	0.0
Exceptional financing (10)	11.1	0.0	0.0	76.7	79.1	71.2	71.2	53.5	26.8	9.0	0.0	0.0
IMF-ECF	0.0	0.0	0.0	76.7	79.1	71.2	71.2	53.5	26.8	9.0	0.0	0.0
DSSI	11.1	...	...	...	...	...	...	...	...	...	...	...
Residual financing gap/errors and ommissions (11) = (9) - (10)	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:												
Nominal GDP (CFAF billions)	4,621.5	5,068.9	5,507.2	5,926.64	5,926.6	6,365.56	6,359.5	6,843.5	7,364.3	7,924.7	8,527.8	9,176.7
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	474.2	519.5

Sources: Togolese authorities and IMF staff estimates and projections.

Table 2b. Togo: Central Government Financial Operations, 2021–30
(Percent of GDP)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Dec.	Dec.	Dec.	December								
	Actual	Actual	Actual	1st Review	Est.	1st Review	Proj.	Projections				
						(Percent of GDP)						
Revenue and grants (1)	17.1	17.6	19.8	18.8	19.0	18.6	18.8	18.5	19.0	19.4	19.9	20.2
Total revenue	15.3	15.1	16.8	16.6	17.0	17.1	16.6	17.1	17.6	18.1	18.7	19.1
Tax revenue	14.0	13.9	14.8	15.2	14.9	15.7	15.4	15.9	16.4	16.9	17.4	17.9
Tax administration (CI)	7.8	7.4	7.7	7.9	8.1	8.3	8.6	8.9	9.2	9.7	10.2	10.7
Customs administration (CDII)	6.2	6.5	7.1	7.3	6.8	7.4	6.8	7.0	7.2	7.2	7.2	7.2
Nontax revenue	1.3	1.2	2.0	1.4	2.1	1.4	1.2	1.2	1.2	1.2	1.2	1.2
Grants	1.8	2.5	3.1	2.2	2.0	1.6	2.2	1.4	1.4	1.3	1.2	1.1
Budget support	0.0	0.6	0.2	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
World Bank	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF/CCRT	0.0	…	…	…	…	…	…	…	…	…	…	…
Others	0.0	0.2	0.2	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Project	1.8	1.9	2.9	1.9	1.8	1.3	2.1	1.3	1.3	1.3	1.2	1.1
Expenditure and net lending (2) = (3) + (4)	21.8	26.0	26.6	25.3	26.4	21.6	22.7	21.5	22.0	22.4	22.9	23.2
Expenditure and net lending (exc. banking sector operations) (3)	21.8	26.0	26.6	23.7	25.4	21.6	22.3	21.5	22.0	22.4	22.9	23.2
of which: Covid-19 response	0.6	…	…	…	…	…	…	…	…	…	…	…
Current expenditures	13.6	16.2	15.1	14.7	15.8	14.5	14.2	14.3	14.2	14.0	13.8	13.7
Primary current spending	11.4	13.8	12.3	12.0	12.8	12.0	11.6	11.6	11.5	11.5	11.6	11.6
Wages and salaries	5.4	5.0	5.5	5.5	5.3	5.5	5.3	5.3	5.3	5.3	5.3	5.3
Goods and services	2.9	3.4	2.9	2.9	5.4	2.9	3.7	3.6	3.6	3.6	3.7	3.7
Transfers and subsidies	3.1	5.3	3.9	3.6	2.2	3.6	2.6	2.6	2.6	2.6	2.6	2.6
of which: Fuel subsidies	0.2	1.4	0.8	0.5	0.5	0.4	0.4	0.2	0.0	0.0	0.0	0.0
of which: Cash transfers	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Interest	2.2	2.5	2.8	2.7	3.0	2.5	2.6	2.8	2.6	2.4	2.2	2.1
Domestic debt	1.8	2.1	2.3	2.3	2.4	2.0	2.1	2.2	2.2	2.0	1.8	1.8
External debt	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.5	0.4	0.4	0.3	0.3
Public investment	8.2	9.7	11.5	9.0	9.6	7.1	8.0	7.1	7.8	8.5	9.1	9.6
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	0.4
Domestically financed	4.8	5.9	6.6	5.1	5.3	3.2	3.6	2.6	3.3	4.0	5.1	5.6
Foreign financed	3.4	3.9	4.9	3.9	4.3	3.8	4.5	4.5	4.6	4.5	4.0	4.0
Banking sector operations (4)	…	…	…	1.5	1.0	…	0.4	…	…	…	…	…
transfers	…	…	…	0.4	0.5	…	…	…	…	…	…	…
asset purchases	…	…	…	1.1	0.5	…	0.4	…	…	…	…	…
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	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic primary fiscal balance (excl. banking sector operations)	-0.9	-4.5	-2.1	-0.4	-1.2	1.8	1.4	2.9	2.8	2.6	2.0	2.0
Primary balance (cash basis, incl. grants)	-3.4	-5.9	-3.9	-3.7	-4.5	-0.5	-1.2	-0.2	-0.4	-0.6	-0.9	-0.9
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-5.6	-8.3	-6.7	-4.9	-6.4	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, excl. grants)	-7.4	-10.8	-9.8	-8.6	-9.4	-4.5	-6.1	-4.4	-4.4	-4.3	-4.2	-4.1
Overall balance (cash basis, incl. grants) (5) = (1) - (2)	-5.6	-8.3	-6.7	-6.4	-7.4	-3.0	-3.9	-3.0	-3.0	-3.0	-3.0	-3.0
Financing (6) = (7) + (8)	5.4	8.2	6.7	5.1	6.1	1.8	2.8	2.2	2.6	2.9	3.0	3.0
Domestic financing (net) (7)	4.5	7.1	4.5	1.2	1.5	1.3	-1.2	1.3	0.2	0.9	1.6	1.0
External financing (net) (8)	0.9	1.1	2.3	4.0	4.6	0.5	4.0	0.8	2.5	2.0	1.4	2.0
Budget support loans	0.0	0.6	1.6	2.0	2.0	1.4	1.5	0.9	0.8	0.8	0.4	0.3
Project loans	1.6	1.9	2.0	2.0	2.5	2.5	2.4	3.2	3.3	3.2	2.8	2.9
Other commercial loans					1.7							
Amortization (incl. IMF repayments)	-0.8	-1.5	-1.6	-1.7	-1.9	-3.4	-3.5	-3.2	-1.7	-2.0	-1.8	-1.2
Financing gap/unidentified financing (9) = - ((5) + (6))	0.2	0.1	0.0	1.3	1.3	1.1	1.1	0.8	0.4	0.1	0.0	0.0
Exceptional financing (10)	0.2	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.4	0.1	0.0	0.0
IMF-ECF	0.0	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.4	0.1	0.0	0.0
DSSI	0.2	…	…	…	…	…	…	…	…	…	…	…
Residual financing gap/errors and ommissions (11) = (9) - (10)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Item:												
Nominal GDP (CFAF billions)	4,621.5	5,068.9	5,507.2	5926.6	5,926.6	6365.6	6,359.5	6,843.5	7,364.3	7,924.7	8,527.8	9,176.7
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	5.7

Sources: Togolese authorities and IMF staff estimates and projections.

Table 3. Togo: Balance of Payments, 2021–30

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Actual	Actual	Est.	1st Review	Est.	1st Review	Proj.			Projections		
						(Billions of CFA Francs)						
Current account balance	-103.6	-176.8	-222.0	-176.8	-188.7	-185.8	-147.7	-97.8	-74.3	-81.6	-80.0	-47.7
Trade balance on goods	-554.5	-716.8	-755.6	-730.0	-744.1	-757.8	-726.1	-716.9	-739.7	-785.4	-844.7	-879.5
Of which: petroleum products, net	-128.8	-218.8	-172.3	-187.6	-192.5	-186.7	-172.0	-168.2	-178.6	-191.2	-204.1	-217.3
Exports	720.8	899.2	953.3	987.5	999.0	1,031.2	1,055.6	1,112.9	1,212.1	1,307.7	1,402.1	1,519.9
Imports	1,275.4	1,616.0	1,708.9	1,717.5	1,743.2	1,789.1	1,781.7	1,829.8	1,951.9	2,093.0	2,246.7	2,399.4
Services, net	76.9	96.0	121.7	153.9	130.7	198.7	170.2	214.3	237.2	257.6	277.4	304.6
Primary income, net	10.3	6.8	5.9	13.7	19.4	10.3	18.7	21.7	32.3	37.8	45.1	52.5
Secondary income, net	363.8	437.1	405.9	385.5	405.4	362.9	389.4	383.1	396.0	408.3	442.2	474.8
Capital account balance	264.8	311.7	359.7	317.5	297.8	282.6	319.2	270.5	284.3	306.0	321.6	338.4
Current and capital account balance	161.3	134.9	137.8	140.7	109.1	96.8	171.5	172.6	210.0	224.3	241.6	290.7
Financial account (- = inflow)	50.6	157.9	86.5	82.4	149.4	169.6	136.7	150.0	159.0	167.2	180.7	187.3
Direct investment, net	36.2	74.3	-34.1	110.9	-18.6	116.6	-44.7	-40.4	-41.0	-42.8	-39.9	-44.5
Portfolio investment, net	-50.2	-6.7	17.0	46.2	46.6	51.0	55.5	59.7	64.3	69.2	74.4	80.1
Other investment, net	64.6	90.4	103.6	-74.7	121.5	2.0	125.9	130.7	135.7	140.8	146.2	151.8
Of which : general government, net	-40.3	70.1	-124.3	-235.2	-255.2	-33.4	-252.3	-58.0	-181.1	-159.5	-118.6	-185.0
Errors and omissions	2.3	2.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	113.0	-21.0	53.4	58.2	-40.3	-72.8	34.8	22.6	51.0	57.2	60.9	103.4
Financing	-124.1	16.8	-53.4	-135.0	-38.9	1.7	-106.0	-76.1	-77.8	-66.1	-60.9	-103.4
Change NFA[1]	-124.1	16.8	-53.4	-135.0	-38.9	1.7	-106.0	-76.1	-77.8	-66.1	-60.9	-103.4
Of which : SDR allocation[2]	111.7	…	…	…	…	…	…	…	…	…	…	…
Financing gap	11.1	4.2	0.0	76.7	79.1	71.2	71.2	53.5	26.8	9.0	0.0	0.0
IMF ECF	0.0	0.0	0.0	76.7	79.1	71.2	71.2	53.5	26.8	9.0	0.0	0.0
DSSI	11.1	4.2	…	…	…	…	…	…	…	…	…	…
						(Percent of GDP)						
Current account balance	-2.2	-3.5	-4.0	-3.0	-3.2	-2.9	-2.3	-1.4	-1.0	-1.0	-0.9	-0.6
Trade balance on goods	-12.0	-14.1	-13.7	-12.3	-12.6	-11.9	-11.4	-10.5	-10.0	-9.9	-9.9	-9.6
Of which: petroleum products, net	-2.8	-4.3	-3.1	-3.2	-3.2	-2.9	-2.7	-2.5	-2.4	-2.4	-2.4	-2.4
Exports	15.6	17.7	17.3	16.7	16.9	16.2	16.6	16.3	16.5	16.5	16.4	16.6
Imports	27.6	31.9	31.0	29.0	29.4	28.1	28.0	26.7	26.5	26.4	26.3	26.1
Services, net	1.7	1.9	2.2	2.6	2.2	3.1	2.7	3.1	3.2	3.3	3.3	3.3
Primary income, net	0.2	0.1	0.1	0.2	0.3	0.2	0.3	0.3	0.4	0.5	0.5	0.6
Secondary income, net	7.9	8.6	7.4	6.5	6.8	5.7	6.1	5.6	5.4	5.2	5.2	5.2
Capital account balance	5.7	6.1	6.5	5.4	5.0	4.4	5.0	4.0	3.9	3.9	3.8	3.7
Current and capital account balance	3.5	2.7	2.5	2.4	1.8	1.5	2.7	2.5	2.9	2.8	2.8	3.2
Financial account (- = inflow)	1.1	3.1	1.6	1.4	2.5	2.7	2.1	2.2	2.2	2.1	2.1	2.0
Direct investment, net	0.8	1.5	-0.6	1.9	-0.3	1.8	-0.7	-0.6	-0.6	-0.5	-0.5	-0.5
Portfolio investment, net	-1.1	-0.1	0.3	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Of which : general government, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	1.4	1.8	1.9	-1.3	2.0	0.0	2.0	1.9	1.8	1.8	1.7	1.7
Of which : general government, net	-0.9	1.4	-2.3	-4.0	-4.3	-0.5	-4.0	-0.8	-2.5	-2.0	-1.4	-2.0
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	2.4	-0.4	1.0	1.0	-0.7	-1.1	0.5	0.3	0.7	0.7	0.7	1.1
Financing	-2.7	0.3	-1.0	-2.3	-0.7	0.0	-1.7	-1.1	-1.1	-0.8	-0.7	-1.1
Change in NFA[1]	-2.7	0.3	-1.0	-2.3	-0.7	0.0	-1.7	-1.1	-1.1	-0.8	-0.7	-1.1
Of which : SDR allocation[2]	2.4	…	…	…	…	…	…	…	…	…	…	…
Financing gap	0.2	0.1	0.0	1.3	1.3	1.1	1.1	0.8	0.4	0.1	0.0	0.0
IMF ECF	0.0	0.0	0.0	1.3	1.3	1.1	1.1	0.8	0.4	0.1	0.0	0.0
DSSI	0.2	…	…	…	…	…	…	…	…	…	…	…
Memorandum items:												
BCEAO NFA (in months of next year's WAEMU imports)	5.0	4.1	3.5	3.6	4.6	4.2	4.7	4.8	4.9	5.1	5.2	5.3
BCEAO NFA (in million USD)	24,172	18,398	15,764	17,590	21,593	22,148	24,165	26,254	28,967	32,156	35,185	38,416
BCEAO NFA (in percent of broad money)	34	25	20	21	26	24	25	25	24	24	23	23

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, capital and financial account.

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

Table 4. Togo: Depository Institutions Survey, 2021–30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Actual	Actual	Est.	Projections					
					(Billions of CFA Francs)					
Net foreign assets	1092.7	1080.2	1131.5	1166.8	1272.9	1349.0	1426.8	1492.9	1553.8	1657.2
BCEAO	-27.0	-407.6	-257.7	-208.8	-72.0	-67.7	-60.4	-49.9	-33.0	-14.0
Assets	1369.1	1300.3	1142.5	1024.9	889.1	888.8	906.1	921.9	933.5	945.0
Liabilities	-1396.1	-1707.9	-1400.3	-1233.7	-961.2	-956.5	-966.6	-971.8	-966.5	-959.1
Commercial banks	1119.7	1487.8	1389.2	1375.6	1344.9	1416.6	1487.2	1542.8	1586.9	1671.2
Assets	1435.3	1811.3	1727.5	1701.8	1737.2	1834.0	1945.1	2051.3	2160.5	2272.2
Liabilities	-315.6	-323.6	-338.3	-326.2	-392.3	-417.4	-457.9	-508.6	-573.6	-601.0
Net domestic assets	1222.7	1593.9	1720.7	1964.2	2086.8	2266.2	2463.4	2693.2	2950.8	3190.2
Credit to the government (net)[1]	8.8	185.8	217.4	452.8	531.0	489.9	486.7	653.6	889.6	920.4
BCEAO	70.0	259.0	265.0	309.9	309.9	309.9	309.9	309.9	309.9	309.9
Commercial banks	-61.1	-73.2	-47.6	142.9	221.1	180.0	176.8	343.7	579.7	610.6
Credit to nongovernment sector	1425.0	1663.5	1738.7	1837.5	1879.9	2114.2	2351.7	2442.1	2494.4	2733.2
of which: Credit to private sector	1241.7	1433.3	1550.7	1637.0	1685.6	1910.5	2139.5	2219.8	2261.9	2490.3
Other items (net)	14.0	10.0	-36.8	-19.9	-56.6	-59.6	-64.2	-71.7	-75.5	-83.5
Shares and other equities	197.2	245.5	272.2	346.0	380.8	397.4	439.2	474.1	508.6	547.0
Total broad money liabilities	2315.3	2674.2	2852.1	3131.1	3359.6	3615.2	3890.2	4186.2	4504.7	4847.4
Money supply (M2)	2224.6	2556.3	2722.9	2954.5	3170.3	3411.5	3671.2	3950.5	4251.2	4574.7
Currency Outside Depository Corporations	327.1	371.7	429.7	448.4	481.2	517.8	557.2	599.6	645.3	694.4
Transferable Deposits	884.4	1125.8	1075.7	1090.3	1183.9	1306.6	1414.7	1554.0	1722.9	1909.7
Other Deposits	1013.1	1058.8	1217.5	1415.7	1505.2	1587.1	1699.2	1796.9	1883.0	1970.6
Non-liquid liabilities (excl. from broad money)	90.7	117.8	129.2	176.6	189.3	203.6	219.0	235.6	253.5	272.7
					(Annual change as percent of beginning-of-period broad money)					
Net foreign assets	5.6	-0.6	2.0	1.3	3.6	2.4	2.3	1.8	1.5	2.4
BCEAO	-5.3	-17.1	5.9	1.8	4.6	0.1	0.2	0.3	0.4	0.4
Commercial banks	10.8	16.5	-3.9	-0.5	-1.0	2.3	2.1	1.5	1.1	2.0
Net domestic assets	6.0	16.7	5.0	8.9	4.1	5.7	5.8	6.3	6.5	5.6
Credit to the government (net)[1]	-0.3	8.0	1.2	8.6	2.6	-1.3	-0.1	4.5	6.0	0.7
Credit to nongovernment sector	6.0	10.7	2.9	3.6	1.4	7.4	7.0	2.5	1.3	5.6
Other items (net)	-2.3	-0.2	-1.8	0.6	-1.2	-0.1	-0.1	-0.2	-0.1	-0.2
Shares and other equities	2.0	2.2	1.0	2.7	1.2	0.5	1.2	1.0	0.9	0.9
Total broad money liabilities										
Money supply (M2)	12.3	14.9	6.5	8.5	7.3	7.6	7.6	7.6	7.6	7.6
Currency Outside Depository Corporations	0.0	2.0	2.3	0.7	1.1	1.2	1.2	1.2	1.2	1.2
Transferable Deposits	8.0	10.8	-2.0	0.5	3.2	3.9	3.2	3.8	4.3	4.4
Other Deposits	4.3	2.1	6.2	7.3	3.0	2.6	3.3	2.7	2.2	2.1
Non-liquid liabilities (excl. from broad money)	-0.7	1.2	0.4	1.7	0.4	0.5	0.5	0.5	0.5	0.5
Memorandum items:										
Velocity (GDP/end-of-period M2)	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
					(Percent of GDP)					
Net foreign assets	23.6	21.3	20.5	19.7	20.0	19.7	19.4	18.8	18.2	18.1
BCEAO	-0.6	-8.0	-4.7	-3.5	-1.1	-1.0	-0.8	-0.6	-0.4	-0.2
Assets	29.6	25.7	20.7	17.3	14.0	13.0	12.3	11.6	10.9	10.3
Liabilities	-30.2	-33.7	-25.4	-20.8	-15.1	-14.0	-13.1	-12.3	-11.3	-10.5
Commercial banks	24.2	29.4	25.2	23.2	21.1	20.7	20.2	19.5	18.6	18.2
Assets	31.1	35.7	31.4	28.7	27.3	26.8	26.4	25.9	25.3	24.8
Liabilities	-6.8	-6.4	-6.1	-5.5	-6.2	-6.1	-6.2	-6.4	-6.7	-6.5
Net domestic assets	26.5	31.4	31.2	33.1	32.8	33.1	33.5	34.0	34.6	34.8
Credit to the government (net)[1]	0.2	3.7	3.9	7.6	8.3	7.2	6.6	8.2	10.4	10.0
BCEAO	1.5	5.1	4.8	5.2	4.9	4.5	4.2	3.9	3.6	3.4
Commercial banks	-1.3	-1.4	-0.9	2.4	3.5	2.6	2.4	4.3	6.8	6.7
Credit to nongovernment sector	30.8	32.8	31.6	31.0	29.6	30.9	31.9	30.8	29.2	29.8
of which: Credit to private sector	26.9	28.3	28.2	27.6	26.5	27.9	29.1	28.0	26.5	27.1
Other items (net)	0.3	0.2	-0.7	-0.3	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Shares and other equities	4.3	4.8	4.9	5.8	6.0	5.8	6.0	6.0	6.0	6.0
Total broad money liabilities	50.1	52.8	51.8	52.8	52.8	52.8	52.8	52.8	52.8	52.8
Money supply (M2)	48.1	50.4	49.4	49.9	49.9	49.9	49.9	49.9	49.9	49.9
Currency Outside Depository Corporations	7.1	7.3	7.8	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Transferable Deposits	19.1	22.2	19.5	18.4	18.6	19.1	19.2	19.6	20.2	20.8
Other Deposits	21.9	20.9	22.1	23.9	23.7	23.2	23.1	22.7	22.1	21.5
Non-liquid liabilities (excl. from broad money)	2.0	2.3	2.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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, 2016–24
(Percent, unless otherwise indicated)

	2016	2017	2018*	2019	2020	2021	2022	2023	2024 June
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	9.4
Regulatory Tier 1 capital to risk-weighted assets	4.6	7.4	4.2	2.1	2.5	3.1	3.5	7.8	8.6
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	8.6
Provisions to total assets	13.9	16.1	13.5	13.3	11.1	9.1	7.7	6.5	5.4
Capital to assets	2.9	4.3	3.4	1.3	1.5	1.8	1.8	3.9	4.1
Asset quality and composition									
Loans to total assets	49.1	46.8	47.0	49.5	44.3	43.6	47.5	49.4	48.4
Loans to top 5 borrowers to capital	186.0	128.7	169.0	463.9	351.6	283.7	305.2	135.2	119.1
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	1.5
Extracting industries	0.8	1.8	1.5	0.9	0.4	0.4	0.4	0.9	0.5
Manufacturing	9.2	9.4	8.8	4.5	5.1	3.0	6.3	8.8	8.3
Electricity, gas, and water	6.0	8.9	4.6	4.6	6.1	5.1	3.9	3.1	3.1
Building and construction	21.4	13.1	13.5	9.1	18.2	19.0	21.6	19.8	15.8
Commerce	34.6	33.8	30.7	23.9	30.6	29.1	27.1	26.2	31.2
Transport and Communication	10.6	14.1	17.6	16.4	15.3	15.7	12.9	11.9	10.3
Insurance, real estate, business services	2.5	3.6	3.0	1.8	3.6	7.1	7.0	6.8	8.3
Services	14.8	15.0	20.2	38.7	20.6	20.6	20.6	21.3	21.1
Non-performing loans to total gross loans	16.2	19.3	17.8	15.6	16.0	12.0	8.1	8.0	7.9
Bank provisions to non-performing loans	77.3	77.8	78.6	75.0	68.4	70.5	74.5	70.9	58.8
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	3.4
Non-performing loans net of provisions to capital	70.8	54.4	61.7	167.6	170.0	96.7	59.8	31.2	40.2
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	18.3
Liquid assets to deposits	28.5	30.9	25.6	26.0	21.6	22.1	29.1	29.4	25.2
Loans to deposits ratio	90.6	87.2	82.0	83.3	73.9	67.7	72.9	73.7	70.1
Deposits to total liabilities ratio	61.9	63.1	66.7	67.3	67.2	70.4	69.4	71.1	72.4
Demand deposits to total liabilities[7]	26.6	25.8	27.0	27.9	26.9	31.2	31.6	31.1	31.5
Term deposits and loans to total liabilities	35.3	37.3	39.7	39.4	40.3	39.3	37.8	40.0	40.9

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, 2021–30[1]

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	(Billions of CFA Francs)									
Gross financing requirements (a)	**282.7**	**266.8**	**374.9**	**351.0**	**487.1**	**406.8**	**283.7**	**303.6**	**301.7**	**271.1**
Current account deficit, excl. budget grants (+)	122.8	210.1	235.6	198.9	158.8	109.2	83.4	82.7	88.8	56.1
Change in Net Foreign Assets, BCEAO (+) (1)	-90.6	-384.9	152.0	52.4	136.8	4.3	7.2	10.6	16.8	19.0
Change in Net Foreign Assets, Other depository institutions (+)	214.7	368.1	-98.6	-13.6	-30.7	71.7	70.6	55.5	44.1	84.4
External debt amortization (excl. IMF) (+)	35.2	71.5	78.0	97.2	191.3	180.6	84.1	124.8	123.9	88.2
IMF Repurchases / repayment	0.6	2.1	8.0	16.1	30.9	40.9	38.4	30.0	28.1	23.4
Available financing (b)	**269.9**	**332.1**	**274.1**	**138.2**	**311.5**	**283.8**	**187.3**	**231.0**	**271.4**	**240.8**
Foreign Direct Investment (net)	-36.2	-74.3	34.1	18.6	44.7	40.4	41.0	42.8	39.9	44.5
Loan disbursements (public sector)	76.1	98.4	111.6	247.2	379.2	219.0	243.0	253.6	240.4	266.3
External grants (public sector)	100.5	100.7	162.5	107.2	135.6	89.4	93.7	101.8	109.5	109.2
Other capital flows	127.2	205.2	-36.2	-234.9	-248.0	-65.0	-190.4	-167.2	-118.4	-179.2
Net errors and emissions	2.3	2.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap (a)-(b)	**12.8**	**-65.3**	**100.8**	**212.8**	**175.6**	**123.0**	**96.4**	**72.6**	**30.3**	**30.3**
Budget support loans	0.0	31.1	90.7	121.2	95.4	60.6	60.6	60.7	30.3	30.3
Budget support grants	1.6	30.0	10.1	12.4	9.0	9.0	9.0	3.0	0.0	0.0
Exceptional financing	11.1	4.2	0.0	79.1	71.2	53.5	26.8	9.0	0.0	0.0
o/w G20 moratorium	11.1	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w IMF ECF	0.0	0.0	0.0	79.1	71.2	53.5	26.8	9.0	0.0	0.0
	(Percent of GDP)									
Gross financing requirements (a)	**6.1**	**5.3**	**6.8**	**5.9**	**7.7**	**5.9**	**3.9**	**3.8**	**3.5**	**3.0**
Current account deficit, excl. budget grants (+)	2.7	4.1	4.3	3.4	2.5	1.6	1.1	1.0	1.0	0.6
Change in Net Foreign Assets, BCEAO (+) (1)	-2.0	-7.6	2.8	0.9	2.2	0.1	0.1	0.1	0.2	0.2
Change in Net Foreign Assets, Other depository institutions (+)	4.6	7.3	-1.8	-0.2	-0.5	1.0	1.0	0.7	0.5	0.9
External debt amortization (excl. IMF) (+)	0.8	1.4	1.4	1.6	3.0	2.6	1.1	1.6	1.5	1.0
IMF Repurchases / repayment	0.0	0.0	0.1	0.3	0.5	0.6	0.5	0.4	0.3	0.3
Available financing (b)	**5.8**	**6.6**	**5.0**	**2.3**	**4.9**	**4.1**	**2.5**	**2.9**	**3.2**	**2.6**
Foreign Direct Investment (net)	-0.8	-1.5	0.6	0.3	0.7	0.6	0.6	0.5	0.5	0.5
Loan disbursements (public sector)	1.6	1.9	2.0	4.2	6.0	3.2	3.3	3.2	2.8	2.9
External grants (public sector)	2.2	2.0	3.0	1.8	2.1	1.3	1.3	1.3	1.3	1.2
Other capital flows	2.8	4.0	-0.7	-4.0	-3.9	-0.9	-2.6	-2.1	-1.4	-2.0
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)	**0.3**	**-1.3**	**1.8**	**3.6**	**2.8**	**1.8**	**1.3**	**0.9**	**0.4**	**0.3**
Budget support loans	0.0	0.6	1.6	2.0	1.5	0.9	0.8	0.8	0.4	0.3
Budget support grants	0.0	0.6	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Exceptional financing	0.2	0.1	0.0	1.3	1.1	0.8	0.4	0.1	0.0	0.0
w/o G20 moratorium	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
w/o IMF ECF	0.0	0.0	0.0	1.3	1.1	0.8	0.4	0.1	0.0	0.0
Memorandum Items:										
Projected disbursement from the IMF (ECFs)										
SDR million	0.0	0.0	0.0	95.4	88.1	66.1	33.0	11.0	0.0	0.0
In percent of quota	0.0	0.0	0.0	65.0	60.0	45.0	22.5	7.5	0.0	0.0
IMF credit outstanding (PRGT)										
SDR million	247.7	245.1	232.6	307.8	356.1	372.6	358.6	332.7	298.1	265.0
In percent of quota	168.7	167.0	158.4	209.7	242.5	253.8	244.3	226.6	203.1	180.5
CFA billion	200.9	201.8	186.6	252.8	287.5	302.0	291.6	271.1	243.4	216.4
In percent of GDP	4.3	4.0	3.4	4.3	4.5	4.4	4.0	3.4	2.9	2.4

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, 2025–38[1]

(CFAF Billions)

	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	39.9	49.5	47.0	36.9	34.5	33.2	40.4	52.1	57.6	53.6	35.2	18.4	6.6	1.1
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
Total obligations based on existing and prospective credit														
In millions of SDRs	39.9	49.5	47.0	36.9	34.5	33.2	40.4	52.1	57.6	53.6	35.2	18.4	6.6	1.1
In billions of CFAF	32.2	40.1	38.2	30.1	28.2	27.0	32.9	42.5	47.0	43.7	28.7	15.0	5.4	0.9
In percent of government revenue	3.1	3.4	2.9	2.1	1.8	1.5	1.7	2.0	2.0	1.7	1.0	0.5	0.2	0.0
In percent of exports of goods and services	2.0	2.3	2.0	1.5	1.3	1.1	1.3	1.5	1.6	1.4	0.8	0.4	0.1	0.0
In percent of debt service[2]	13.5	15.3	24.8	16.2	15.5	19.3	22.6	26.8	27.7	24.7	16.2	8.3	2.9	0.4
In percent of GDP	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	27.2	33.7	32.0	25.2	23.5	22.6	27.5	35.5	39.3	36.5	24.0	12.5	4.5	0.8
Outstanding IMF credit														
In millions of SDRs	356.0	372.6	358.6	332.7	298.1	265.0	224.6	172.5	114.9	61.3	26.1	7.7	1.1	0.0
In billions of CFAF	288.0	301.6	291.1	270.9	243.2	216.2	183.2	140.7	93.7	50.0	21.3	6.3	0.9	0.0
In percent of government revenue	27.3	25.8	22.5	18.9	15.3	12.3	9.5	6.7	4.1	2.0	0.8	0.2	0.0	0.0
In percent of exports of goods and services	17.7	17.3	15.4	13.3	11.1	9.1	7.2	5.1	3.2	1.6	0.6	0.2	0.0	0.0
In percent of debt service[2]	120.2	115.0	189.0	146.0	133.5	154.5	125.6	88.7	55.3	28.3	12.0	3.5	0.5	0.0
In percent of GDP	4.5	4.4	4.0	3.4	2.9	2.4	1.9	1.3	0.8	0.4	0.2	0.0	0.0	0.0
In percent of quota	242.5	253.8	244.3	226.6	203.1	180.5	153.0	117.5	78.3	41.8	17.8	5.3	0.8	0.0
Net use of IMF credit (millions of SDRs)														
Disbursements	88.1	66.1	33.0	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	39.9	49.5	47.0	36.9	34.5	33.2	40.4	52.1	57.6	53.6	35.2	18.4	6.6	1.1
Memorandum items:														
Nominal GDP (in billions of CFAF)	6,360	6,843	7,364	7,925	8,528	9,177	9,875	10,627	11,435	12,305	13,242	14,250	15,334	16,501
Exports of goods and services (in billions of CFAF)	1,624	1,743	1,894	2,042	2,192	2,373	2,557	2,754	2,967	3,195	3,433	3,688	3,961	4,255
Government revenue (in billions of CFAF)	1,054	1,169	1,295	1,435	1,593	1,757	1,932	2,109	2,311	2,524	2,748	3,003	3,268	3,558
Debt service (in billions of CFAF)[2, 3]	240	262	154	186	182	140	146	159	169	177	177	180	187	203
CFAF/SDR (period average)	809	809	812	814	816	816	816	816	816	816	816	816	816	816

Sources: IMF staff estimates and projections.

[1] Includes proposed extension of the program.

[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: Proposed Access and Phasing Under the ECF Arrangement, 2024–28

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 11.010 million (7.5 percent of quota)	November 15, 2027	Observance of continuous and end-June 2027 performance criteria and completion of the seventh review under the arrangement
SDR 11.010 million (7.5 percent of quota)	May 15, 2028	Observance of continuous and end-December 2027 performance criteria and completion of the eighth 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, 2024–26[1]

	Debt Stock (end of period) 2024			Debt Service 2024	2025	2026	2024	2025	2026
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	**6825**	**100**	**72.1**	**1353**	**1489**	**1140**	**14.3**	**14.2**	**10.1**
External	**2881**	**42**	**30.4**	**249**	**393**	**245**	**2.6**	**3.7**	**2.2**
Multilateral creditors	1830	27	19.3	102	116	132	1.1	1.1	1.2
IMF	402	6	4.2	27	52	68	0.3	0.5	0.6
World Bank	773	11	8.2	8.5	8.0	10	0.1	0.1	0.1
AfDB	95	1	1.0	1	1	1	0.0	0.0	0.0
Other Multilaterals	560	8	5.9	66	56	54	0.7	0.5	0.5
o/w: BOAD	286	4	3.0	35	29	29	0.4	0.3	0.3
o/w: Islamic Development Bank	115	2	1.2	10	8	9	0.1	0.1	0.1
Bilateral Creditors	544	8	5.7	78	58	58	0.8	0.6	0.5
Paris Club	62	1	0.7	3	3	3	0.0	0.0	0.0
o/w: Belgium	9	0	0.1	0	0	0	0.0	0.0	0.0
o/w: France	53	1	0.6	3	3	3	0.0	0.0	0.0
Non-Paris Club	482	7	5.1	75	55	55	0.8	0.5	0.5
o/w: China	331	5	3.5	56	49	48	0.6	0.5	0.4
o/w: India	60	1	0.6	6	6	6	0.1	0.1	0.1
Bonds	0	0	0.0	0	0	0	0.0	0.0	0.0
Commercial creditors	507	7	5.4	69	219	55	0.7	2.1	0.5
o/w: Cargill Financial	157	2	1.7	6	169	0	0.1	1.6	0.0
o/w: Societe General	99	1	1.1	24	19	19	0.3	0.2	0.2
Other international creditors	0	0	0.0	0	0	0	0.0	0.0	0.0
Domestic	**3944**	**58**	**41.7**	**1103**	**1096**	**895**	**11.7**	**10.4**	**7.9**
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
Treasury bills	465	7	4.9	563	490	0	6.0	4.7	0.0
Bonds	3078	45	32.5	500	557	855	5.3	5.3	7.6
Loans	337	5	3.6	40	48	40	0.4	0.5	0.4
Domestic arrears	67	1	0.7	0.0	0.0	0	0.0	0.0	0.0
Memo items:									
Collateralized debt[2]	…	…	…	…	…	…	…	…	…
o/w: Related	149	2	1.6	20	17	15	0.2	0.2	0.1
o/w: Unrelated	…	…	…	…	…	…	…	…	…
Contingent liabilities	…	…	…	…	…	…	…	…	…
o/w: Public guarantees	0	0	0	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[3]	…	…	…	…	…	…	…	…	…
Nominal GDP	9468	5927		9468	10510	11290			

[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: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by 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. Understanding Fiscal Reporting for 2024

This annex discusses why Togo's government debt rose more quickly in 2024 than expected on the basis of the fiscal deficit. In a first step, the note establishes coherence between flow data on the execution of the 2024 budget on the one hand and the central government's debt accumulation and changes in its net position vis a vis the banking system on the other hand. Unbudgeted operations that the authorities have reported below the line (i.e., in the financing section of fiscal tables), financed through unplanned external borrowing, were a key driver of the unexpected debt accumulation. In a second step, the note establishes coherence between debt flow data and debt stock data.

1. Coherence Between Flow Data on Budget Execution, Debt Accumulation, and Changes in the Government's Claims on the Banking System

The Overall Picture

Based on data from the main fiscal reporting table *Tableau des Opérations Financieres de l'Etat* (TOFE),[1] the execution of the 2024 budget resulted in a fiscal deficit of CFAF 336.3 billion, slightly less than programmed, while below-the-line operations led to outflows of CFAF 142.1 billion (Table 1). These two elements created financing needs of CFAF 478.4 billion. Financing sources were inflows from net debt accumulation of CFAF 473.8 billion and a decline in the government's net claims on the banking system of CFAF 83.6 billion, yielding apparent overfinancing of CFAF 79.4 billion.

Understanding Below-the-Line Operations

Below the line transactions comprise changes in the "Treasury correspondent deposit accounts" and the "Accounts of various Treasury correspondents". The "Treasury correspondent deposit accounts" showed outflows of CFAF 145.0 billion and the "Accounts of various Treasury correspondents" inflows of CFAF 2.9 billion in 2024, bringing the total below the line operations to CFAF 142.1 billion (Table 1). Historically, the "Treasury correspondent deposit accounts" show inflows or outflows of no more than CFAF 42 billion. The unusually large outflows seen in 2024 authorities mainly reflect two large exceptional transactions (Table 2):

- Exceptional transaction 1 - Government purchase of fertilizer stocks: The central government purchased a multi-year stock of fertilizer for CFAF 100.9 billion, using a short-term external loan that is included in central government debt. The fertilizer stock was transferred to the "*Centrale d'approvisionnement et de gestion des intrants agricoles* (CAGIA) ", which sells it to farmers at a

[1] The TOFE for a given year reports (i) the execution of the budget for this calendar year (which stretches into the first two months of the following calendar year), and (ii) all below-the-line and financing operations undertaken during the calendar year. The TOFE relates to the central government and combines cash and commitment reporting: revenue is reported on a cash basis, while spending is reported mainly on a commitment basis (at the "engagement" stage), with reporting on debt related spending on a cash basis. The fact that part of the TOFE relates to commitments rather than cash spending can introduce limited unexplained residuals in the effort to establish consistency for any given year, given that disbursements from debt accumulation and changes in the government's position vis a vis the banking system are registered on a cash basis.

subsidized price. The farmers pay for their subsidized fertilizer purchases directly into Treasury accounts. The difference between the purchase price and sales revenue received in a given year is recorded as a subsidy above the line in the TOFE (in "other transfers"), so is not shown in Table 2. The subsidy amounted to CFAF 17.9 billion in 2024; the 2025 amount will depend on sales proceeds in 2025.

Table 1. Togo: Execution of the 2024 Budget, Debt Financing, and Other Flows, 2024

		Data as reported		Corrected reporting	
	Item	**CFAF bn**	**% of GDP**	**CFAF bn**	**% of GDP**
1	**Overall fiscal balance 1/**	**-336.3**	**-5.7**	**-440.6**	**-7.4**
2	**Below-the-line transactions 1/**	**-142.1**	**-2.4**	**-41.2**	**-0.7**
	Treasury correspondent deposit accounts	-145.0	-2.4	-44.1	-0.7
	Accounts of various Treasury deposits	2.9	0.0	2.9	0.0
3	**Total net borrowing 1/**	**473.8**	**8.0**	**456.8**	**7.7**
	Domestic borrowing, net	141.0	2.4	124.0	2.1
	External borrowing, net	332.8	5.6	332.8	5.6
4	**Change in net claims of depository corporations on the central government 1/**	**83.6**	**1.4**	**83.6**	**1.4**
	BCEAO (excl. IMF), net	-19.9	-0.3	-19.9	-0.3
	Bank credits	47.3	0.8	47.3	0.8
	Central government deposits	56.3	0.9	56.3	0.9
5	**Flows and transactions not captured in the TOFE**	**-79.4**	**-1.3**	**-59.0**	**-1.0**
	Période complémentaire	-36.6	-0.6	-36.6	-0.6
	Project account variations	-22.4	-0.4	-22.4	-0.4
	Over-statement of net securities issuance	-16.9	-0.3	0.0	0.0
	Discounts and loan commissions	-3.4	-0.1	0.0	0.0
6	**Remaining unexplained residual (1 + 2 + 3 + 4 + 5)**	**-0.4**	**0.0**	**-0.4**	**0.0**
	Memorandum items:				
	Togolese bank securities portfolio (excl. net issuance) 2/	*83.6*	*1.4*		
	Nominal GDP	5,927			

Source: Togolese authorities and IMF staff analysis.
1/ From 2024 TOFE received 16 March 2025
2/ Calculated by subtracting net issuance to Togolese banks (CFAF 159 billion) and bank credits (CFAF 47 billion) from bank receivables (CFAF 122 billion) in the TOFE. Staff understands that this relates to trades of Togolese securities between Togolese and non-Togolese banks, so does not represent a fiscal inflow.

- Exceptional transaction 2 - advances to local authorities: The central government provided advances of CFAF 51.2 billion to local authorities for the building of waste treatment facilities following floods in 2024. The authorities expect that the local authorities will repay the full amount of the advances in 2025, possibly funded by local authority debt that may be allowed under a fiscal decentralization law under preparation that will allow local authorities to take up debt. Any future debt taken up by local authorities will be included in the DSA.

- Standard flows net to inflows of CFAF 7.1 billion. Of these, outflows of CFAF 38.7 billion reflect drawings by public institutions following central government commitments made to them in previous years, against inflows of CFAF 50.1 billion, giving net inflows from public institutions of CFAF 11.4 billion.

Table 2. Togo : Use of the "Comptes de Dépôts des Correspondants du Trésor "in 2024

	Item	Amount (CFAF bn)	% of GDP
1	**Exceptional operations**	**-152.1**	**-2.6**
	Ordering Fertilizer	-100.9	-1.7
	Subnational governments	-51.2	-0.9
2	**Standard flows**	**7.1**	**0.1**
	Local authorities	4.4	0.1
	Public institutions, net	11.4	0.2
	Deposits and deductions on behalf of third parties	-17.3	-0.3
	Government operators and third-party creditors	10.1	0.2
	Other	-1.5	0.0
3	**Treasury correspondent deposit accounts (1 + 2)**	**-145.0**	**-2.4**

Source : Togolese authorities

Understanding Flows not Captured in the TOFE

Three main factors explain the apparent gap of CFAF 79.4 billion:

- Spending during the "*périodes complémentaires*": The government continues to spend out of the budget for any given year in the first two months of the following year, while changes in debt and the government's position vis a vis the banking system are recorded over the calendar year. For example, spending under the 2023 budget started in January 2023 and continued into February 2024 and is reported in the 2023 TOFE (creating some overlap with the execution of the 2024 budget). Similarly, spending under the 2024 budget started in January 2024 and continued into the first two months of 2025 (creating overlap with the execution of the 2025 budget). To map the execution of the 2024 budget over the period January 2024 – end-February 2025 into debt accumulation and changes in the government's position vis a vis the banking system over the course of calendar year 2024, one needs to (i) start with the execution of the 2024 budget as reported in the TOFE, (ii) add the spending made under the 2023 budget in early 2024 (reported at CFAF 69.8 billion), and (iii) subtract the spending made under the 2024 budget in early 2025 (reported at CFAF 33.2 billion). This adjustment explains CFAF 36.6 billion of the gap. No changes need to be made to the authorities' fiscal reporting or Fund staff's fiscal tables on this account, though these flows should be published in future to enhance fiscal transparency.

- Delayed spending from project accounts: Government spending on certain projects transits through project accounts that are included in the perimeter of government bank accounts. The spending is recorded in the TOFE when the government transfers funds to these accounts rather than when the funds are disbursed to goods and services providers, creating discrepancies between the TOFE and changes in the government's position vis a vis the banking system. In 2024, project accounts were allocated CFAF 34.0 billion, while spending from these accounts reached CFAF 56.4 billion. The difference explains CFAF 22.4 billion of the apparent gap. No changes need to be made to the TOFE or Fund staff's fiscal tables to account for this.

- Recording of Debt-Related Flows:
  - *Proceeds from, and costs of, tradeable debt securities:* Togolese Treasury bills (T-bills) and some bonds (when the coupon is lower than the market yield) are issued at a discount.[2] The IMF's Government Finance Statistics Manual (GFSM) recommends that under cash accounting, (i) government flow data should record inflows equal to the market price/discounted value of the security at issuance and outflows of the same size at redemption, and (ii) government stock data on public debt should show the face value of the security. Further, flow data should show the difference between the face value and the discounted value as an interest payment at issuance for Tbills, and at redemption for bonds. Instead, the authorities registered flows equal to face values, leading to an over-statement of net inflows from issuance of securities of CFAF 16.9 billion in the TOFE, and an underreporting of interest payments.[3]
    - Treasury bills: The use of face values rather than discounted values for inflows and outflows led to an overstatement of the net proceeds from Treasure bill issuance of CFAF 9.8 billion in 2024. The authorities recorded interest payments on T-bills correctly (as the difference between the face value and the discounted value in the year of issuance).
    - Bonds: The use of face values rather than discounted values for inflows and outflows led to an overstatement of the net proceeds from bond issuance of CFAF 7.2 billion in 2024. In addition, the discounts on bonds maturing in 2024, totaling CFAF 0.9 billion, were not recorded as interest payments. These should be included in interest expenditure above the line.
  - *Fees on* loans*:* The unplanned trade credit used to finance the fertilizer purchase came with fees of CFAF 2.5 billion, but they did not register the fees as spending. The fees need to be added to spending.[4]

2. Coherence Between Debt Flow Data and Debt Stock Data

This exercise compares debt accumulation in 2024 as indicated by flow data from the TOFE with debt accumulation as indicated by data on the stock of public debt provided by the authorities' Debt Directorate. As noted above, net disbursements imply that the debt stock rose by CFAF 474 billion in 2024. At the same time, debt stock data used in the DSA suggest that the debt stock rose by 510 billion in 2024.

Two main factors explain the difference between flow and stock data (Table 3):

[2] Bonds can also be issued at a premium. This is the case when coupons exceed market rates, as occurred on some bonds issued during the pandemic. In this case, the discount is negative on redemption.

[3] The 1986 GFS Manual recommends that discounts should be reported as a memorandum item to facilitate reconciliation with debt data.

[4] The full details of the recording of these fees are being confirmed, and the data may change slightly.

- *Government assumption of ownership of a hotel and its debt:* The authorities took on CFAF 15.4 billion of debt when it took ownership of a hotel in 2024. This transaction is not reported in the TOFE as expenditure.
- *Valuation effects*: The authorities reported that valuation changes on non-CFAF/euro debt increased the debt stock by CFAF 25.2 billion.

The remaining gap of CFAF 4.5 billion (0.1 percent of GDP) is an acceptable margin of error. With this, debt accumulation in 2024 is well understood and there is no substantial unexplained debt accumulation (unexplained "stock-flow adjustment").

Table 3. Togo: Net Borrowing at Face Value and Increases in the Debt Stock, 2024

	Item	CFAF bn	% of GDP
1	**Total net borrowing 1/**	**473.8**	**8.0**
2	**Change in debt stock 2/**	**509.9**	**8.6**
3	**Stock-flow adjustment (2 - 1)**	**36.1**	**0.6**
	Hotel debt	15.4	0.3
	Valuation changes	25.2	0.4
	Unexplained	-4.5	-0.1

Source: Togolese authorities and IMF staff analysis

1/ From 2024 TOFE received 16 March 2025

2/ From public debt data (end-December 2024) received 18 March 2025.

Annex II. External Sector Assessment

Overall Assessment: *Togo's external position is estimated to have been broadly in line with the level implied by medium-term fundamentals and desirable policies in 2024, unchanged from the last assessment. The current account deficit is estimated to have narrowed in 2024, as imports contracted on the back of fiscal consolidation. The deficit is projected to narrow further in the medium term, in line with fiscal consolidation and lower projected fuel prices, and as infrastructure investment and structural reforms bolster exports.*

Potential Policy Responses: *Structural reforms to realize the full potential of recent investments in industrial zones and trade infrastructure should continue to bolster and upgrade exports. Further improvements in the business environment would help to attract more inward FDI that would increase productivity. In the longer-term, further investments in human capital would help grow and diversify service exports related to Togo's position as a regional trade, logistics, and banking hub. The ongoing fiscal consolidation and shift to more concessional, long-term external debt is expected to reduce debt vulnerabilities.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Togo's net international investment position (NIIP) in 2022 improved to -6 percent of GDP (based on the most recent data) from -9 percent in 2021 and -14 percent of GDP in 2019. Gross assets have increased steadily since 2018, though the composition has evolved, notably to a higher share of portfolio investment (33 percent of GDP) and other investment (44 percent of GDP) and lower share of direct investment (41 percent of GDP). Gross liabilities as a share of GDP declined slightly in 2022 driven by a fall in direct investment to 28 percent of GDP following elevated levels of 35 percent of GDP in 2019-20. Public borrowing from securities (20 percent of GDP) and loans (22 percent of GDP) makes up just less than half of gross liabilities. Historical data suggests that more than 60 percent of liabilities are to other WAEMU countries, indicating that exposure is more concentrated in the region than in the rest of the world. By contrast, more than 40 percent of assets are in the WAEMU region.

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

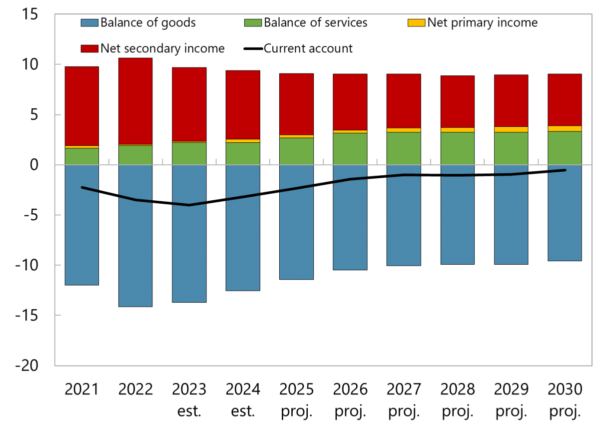
2022 (% GDP)	NIIP: -5.7	Gross Assets: 121.2	Debt Assets: 61.6	Gross Liabilities.: 126.9	Debt Liabilities.: 97.2

Current Account

Background. Togo's current account deficit shrank significantly in 2017 and continued a broad decline through 2020, driven by import compression in the context of fiscal consolidation under the previous IMF engagement. The current account deficit widened in 2021–22 as the fiscal position deteriorated during the pandemic and amidst high food and fuel prices. The current account deficit widened further to 4.0 percent of GDP in 2023 despite an improved trade balance from lower oil prices and growing service exports (transit trade and travel) because of a decline in transfers. Despite higher than anticipated security spending and the continued reversion of remittances and official transfers to pre-pandemic levels, the deficit is estimated to have narrowed to 3.2 percent of GDP in 2024, reflecting lower imports on the back of fiscal consolidation (Text Figure 1). The current account deficit is projected to widen slightly in 2025 as remittance flows continue to decline to pre-pandemic levels, before decreasing to below the 5-year average of 1.9 percent of GDP in the medium-term as fiscal consolidation moderate imports and exports increase on the back of the authorities' efforts to strengthen goods exports and the logistics sector.

Text Figure 1. Togo: Current Account Decomposition

(Percent of GDP)



Source: BCEAO and IMF Staff

Assessment. Using 2024 estimates, the EBA-lite current account model estimates a current account norm of -4.1 percent of GDP, slightly narrower than the adjusted CA balance of -4.2 percent of GDP. The estimation includes a standard adjustor of -0.02 percent of GDP for cyclical contributions and 0.6 percent of GDP for natural disasters/conflict, and an ad hoc adjustor of 0.4 percent of GDP to account for temporarily higher levels of remittances. The CA gap of -0.1 percent of GDP (Text Table 1) suggests Togo's current account is broadly in line with the level implied by fundamentals and desirable policies. Low health expenditure is the main contributor to the policy gap of 0.9 percent of GDP, implying that the relatively strong external position may be explained partly by high precautionary savings, consistent with the still very limited availability of health insurance.[1]

Text Table 1. Togo: EBA-Lite Model Estimates for 2024

(Percent of GDP)

	CA model 1/ (in percent of GDP)	REER model 1/
CA-Actual	**-3.2**	
Cyclical contributions (from model) (-)	0.0	
Additional temporary/statistical factors (-) 2/	0.4	
Natural disasters and conflicts (-)	0.6	
Adjusted CA	**-4.2**	
CA Norm (from model) 3/	**-4.1**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-4.1**	
CA Gap	**-0.1**	**-0.2**
o/w Relative policy gap	0.9	
Elasticity	-0.2	
REER Gap (in percent)	**0.6**	**1.0**

1/ Based on the EBA-lite 3.0 methodology.

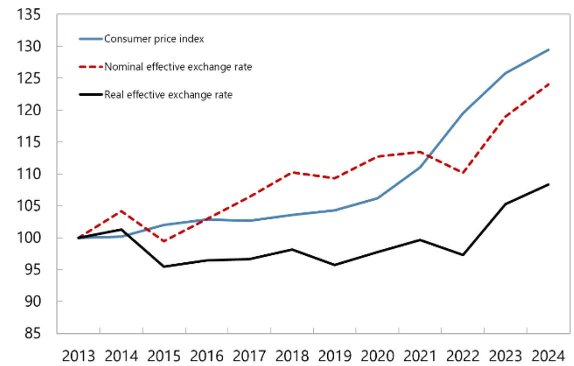
2/ Additional adjustment to account for the temporary surge in remittances.

3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Togo is part of the WAEMU currency union, with the CFA franc pegged to the euro. The country's real effective exchange rate (REER) appreciated by 4.1 percent over 2019–21. It depreciated by 2.4 percent in 2022, reflecting the nominal depreciation of the Euro after Russia's invasion of Ukraine and international monetary policy tightening. In line with the relative strengthening of the Euro and a positive inflation differential vis-à-vis trading partners, the REER is estimated to have appreciated by about 8.2 percent in 2023 and 3.0 percent in 2024 (Text Figure 2).

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



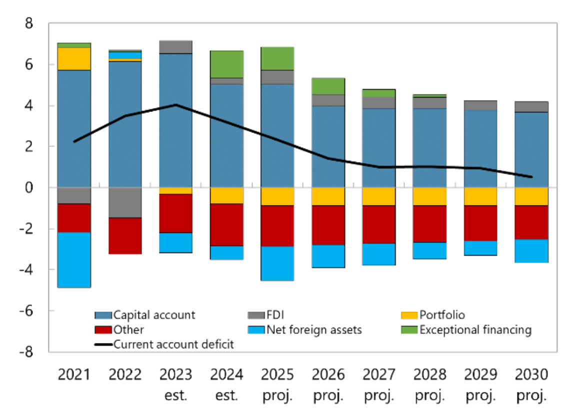
Source: IMF Information Novice System

Assessment. When applied to 2024 projections, the EBA-Lite Index Real Effective Exchange Rate (IREER) model estimates a small overvaluation of 1.0 percent with respect to values implied by economic fundamentals and desirable policies, compared to an undervaluation of 10.8 percent in the previous assessment. Similarly, the EBA-Lite current account model, which is generally a better fit for low-income countries, implies a small overvaluation of around 0.6 percent under an elasticity of -0.2.

Capital and Financial Accounts: Flows and Policy Measures

Background. Capital transfers have provided financing in excess of current account deficits since 2017. This was driven largely by private capital transfers believed to reflect remittances used for investment purposes, and official capital transfers that supported higher public investment. Both are estimated to have plateaued in 2023 and to have declined slightly in 2024, reducing the capital account surplus from its peak of 6.8 percent in 2023 to 5.0 percent in 2024.[2] The excess financing was offset by net portfolio outflows and other investment outflows, mainly from regional banks headquartered in Togo. In the medium term, the capital account surplus is projected to decrease, consistent with the projection of remittances, and the financial account balance would decline, as the authorities take on more external debt.

Text Figure 3. Togo: Financing Sources
(Percent of GDP)



Source: BCEAO and IMF Staff

Assessment. Staff do not find immediate risks or vulnerabilities linked to capital flows. The projected moderation in capital transfers is expected to be partially offset by a declining current account deficit and increase in concessional lending. Fiscal consolidation and the scale-up of other external borrowing is expected to reduce borrowing needs, particularly on the regional market where large holdings of Togo's securities by non-Togolese banks explain much of the portfolio flows and shift the source of financing to other investment in the medium term. The authorities should continue to improve the business environment and investment climate to increase inward FDI.

Reserves Level
Background. Togo is a currency union member with reserves pooled at the WAEMU level and the same is true for policies on foreign exchange intervention, monetary operations, and capital account openness. The assessment thus refers to that in the 2025 Staff Report on Common Policies for Member Countries (IMF Country Report IMF No. 25/110). WAEMU pooled reserves recovered from about 9.5 trillion CFAF (3.3 months of prospective imports) at end-2023 to about 13.5 trillion in 2024 (4.6 months of prospective imports). They are projected to increase further, to about 4.8 months of imports by 2026, reflecting better terms of trade, a ramping-up of hydrocarbon exports from the region, and IMF disbursements. **Assessment.** The adequate level of WAEMU reserves is assessed to lie between 4.4 and 6.4 months of prospective import coverage. End-2024 data indicate that reserves were slightly above the lower bound, and reserves could reach higher levels (5.2 months of prospective imports) by 2029. Growth-friendly fiscal consolidation, appropriate monetary policy, and implementation of structural reforms remain key to sustain reserve accumulation.
[1] See selected issues paper, "Enhancing Social Inclusion" (IMF Country Report No. 2024/300). [2] An IMF STA TA mission recommended reclassifying the transfers to the current account, but the advice has yet to be implemented.

Annex III. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood/ Time Horizon	Excepted Impact if Realized	Recommended Policy Response
External Risks			
Trade policy and investment shocks: Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High ST, MT	High Widespread slowdown in trade partners would lower growth potential for both exporters. Weaker trade also implies less FDI and grants from foreign countries. Higher imported inflation with tighter financial conditions would leave the central bank with a tradeoff.	Implementing structural reforms to strengthen the domestic economy. Improving business climate to foster private sector development.
Sovereign debt distress: Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	High ST, MT	High Sovereign debt distress could prevent the country from rolling over its debt, which may ultimately lead to a debt rescheduling with inability for the government to finance itself.	Implementing structural reforms to strengthen the domestic economy. Advance fiscal consolidation to reduce the debt burden and avoid overtaxing the regional market.
Regional conflicts: Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows. **Commodity price volatility:** Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium ST, MT	High Terrorism is a key risk to macroeconomic and social stability, with impacts ranging from a slowing of trade going through the North of the country all the way to political and economic instability as seen in some neighboring countries. 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 the current account.	Strengthen both the security and civilian responses to terrorism as needed while balancing this effort against the need to achieve fiscal consolidation. In a longer-term perspective, support the economy's growth through structural reforms. 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.
Tighter financial conditions and systemic instability: Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium ST, MT	Medium Higher borrowing cost would 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 geoeconomic fragmentation: Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High ST, MT	Medium Disruption in 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.

[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.

Source of Risks	Relative Likelihood/ Time Horizon	Excepted Impact if Realized	Recommended Policy Response
Climate change: 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.
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.

Annex IV. Capacity Development Strategy

Fund capacity development (CD) will support key government objectives, including strengthening fiscal revenue, enhancing the social safety net, and improving public financial management. 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.
- **The authorities have implemented important reforms of public financial management (PFM),** including a transition to program budgeting, thanks in part to support since 2012 via a resident FAD PFM advisor financed by a series of successive EU-funded projects. The work program for the current project focuses on program and priority-based budgeting, public investment management, and fiscal risk management.
- **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 good 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 public investment management, SOE and PPP management, and fiscal reporting.
- **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 is working to provide CD on governance.** Staff will prepare a Governance Diagnostic. Staff could also assist in strengthening the legal and institutional framework for AML/CFT to bring it in line with FATF standards and stands ready to advise on strengthening the framework for Asset and Income Declarations.

Annex V. Poverty Reduction and Growth Strategy

The Togo 2025 Government Roadmap serves as its Poverty Reduction Strategy (PRS) and is well-aligned with the objectives of the ECF.

1. **The roadmap adopted by Togo's government in October 2020 outlines a strategy for sustainable and inclusive economic growth from 2021 to 2025.** It aims to significantly reduce poverty by focusing on key pillars of social inclusion, job creation, and modernization, structured around three strategic axes reflecting Togo's vision for sustainable development.

- The first axis emphasizes strengthening social inclusion and harmony by providing identification and health coverage for all citizens and ensuring equitable access to quality education that meets labor market needs. Initiatives include a biometric identification system and a Social Registry for vulnerable populations, along with investments in education infrastructure and access to basic services to improve health, electricity, and water access.
- The second axis aims to stimulate job creation by transforming agriculture into a key growth engine, positioning Togo as a logistics and services hub, and diversifying the economy through the development of extractive and processing industries. Establishing planned agricultural zones and improving rural access are critical for enhancing productivity and market access.
- The third axis focuses on modernizing the country by establishing Togo as a leader in digital technologies and innovation, attracting both local and foreign investment to drive economic growth, consolidating government’s structures, and stabilizing the public accounts. Key components include implementing high-quality internet connectivity and digitizing public services.

2. **These specific policy directions underpin the ECF reform program, ensuring alignment between the PRS and program objectives.** The ECF-arrangement supports key policies in social inclusion and public finance management, including revenue mobilization, spending rationalization, and the restructuring of the state-owned bank. Strengthening governance and transparency will further enhance Togo’s economic resilience and growth trajectory.

Appendix I. Letter of Intent

Lomé, June 16, 2025

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

Dear Madam Managing Director:

Despite the adverse impact of a series of exogenous shocks in recent years, including the COVID-19 pandemic, the Russia-Ukraine conflict, and protracted security threats in the North, Togo's economy has shown resilience and sustained growth.

However, as a result of measures implemented to mitigate the impact of the shocks on the population, fiscal deficits have widened significantly and, despite fiscal consolidation in 2023 and 2024, continue to add to debt. We also continue to face a challenging external environment marked by high interest rates on the regional and international financial markets, declining official development assistance, and adverse climate events. At the same time, development needs remain substantial.

The government is committed to continuing to take all necessary actions to meet these challenges, in accordance with the authorities' 2020–2025 roadmap (and the 2026–2030 national development plan currently in preparation). In particular, we will continue our efforts to (i) make growth more inclusive while strengthening debt sustainability; and (ii) implement structural reforms to support growth and curb fiscal and financial sector risks. We welcome the IMF's support to our policy program under the Extended Credit Facility (ECF) arrangement since March 2024. This agreement enables us to benefit from substantial financing on favorable terms and to mobilize resources from other partners. This support contributes to the implementation of reforms, in particular by enabling us to increase social spending and fight poverty.

While we have broadly successfully implemented our program in 2024, we have also seen lower-than-expected progress on one key objective, strengthening debt sustainability. In particular, we have increased tax revenues in line with program objectives and mobilized significant non-tax revenues. We have also implemented structural reforms to reduce financial sector and fiscal risks. However, we did not reduce the fiscal deficit as much as envisaged due to an initially unplanned purchase of fertilizers needed by the agricultural sector. In addition, we provided credit to local governments affected by the floods (shown below the line in the budget tables). As a result, we missed the fiscal deficit target and debt increased much more than anticipated. In agreement with this, IMF staff confirmed that we have met all quantitative performance criteria and indicative targets for end-2024 except for the performance criterion on the fiscal deficit. We have also met all continuous performance criteria to date and met the two structural benchmarks for end-2024.

Guided by these developments, we will continue and intensify our fiscal consolidation efforts to strengthen debt sustainability while improving social inclusion and sustaining robust growth. To this end, we endorse structural benchmarks for additional measures that support revenue mobilization directly (through tax policy efforts) and indirectly (through governance-related reforms). Furthermore, we understand that the publication of a document that presents in an analytical manner the debt accumulation in 2024 will be a prerequisite for the second review under the ECF arrangement, and we agree to a structural benchmark on the publication of such a document for future years. We are also committed, for each remaining year of the program, to maintaining a fiscal margin equivalent to about 0.25 percent of GDP through prudent management until the last month of budget execution (traditionally February of the following year), in order to be able to mitigate the impact of any unforeseen economic shock.

At the same time, given the rapid rise in debt in 2024, we propose a limited recalibration of the program's fiscal anchor and an associated extension of the program:

- *Fiscal anchor*: the program has a dual fiscal anchor. The first anchor sought to reduce the overall risk of debt distress to "moderate" in 2026 (the last full year before the program expires in August 2027) by reducing the present value of debt below 55 percent of GDP. The second element was to reduce the overall fiscal deficit to 3 percent of GDP from 2025 onwards (excluding exceptional banking operations). We propose changing both elements as follows:

    - With debt rising faster than expected in 2024, the objective of reducing the present value of debt below 55 percent of GDP in 2026 would require an undesirable fiscal adjustment. We therefore request that this target be postponed to 2027. While this amendment lowers our ambition somewhat, it preserves the objective of substantially improving debt sustainability by the end of the program.

    - We also request that the 2025 fiscal deficit ceiling be raised to 3.5 percent of GDP. This temporary and limited relaxation is necessary as we continue to face significant security threats at our northern border, which put significant pressure on fiscal expenditures. We must respond to this pressure to preserve security, which is a prerequisite for strengthening macroeconomic stability. We will maintain the 3 percent of GDP deficit ceiling from 2026 onward.

- *Program modifications*: We request (i) a waiver for the non-observance of the performance criteria on the basic primary fiscal balance, (ii) a modification of performance criteria on basic primary fiscal balance and net domestic financing, (iii) an extension of the ECF arrangement for 11 months through July 31, 2028, to include a new test date of end-December 2027 and a rephasing of access under the ECF arrangement by splitting the disbursements associated with the original seventh review into two equal disbursements for the seventh (with the new test date end-June 2027) and the new proposed eighth review to allow for monitoring of fiscal policy implementation over the entire year.

In addition, in order to address the challenges linked to climate change, we intend to request support from the IMF under the Resilience and Sustainability Facility (RSF). Following the recent IMF climate policy diagnostic mission, we will discuss a solid reform package with IMF staff, and we hope that if we submit a request for RSF support, it will be considered at the third review of the ECF arrangement in December 2025.

The attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) set out the government's short- and medium-term economic policies, updating our MEFP and TMU of November 29, 2024. We believe these policies are adequate to achieve our general objectives described above and stand ready to take any further measures that may prove necessary. We will consult with IMF staff prior to any revision of the policies set forth in the MEFP, in accordance with IMF policies on such consultations, and we will provide IMF staff with any information needed for program monitoring in due course. Based on program implementation to date and the commitments set out in the MEFP, we are requesting the conclusion of the second review under the ECF arrangement and the disbursement of SDR 44.04 million (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 of intent, and the attached MEFP and TMU. Accordingly, we authorize the IMF to publish these documents on its website following the Executive Board's approval of our request for completion of the second review under the ECF arrangement.

Please accept, Madam Managing Director, the expression of my highest consideration.

/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 and our development needs remain significant. Togo also faces a range of shocks, including from the ongoing security challenges in the North. With the support of the IMF under the ECF arrangement approved in March 2024, we intend to maintain macroeconomic stability and accelerate progress towards the SDGs, in line with the authorities' 2020–2025 roadmap. To this end, we will work to (i) make growth more inclusive while improving debt sustainability; and (ii) conduct structural reforms to support growth and limit fiscal and financial sector risks.

I. Background

1. In recent years, our economy has demonstrated resilience in the face of various shocks, but significant challenges persist. While growth has been resilient, food insecurity rose sharply and continues to decline slowly, still affecting 27 percent of the population.[1] In addition, poverty reduction has slowed and about a quarter of our citizens continue to live in extreme poverty, subsisting on less than $2.15 a day.[2] Achieving the SDGs remains a priority but constitutes a major challenge. In a context of intensified terrorist activity in the Sahel, terrorist attacks continue in the Savanes region (north) and the number of casualties appears to be on an upward trend. Terrorist activities are also hampering economic activity in the region, with negative repercussions on key logistics sectors in Togo. The floods of June 2024 demonstrate our vulnerability to climate shocks.

2. The fiscal expansion we implemented in response to these shocks helped to counter their impacts on the population and economic activity but nevertheless led to an increase in fiscal deficits and public debt, necessitating a reassessment of our fiscal strategy. In 2022, the fiscal deficit reached 8.3% of GDP, driven by measures to preserve the purchasing power of our population, including significant fuel subsidies. By 2023, even before the start of the ECF program, we had managed to reduce the fiscal deficit to 6.7 percent of GDP. In 2024, we were unable to reduce the deficit as planned, and it stood at to 7.4% of GDP (6.4% if we exclude banking sector operations). The main reason why we have not met the deficit target is that we have purchased a multi-year stock of fertilizers, which we make available to farmers at a subsidized price. Without this support, our agriculture would not be viable. We also provided credit to local communities to help them cope with the floods that occurred in mid-2024. This support is shown "below the line" and is therefore not part of the fiscal deficit. As a result, public debt continued to rise rapidly, reaching 72.1 percent of GDP. While our public debt remains sustainable and the risk of external debt distress is moderate, we are aware of the high risk of overall debt distress. More positively, regional reserves have recently started to recover from low levels, reaching 5.4 months of imports in April 2025.

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

[2] World Bank projection of 24.5 percent for 2024.

3. Faced with our high fiscal deficit and rapidly increasing debt, we have adopted an ambitious program of economic and financial policies. This program, updated in our November 29, 2024, MEFP, remains broadly appropriate. We aim to maintain macroeconomic stability and accelerate poverty reduction by (i) making growth more inclusive while strengthening debt sustainability, and (ii) implementing structural reforms to support growth and limit fiscal and financial sector risks. Key policies include scaling up social and vulnerable spending and social safety nets; a comprehensive fiscal consolidation supported by ambitious revenue mobilization measures; and a successful banking sector reform, including the recapitalization of the last public bank. The International Monetary Fund(IMF) is supporting our efforts through an ECF arrangement approved in March 2024. The arrangement covers a total duration of 42 months and provides financing equivalent to 200 percent of our quota.

4. However, given elevated security risks, we need to temporarily slow fiscal consolidation to accommodate security-related spending without jeopardizing priority spending, including social spending. Specifically, we propose a one-off increase in the fiscal deficit target for 2025 of 0.5 percent compared to baseline to reach 3.5 percent of GDP in 2025 (excluding banking operations). From 2026 onwards, we will reduce the deficit to 3 percent of GDP, recognizing the need to remain within the limited fiscal space in Togo, which is marked by a high risk of overall debt distress and still limited coverage of the region's foreign exchange reserves.

II. Recent Economic Developments

5. In 2024, according to International Monetary Fund (IMF) estimates, the economy grew by 5.3 percent. Meanwhile, headline inflation over the past 12 months has declined to 2.6 percent in April 2025, while food inflation remains higher.

6. We have continued to increase tax and nontax revenues. Tax revenue increased to 14.9 percent of GDP in 2024 against the permanent component of tax revenue of 14.5 percent of GDP in 2023, slightly below the programmed increase of 0.5 percent of GDP per year. This increase includes about 0.3 percent of GDP obtained from tax policy measures implemented in 2024. Customs and domestic taxes were both in line with forecasts. Non-tax revenue increased to 2 percent of GDP in 2024, well above projections. This strong performance mainly reflects our continued efforts to mobilize revenues related to the use of public domains.

7. We reduced the fiscal deficit less than anticipated, reflecting pressures to support the agricultural sector to combat food insecurity. We reduced expenditure by streamlining certain expenditures, particularly by controlling expenditures on fuel product subsidies. We also contained capital expenditure by 1.1 percent of GDP compared to the budget forecasts. However, we have purchased fertilizers for 1.7 percent of GDP, funded by an unforeseen short-term external loan at the beginning of the year, with the aim of supporting our farmers. As a result, the overall deficit (including grants and excluding banking operations) fell to 6.4 percent of GDP, above the level of 4.9 percent of GDP expected. In connection with this, we did not meet the QPC on the basic primary fiscal balance. In addition, we have provided advances of 0.9 percent of GDP to local authorities for the construction of waste treatment facilities, an urgent need that emerged during the floods.

8. As a result, public debt in 2024 has increased faster than in recent years, exceeding initial projections. Public debt increased by 4.2 percent of GDP (from 67.9 percent of GDP in 2023 to 72.1 percent in 2024), faster than in recent years. While SOE debt decreased by 0.4 percent of GDP, central government debt increased by 2.3 percent of GDP. In addition to the tax deficit and the transactions recorded "below the line" in the tax accounts, this increase in debt also reflects the taking possession of the largest hotel in Lomé with its debt and valuation variations due to exchange rate fluctuations.

9. Financing conditions for Togo have tightened since the start of the program. Average annual yields on government bonds increased from 6.1 percent in 2019–23 to 7.4 percent in 2024, and maturities shortened, leading us to use T-bills for three quarters of the financing in 2024 (compared to only one fifth during 2019–23). This has led to rising interest costs and rollover risks. In parallel, we sought to maximize the use of concessional loans. In total, we have signed external loans with a present value of CFAF 294 billion at end-2024, below the program's debt ceiling.

10. In the banking sector, we observed improvements in soundness indicators, to which we actively contributed. However, challenges remain, and four banks remain noncompliant with prudential standards to date.

- We continued to recapitalize the last public bank by injecting CFAF 15.2 billion (0.3 percent of GDP) of additional liquidity in December 2024. An independent audit found that the bank's regulatory capital amounted to CFAF 20.5 billion at end-2024, slightly above the regulatory minimum of CFAF 20 billion. This helped strengthen the bank's soundness indicators and reduce the number of prudential ratios breached from twelve at end-2023 to two at end-2024. We are also preparing a plan for the operational restructuring of the bank in order to ensure its profitability and stability. We are committed to further strengthening this bank before the end of the program to ensure that it does not continue to create undue risks for financial stability and public finances.
- We are in the process of finalizing the payment of the purchase agreement for the headquarters building and other real estate assets of a former state-owned bank, which was privatized while undercapitalized in 2021. This operation, initially planned for 2024, should help improve the bank's soundness indicators and its compliance with regulatory standards. We anticipate that this payment, in the amount of CFAF 27 billion, could be made in the course of 2025.
- The other two private banks that violate prudential norms account for 4.5% and 0.1% of total banking sector assets. The larger of these two banks has seen its regulatory capital further weakened in recent months and thus continues to violate prudential standards on capital which led it to prepare and submit to the regulator a plan of corrective measures. The owners of this bank have already made a capital injection and are seeking to raise additional subordinated debt to bolster Tier 2 capital. The smaller of the two banks is under provisional administration.

III. Outlook and Risks

11. Macroeconomic performance is expected to remain strong going forward despite recent developments in the area of international trade policy. Growth is projected at 5.2 percent in 2025, marginally lower than previously projected given heightened global uncertainty. Starting in 2026, growth will reach the long-term potential level of 5.5 percent per year, supported by the end of fiscal consolidation and the implementation of reforms to improve productivity and stimulate private investment. Projections for 2026 and beyond assume that the potential positive impacts of lower oil import prices on Togo's growth will more than offset the potential negative impacts from slowing global growth, mixed price changes on the export side (coffee, cocoa, phosphates), and potential reduced US demand for Togo's exports following higher US tariffs. There has also been heightened uncertainty around investment and financial market conditions. At the same time, we expect inflation to remain below 3%. We also expect the deficit to shrink primarily due to a decline in the oil bill following the drop in global oil prices.

12. However, the outlook remains subject to elevated downside risks. A potential intensification of terrorism remains a major risk, with spillovers ranging from a slowdown in logistical activities to a destabilization of the Togolese economy, making it impossible to achieve program objectives. In addition, we face heightened volatility and uncertainty due to an even more uncertain geopolitical environment. Intensifying trade tensions and the recent 10 percent increase in US tariffs could weigh on export performance, disrupt FDI, and hurt growth more than anticipated. Moreover, a reduction in official bilateral development assistance, particularly for the health sector, could create new fiscal pressures and undermine medium-term health and growth outcomes. Also, financial sector stability risks, especially undercapitalized banks, have not yet been fully addressed. Moreover, Togo is vulnerable to escalating climate change and cyber threats due to increasing digitalization. In the longer term, our economic performance is also subject to the risk of weakening debt sustainability should our efforts to achieve fiscal consolidation and contain expenditures that are not captured by the fiscal deficit are not successful. On the upside, ongoing reforms to improve the business environment and implement industrial policies could lead to higher-than-expected growth.

IV. Program Implementation

13. Despite the challenges concerning the rapid increase in public debt, we are making progress in program implementation.

- **We have met the vast majority of quantitative targets.** Except for the quantitative performance criterion (QPC) on the fiscal deficit, we met all the QPCs and indicative targets for end-December 2024. We also continued to adhere to the continuous quantitative performance criteria (Table 1).
- **We met the two remaining structural benchmarks for end-December 2024 (Table 2).**[3]

[3] A third structural benchmark, due to end-December 2024, had already been met earlier, as indicated in the first review of the ECF.

- We improved documentation accompanying our draft annual budgets by detailing the portfolio of enterprises in which the government holds a majority stake, as well as the main financial information and key commitments under PPP contracts, meeting SB 3.1 for end-December.
- As noted, we recapitalized the last public bank to the regulatory minimum in accordance with SB 7.1.

14. In addition, we have implemented the actions under structural benchmark 3.2 assessed at the time of the first review of the ECF. After preparing the consolidated annual report on investment projects of SOEs and local authorities that exceed FCFA 1 billion for SOEs and FCFA 50 million for local collectivities within the established deadlines, we shared the report with Parliament in December 2024.

V. Macroeconomic Policies and Structural Reforms

C. Strengthening Public Debt Sustainability

Aligning The Fiscal Stance with our Fiscal Anchor

15. With debt rapidly accelerating in 2024, the target of reducing the present value (PV) of public debt below the threshold of 55 percent of GDP to achieve a moderate risk of debt distress by 2026 is now challenging. To achieve this target, we would need to reduce the budget deficit to below 2.5 percent of GDP in 2025 and 2026, a fiscal adjustment so severe that it would jeopardize our development and security needs.

16. With this, and given the still elevated security threats, we propose to adjust the fiscal anchor of the program. The first element of the anchor consists of reducing the overall risk of high to moderate debt distress (PV of public debt below 55 percent of GDP) by 2026. The second element is to reduce the fiscal deficit to 3 percent of GDP by 2025.

- *PV debt target*: We propose that this target be postponed to 2027, a delay of one year.
- *Annual fiscal deficit*: Persistent security threats create unavoidable spending pressures. We propose to target a fiscal deficit (excluding delayed banking operations) of no more than 3.5 percent of GDP in 2025. This higher ceiling will help us contain terrorism and the associated risks to social and economic stability.

Creating Fiscal Space for Development Finance

17. We reaffirm our commitment to increase tax revenue by 0.5 percent of GDP annually and have prepared a Revenue Mobilization Plan for 2025–2026 that combines tax policy and tax administration efforts to broaden the tax base.

- **Tax Policy Measures:**

- For 2025, we have introduced or increased various excise taxes. These measures include: (i) the introduction of a 15 percent excise tax on precious stones and metals; (ii) an increase in the excise tax rate on non-alcoholic beverages from 5 to 10 percent; (iii) establishment of a tax on telecommunications and information and communication technology enterprises (TETTIC) of 5 percent on turnover; (iv) subjecting externally financed public contracts to a proportional registration fee of 1.5 percent, replacing the previous fixed fee; and (v) the increase in VAT collection related to the tariff increase for the lower voltage segment. The expected yield from these measures is 0.31 percent of GDP. To inform future tax policy decisions, we *are also preparing an analysis of VAT exemptions to identify progressive and regressive (by end-June 2025, SB 4.1).* A preliminary draft is available, and the analysis has already identified a few products that are exempt from VAT and considered regressive.
- For 2026, in line with our above-mentioned plan, we will adopt the following tax policy measures: (i) the introduction of a specific tobacco tax on top of the existing ad valorem tax; and (ii) increasing the excise tax on used motor vehicles from 5 percent to 10 percent and implementing a 5 percent tax on winnings paid to gamblers (for a projected total return of 0.1 percent of GDP). In addition, we will (iii) *eliminate VAT exemptions generating annual revenue losses of at least 0.25 percent of GDP, preferably regressive exemptions (by end-March 2026, SB 8.1).* The expected yield from these measures is 0.25 percent of GDP. We will also (iv) *adopt a medium-term revenue mobilization strategy (by end-June 2026, SB 8.3).* Finally, we will (v) conduct a review of the system for collecting income tax for civil servants, which will lead to the *production of a report on the taxation of civil servants aimed at (a) explaining the apparent low level of personal income tax relative to ordinary personnel expenditures, (ii) assessing the compliance of withholding taxes with existing regulations based on annual salary declarations submitted to the revenue agency, and (iii) examining the advisability and feasibility of raising the personal income tax for civil servants; proposing a strategy if relevant (SB 4.2, by end-December 2025).*

- **Revenue Administration Actions:**

  - For 2025, the efforts deployed in the area of revenue administration will focus on: (i) domestic taxation: improvement in the rates of timely filing and payment, reduction of the stock of arrears, and improvement of controls, particularly through technical evaluation and strengthening of auditor training; (ii) on the customs side: improving SYDONIA World, increasing the number of products under the tariff specification code, strengthening the post-clearance control function, targeting high-risk imports and exports, strengthening customs surveillance and control, in particular, a *halving of the number of operations (import, export, and transit) subject to customs suspension procedures, expired, and not cleared in relation to the situation on January 1, 2025 (by end-March 2026, SB 8.2*); and (iii) vigorously combating alleged cases of fraud for domestic taxation and customs. We also intend to continue conducting property surveys in the communes of Greater Lomé to improve property taxation. We are also preparing a plan to implement the following four revenue administration measures (by end-June 2025):

  - Put in place a paperless, streamlined, and secure customs transit procedure from the port of Lomé. Monitor the procedures for suspension of customs duties and ensure the collection of duties due on time;
  - Use data from the cross-checking of tax and customs data to plan and conduct at least 50 percent of the annual tax audit program;
  - Undertake post-clearance audit to verify that importers comply with exemption conditions on imports to cover at least 40 percent of the revenue forgone from exemptions each year;
  - Undertake proper tax audits and other initiatives to detect and impose inaccurate reporting and fraud in the phosphate, clinker, cement, and iron sectors.

- The expected return from all tax administration measures is 0.26 percent of GDP. In 2026, the revenue administration will strengthen tax audits and the collection of tax arrears. In addition, we will mobilize property taxes using data from topographic surveys carried out in two municipalities for 2025 and eight municipalities for 2026.

Text Table 1. Togo: Revenue mobilization measures in 2025

	Measures	Yield (CFAF millions) in 2025	Yield (% GDP) in 2025
Tax Policy Measures			
1	Introduction of a 15% excise tax on precious metals and stones	952.4	0.01
2	Raise the excise tax rate on sugar-sweetened beverage products (5 to 10 percent)	2648.6	0.04
3	Introduction of the telecom tax of 5% on the turnover excluding tax of telecommunications companies	11905.5	0.19
4	Subject to registration of externally financed public contracts at a proportional rate of 1.5% instead of a fixed fee	897.1	0.01
5	The increase in VAT collection related to the tariff increase for the lower voltage segment	3013.8	0.05
	TAX POLICY MEASURES	**19417.4**	**0.31**
Revenue Administration Measures			
6	Strengthening tax and customs control, e.g. introducing a technical assessment grid for inspectors and auditors to better fight against tax fraud	7500	0.12
7	Step up of actions to collect outstanding balances	6934	0.11
8	Increase in the number of products under the tariff specification code	1043.8	0.02
9	Strengthening property taxation by conducting property surveys in the Greater Lome area	851.5	0.01
	TAX ADMINISTRATION MEASURES	**16329.3**	**0.26**
	TOTAL	**35746.7**	**0.56**

18. We also plan to continue increasing non-tax revenue. The establishment of a new collection window for non-tax revenue, strengthening enforcement of the regulation on mining royalties, and introduction of new royalties on Togo Terminal —following a change in its shareholding structure in 2023— are key steps to support nontax revenue. In addition, the ongoing digitalization of non-tax revenue payment procedures coupled with the review and update of lease agreements of entities using government premises will boost non-tax revenue collection in the medium term. As a result, we expect to generate non-tax revenues of 1.4 percent of GDP on average in the coming years.

Expenditure Policies

19. Our medium-term spending plans aim to strike a balance between priority spending (on security, social spending, investment, and rehabilitating the banking sector) and consolidation.

- Current expenditure is projected to decrease from 15.1 percent of GDP in 2023 to 13.7 percent of GDP in 2030, mainly owing to lower interest payments as a share of GDP in line with fiscal consolidation, increased reliance on concessional borrowing, and lower fuel subsidies. These subsidies will decline to 0.4 percent of GDP in 2025 (except in a case of a large spike in fuel prices) and decline further in 2026, when we will be better able to make targeted transfers thanks to the biometric ID and register of the poor.
- Public investment, including security-related spending, is expected to decrease from 11.5 percent of GDP in 2023 and 9.6 percent of GDP in 2024 to 8.0 percent of GDP in 2025, before rebounding in subsequent years in line with higher revenues. Security investment remains elevated since the onset of terrorist attacks in 2021 but is nevertheless following a downward trend, reaching 4.6 percent of GDP in 2023, 3.2 percent of GDP in 2024, and 2.4 percent of GDP in 2025.
- Social and pro-poor spending as defined in our program, which overlaps current and capital spending, is expected to gradually increase from 4.8 percent of GDP in 2023 to 5.7 percent of GDP in 2030. Within social and pro-poor spending, we are implementing an emergency program for the North to benefit its underserved populations, now also exposed to terrorist attacks. The program aims to strengthens access to services including water, energy, health care, and education; boost telecommunications and road networks; and support agriculture. The program is projected to cost a cumulative 5.6 percent of GDP over 2022-26, of which 3.1 percent of GDP have been spent so far, leaving a balance of 2.5 percent of GDP for 2025–26.
- Our spending plans also include the purchase of real estate assets from the former public bank, now postponed from 2024 to 2025, for a total of 0.4 percent of GDP.

Building a Comprehensive Fiscal Strategy

20. We envisage developing a comprehensive medium-term fiscal strategy that ensures fiscal efficiency while prudent management of public resources. This strategy will (i) establish our fiscal anchor and (ii) integrate our revenue mobilization strategy with our spending strategy, thereby achieving the tax efficiency and revenue distribution objectives. In the meantime, for each remaining year of the program, we commit to maintaining a budgetary margin equivalent to 0.25 percent of GDP through a prudent management until the last month of budget execution (traditionally February of the following year), in order to be able to mitigate the impact of any unforeseen economic shock.

Strengthen Debt Management

21. To strengthen debt sustainability, we are committed to addressing short-term external debt service pressures and prioritizing more concessional external debt. To this end, we are committed to seeking the most favorable terms for refinancing the short-term external loan contracted in 2024, including with World Bank support, and will reduce our other borrowing in line with the proceeds from fertilizer sales and reversals of past advances. In line with the IMF's Debt Limit Policy, our program includes a ceiling on the contracting of external debt (continuous QPC) to facilitate this transition while avoiding an excessive accumulation of external debt. We are mobilizing a €200 million loan guaranteed by the African Development Bank that is within this limit, reducing further our regional financing needs.

22. We are committed to strengthening fiscal and debt transparency. To this end, we will (i) expand *the scope of the quarterly debt bulletin to include SOE and government-guaranteed debt (by end-June 2025, SB 5.3); and (ii) update the MTDS to include reasons that deviate from previous targets and annual borrowing plans (by end-April 2025; SB 5.2).*

23. We are committed to clearing the remaining stock of historical domestic arrears. A small stock of arrears to suppliers (CFAF 5.5 billion) dating from at least 2006 and debts from liquidated SOEs (CFAF 36.2 billion) dating from at least 2009 remain in the public debt stock since the conclusion of the previous arrears' settlement process in 2020, equivalent to 0.7 percent of GDP at end-2024. We will implement the "four-year forfeiture" procedure to settle or extinguish the remaining arrears to suppliers. For the debt of liquidated SOEs, we will ask the liquidators to present the results of the liquidation in order to close the file in accordance with the regulations in force.

D. Making Growth More Inclusive

24. Our goal is to strengthen social safety nets and increase social and pro-poor spending. We will continue to increase social and broader pro-poor spending as a percent of overall spending during 2025 and as a percent of GDP in subsequent years (see above). In this context, we also intend to implement the World Bank-supported cash transfer program, which aims to reach 110,000 beneficiaries through a targeted assistance program in 2025. This has become possible again despite security-related spending pressures with the relaxation of fiscal targets in 2025. In line with the recently adopted strategy to strengthen the social safety net, we also plan to lay out the necessary modalities to extend universal health coverage to the most vulnerable (with insurance premiums paid or subsidized by the government).

25. We are also committed to limiting fuel subsidies to better target measures to the most vulnerable. In September 2024, we began implementing a fuel price regulation mechanism—largely automatic—as well as a fund for fuel price stabilization. Consistent with this rationale and given the decline in international fuel prices, fuel subsidies granted until end-2024 amounted to 0.4 percent of

GDP, lower than the 2024 budget allocation of 0.5 percent of GDP. The implementation of the fuel pricing mechanism allowed us to end 2024 with 0.1 percent of GDP of savings from the associated stabilization fund, resulting in net fuel subsidies of 0.3 percent of GDP for the year. We intend to continue implementing the fuel pricing mechanism, which should allow us to limit fuel subsidies to no more than 0.4 percent of GDP in 2025, except in the event of a significant and sustained increase in international oil prices. We also intend to reduce fuel subsidies to 0.2 percent of GDP in 2026, by which time our cash transfer tools should be largely operational (see above), and to stop providing fuel subsidies after the end of 2026.

26. We are implementing our emergency program for the North and adjacent regions to improve the living conditions of historically underserved populations who also face terrorist problems. The main objectives of the program are to improve access to essential services, including water, energy, health and education; to strengthen telecommunications and rural road networks; and to support agricultural initiatives. The cumulative cost of the program is projected at 5.6 percent of GDP over 2022-2026, with its implementation being constrained by financing availability. We spent 3.1 percent of GDP between 2022 and 2024 and expect to be able to execute 0.6 percent of GDP in 2025. Thus, spending amounts to 1.9 percent of GDP over the next few years (likely beyond 2026). The program achieved significant milestones during 2023-2024, including the installation of 127 human-powered wells benefiting 45,000 people and the implementation of 73 water supply and sanitation programs for approximately 136,500 people. In addition, the program provided hot meals to more than 30,000 students in several schools, helped 49,265 households with cash transfers, and equipped more than 2,100 young entrepreneurs with toolkits. Improving infrastructure has necessitated the construction of 111 classrooms, the electrification of 7 health centers and the installation of 25,445 solar streetlights, improving the overall quality of life and access to essential services in the region.

E. Structural Reforms to Support Growth and Limit Risks

Improve Public Financial Management, including Oversight and Management of SOEs

27. We intend to continue to analyze and better understand the sources of the faster-than-expected increase in our debt. Debt has increased faster than the known drivers of debt, averaging 0.9 percent of GDP annually over 2017–24, with an overshoot in 2024. Next steps include establishing consistency between fiscal reporting and debt reporting by preparing supplementary tables by periods (e.g., by establishing fiscal cash balances for calendar years); consistency between budgetary reporting for the central government and changes in the net position of the central government vis-a-vis the banking system (by breaking this position between the components of the central government and the rest); Incorporating updated SOE debt data in public debt reports, and conducting a more in-depth analysis of the impact of exchange rate variations. We undertake to *prepare a report on the reasons for the unexplained accumulation of debt over the period 2017-2024 as well as a strategy to put an end to it* (SB 9.1, *by* *end-December 2025*).[4] In addition, we will publish a note drafted with IMF staff establishing the consistency between (i) the execution of the 2024 budget on the one hand, and the government's debt accumulation and changes in its net position vis-à-vis the banking system on the other hand; and (ii) debt flows and changes in debt stocks (*prior action for the second ECF review*). Finally, we *will publish a similar note for the implementation of the 2025 budget* (SB 9.2, *by end-June 2026*), and commit to publishing such notes in every future year of the program.

28. We will also improve oversight and management of SOEs more generally and strengthen the PPP framework.

- With regard to public enterprises, (i) we have adopted a new legal framework for the governance and supervision of public enterprises; (ii) we will adopt a policy on the participation of public enterprises in line with the new legal framework (by end-September 2025); and (iii) adopt *an order requiring the regular production of audited financial statements of seven large state-owned enterprises (PAL, CEET, TdE, UTB, LONATO, SPT, SNPT) within six months of the end of the fiscal year. These financial statements must be attached to the fiscal risk statement document (by end-December 2025, SB 5.1).* A draft order is being prepared, and we intend to extend this requirement to all SOEs fully owned by the State in the coming years. We also intend to professionalize the management of state-owned enterprises. 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 more robust framework for PPPs, including by integrating them into the budget process and assigning a clear monitoring role to the Ministry of Finance. We adopted a new PPP law in 2021, followed by its implementing decree. A PPP unit is being launched with support from the International Finance Corporation and Canadian Pacific Consulting Services. An initial pipeline of projects has been developed in line with the authorities' 2020-2025 roadmap. Next steps include defining the optimal structure of the unit, identifying the skills required, and expanding the pipeline of projects. We expect to complete these actions in 2025.

29. We will strengthen the supervision and management of public water and electricity utilities to improve service delivery and limit fiscal risks. With assistance from the World Bank, we are committed to improving the operational efficiency of public utilities and introducing pricing based on recovery costs.

- **Electricity sector:** under the second *Sustainable and Inclusive Development Policy financing* with the World Bank, we have established a roadmap for priority reforms in the energy sector to strengthen the financial and operational viability of the electricity company (CEET), expand access to electricity, and improve energy security. Key measures include optimizing the tariff structure to increase revenues while protecting vulnerable customers and promoting

[4] SB 9.1 is a previous MEFP commitment that is rescheduled to end-December 2025 (from end-October 2025) to allow more time for the preparation of this report given the lessons learned in the preparation of the reconciliation note on the execution of the 2024 budget.

decentralized production of renewable energy, especially for industrial users. A 9.2 percent increase in average rates took effect on May 15, 2025, and annual assessments are planned for further adjustments. Recognizing the vital role of energy in economic growth, our strategy includes the acceleration of solar projects to a production capacity of around 130 MW and the development of hydroelectric dams such as Tététou and Titira. We are implementing a project to facilitate the installation of affordable electricity meters with installment payment plans. In addition, we plan to modernize the existing electrical infrastructure to minimize technical losses and improve energy efficiency.

- **Water sector:** We are also committed to improving the operational efficiency of the water company by treating water loss of 36 percent (2023 estimate) through targeted measures, including the replacement of faulty meters and the implementation of the project to improve urban water security in Togo. The project not only aims to improve water access for 950,000 inhabitants in the Greater Lomé region, but also to mitigate losses due to unbilled use. In addition, we are focusing on improving customer service by establishing a dedicated hotline for connection requests and digitizing services to facilitate water access and payment options. In addition, we are pursuing multiple investment projects, including initiatives to expand the network of water utilities and several mini-drinking water supply projects financed by various development partners to extend water supply in major cities.

Improving Governance and the Business Climate

30. While we have made progress on governance, we are committed to addressing remaining challenges to stimulate private investment and maintain public confidence. We have requested an International Monetary Fund (IMF) Governance Diagnostic (GD) and a first mission will take place in August 2025. In the meantime, we are already intensifying our efforts on governance by starting preparatory work to *amend the public procurement legal framework to require the collection and publication of names and nationalities of beneficial owners of companies awarded public contracts (by end-December 2025, SB 6.1).* A draft decree is currently being prepared. We also plan to launch an electronic beneficial ownership database of all new businesses this year. In addition to enhancing transparency and confidence, these measures will facilitate revenue collection and improve public expenditure management, including public procurement. Moreover, we are committed to *publishing the GD report (structural benchmark 10.1 by end-December 2026).*

31. We will also enhance our governance framework by strengthening the AML/CFT framework. Togo faces a medium-high risk related to terrorism financing while the main money laundering risks relate to tax fraud and corruption as indicated in the 2022 GIABA AML/CFT assessment report. Given our available resources and the risks identified, we believe that a sequential approach to implementation is warranted. We are determined to address critical challenges, including: (i) combating the terrorist financing crime; (ii) implementing UN resolutions on terrorism and arms financing; and (iii) strengthening measures regarding politically exposed persons and cross-border money couriers. The AML/CFT/FP Directive was adopted by the WAEMU Council of Ministers in March 2023. This directive is in the process of being transposed into our domestic law through the elaboration of a new uniform law. As soon as it is adopted, this uniform law will allow for the rapid implementation of priority texts, in accordance with the conclusions of the 2022 GIABA report. Among other notable innovations, the new law introduces beneficial ownership disclosure requirements.

32. We will also continue our efforts to improve the business climate. Our reform drive has made Togo a key player in Africa by creating a favorable business environment, as highlighted in the World Bank's *2024 Business Ready* report. We pride ourselves on our strong track record of business creation, dispute resolution and establishment, where foreign companies face no restrictions. Similarly, we note that our legal framework provides strong safeguards for mediation and land disputes. At the same time, we are working to address the challenges of market competition, financial services and labor market regulation, in particular with regard to the digitalization of procurement procedures, the registration of guarantees and the provision of unemployment insurance. In concrete terms, we are implementing, with the assistance of the World Bank, a comprehensive reform program to rationalize business activities through digitalization and transparency. In 2024, we have automated the process of granting environmental licenses through the National Environmental Management Agency (ANGE-Togo) and set up a new digital platform at the Center for Arbitration and Mediation of Togo (CATO) for the digitalization of arbitration processes. Improvements to the digital public procurement platform are ongoing and their full implementation is expected this year. Improvements to the commercial information portal in the Port of Lomé have also improved access to essential information, simplifying trade operations. In 2025, we plan to launch a qualification program for professionals in the water and electricity sectors and improve transparency in revenue administration through the publication of the multi-year strategic plan, satisfaction surveys and taxpayer statistics. In addition, we will improve and update our legal framework to enable the digitalization of commercial dispute resolution, thereby enhancing efficiency and timeliness.

Strengthening the Banking System

33. We are committed to improving prudent credit provision by the banking system. To this end, we will continue to promote access to financial services and implement measures to facilitate the production of the information banks need to grant credit. We will also work to improve the operating environment for banks, including by continuing to strengthen the real estate registry and ensuring compliance with prudential standards. These measures are critical to bolster the sector's resilience to shocks and instill public confidence. In this regard, we will support the efforts of the Banking Commission to strengthen compliance with regulatory standards.

34. We remain committed to completing the reform of the last public bank to stop posing excessive fiscal and financial sector risks well before the end of the ECF arrangement.

- **Actions taken and results to date:** In December 2024, we transferred CFAF 15.2 billion to the bank to bring its regulatory capital to the minimum required, thus complying with SB 7.1. The bank now observes the regulatory capital requirement of CFAF 20 billion, as confirmed by an independent audit. More generally, the bank's compliance with regulatory standards has improved significantly. While it infringed twelve prudential standards at end-2023, it violated only three norms at end-2024, a Tier 1 capital threshold, a solvency criterion that accounts for risk-weighted assets, and a risk concentration norm. The bank's asset quality also improved, with non-performing loans declining to 8.6 percent of assets at end-2024 (from 13.2 percent at end-2023). This improvement is mainly due to the strengthening of collection efforts and the improvement in the financial situation of a number of debtors. In addition, we commissioned an operational audit of the Bank by an independent firm in October 2024, which covers the areas of human resources, non-compliance risk, financial commitments, cash management, business relations, financial position, and information system. The initial results of the audit are available, and we are prepared to provide any other information that may be required.

- **Other measures include:** We will aim for the bank to comply with all regulatory standards by end-2026, at the latest. We anticipate that this may require the injection of cash or government debt securities in an amount to be determined following the completion of ongoing studies. In addition, in consultation with IMF staff, we will adopt a restructuring plan that provides for prudent and independent management aimed at ensuring the profitability and stability of the bank (by end-November 2025, SB 7.2, originally planned for end-April 2025). The structural benchmark had to be delayed again due to the longer-than-expected preparation of the audit, specification and review of the restructuring plan. Finally, we intend to implement the restructuring plan (SB 7.3) by end-June 2026, initially planned for October 2025). We intend to maintain the bank under public ownership for the time being, at least until the operational restructuring is completed.

35. The government also continues to be required, in case of resale, to publish the sale prices of real estate assets acquired from the last public bank and the bank that was privatized in 2021.

F. Program Monitoring

36. We request a waiver for the breach of the end-December 2024 performance criterion on the basic primary fiscal balance. We believe that this request is justified given our commitment to corrective actions aimed at making future debt surprises less likely and enhancing fiscal reporting. In addition to building a buffer into budget execution equivalent to about 0.25 percent of GDP through prudent management until the last month of budget execution, as well as ensuring fiscal reporting in IMF Staff Reports is in line with GFSM norms and informing about the drivers of debt, we have agreed to a tightening of the ceiling for net domestic financing (see next paragraph). Net domestic financing has been defined more narrowly to ensure it will not be affected by distortions from below-the-line operations, and its adjustor has been widened to include any deviation from anticipated external borrowing.

37. We request the modification of two performance criteria at end-June and end-December 2025. These modifications to the basic primary fiscal balance (floor) and net domestic financing in 2025 (ceiling) are intended to reflect the impact of the fiscal relaxation and the postponement of spending for the recapitalization of the former public bank from 2024 to 2025. We also request a change in the definition of the performance criterion on net domestic financing to (i) avoid (autonomous) situations or transactions carried out by Treasury correspondents or on deposit and consignment accounts that overestimate or underestimate the net domestic financing of the central government and (ii) adjust it better in cases where net external financing is greater than expected in order to maintain the trajectory (see MEFP ¶19).

38. We are also requesting changes to four structural benchmarks. We ask that:

- Structural benchmark 4.2 entitled "transfer the collection of income tax from civil servants from the General Directorate of Budget and Finance to the Togolese Revenue Office " be reworded as " produce a report on the taxation of civil servants aimed at (i) explaining the apparent low level of personal income tax relative to ordinary personnel expenditures, (ii) assessing the compliance of withholding taxes with existing regulations based on annual salary declarations submitted to the revenue agency, and (iii) examining the advisability and feasibility of increasing the PIT for civil servants, proposing a strategy if appropriate" to better achieve the intended objective;
- SB 7.2 " In consultation with Fund staff, we will adopt a restructuring plan for the state-owned bank, including prudent and independent management aimed at ensuring its profitability and stability", be rescheduled to end-March 2026 (from end-November 2025) to allow more time for the plan to be developed and agreed with IMF staff.
- SB 7.3 on the "implementation of the restructuring plan" be rescheduled to end-December 2026 (from end-May 2026), due to the delay in its preparation.

39. We ask for an extension of the ECF arrangement and a rephasing of disbursements. Consistent with the postponement of the debt target to 2027, we are requesting the extension of the ECF arrangement by 11 months through July 31, 2028, and rephasing of access by splitting the disbursement associated with the original seventh review into two equal disbursements.

40. The program will continue to be reviewed every six months based on quantitative performance criteria, indicative targets, and structural benchmarks. The third review is scheduled for or after November 15, 2025, and the fourth for May 15, 2026, or later. These reviews will be based on quantitative performance criteria for end-June 2025 and end-December 2025, respectively. End-June 2026 QPCs have been set for the fifth review. Program disbursements will be used as budget support. Quantitative performance criteria, indicative targets, and structural benchmarks are listed in Tables 1 and 2.

Table 1. Togo: Quantitative Performance Criteria and Indicative Targets, 2024–25
(Billions of CFA Francs)

	2024												2025								2026	
	End-June				End-September				End-December				End-March		End-June		End-September		End-December		End-March	End-June
	Target	Target-adj.	Actual	Status	Indicative Targets	IT-adj.	Actual	Status	Performance Criteria	PC-adj.	Actual	Status	First Review	Proposed Prog. Indicative Targets	First Review	Proposed Prog. Performance Criteria	First Review	Proposed Prog. Indicative Targets	First Review	Proposed Prog. Performance Criteria	Proposed Prog. Indicative Targets	Proposed Prog. Performance Criteria
A. Quantitative performance criteria[1]																						
Basic primary fiscal balance (excl. banking sector repair transactions, floor)[2]	-50	-54	-4	Met	-38	-42	19	Met	-31.3	-49	-69	Not Met	-26	-17	-20	11	14	51	117	88	-4	18
Net domestic financing (ceiling)[3]	123	123	80	Met	147	147	59	Met	183	164	141	Met	8	-2	64	-53	76	-64	84	-77	3	3
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	Met	0	0	0	0	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	Met	0	0	0	0	0	0	0	0	0	0
Present value of new external debt contracted or guaranteed by the government[5]	480	480	62	Met	480	480	211	Met	480	329	294	Met	320	320	320	320	320	320	320	320	200	200
C. Indicative targets (floors)[1]																						
Tax revenue	345	345	421	Met	519	519	623	Met	880.5	880.5	881.1	Met	183	179	392	384	588	577	998	980	199	427
Social and pro-poor spending[6]	105	105	143	Met	210	210	227	Met	315	315	325	Met	82	82	108	108	216	216	325	325	91	120
Memorandum item																						
Projected external budget support[1]	39	43	43	…	43	47	47	…	113	150	150	…	1	1	36	36	40	40	104	104	1	24
Social spending (including external project grants and loans)	166	166	214	…	333	333	342	…	499	499	507	…	139	139	166	166	332	332	498	498	155	185

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) and other non-project loans ("other loans"), excluding IMF disbursements. (i) The net domestic financing ceiling will be adjusted downward by the amount of the surplus of external budget support and other non-project loans 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 and other non-project loans (excluding projected and ongoing IMF program disbursements) 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 and 2026 targets are cumulated from January 1 of the year.

[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 2a. Togo: Structural Benchmarks Set at the ECF Request

Reform Targets	Macroeconomic Rationale	Target Date	Status
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 have prepared a plan 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			
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.	Strengthening the supervision of public enterprises and PPPs and improving budget information.	End-December 2024	Met
3.2 Expand 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, implemented with delay (the authorities prepared the plan on time but shared it with Parliament only in December 2024)

Table 2b. Togo: Structural Benchmarks Set at the 1st Review			
Reform Targets	**Macroeconomic Rationale**	**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 Prepare a report on the taxation of civil servants that (i) explains why personal income tax appears low relative to ordinary personnel expenditures, (ii) assesses the compliance of withholding taxes with existing regulations based on annual salary declarations submitted to the revenue agency, and (iii) examines whether the PIT tax on civil servants could and should be raised and if so, presents a strategy for this. (SB modified from "*Transfer collection of personal income tax for public servants from the General Directorate of Budget and Finance to the Togolese Revenue Authority.*" at the 1st ECF Review)	Support fiscal consolidation and provide room for priority spending.	End-December 2025	Future target
5. Strengthening public financial management			
SOE supervision:			
5.1 Adopt an order that requires the routine production of audited financial statements for seven key SOEs (PAL, CEET, TdE, UTB, LONATO, SPT, SNPT) within six months of the year-end. These financial statements must be attached to the fiscal risk statement document.	Improving SOE oversight and debt management.	End-December 2025	Future target
Debt management:			
5.2 Update the medium-term debt strategy to include reasons for variation from previous targets and annual borrowing plans.	Improving debt management.	End-April 2025	Met
5.3 Expand the scope of the quarterly debt bulletin to include SOE/publicly guaranteed debt.	Improving SOE oversight and debt management.	End-June 2025	Met (included in end-Dec 2024 bulletin published March 2025)
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 the remaining public bank cash and/or marketable government debt titles that cover the remaining recapitalization needs to reach the regulatory minimum.	Reduce risk by ensuring compliance with the key capital adequacy norm	End-December 2024	Met

Table 2b. Togo: Structural Benchmarks Set at the 1st Review (concluded)			
7. Reforming the remaining state-owned bank			
7.2 In consultation with Fund staff, adopt a plan for the restructuring of the remaining public bank 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 the bank's eventual restructuring	End-April 2025 (proposed to be rephased to end-March 2026)	Not met
7.3 Implement the plan for the restructuring of the remaining public bank (unless the bank has been sold by then).	Bring about the bank's operational restructuring.	End-October 2025 (proposed to be rephased to end-December 2026	Future target

Table 2c. Togo: Prior Action, and Structural Benchmarks Proposed to be Set at the 2nd Review

Reform Targets	Macroeconomic Rationale	Potential Target Date	Status
8. Raising fiscal revenue			
Prior Action: PA: Publish information establishing coherence between (i) the execution of the budget on a cash basis on the one hand and the government's debt accumulation and changes in its net position vis a vis the banking system on the other hand; and (ii) debt flows and changes in debt stocks for the fiscal year 2024.	Enable a better understanding of the execution of the previous year's budget and debt accumulation to enhance public trust and limit fiscal risks	Before the date of the Board meeting	Done
8.1 Abolish VAT exemptions generating annual revenue losses of at least 0.25 percent of GDP, preferably regressive ones.	Support fiscal consolidation and provide room for priority spending.	End-March 2026	Future target
8.2 Reduce by half the number of operations (import, export and transit) subject to customs suspension procedures, expired and not discharged relative to the situation on January 1, 2025.	Support fiscal consolidation and provide room for priority spending.	End-March 2026	Future target
8.3 Adopt a Medium-Term Revenue Mobilization Strategy	Support fiscal consolidation and provide room for priority spending.	End-June 2026	Future target
9. Strengthening public financial management			
9.1 Prepare a report on the reasons for unexplained debt accumulation over 2017-24 and a strategy for ending it.	Reducing fiscal and debt risks	End-December 2025	Future target
9.2 Publish information establishing coherence between (i) the execution of the budget on a cash basis on the one hand and the government's debt accumulation and changes in its net position vis a vis the banking system on the other hand; and (ii) debt flows and changes in debt stocks for the fiscal year 2025.	Enable a better understanding of the execution of the previous year's budget and debt accumulation to enhance public trust and limit fiscal risks	End-June 2026	Future target

Table 2c. Togo: Prior Action, and Structural Benchmarks Proposed to be Set at the 2nd Review (concluded)

10. Enhancing governance and the business environment			
10.1 Publish the Governance Diagnostic Assessment Report.	Boost growth and fiscal revenue by signaling a strong intention to improve governance and the business environment and inviting civil society engagement.	End-December 2026	Future target

Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) sets out understandings regarding assumptions and definitions of performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) to be applied under Togo's program supported by an Extended Credit Facility (ECF) arrangement approved in March 2024. It also specifies the periodicity and deadlines for the transmission of data to Fund staff for program monitoring purposes.

I. Program Assumptions

1. Program exchange rates. For the purposes of this TMU, the value of transactions denominated in foreign currencies will be converted into the national currency of Togo (the Franc de la Communauté Financière Africaine (CFA) or CFAF) based on the exchange rates below at end-December 2023 (Table 1).

Table 1. Togo: Exchange rates (end of period, 2023)

CFAF/$	607,04
CFAF/Euro	655,96
CFAF/SDR	804,80

II. Definitions

Definition of Government and Public Entities

2. State. 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, and other public or government-owned entities that have autonomous legal status and are 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.

Definition of Debt

4. Debt. The definition of debt, for program purposes, 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 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

b. 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.

c. 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.

7. Contracted Debt. For program purposes, a debt is considered contracted when all

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

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 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 BOAD is considered external debt despite being denominated in CFAF.

10. **The present value (PV) of a 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.

III. Quantitative Performance Criteria and Indicative Targets

12. **The third and fourth reviews under the ECF arrangement will be based on quantitative performance criteria (PCs) for end-June and end-December 2025, 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**); and

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 27.0 billion or the approved amount by the Commission are excluded from expenditure in 2025. 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 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 20 billion in 2025.

Reporting Deadlines

18. Detailed data concerning the 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 net banking sector credit to the government plus net domestic nonbank financing of the government. Net domestic financing will be calculated cumulatively from January 1 of each year. Net domestic financing at end-June and end-December (PC) and end-March and end-September (IT) must be equal to or less than the amounts indicated in Table 1 of the MEFP.

- *Net credit from the banking sector to the government* is equal to the change 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 CFA francs held by commercial banks calculated on the basis of first issuance excluding secondary market operations) and deposits in postal current accounts.
- *Net domestic nonbank financing of the government* is calculated in accordance with the statistical TOFE: (i) change in the stock of government securities issued in CFA francs (including on the WAEMU regional financial market) not held by Togolese investors, calculated on the basis of initial subscriptions; (ii) repayment of other domestic public debt (including banks' government-assumed claims on the economy and securitized arrears) to nonbank entities (including nonresidents); and privatization proceeds. The assumption or securitization of debts and arrears by the government is not included in the definition of net domestic financing, whereas the amortization of this debt by the government is included. To focus on net domestic financing resulting from transactions under the control of the central government and to avoid situations where transactions between the central government and other elements of the public sector pollute the domestic financing data, changes in the Treasury correspondents' deposit accounts, in the various Treasury deposit and consignment accounts, and in the accounts on which fines and convictions are deposited pending settlement are excluded.

20. Tolerance margin. The ceiling on net domestic financing of the government will be set at the programmed level of domestic financing plus a margin of CFAF 30 billion (0.5 percent of GDP). The objective of this margin is to enable appropriate below-the-line transactions, such as public institution spending based on budget allocations received in previous years, while avoiding excessive debt growth.

21. Adjustor. The ceiling on net domestic financing will be adjusted downward by the amount of the surplus of external budget support grants and concessional loans received over those provided for in the program (CFAF 104.4 billion) in 2025, minus CFAF 18 billion, and by the full amount of any non-concessional non-project loans (“other commercial loans”) that exceed the program amount of CFAF 229.6 billion. This adjustment aims to limit the accumulation of total debt (domestic and external) while providing incentives for the government to seek concessional budget financing. The ceiling on net domestic financing will be adjusted upward by the difference between the amount of external budget support grants and concessional loans and “other commercial loans" received and the amount programmed (CFAF 334 billion = CFAF 104.4 billion + CFAF 229.6 billion), up to a maximum of CFAF 50 billion in 2025. The purpose of this adjustor is to allow the government to take up more domestic borrowing when there is a shortfall of programmed external borrowing for budget financing, without overtaxing the domestic market. IMF disbursements shall be excluded for the purpose of these adjustors.

22. Data are reported in the statistical TOFE prepared monthly by the General Directorate 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, using the amount of treasury bills and bonds determined by UMOA-Titres at issuance. The government's net domestic non-bank financing will be calculated by the General Directorate of the Treasury and Public Accounting of the Ministry of Economy and Finance, which will ensure that all data on national borrowing are consistent between the TOFE and the data reported by the Directorate of Public Debt and Financing. Their data will be prioritized for program purposes. Data on domestic borrowing will be categorized as short term (less than one year) and medium and long term (one year or more).

Reporting Deadlines

23. Data concerning net domestic financing of the government will be reported monthly within eight weeks of the end of the month. Similarly, data on domestic borrowing through issuance of negotiable debt and government bank borrowing will be reported monthly within eight weeks of the end of each month.

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

Definition

24. 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 and Financing 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

25. 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 2, 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.

26. 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

27. 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.

28. For the purposes of this PC, "government" is understood to cover not only the definition given in paragraph 2, 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.

29. 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' 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.

30. **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 budget support loans of CFAF 99.3 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 110 billion in 2025.

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

Reporting Deadlines

32. 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 PV of each loan using the IMF PV tool.

Table 2. 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.

F. Continuous Quantitative Performance Criteria

33. The standard continuous performance criteria are also binding and include the following prohibitions: (1) no imposing or tightening of restrictions on payments and transfers made for current international transactions; (2) the introduction or modification of multiple currency practices; (3) prohibition of entering into bilateral payments agreements that are inconsistent with Article VIII; and (4) prohibitions on the imposition or intensification of import restrictions for balance of payments reasons.

IV. Indicative Targets

G. Indicative Target on Tax Revenue (Floor)

Definition

34. **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 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.

35. 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 2025 must be equal to or greater than the amounts indicated in MEFP Table 1. The revenue floor is an IT for the entire duration of the program.

Reporting Deadlines

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

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

Definition

37. 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.

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

Reporting Deadlines

39. 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.

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

V. Structural Benchmarks (Table 2 of the MEFP)

I. Tax Policy

41. 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.

42. Eliminate VAT exemptions with annual revenue losses of at least 0.25 percent of GDP, preferably the regressive ones (SB 8.1). This will involve using the results of the analysis referred to in SB 4.1 to identify the exemptions to be eliminated that could generate at least 0.25 percent of GDP in additional tax revenue. The SB will be considered met once IMF staff receives the legal instruments used to remove such exemptions along with the factual evidence justifying the related expected increase in tax revenue (e.g., the analysis report on VAT exemptions), within the agreed timeframe.

43. Adopt a medium-term revenue mobilization strategy (SB 8.3). This strategy should include: (i) a definition of the revenue mobilization effort over 5 to 10 years, in line with the ECF program, including the goal of strengthening social inclusion; (ii) an overall reform plan for the tax system, adapted to the country's situation and institutional capacity, including an overhaul of the tax policy framework to achieve the objectives set, (iii) a strategy for strengthening tax administration, including any reform of the OTR necessary for effective management of tax policy and promotion of tax compliance, and (iv) as well as strengthening of the legal framework. (For more information, the authorities are invited to consult the March 2024 Mission Note by the joint staff visiting FAD – AFRITAC WEST and the 2024 IMF report on the Tax Policy Diagnostic.) The SB will be considered met once IMF staff receives evidence that the Cabinet of Ministers has adopted a strategy that addresses these requirements within the given time frame. In preparing the strategy, it will be important for the authorities to continue to seek technical assistance from the IMF's Fiscal Affairs Department.
To ensure the success of the strategy, it will be imperative for the country to commit to its steady and sustained implementation, backed by strong political will and sustained resources.

J. Revenue Administration

44. Produce a report on the taxation of civil servants that aims to (i) explain the apparent low level of personal income tax (PIT) relative to ordinary personnel expenditures, (ii) assess the compliance of withholding taxes with existing regulations based on annual salary

declarations submitted to the revenue agency, and (iii) examine the desirability and feasibility of increasing the personal income tax (PIT) for civil servants, proposing a strategy if relevant (SB 4.2). The 2024 IMF technical assistance report on the tax policy diagnostic highlighted a significant gap between the civil service wage bill, amounting to CFAF 156 billion, and ordinary personnel expenditure amounting to CFAF 302 billion, as presented in the 2023 Budget Law. This difference may partly reflect bonuses or payments to civil servants that are not considered part of the wage bill and are not subject to the PIT. The objective of the report will be to explain this significant discrepancy, assess the compliance of withholding taxes with existing regulations based on annual salary declarations submitted to the revenue agency, and examine the timeliness and feasibility of expanding the tax base for civil servants' salaries, based in particular on benchmarking against regional and international best practices. The structural benchmark will be considered met once IMF staff receives a timely copy of this report containing the above items.

45. **Reduce by half, relative to January 1st, 2025, the number of operations (import, export, and transit) subject to customs suspension procedures that have expired and not been settled (SB 8.2).** Taking as an example goods unloaded at the port of Lomé and subjected to transit to a landlocked country, the taxes normally applied are suspended under warranty. Failure of the shipping company to reach the exit border within the allotted time could lead to complications, including the presumption that the goods have been diverted to the domestic market without payment of taxes. The objective of the structural benchmark is to halve the number of expired and non-regularized operations subject to customs suspension procedures, by taking regular measures to control these non-compliances and apply the necessary regulatory actions. The structural benchmark will be considered met when IMF staff receives evidence that the stock of such operations as of January 1st, 2025, has been halved within the time allowed.

K. SOE Supervision

46. **Adopt legislation that requires the routine production of audited financial statements for six key state-owned enterprises (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.

L. Debt Management

47. **Expand the scope of the quarterly debt bulletin to include SOE debt and publicly guaranteed debt (SB 5.3).** 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.

48. Update the medium-term debt strategy (MTDS) to include reasons for variation from previous targets and annual borrowing plans (SB 5.2). 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.

M. Public Financial Management

49. Prepare a report on the reasons for unexplained debt accumulation over 2017–24 and a strategy for ending it (SB 8.4). The report should provide an analysis of the reasons why public debt increased by more than expected over this period. It should include a quantified breakdown of contributory factors in each year, examining the evolution of the overall fiscal deficit, below-the-line transactions, and evolution of SOE debt, and identifying other factors. Once the factors have been fully accounted for and explained, the report should include a strategy for containing these factors, with actionable recommendations for the FY2026 budget. Furthermore, the report should include commitments to carry out the analysis at the end of each financial year and report to Parliament as part of the budgeting process. Early drafts of the report can be shared with IMF staff for consultation. The SB will be considered met when IMF staff received the report that meets these criteria by end-December 2025.

N. Governance and Business Environment

50. 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.

51. Publish the governance diagnostic assessment report (SB 10.1). This report will be prepared by IMF experts with the help of technical assistance already requested by the authorities. The SB will be considered met once IMF staff receives the link to the website of the government where the report has been published within the specified time frame.

O. Reform the Remaining Public Bank

52. In consultation with Fund staff, adopt a restructuring plan for the last public bank that ensures prudent and independent management aimed at ensuring the bank's profitability and stability (unless the bank has been sold by then) (SB 7.2). This restructuring plan will be based on the conclusions of an operational audit that will assess not only the effectiveness and efficiency of the bank's internal operations and processes and their compliance with established policies and procedures, but also, and in particular, the bank's viability and financial soundness. One of the key objectives will be to quantify the potential fiscal resource requirements to address the main vulnerabilities and/or support the implementation of a future business plan. This audit will therefore include a detailed and quantitative analysis of the bank's asset quality, earnings, solvency and liquidity at a given date (end-2024 or end-March 2025) and forward-looking, under baseline and stress scenarios. The structural benchmark will be considered met once the authorities in consultation with IMF staff have adopted a restructuring plan that addresses the above requirements within the specified timeframe.

53. Implement the restructuring plan for the last public bank (unless the bank has been sold by then) (SB 7.3). This benchmark will be defined more precisely after the restructuring strategy is developed.

P. Improve Fiscal Transparency

54. Publish information establishing the consistency between (i) cash budget execution and government debt accumulation and changes in its net position vis-à-vis the banking system; and (ii) debt flows and changes in debt stocks (Prior Action and SB 9.2). IMF staff, with the support of the authorities, has prepared a note that establishes the consistency between budget execution flow data on the one hand, and the accumulation of central government debt and changes in its net position vis-à-vis the banking system on the other hand, for the year 2024. The prior action will be considered met if IMF staff receive, no later than June 25, 2025 (three business days before June 30, the scheduled date of the IMF Executive Board meeting), the link to the government website where this note was posted. SB 9.2 will be considered met if IMF staff receive the link to the government's website where a similar note for 2025 was published on time.

VI. Information for Program Monitoring

55. 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

INTERNATIONAL MONETARY FUND

TOGO

June 16, 2025

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PERFORMANCE CRITERIA, EXTENSION OF THE ARRANGEMENT, AND REPHASING OF ACCESS—DEBT SUSTAINABILITY ANALYSIS

Approved By
Annalisa Fedelino and Jacques Miniane (IMF), and Manuela Francisco and Abebe Adugna (IDA)

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

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

This Debt Sustainability Analysis (DSA) assesses Togo to be at moderate risk of external debt distress (unchanged from the last DSA) and moderate overall risk of public debt distress (from "high" risk in the last DSA) [2] *A recent upgrading of Togo's assessed debt carrying capacity results in mechanical signals of low risk of external debt distress and low risk of overall debt distress.*[3] *However, judgment is applied to maintain the assessed risk of external debt distress at moderate because Togo faces elevated short-term debt service requirements and there are strong indications that non-residents hold a large share of Togolese public debt denominated in local currency. The risk of overall debt distress is, therefore, also assessed as moderate because the risk of overall debt distress cannot be lower than the risk of external debt distress. Debt is considered sustainable because (i) the present value (PV) of public debt to GDP*

[1] In collaboration with the Togolese authorities.

[2] December 2024: IMF Country Report No. 2025/005.

[3] Togo's debt-carrying capacity has been upgraded to 'strong' from 'medium' in the previous DSA because its Composite Indicator has remained above the 3.05 cutoff based on the 2023 CPIA (August 2024) and both the October 2024 and April 2025 WEO data and is currently 3.10. The upgrading raises the external debt thresholds, and the overall public debt indicative benchmark that signals high risk of debt distress.

remains below the high-risk benchmark under the baseline scenario and stress tests throughout the projection period and fiscal consolidation underpins a downward trend; (ii) all external DSA indicators remain below their respective thresholds in the baseline and trend downwards over the medium term; and (iii) Togo's access to the WAEMU market and support from regional debt institutions bolster the country's financing options and debt management capacity. The authorities should continue fiscal consolidation and revenue mobilization efforts to reduce near-term liquidity risks, contain non-deficit drivers of debt accumulation, and manage contingent liabilities.

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 guaranteed debt, as well as state owned enterprise (SOE) debt (Text Table 1). Non-guaranteed debt of the Port of Lomé (PAL) is excluded.[4] Local authorities cannot contract new debt. A residual stock of historic arrears to domestic suppliers and the domestic debt of previously liquidated public enterprises, equivalent to 0.7 percent of GDP, is included in the debt portfolio, which the authorities have committed to addressing.[5] 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 1.5 percent of GDP at end-2024 in relation to Lomé airport, which is included in 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.[6] 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.[7]

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.[8] Although SOE debt is included in

[4] See Box 1 in the September 2024 DSA (IMF 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.

[5] Most arrears to domestic suppliers were cleared by end-2020 during the previous ECF arrangement. No claims have been forthcoming for a residual amount of CFAF 5.5 billion, and the authorities are exploring whether these can be extinguished. They are also seeking a ruling on the legacy debts (CFAF 36.2 billion since 2017) of liquidated SOEs.

[6] The authorities report that 62 percent of securities that it issued in 2024 were purchased by non-Togolese financial institutions resident in WAEMU at end-2024. The regional debt issuance organization, UMOA-Titres, reports that 76 percent of Togolese government securities were held by residents of other WAEMU countries at end-2024 (up from 60 percent in 2018), but it is not clear whether this figure includes all secondary market transactions. The figure also does not cover the totality of Togolese CFAF debt.

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

[8] Four Togolese banks (26.9 percent of total banking sector assets) violated prudential norms at end-2024. Two of these banks previously had negative capital positions totaling just under 2 percent of GDP: one met the minimum regulatory capital requirement as of end-2024 and 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.

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. The standard 35 percent shock is applied to the 20 percent of GDP public-private partnership (PPP) stock that is reported in the World Bank's PPP database, giving a PPP shock of 6.7 percent GDP, notwithstanding the fact that half of the PPP stock relates to PAL, which constitutes limited contingent fiscal risk.

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	

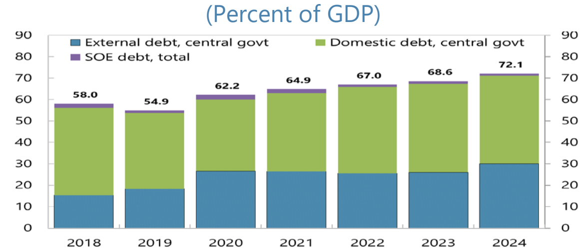
1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed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

BACKGROUND ON DEBT

3. 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 6.9 percent of GDP between 2020-23. Public debt surged by 13.7 percentage points of GDP between 2019 and 2023, from 54.9 percent of GDP to 68.6 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 the BCEAO to the government with a 20-year maturity (with possibility of rollover) at a fixed interest rate of 0.05 percent. Its PV is, therefore, recorded as domestic debt.[9] 93 percent of the SDR allocation was used for budget support in 2022.

Figure 1. Togo: Evolution of Public Debt

(Percent of GDP)



Sources: Togolese Authorities and IMF Staff

[9] Following the WAEMU-wide agreement, the SDR allocation is treated as domestic debt and its PV is used to reflect its concessional nature (see *2022 Guidance Note for Fund Staff on the Treatment and Use of SDR Allocations*).

4. Other factors have also pushed public debt higher.[10] Previous staff analysis found that, on average, public debt rose by 1.0 percent of GDP more than explained by the primary deficit and automatic debt dynamics over 2017-23. In 2024, public debt expanded by 2.3 percent of GDP more than previously projected based on the fiscal deficit, reaching 72.1 percent of GDP. This discrepancy reflected the fact that the authorities mobilized additional external finance for transactions that were recorded below the line, some of which have since been included in the deficit, and additional debt was added when the authorities took ownership of a hotel. The authorities have committed to publishing information that explains the difference between the fiscal deficit and debt accumulation in 2024. With updated information on SOE debt, below-the-line transactions, and government bank deposits, the average unexplained residual over 2017–24 is now calculated at 0.4 percent of GDP, though residuals are larger in some years (Text Table 2). The authorities have committed to understanding the remaining residuals by preparing a report on the reasons for historic unexplained debt accumulation, and a strategy for addressing them, by end-2025 under the IMF-supported ECF arrangement.

Text Table 2. Togo: Stock Flow Adjustment, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024	Sum 2017-24	Average 2017-24
				(Percent of GDP)						
Change in public debt	**-2.8**	**0.9**	**-3.1**	**7.3**	**2.7**	**2.1**	**1.6**	**3.5**	**12.2**	**1.5**
Primary deficit	**-1.1**	**-1.2**	**-3.8**	**4.7**	**2.5**	**5.9**	**3.9**	**4.5**	**15.4**	**1.9**
Identified debt-creating flows	**-0.5**	**2.1**	**1.5**	**-1.7**	**-0.6**	**-0.7**	**-3.5**	**-0.1**	**-3.6**	**-0.4**
Automatic debt dynamics	***-1.6***	***-0.3***	***-0.1***	***-1.2***	***-0.8***	***-1.5***	***-3.2***	***-0.8***	***-9.5***	***-1.2***
Other identified debt-creating flows	***1.1***	***2.4***	***1.6***	***-0.6***	***0.2***	***0.8***	***-0.3***	***0.7***	***5.9***	***0.7***
Privatization receipts	-0.2	0.0	-1.2	-0.5	0.0	0.0	0.0	0.0	-1.9	-0.2
Change in accounts payables/receivables	1.4	2.6	2.6	0.0	1.0	0.0	0.0	0.0	7.5	0.9
Treasury correspondents' deposit accounts	-0.1	-0.2	0.2	0.0	-0.8	0.8	-0.3	0.7	0.3	0.0
Change in SOE debt	**-0.1**	**-0.5**	**-0.6**	**0.8**	**-0.3**	**-0.7**	**0.1**	**-0.4**	**-1.6**	**-0.2**
Change in deposit accounts 1/	**0.5**	**-0.4**	**4.1**	**0.0**	**0.0**	**-3.8**	**-0.9**	**-0.7**	**-1.2**	**-0.2**
Residual	**-1.6**	**1.0**	**-4.3**	**3.5**	**1.1**	**1.5**	**1.9**	**0.1**	**3.2**	**0.4**

1/ Data on the change in central government deposit accounts in commercial banks start from 2022 onwards.

Sources: Togolese authorities and IMF staff

5. Togo has relied heavily on the regional securities market to meet its financing needs, where conditions have become tighter. The clearance of most historic domestic arrears over 2018–20 reduced the share of domestic debt to 55.6 percent of total debt in 2020 from an average of 71.7 percent over the previous five years. Since then, securities issued on the regional market have made up almost all new domestic debt, with the small residual stock of domestic arrears and a handful of loans from domestic banks making up the remainder. Nearly two thirds of the elevated financing needs in 2021–22 were met by regional bond issuances, where BCEAO support enabled Togo to benefit from longer maturities of up to 15 years and lower yields. Regional market conditions tightened in 2023, as demand shifted to shorter-dated securities amidst higher inflation and tighter monetary policy.[11] In 2024, the weighted average maturity of new issuance shortened to 1.5 years, from 7 years in 2022, and 71 percent of financing needs were met by

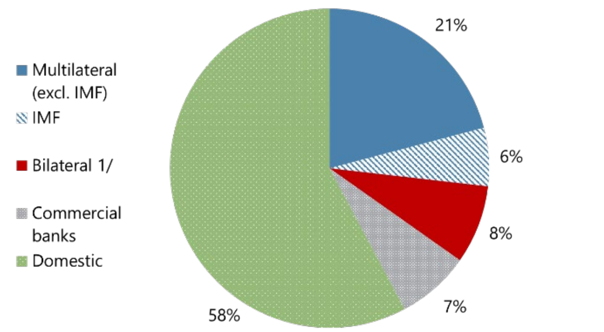
[10] The Selected Issue Paper of the WAEMU regional consultation (IMF Country Report 23/102) found higher residuals using an older macroeconomic framework and alternative exchange rate assumptions for regional comparisons. It also did not account for changes in accounts payable, government deposits, nor other below-the-line drivers of debt.

[11] The weighted-average yield on newly issued government debt across WAEMU rose from around 4 percent in 2022 to a peak of 8.3 percent in April 2024 before declining to 7.3 percent in December 2024. The weighted average maturity extended modestly, from 22 to 25 months in the first and second halves of the year respectively.

Treasury bills, up from around 5 percent in 2021–22. In addition, weighted average yields jumped to 7.4 percent in 2024 from 5.6 percent in 2022.

6. The composition of public debt is evolving towards more external debt, with a greater variety of creditors. After accounting for the reclassified BOAD loans, external debt increased from an average of 28.3 percent of total public debt over the five years before the pandemic to 41.1 percent over 2020-24. This mainly reflected higher borrowing from multilateral sources, notably from the IMF and concessional World Bank loans, that made up more than a quarter of total public debt at end-2024 compared with less than a fifth in 2018 (Figure 2 and Text Table 3). There was also a notable shift away from borrowing from non-Paris Club creditors towards commercial lending and, to a lesser degree, Paris Club creditors. Recognizing their high exposure to the regional market, the authorities are seeking to rebalance their portfolio towards longer-term external debt at lower interest rates as part of their medium-term debt management strategy (MTDS). To this end, they signed new external loan agreements of over US$850 million in 2024—more than half of which concessional—that will disburse over several years. However, they also signed in 2024 a short-term non-concessional trade loan equivalent to 1.7 percent of GDP to meet additional financing needs (paragraph 4) that contributed to faster than projected debt accumulation.

Figure 2. Togo: Composition of Public Debt
(Percent of Total, 2024)



1/ The authorities categorize some non-Paris Club loans as commercial, which would make bilateral debt 2 percent of the portfolio and commercial debt 13 percent.

Sources: Togolese authorities and IMF staff

7. Debt service has increased, as have rollover risks. Tightened financing conditions in the region have contributed to a rise in interest payments, to 3.0 percent of GDP in 2024 from 2.4 percent in 2020, and more than 80 percent of interest payments in 2024 was on domestic debt. The greater reliance on Treasury bills in 2023-24 has increased rollover risks, with securities worth 7.7 percent of GDP maturing in 2025. The short-term external trade loan contracted in 2024 adds significantly to debt service costs in 2025. Other notable near-term external debt service obligations are due on loans with commercial terms to BOAD, EXIM Bank of China and Société Générale. Payments of between SDR 30 and 50 million against previous IMF ECF-arrangements are due over 2025-30.

Text Table 3. Togo: Composition of Public Debt 2021–2024

	End-2021			End-2022			End-2023			End-2024		
	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	**2,998**	**100.0**	**64.9**	**3,397**	**100.0**	**67.0**	**3,778**	**100.0**	**68.6**	**4,272**	**100.0**	**72.1**
Total Central Government	2,912	97.2	63.0	3,337	98.3	65.8	3,708	98.1	67.3	4,218	98.7	71.2
Total SOEs	85	2.8	1.8	59	1.7	1.2	70	1.9	1.3	54	1.3	0.9
External Debt	**1,260**	**42.0**	**27.3**	**1,307**	**38.5**	**25.8**	**1,446**	**38.3**	**26.3**	**1,803**	**42.2**	**30.4**
Central Government	**1,223**	**40.8**	**26.5**	**1,296**	**38.2**	**25.6**	**1,432**	**37.9**	**26.0**	**1,785**	**41.8**	**30.1**
Multilateral	680	22.7	14.7	760	22.4	15.0	864	22.9	15.7	1,128	26.4	19.0
o/w IMF	200	6.7	4.3	198	5.8	3.9	190	5.0	3.5	252	5.9	4.2
Bilateral	378	12.6	8.2	368	10.8	7.3	345	9.1	6.3	340	8.0	5.7
Paris Club	12	0.4	0.3	22	0.6	0.4	29	0.8	0.5	39	0.9	0.7
Non-Paris Club 1/	366	12.2	7.9	346	10.2	6.8	316	8.4	5.7	301	7.1	5.1
Commercial Banks	166	5.5	3.6	169	5.0	3.3	223	5.9	4.0	317	7.4	5.3
SOEs	**36**	**1.2**	**0.8**	**11**	**0.3**	**0.2**	**15**	**0.4**	**0.3**	**18**	**0.4**	**0.3**
Multilateral	36	1.2	0.8	11	0.3	0.2	14	0.4	0.3	18	0.4	0.3
Commercial	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Domestic Debt	**1,738**	**58.0**	**37.6**	**2,089**	**61.5**	**41.2**	**2,332**	**61.7**	**42.3**	**2,469**	**57.8**	**41.7**
Central Government	**1,689**	**56.3**	**36.5**	**2,041**	**60.1**	**40.3**	**2,276**	**60.2**	**41.3**	**2,433**	**56.9**	**41.0**
T-Bills (Bons du Tresor)	-	0.0	0.0	-	0.0	0.0	154	4.1	2.8	291	6.8	4.9
Bonds (Emprunts Obligataires) 2/	1,524	50.8	33.0	1,834	54.0	36.2	1,917	50.7	34.8	1,927	45.1	32.5
Domestic Arrears	42	1.4	0.9	42	1.2	0.8	42	1.1	0.8	42	1.0	0.7
Suppliers arrears	5	0.2	0.1	5	0.2	0.1	5	0.1	0.1	5	0.1	0.1
Liquidated SOEs	36	1.2	0.8	36	1.1	0.7	36	1.0	0.7	36	0.8	0.6
Banking System	123	4.1	2.7	166	4.9	3.3	163	4.3	3.0	173	4.1	2.9
SOEs	**49**	**1.6**	**1.1**	**48**	**1.4**	**0.9**	**56**	**1.5**	**1.0**	**36**	**0.9**	**0.6**

1/ Debt from EXIM Bank China and EXIM Bank India have been reclassified as bilateral non-Paris Club from commercial.

2/ Includes SUKUK.

Sources: Togolese authorities and IMF staff.

BACKGROUND ON MACRO FORECASTS

8. **Macroeconomic projections have been updated since the last DSA to reflect recent economic developments (Box 1)**. Growth projections have been revised down slightly for 2025, but the medium-term outlook remains unchanged. Staff assesses that the positive impacts of lower oil prices on growth will largely offset adverse impacts from slower global growth and higher uncertainty. Fiscal data have been revised to capture expenditure in 2024 that was previously reported below the line[12] and projections updated to accommodate a higher overall deficit in 2025 to accommodate spending needs from continued security threats without reducing social spending. Medium-term projections continue to reflect the authorities' commitment to fiscal consolidation under the IMF-supported ECF arrangement.

[12] The authorities purchased a multi-year stock of fertilizer equivalent to 1.7 percent of GDP that was transferred to a public entity. This entity sells the fertilizer to farmers at a discount, with farmers' payments flowing back to the central government. The authorities assert that accounting for this purchase below the line is in line with national laws and regional directives, but staff clarified that, under the 1986 Government Finance Statistics Manual that the authorities appear to largely follow, such spending should be above the line.

Box 1. Main Assumptions in the Macroeconomic Framework

Growth: Compared to the previous DSA, real GDP growth has been revised down from 5.3 percent in 2025 to 5.2 percent, to account for slower global growth and increased uncertainty potentially weighing on investment and financial market conditions, which are somewhat offset by positive growth impacts of lower oil prices. Thereafter, growth is projected to average 5.5 percent to 2035, as public investment and structural reforms implemented under the 2020-25 National Development Roadmap 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 2025.

Inflation: Following a peak of 7.6 percent in 2022, mainly due to higher food and fuel prices, headline inflation (year-on-year) fell further than previously projected to 2.9 percent in 2024. Core inflation (excluding energy and fresh products) fell to 1.6 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 again in 2024. Tax revenue rose to 14.9 percent of GDP, in line with the targets under the ECF arrangement because of tax policy and revenue administration efforts, while non-tax revenue reached 2.1 percent of GDP, above expectations and offsetting a small decline in grants of 0.2 percent of GDP. The projections assume that the authorities will continue to deliver on their commitment to increase tax revenue by 0.5 percentage points of GDP each year between 2025 and 2027.

Primary balance: The authorities are implementing a large fiscal consolidation to strengthen debt sustainability by end-2025. The primary fiscal deficit at end-2024 is estimated to have been larger than previously projected, after reflecting additional expenditure that was recorded below the line previously. Further, to accommodate the need to meet spending pressures from continued security threats without reducing social spending, the authorities now expect to reduce the fiscal deficit to 3 percent of GDP in 2026 instead of 2025. The primary deficit has been adjusted upwards accordingly. The path of the primary balance is now in line with reducing the PV of debt to below 55 percent of GDP by the end of 2027 rather than 2026. The primary balance is still projected to converge to a deficit of 0.5 percent of GDP in the long run.

Public investment: Infrastructure and security spending resulted in elevated public investment of 15 percent of GDP in 2022-24. Fiscal consolidation will contribute to a reduction in public investment in the medium term to around 12 percent of GDP. Though the security component is expected to remain elevated in 2025 (0.2 percent of GDP higher than in the last DSA).

External: Goods exports are expected to moderate from the high levels seen since 2022 as phosphate prices fall from their pandemic era highs and global demand softens. Relatively high prices for other key exports, notably coffee and cocoa, are expected to support exports in the short term, whilst infrastructure investment in special economic zones and the port should boost exports moderately in the medium term. Fiscal consolidation and greater domestic production are expected to lower import demand, whilst the recent fall in oil prices dominates the outlook over the projection period, contributing to improved trade and current account balances from 2025 onwards compared with the last DSA. The current account deficit is projected at below 1 percent of GDP in the long term.

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

Main Assumptions in the Macroeconomic Framework Compared with Previous DSA
(Percent of GDP)

	2022	2023	2024	2025	2026	2027	2028	2029	2030-35
				Projections					
Real GDP Growth (Percent)									
Current DSA	5.8	5.6	5.3	5.2	5.5	5.5	5.5	5.5	5.5
EFC First Review (December 2024)	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5	5.5
Inflation (Average, percent)									
Current DSA	7.6	5.3	2.9	2.3	2.0	2.0	2.0	2.0	2.0
EFC First Review (December 2024)	7.6	5.3	3.3	2.3	2.0	2.0	2.0	2.0	2.0
Total Revenue (incl. grants, percent of GDP)									
Current DSA	17.6	19.8	19.0	18.8	18.5	19.0	19.4	19.9	20.9
EFC First Review (December 2024)	17.6	19.8	18.8	18.6	19.1	19.5	19.9	20.3	21.3
Primary Balance (Commitment basis, incl. grants, percent of GDP)									
Current DSA	-5.9	-3.9	-4.5	-1.2	-0.2	-0.4	-0.6	-0.8	-0.5
EFC First Review (December 2024)	-5.9	-3.9	-3.7	-0.5	-0.6	-0.8	-1.0	-1.1	-0.4
Exports of Goods and Services (Percent of GDP)									
Current DSA	26.6	26.3	25.5	25.5	25.5	25.7	25.8	25.7	25.9
EFC First Review (December 2024)	26.6	25.5	25.7	25.6	26.0	26.2	26.2	26.1	26.3
Current Account Balance (Percent of GDP)									
Current DSA	-3.5	-4.0	-3.2	-2.3	-1.4	-1.0	-1.0	-0.9	-0.6
EFC First Review (December 2024)	-3.5	-2.9	-3.0	-2.9	-2.6	-2.2	-2.0	-2.0	-2.0

Sources: Togolese authorities and IMF staff calculations.

9. **Togo's financing needs will be driven by debt service and are expected to be met increasingly by external borrowing in the long term, in line with Togo's financing strategy.** Debt service is projected to be the main driver (93 percent) of gross financing needs in the next six years, with primary deficits explaining only 6 percent because of fiscal consolidation. The ratio will further shift towards servicing debt between 2031-35 as primary deficits remain contained. Assumptions of financing shares and terms in the baseline are based on projections of World Bank lending, other disbursement projections where they are available, and disbursement shares observed over 2018-24 for the remainder. Specifically:

- **External borrowing.** This is projected based on expected disbursements from the IMF ECF[13] (7 percent of new external finance between 2025 and 2030) and IDA[14] (66 percent), using their respective official terms under various facilities. This DSA also includes a one-year trade finance facility guaranteed by MIGA, which was signed in April 2025 to replace a EUR 150 million short-

[13] The IMF ECF has been extended to August 2028 and the last disbursement, as previously reported, will be split equally between 2027 and 2028. The total amount of the ECF remains unchanged.

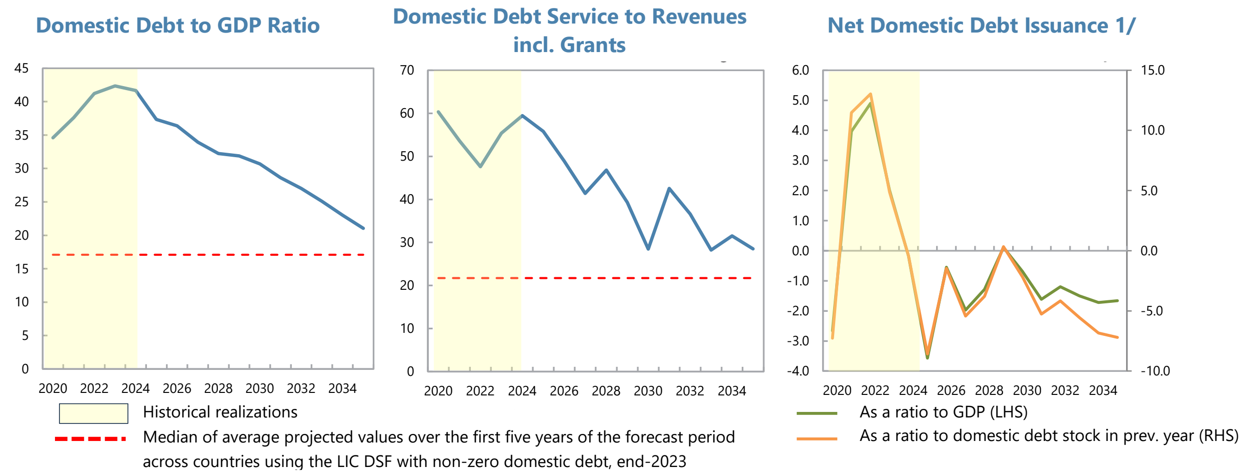
[14] Togo is currently classified as a non-small state, IDA-only country at moderate risk of external debt distress. As such, 88 percent of the country allocation would be as 50-year credits. The remaining 12 percent is in the form of Shorter-Maturity Loans (PBA-SMLs) with 12-year maturity, 6-year grace 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.

term trade finance loan that was contracted in May 2024.[15] This facility has much more favorable terms (EURIBOR + 185 bps all-in compared with EURIBOR +450 bps for similar financing on the international market) and reduces the projected debt service costs in 2026 compared with other financing options, with the possibility of rolling over the guarantee by another two years. This DSA also includes an African Development Bank partial risk guarantee instrument that is expected to finance eligible projects and initiatives in sectors aligning with the Sustainable Development Goals and the country's Sustainable Financing Framework. Remaining external project financing is assumed to be met primarily by BOAD, other multilateral creditors, bilateral creditors, and commercial creditors on terms broadly in line with those realized over the last five years. The overall grant element of external borrowing is projected to increase over 2025–28, reflecting the lower financing needs and higher IDA borrowing, before declining thereafter, consistent with the authorities' ambitions to gain greater market access that may result in a growing share of commercial debt.

- **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. Despite these elevated ratios, Togo has continued to manage to meet its financing needs in the regional market, though at shorter maturities and higher yields. Domestic financing assumptions in the previous two DSAs were adjusted to reflect tighter market conditions: a greater share of Treasury bills; shorter bond maturities; and higher yields through 2025 that reduce from 2026, as fiscal consolidation takes hold and monetary policy rates decline. These assumptions remain broadly appropriate, though this DSA has further increased the share of financing from 1–3-year bonds and reduced the share from long-term bonds to reflect recent dynamics. Domestic borrowing is assumed to come from Treasury bills (10 percent), 1–3-year bonds (45 percent), 4–7 years bonds (35 percent), and long-term bonds and loans (10 percent).

[15] MIGA's facility is expected to support trade finance transactions primarily in the agriculture sector, with over 70 percent on fertilizers and seeds and the rest on essential services sectors (access to electricity and water). It is renewable twice.

Figure 3. Togo: Indicators of Domestic Public Debt, 2020–2035



Borrowing Assumptions (average over 10-year	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	4.4%
Avg. maturity (incl. grace period)	5
Avg. grace period	3
Domestic short-term debt	
Avg. real interest rate	4.2%

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

Sources: Country authorities; and staff estimates and projections.

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

- **Drivers of overall debt dynamics.** The additional debt contracted in 2024 and the slight downward revision to 2025 growth mean that projections of overall public debt are higher than in the previous DSA and remain substantially higher than in the DSA of 5 years ago (Figure 6, bottom left panel). The forecast error on debt was much larger than for the 75th percentile of LICs, and the largest contributor was the primary deficit, which expanded unexpectedly as the authorities responded to multiple shocks over 2020-23, and in 2024 as some below the line spending was later included in the deficit (bottom right panel). Fiscal consolidation, along with better monitoring of other debt creating flows, is expected to allow lower primary deficits to pass through to debt reduction in the next five years, with smaller unexplained residuals (paragraph 4). Higher economic growth is expected to drive debt levels down, whilst real exchange rate depreciation is projected to have a slightly lower impact than in the past (bottom middle panel). Real interest rates are projected to contribute more to debt creation, reflecting tighter regional financing conditions and higher external commercial debt.

- **External debt.** Projections in the current DSA are also higher than in the last DSA because of the additional debt contracted in 2024 and the 2025 growth revision and remain significantly higher than in the DSA of 5 years ago. Whilst the forecast error falls within the 75th percentile of LICs, the large residual remains the main contributor to unexpected changes in debt (Figure 6 top right panel). This partly reflects the augmentation of the last tranche of the previous ECF, the reclassification of BOAD as an external creditor in 2020, and the new trade loan and assumption of debt from a hotel that the authorities took ownership of in 2024. The authorities are exploring the remaining residual. In terms of debt dynamics, growth is projected to be a stronger factor in decreasing external debt than in the past, along with exchange rate dynamics (top middle panel). Compared with the last DSA, the smaller current account deficit would create more modest external financing needs, whilst previous FDI outflows linked to regional banks did not recur in 2024 and are no longer projected in the medium term, lowering external financing needs further.

- **Fiscal adjustment.** The three-year adjustment in the primary balance over 2025–27 is 4.1 percent of GDP, compared to the 3.3 percent of GDP in the last DSA. The larger adjustment reflects the revised 2024 primary deficit and deeper fiscal consolidation required in 2026 to bring the overall deficit to the target of 3 percent of GDP (Figure 7 top left panel). Despite being in the upper quartile of fiscal adjustments 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 IMF-supported ECF arrangement. The authorities made a good start, by increasing tax revenue by 1.0 percent of GDP over 2023-24. Expenditure consolidation will come mainly from (i) avoiding a repeat of the purchase of a multi-year fertilizer stock seen in 2024, (ii) and lower public investment, which is deemed to have lower implementation risk than reductions in primary current expenditure. However, continued security risks could result in higher-than-expected security-related capital spending, whilst a more uncertain outlook for aid and trade flows could further impact revenue and add to spending pressures.

- **Fiscal adjustment and growth**. Projected economic growth is judged to be realistic despite the significant fiscal consolidation, reflecting the lagged impact of previous infrastructure investment in industrial zones and the port on productivity. Whilst growth has been revised down slightly in 2025 and projections remain in line with the previous DSA, it is now higher than the projection under all fiscal multipliers used in Figure 7 (top right panel) in 2025 and 2026. The inclusion of multi-year fertilizer purchases in primary expenditure in 2024, and one-off banking sector operations in both 2024 and 2025, keep the primary deficit relatively high in 2024 and depicts a sharper adjustment in 2025 than if these operations were excluded.[16] The fertilizer purchases were one-off and are expected to sustain agricultural productivity beyond 2024, whilst the banking operation is unlikely to have a substantial concurrent impact on aggregate demand and growth. These may therefore be discounted in projecting the impacts of fiscal consolidation on growth.

- **Public investment and growth.** Projections of private investment are lower than in the last DSA because of the small downward revision in growth in 2025 and assumptions of a more moderate share of private investment in total investment in the medium term. Projections of government investment have been revised up slightly to reflect recent fiscal developments. Using updated historical estimates of the government capital stock, the contribution of public investment to growth is projected at 17.3 percent, slightly higher than in the previous DSA but lower than the historical contribution of 27.8 percent (Figure 7, bottom right).[17]

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

11. Togo's debt carrying capacity has been upgraded to "strong". The composite indicator (CI), which captures the impact of several factors through a weighted average of an institutional indicator (using the latest CPIA score, from 2023), real GDP growth, remittances, international reserves, and world growth, increased to 3.05 based on the WEO of October 2024, driven by an upward revision to global growth. This higher score exceeds the cutoff that signals 'strong' debt carrying capacity. The score increased further, to 3.10, based on the WEO of April 2025. In line with the LIC DSF guidance, these two consecutive CI assessments signal that Togo's debt carrying capacity should be upgraded to 'strong' from 'medium' in the previous DSA.[18] The external debt thresholds and total public debt benchmarks are, therefore, increased from the last DSA and set out in Text Table 4.

12. Standardized stress tests are run to determine Togo's debt sustainability rating. The six standardized tests applied to both the public and external DSA using default shocks are: real GDP growth, the primary balance, exports, other financial inflows from current transfers and FDI, the exchange rate, and one with the shocks combined. In addition, the contingent liability stress test assumes a shock of 13.7 percent of GDP, which includes the default value of 5 percent of GDP for financial markets, 6.7 percent of GDP for risks associated with PPPs, and 2 percent for SOE debt (see paragraph 2). The baseline debt projections and the projections under these standardized stress tests are assessed against the thresholds of

[16] Excluding these operations reduces the 2024 primary deficit from 4.5 percent of GDP to 1.8 percent. Excluding banking sector operations in 2025 reduces the primary deficit from 1.2 percent of GDP to 0.8 percent but 2025, depicting a smaller consolidation effort. However, 2025 growth remains slightly higher than the projection under all fiscal multipliers.

[17] Applying estimates of the capital stock used in previous DSAs, the projected contribution is 12.4 percent of GDP compared with 10.7 percent of GDP in the previous DSA.

[18] A country's debt-carrying capacity is assessed to be strong when the CI exceeds 3.05.

strong debt carrying capacity. Togo does not presently have prominent economic features such as frequent natural disasters, high reliance on commodity exports, high reliance on 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

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.39	3.66	1.41	45%
Real growth rate (in percent)	2.72	5.20	0.14	5%
Import coverage of reserves (in percent)	4.05	43.40	1.76	57%
Import coverage of reserves^2 (in percent)	-3.99	18.83	-0.75	-24%
Remittances (in percent)	2.02	6.92	0.14	5%
World economic growth (in percent)	13.52	2.97	0.40	13%
CI Score			**3.10**	**100%**
CI rating			**Strong**	

Applicable Thresholds

EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	240
GDP	55
Debt service in % of	
Exports	21
Revenue	23

TOTAL public debt benchmark	
PV of total public debt in percent of GDP	70

Source: IMF WEO of April 2025 and World Bank

13. **A customized scenario shows the impact of the continued realization of unexplained stock-flow adjustments on overall public debt.** For illustrative purposes, this DSA includes a customized scenario that shows the impact of recurring unexplained stock-flow adjustments on DSA indicators. This complements the standard primary balance stress test but is of a smaller magnitude. Under this scenario, the primary deficit is increased by 1 percent of GDP per year throughout the projection period as a proxy for unexplained debt creating flows. This additional spending is assumed to be financed entirely through borrowing on the regional market, 70 percent of which would be in the form of Treasury bills. Projections for all other macroeconomic variables remain the same as in the baseline.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

14. **All external debt indicators stay below their respective thresholds under the baseline, though the external debt service-to-revenue ratio is close to its threshold in 2025-26.** The two PV of PPG external debt indicators are projected to decline steadily over the projection period and stay well below their respective thresholds under the baseline and stress test scenarios. The PV of PPG external debt is projected to decrease from 23.8 percent of GDP in 2025 to 17.7 percent of GDP by 2030 (Tables 1, 3 and

Figure 4). The PV of PPG external debt-to-exports ratio is projected to decline from 93.3 percent in 2025 to 68.4 percent by 2030. The two debt service indicators (in percent of export and revenue) are projected to remain elevated over 2025–26, reflecting the repayment of the short-term trade loan in 2025 and the maturity of the MIGA guarantee in 2026. The debt service-to-revenue ratio is very close to its threshold of 23 percent in 2025 (22.7 percent) and 2026 (22.4 percent), and there is limited space to absorb shocks (Figure 8), indicating the need to manage actively short-term liabilities. Both indicators improve thereafter, supported by fiscal consolidation and export growth.

15. **The standard stress tests lead to a one-off breach of the threshold for the external debt service to revenue indicator but all other indicators remain below their thresholds.** All indicators would rise over 2025-26 under stress tests before declining thereafter, at levels higher than under the baseline. The external debt service-to-revenue ratio remains marginally below its threshold under the depreciation and combined shock stress tests in 2025 but breaches it in 2026 before dropping below its threshold for the remainder of the period.

16. **The results highlight the need to manage short-term liquidity pressures, continue with revenue mobilization, and sustain export growth.** A one-time depreciation would have the greatest impact on the PV of debt-to-GDP and the debt service-to-revenue ratios. However, this risk is contained because around 70 percent of external debt is in euros (including the MIGA guarantee) and CFAF (mainly from BOAD), and the CFAF is pegged to the euro. Since the debt service-to-revenue ratio has only limited space to absorb shocks in the near term (Figure 8), strengthening revenue mobilization should remain a priority. Unsurprisingly, export shocks would have the biggest impacts on the PV of debt-to-exports and debt service-to-exports ratios, highlighting the importance of efforts to increase and diversify exports.

OVERALL RISK OF PUBLIC DEBT DISTRESS

17. **The ratio of the PV of overall public debt to GDP is below its benchmark over the whole projection period in the baseline, mechanically signaling low risk of overall public debt distress.** Under the baseline, public debt is projected to decline from 72.1 percent of GDP in 2024 to 66.9 percent in 2027 in line with fiscal consolidation, and continuing to decline in the medium term as the fiscal deficit is contained. With a revised 'strong' debt carrying capacity, the PV of public debt-to-GDP is now projected to remain below the new high-risk benchmark of 70 percent of GDP over the whole projection period. It is projected to decline from 60.0 percent of GDP in 2025 to 54.0 percent of GDP in 2027, in line with fiscal consolidation and the uptake of more concessional external debt (Table 2 and Figure 5). Continued robust growth, adherence to the fiscal consolidation plan, and continued high levels of concessional finance would reduce its level further to 38.8 percent of GDP in 2035.

18. **Public debt is most vulnerable to the realization of contingent liabilities.** The combined contingent liability stress test has the largest impact on the PV of debt-to-GDP ratio and PV of debt-to-revenue ratio. Under that scenario, both ratios would rise through 2026, with the PV of debt-to-GDP ratio approaching the high-risk benchmark in 2026 (69.4 percent), before declining thereafter (Table 4). Under the historical scenario, where higher primary deficits persist, this ratio remains higher than under the baseline. The customized scenario for public debt shows that the continued unexplained accumulation of

debt amounting to 1 percent of GDP per year would slow the decline in public debt despite fiscal consolidation. This reiterates the importance of understanding the discrepancies and containing other drivers of debt accumulation to avoid the need for deeper fiscal consolidation.

RISK RATING AND VULNERABILITIES

19. With a 'strong' debt carrying capacity, Togo remains assessed at moderate risk of external public debt distress and is now assessed at moderate risk of overall public debt distress, compared with high risk in the previous DSA:

- All external debt indicators remain below their indicative thresholds over the projection period under the baseline scenario. The external debt service-to-revenue ratio breaches the threshold under the standardized stress-tests in 2026 but returns below its threshold thereafter and, therefore, is discounted from the analysis. 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. In addition, tight conditions on the regional market can create pressures to borrow more externally than is planned, which can push up short-term debt service costs, as occurred in 2024, which may lead to threshold breaches. In line with the LIC DSF guidance, judgement is, therefore, applied to maintain Togo at ***moderate risk of external debt distress***.

- The PV of overall public debt-to-GDP ratio is projected to remain below the revised indicative benchmark over the whole projection horizon under both the baseline and stress test scenarios, mechanically signaling low risk. However, since the risk of overall debt distress cannot be lower than the risk of external debt distress, Togo is now assessed at ***moderate risk of overall public debt distress.***

20. Togo's public debt is considered to be sustainable with limited space to absorb shocks to external debt. Debt is assessed as sustainable because (i) the PV of public debt to GDP is projected to remain below the high-risk benchmark throughout the projection period under the baseline and shock scenarios, with a downward trend because of fiscal consolidation supported by the IMF ECF-arrangement; (ii) all external DSA indicators remain below their respective thresholds in the baseline and standard stress-test scenarios, apart from a one-time breach of the debt service-to-revenue threshold in 2026, and trend downwards over the medium term; and (iii) Togo's access to the WAEMU market and support from regional debt institutions bolsters the country's financing options and debt management capacity. Under the granularity module used for countries rated at moderate risk of external debt distress, Togo is considered to have *limited space to absorb shocks*. Whilst all baseline indicators are below their respective thresholds (Figure 8), an occurrence of the median observed shock that affected the external debt service-to-revenue ratio could put Togo at high risk of external debt distress.

21. The main risks to debt sustainability are fiscal pressures, a deterioration of financing 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. Continued security incidents, or adverse shocks to growth and exports from a more uncertain global outlook, could raise spending pressure, which could increase borrowing needs and result in higher debt service costs. Sudden increases in borrowing needs amid tight conditions on the regional market could also trigger sub-optimal borrowing decisions that raise debt service costs and rollover risks. Stress tests indicate that Togo is susceptible to the realization of contingent liabilities, whilst continued unexplained debt accumulation could result in unexpected upward revisions of debt levels that may necessitate deeper fiscal consolidation.

22. Staff recommends further efforts to improve public debt management to reduce short-term liquidity pressures, greater coordination between fiscal authorities, and continued efforts to track the holders of debt denominated in domestic currency. The annual borrowing plan is well-developed and communicated but assumes that debt accumulation is driven solely by the fiscal deficit. Better information flows between public entities and the central government, and within the fiscal authorities, on potential additional financing needs would reduce the possibility of sub-optimal borrowing decisions. In this context, the government's publication of a reconciliation of fiscal and debt accounts for 2025 will help support a better understanding of the full set of drivers of debt accumulation. In the same vein, the government's commitment to developing a strategy to contain unexplained debt accumulation in the future is welcome. Finally, in coordination with the BCEAO, the authorities should continue efforts to track the residency of the holders of regional securities beyond issuance and expand coverage to all regional borrowing.

AUTHORITIES' VIEWS

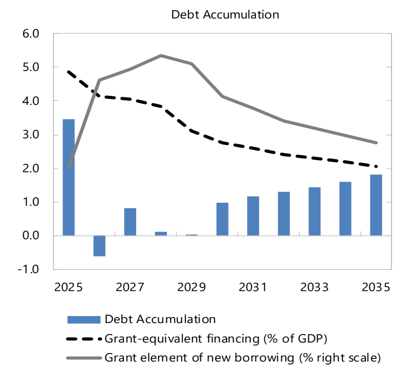
23. The authorities agreed with the finding of a moderate risk of overall debt distress but continue to question the use of judgement to raise the assessed risk of external debt distress to "moderate" (from the mechanical "low" risk), as they had done in previous DSAs. The authorities consider that risks 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 continue working 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. Further, they are pursuing additional efforts to understand the historic drivers of unexplained debt accumulation and improve fiscal reporting to lower the possibility of unexpected future rises in public debt.

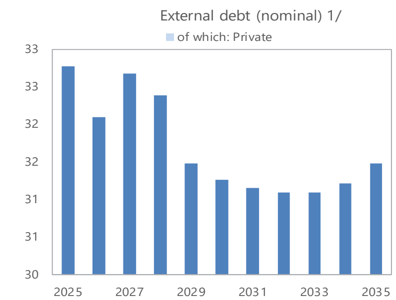
Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2022–45

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	25.8	26.3	30.4	32.8	32.1	32.7	32.4	31.5	31.3	31.5	28.3	21.7	31.7
of which: public and publicly guaranteed (PPG)	25.8	26.3	30.4	32.8	32.1	32.7	32.4	31.5	31.3	31.5	28.3	21.7	31.7
Change in external debt	-1.5	0.5	4.2	2.3	-0.7	0.6	-0.3	-0.9	-0.2	0.3	-1.1		
Identified net debt-creating flows	5.6	0.8	1.0	0.1	-0.8	-1.2	-1.2	-1.2	-1.6	-1.2	0.3	2.8	-1.2
Non-interest current account deficit	3.0	3.6	2.6	1.7	0.9	0.6	0.6	0.6	0.2	0.5	1.6	2.9	0.6
Deficit in balance of goods and services	12.2	11.5	10.4	8.7	7.3	6.8	6.7	6.7	6.3	6.5	7.8	10.8	6.7
Exports	26.6	26.3	25.5	25.5	25.5	25.7	25.8	25.7	25.9	25.9	25.2		
Imports	38.8	37.8	35.9	34.3	32.8	32.5	32.4	32.4	32.1	32.4	33.0		
Net current transfers (negative = inflow)	-8.6	-7.4	-6.8	-6.1	-5.6	-5.4	-5.2	-5.2	-5.2	-5.1	-5.1	-7.0	-5.3
of which: official	-0.7	-0.2	-0.2	-0.2	-0.2	-0.1	0.0	-0.1	-0.1	-0.1	0.0		
Other current account flows (negative = net inflow)	-0.6	-0.5	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-1.1	-0.9	-0.9
Net FDI (negative = inflow)	1.5	-0.6	-0.3	-0.7	-0.6	-0.6	-0.5	-0.5	-0.5	-0.4	-0.2	0.5	-0.5
Endogenous debt dynamics 2/	1.1	-2.2	-1.3	-0.9	-1.1	-1.2	-1.3	-1.3	-1.3	-1.3	-1.1		
Contribution from nominal interest rate	0.5	0.4	0.6	0.6	0.6	0.4	0.4	0.3	0.3	0.3	0.4		
Contribution from real GDP growth	-1.6	-1.3	-1.3	-1.5	-1.7	-1.6	-1.7	-1.7	-1.6	-1.6	-1.5		
Contribution from price and exchange rate changes	2.3	-1.4	-0.6	...	...	...	...	...	...	...	...		
Residual 3/	-7.1	-0.3	3.2	2.2	0.1	1.8	0.9	0.3	1.4	1.4	-1.4	-1.0	1.3
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	...	...	22.0	23.8	21.5	20.7	19.4	18.0	17.7	18.3	18.7		
PV of PPG external debt-to-exports ratio	...	...	86.1	93.3	84.3	80.6	75.2	70.2	68.4	70.5	74.4		
PPG debt service-to-exports ratio	8.0	7.7	10.0	14.8	15.0	8.1	9.1	8.3	5.9	5.2	5.9		
PPG debt service-to-revenue ratio	14.0	12.0	15.0	22.7	22.4	11.9	12.9	11.4	8.0	6.5	6.3		
Gross external financing need (Billion of U.S. dollars)	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.3	0.2	0.3	1.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.8	5.6	5.3	5.2	5.5	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)	-7.7	5.6	2.2	1.5	2.6	1.9	1.9	2.0	2.0	2.0	2.0	-0.4	2.0
Effective interest rate (percent) 4/	1.7	1.9	2.3	2.0	1.8	1.4	1.3	1.1	1.0	1.2	1.6	1.8	1.3
Growth of exports of G&S (US dollar terms, in percent)	9.7	10.3	4.7	6.8	7.9	8.6	7.8	7.3	8.3	7.4	7.1	3.3	7.7
Growth of imports of G&S (US dollar terms, in percent)	11.5	8.6	2.3	2.0	3.5	6.6	7.2	7.3	6.8	7.8	8.0	3.3	6.6
Grant element of new public sector borrowing (in percent)	...	...	...	30.4	56.3	59.3	63.5	61.0	51.4	37.7	35.5	...	48.4
Government revenues (excluding grants, in percent of GDP)	15.1	16.8	17.0	16.6	17.1	17.6	18.1	18.7	19.1	20.7	23.5	15.1	18.9
Aid flows (in Billion of US dollars) 5/	1.1	1.4	1.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.9	4.1	4.1	3.8	3.1	2.8	2.1	1.1	...	3.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	44.8	66.1	68.9	72.6	71.5	63.8	48.9	45.4	...	59.8
Nominal GDP (Billion of US dollars)	8	9	10	...	...	...	...	...	...	... ..	...		
Nominal dollar GDP growth	-2.3	11.5	7.7	6.8	8.2	7.5	7.5	7.6	7.6	7.6	7.6	4.6	7.6
Memorandum items:													
PV of external debt 7/	...	...	22.0	23.8	21.5	20.7	19.4	18.0	17.7	18.3	18.7		
In percent of exports	...	...	86.1	93.3	84.3	80.6	75.2	70.2	68.4	70.5	74.4		
Total external debt service-to-exports ratio	8.0	7.7	10.0	14.8	15.0	8.1	9.1	8.3	5.9	5.2	5.9		
PV of PPG external debt (in Billion of US dollars)			2.2	2.5	2.4	2.5	2.5	2.5	2.7	4.0	8.5		
(PVt-PVt-1)/GDPt-1 (in percent)				3.5	-0.6	0.8	0.1	0.0	1.0	1.8	0.8		
Non-interest current account deficit that stabilizes debt ratio	4.5	3.1	-1.5	-0.6	1.6	0.0	0.9	1.5	0.4	0.2	2.7		

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.

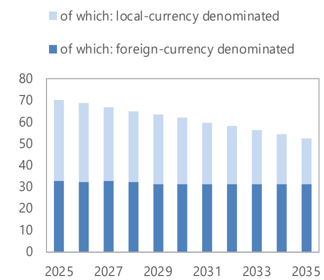
Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–45

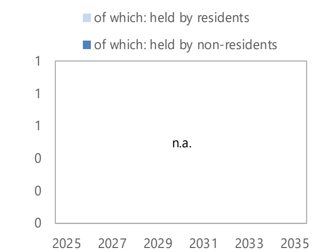
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	67.0	68.6	72.1	70.2	68.7	66.9	64.8	63.4	62.0	52.6	36.8	61.7	61.6
of which: external debt	25.8	26.3	30.4	32.8	32.1	32.7	32.4	31.5	31.3	31.5	28.3	21.7	31.7
Change in public sector debt	2.1	1.6	3.5	-1.9	-1.5	-1.8	-2.1	-1.4	-1.4	-1.7	-1.5		
Identified debt-creating flows	4.3	0.8	3.7	-1.0	-2.0	-2.3	-2.0	-1.7	-1.7	-2.0	-1.5	2.0	-1.9
Primary deficit	5.9	3.9	4.5	1.2	0.2	0.4	0.6	0.8	0.9	0.4	0.4	2.6	0.6
Revenue and grants	17.6	19.8	19.0	18.8	18.5	19.0	19.4	19.9	20.2	21.5	23.9	17.4	20.1
of which: grants	2.5	3.1	2.0	2.2	1.4	1.4	1.3	1.2	1.1	0.8	0.4		
Primary (noninterest) expenditure	23.5	23.8	23.5	20.1	18.7	19.4	20.0	20.7	21.1	21.9	24.3	20.0	20.7
Automatic debt dynamics	-1.5	-3.2	-0.8	-2.3	-2.2	-2.7	-2.5	-2.6	-2.6	-2.4	-1.9		
Contribution from interest rate/growth differential	-4.1	-2.7	-1.9	-2.3	-2.2	-2.7	-2.5	-2.6	-2.6	-2.4	-1.9		
of which: contribution from average real interest rate	-0.5	0.9	1.6	1.3	1.5	0.9	0.9	0.8	0.7	0.5	0.1		
of which: contribution from real GDP growth	-3.6	-3.6	-3.5	-3.6	-3.7	-3.6	-3.5	-3.4	-3.3	-2.8	-2.0		
Contribution from real exchange rate depreciation	2.5	-0.5	1.1	...	...	...	...	...	...	...	...		
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	0.5	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	-2.2	0.8	-0.2	-0.8	0.4	0.6	-0.2	0.4	0.2	0.3	0.0	0.7	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	63.2	60.0	57.0	54.0	50.9	49.1	47.6	38.8	27.2		
PV of public debt-to-revenue and grants ratio	...	...	332.7	319.0	308.7	284.7	262.1	247.4	235.3	180.5	114.1		
Debt service-to-revenue and grants ratio 3/	59.6	65.6	72.9	75.8	69.7	52.6	59.3	50.3	36.3	34.8	15.8		
Gross financing need 4/	16.4	17.0	18.3	15.5	13.1	10.4	12.1	10.8	8.2	7.9	4.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.8	5.6	5.3	5.2	5.5	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)	1.8	1.9	2.3	2.1	1.8	1.4	1.3	1.1	1.0	1.2	1.6	1.9	1.3
Average real interest rate on domestic debt (in percent)	2.2	3.3	4.0	3.3	4.3	4.2	4.2	3.9	3.9	4.0	4.7	3.7	4.0
Real exchange rate depreciation (in percent, + indicates depreciation)	10.3	-2.2	4.3	...	...	...	...	...	...	...	...	3.1	...
Inflation rate (GDP deflator, in percent)	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	26.8	6.9	3.8	-10.0	-1.8	9.5	8.9	9.3	7.6	6.4	6.7	8.1	5.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.7	2.4	1.0	3.1	1.7	2.2	2.7	2.2	2.3	2.1	1.9	2.4	2.3
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		
				(1.85)	(1.54)	(1.75)	(2.14)	(1.38)	(1.43)				

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, 2025–35

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	24	21	21	19	18	18	18	18	18	18	18
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	24	24	25	26	27	29	31	34	36	38	41
B. Bound Tests											
B1. Real GDP growth	24	22	22	20	19	19	18	18	19	19	19
B2. Primary balance	24	23	23	22	21	21	21	21	21	22	22
B3. Exports	24	23	26	25	23	23	22	22	22	22	22
B4. Other flows 3/	24	24	26	24	23	22	22	22	22	22	22
B5. Depreciation	24	27	24	22	20	20	20	20	20	20	21
B6. Combination of B1-B5	24	26	26	25	23	23	22	22	22	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	24	24	24	22	21	22	22	22	22	22	23
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	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	93	84	81	75	70	68	68	68	68	69	71
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	93	94	99	102	106	113	121	130	139	147	157
B. Bound Tests											
B1. Real GDP growth	93	84	81	75	70	68	68	68	68	69	71
B2. Primary balance	93	89	90	85	80	80	82	82	82	83	85
B3. Exports	93	104	132	124	116	113	111	110	110	110	111
B4. Other flows 3/	93	95	101	95	89	87	85	84	84	84	85
B5. Depreciation	93	84	73	68	63	61	61	61	61	63	65
B6. Combination of B1-B5	93	104	94	105	99	96	95	94	94	94	95
C. Tailored Tests											
C1. Combined contingent liabilities	93	96	93	87	82	85	84	84	84	86	88
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	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	15	15	8	9	8	6	6	6	6	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	15	16	9	10	10	7	8	8	8	9	9
B. Bound Tests											
B1. Real GDP growth	15	15	8	9	8	6	6	6	6	6	5
B2. Primary balance	15	15	8	9	9	6	6	6	6	6	6
B3. Exports	15	17	11	13	11	8	8	8	8	8	8
B4. Other flows 3/	15	15	8	10	9	6	6	6	6	6	6
B5. Depreciation	15	15	8	9	8	6	6	6	6	5	5
B6. Combination of B1-B5	15	16	10	11	10	7	7	7	7	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	15	15	8	9	9	6	6	6	6	6	6
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	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	23	22	12	13	11	8	8	8	7	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	23	**23**	13	15	13	10	10	10	11	11	11
B. Bound Tests											
B1. Real GDP growth	23	**23**	13	14	12	8	8	8	8	7	7
B2. Primary balance	23	22	12	13	12	8	8	8	8	8	7
B3. Exports	23	23	12	14	12	9	8	8	8	8	8
B4. Other flows 3/	23	22	12	14	12	9	8	8	8	8	8
B5. Depreciation	23	**28**	15	16	14	10	9	9	9	9	7
B6. Combination of B1-B5	23	**24**	13	14	13	9	9	8	8	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	23	22	12	13	12	8	8	8	8	8	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	23	23	23	23	23	23	23	23	23	23	23

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 2025–35

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	60	57	54	51	49	48	45	44	42	40	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	61	60	59	57	56	56	55	55	55	54	54
A2. Unexplained SFAs of 1 percent of GDP	61	59	57	55	54	53	52	52	51	50	49
B. Bound Tests											
B1. Real GDP growth	61	60	59	57	56	55	53	52	51	49	49
B2. Primary balance	61	63	64	61	59	57	54	52	50	48	46
B3. Exports	60	59	59	56	54	52	50	48	46	44	42
B4. Other flows 3/	60	60	59	56	54	52	50	48	46	44	42
B5. Depreciation	61	61	55	50	47	44	41	38	35	33	30
B6. Combination of B1-B5	61	60	58	53	50	49	46	44	42	40	39
C. Tailored Tests											
C1. Combined contingent liabilities	61	69	66	62	60	58	55	53	51	48	47
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	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	319	309	285	262	247	235	221	211	200	189	181
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	325	324	308	292	283	276	268	264	258	252	249
A2. Unexplained SFAs of 1 percent of GDP	324	319	300	282	272	264	254	248	240	233	229
B. Bound Tests											
B1. Real GDP growth	325	324	311	291	278	269	257	249	240	231	225
B2. Primary balance	325	340	338	313	296	280	261	250	236	223	212
B3. Exports	319	318	311	287	271	258	242	232	219	207	197
B4. Other flows 3/	319	323	312	288	272	258	243	232	220	208	198
B5. Depreciation	325	330	293	260	237	219	200	185	169	154	142
B6. Combination of B1-B5	325	327	305	272	254	241	226	212	200	189	181
C. Tailored Tests											
C1. Combined contingent liabilities	325	376	347	322	304	284	267	255	242	227	217
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	76	70	53	59	50	36	50	44	35	38	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	76	70	54	61	53	39	53	48	39	43	40
A2. Unexplained SFAs of 1 percent of GDP	76	74	59	68	61	50	66	62	55	60	59
B. Bound Tests											
B1. Real GDP growth	76	71	55	63	54	40	56	50	41	45	42
B2. Primary balance	76	70	56	64	53	51	65	48	38	45	43
B3. Exports	76	70	53	60	51	37	50	44	36	39	36
B4. Other flows 3/	76	70	53	60	51	37	50	44	36	39	36
B5. Depreciation	76	69	53	59	50	36	47	43	35	37	34
B6. Combination of B1-B5	76	68	52	60	50	36	57	44	35	38	38
C. Tailored Tests											
C1. Combined contingent liabilities	76	70	60	62	53	67	56	47	38	52	40
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.

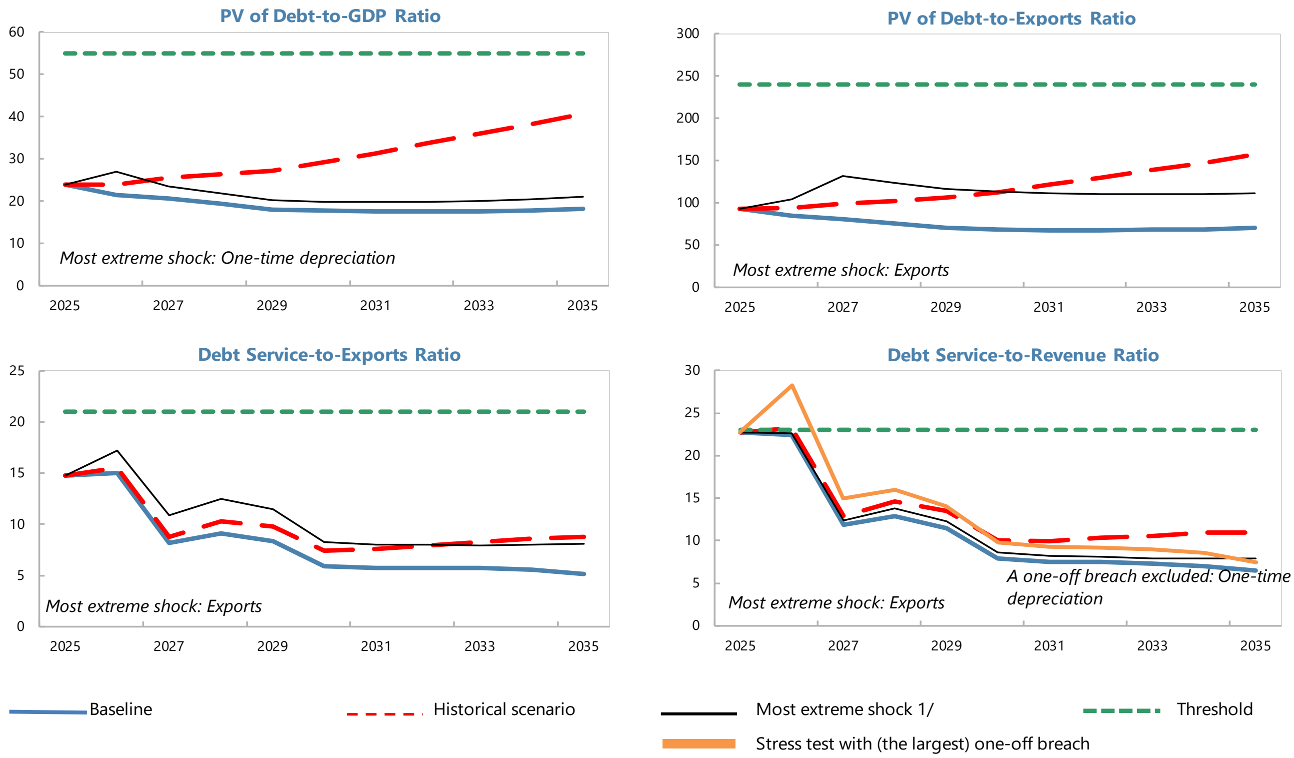
Sources: Country authorities; and staff estimates and projections.

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, 2025–2035



Customization of Default Settings

Tailored Stress	Size	Interactions
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	1.3%	1.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	7	7

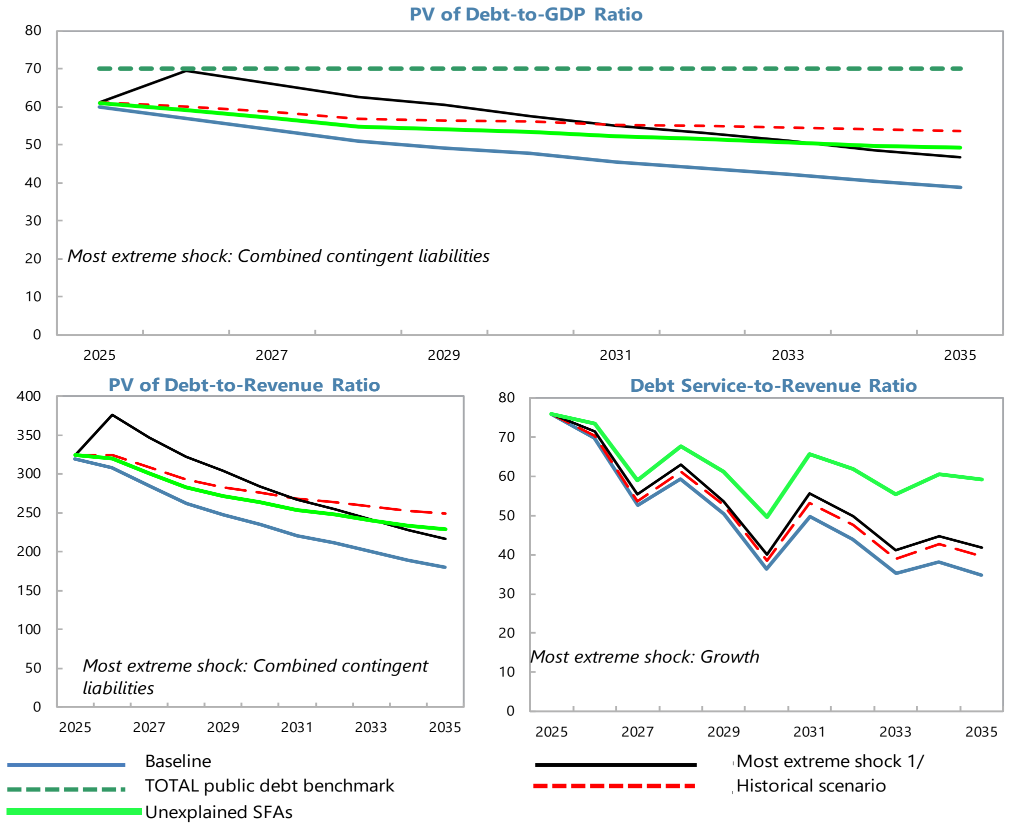
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Sources: Togolese authorities; and staff estimates and projections.

Figure 5. Togo: Indicators of Public Debt Under Alternative Scenarios, 2025–35



Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*	Default	User Defined
Shares of marginal debt		
External PPG medium and long-term	39%	39%
Domestic medium and long-term	55%	55%
Domestic short-term	6%	6%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
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)	4	4
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

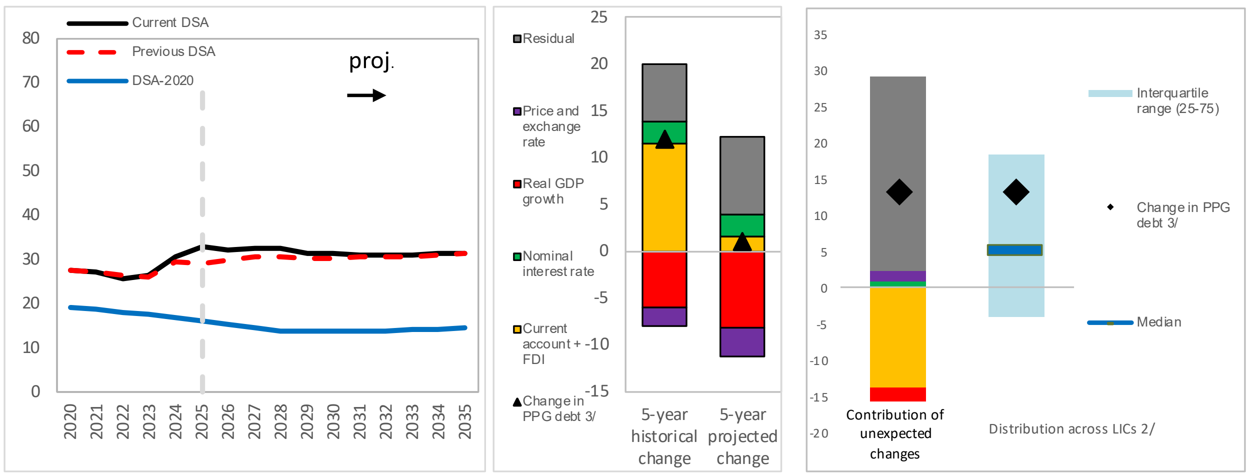
* The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Sources: Country authorities and IMF staff estimates and projections.

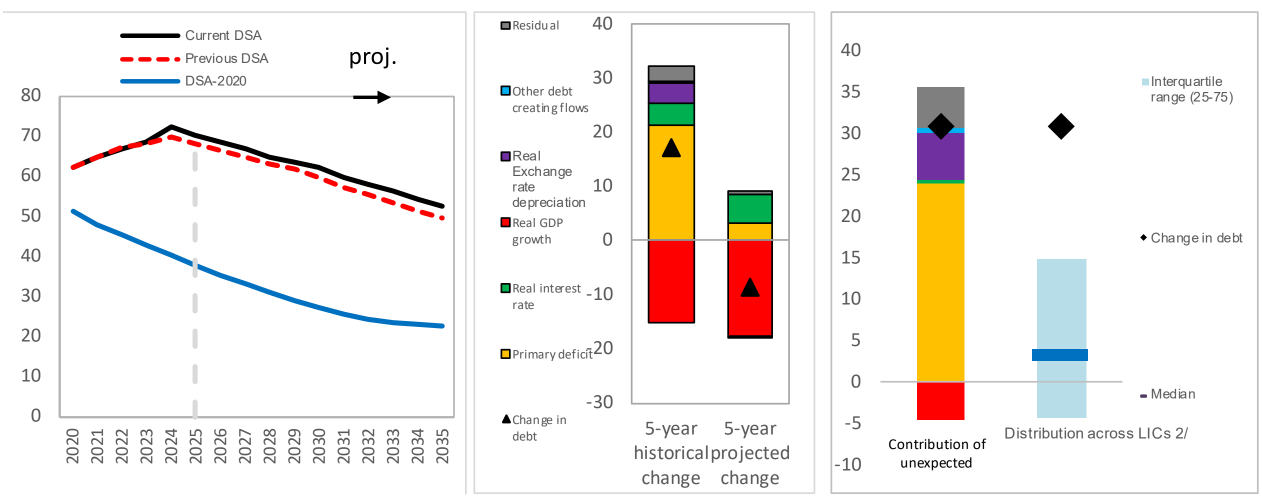
Figure 6. Togo: Drivers of Debt Dynamics–Baseline Scenario

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)



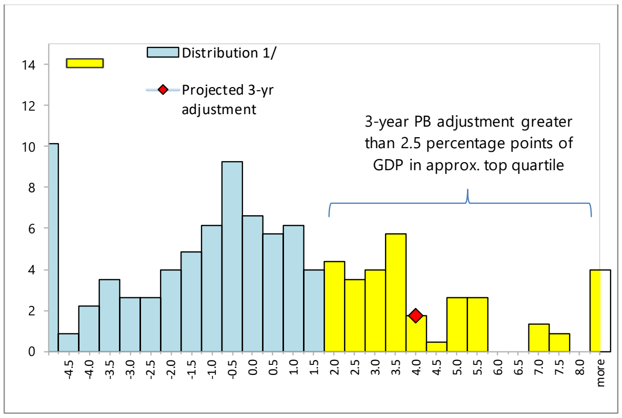
[1/] Difference between anticipated and actual contributions on debt ratios.

[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.

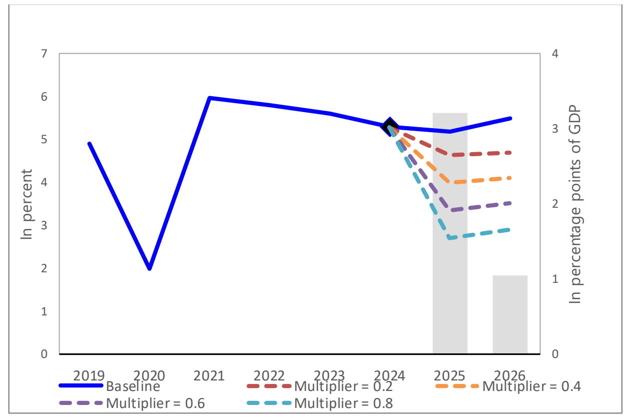
Figure 7. Togo: Realism Tools

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



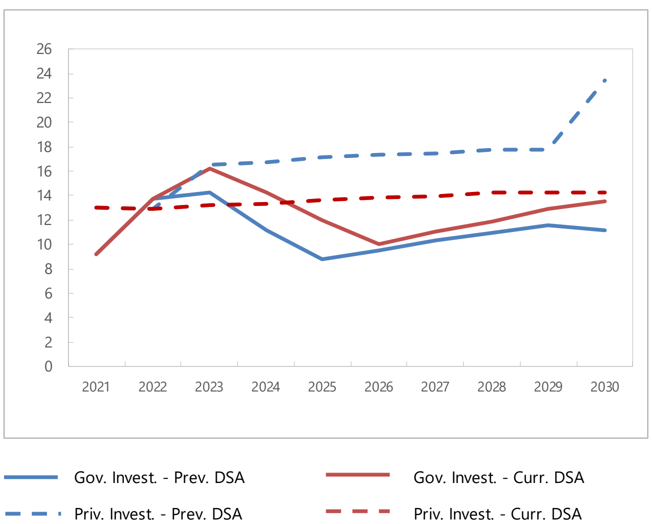
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

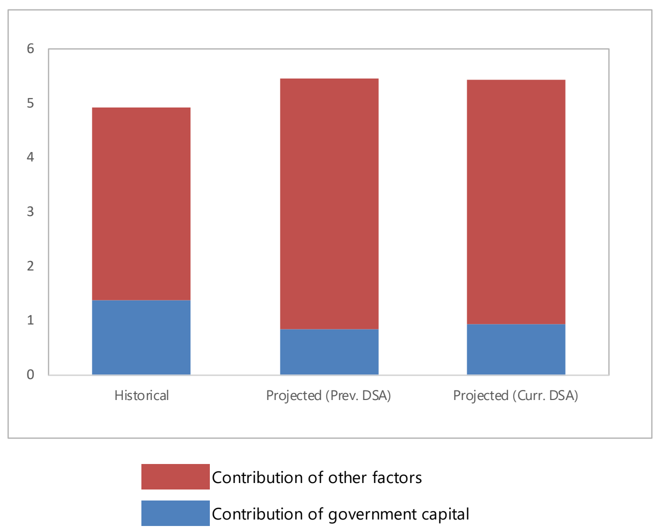


Figure 8. Togo: Qualification of the Moderate Category, 2025–35[1]

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.

Sources: Country authorities; and staff estimates and projections.

Statement by Mr. Ouattara Wautabouna, Executive Director for Togo and Mrs. Esso-Solim Boukpessi, Advisor to Executive Director
June 30, 2025

On behalf of our Togolese authorities, we would like to thank Fund Management, the Executive Board, and staff for their steadfast support to the country's economic reform agenda. We also extend our authorities' gratitude for staff's constructive dialogue and collaboration in the context of the second review under the Extended Credit Facility (ECF) arrangement. The authorities broadly agree with staff's assessment and value the pertinent policy recommendations.

Despite recent shocks—including the pandemic, global geopolitical conflicts, and regional insecurity—the Togolese economy has demonstrated resilience. Policy responses have helped mitigate adverse impacts, although public finances remain under strain, with ongoing fiscal and debt vulnerabilities. In this challenging context, the Government faces difficult trade-offs between advancing fiscal consolidation to reduce the debt burden and maintaining security, supporting economic growth, and promoting social inclusion. The authorities continue to implement their 2020–2025 Roadmap, supported by the Extended Credit Facility (ECF) which will continue to serve as the main policy anchor, while preparations advance for a new 2026–2030 national development plan that will build on its achievements and set the strategic direction for future polices and reforms across key sectors. Togo's recent upgrade to a B+ rating with a stable outlook by S&P Global Ratings, along with its improved Country Policy and Institutional Assessment (CPIA) score—now exceeding that of many West African peers—reflects steady reform progress in fiscal management and institutional quality. These achievements are expected to strengthen investor confidence, reduce borrowing costs, and enhance market access, thereby supporting the country's broader development objectives.

I. Recent Economic Developments and Outlook

1. In 2024, Togo's economy grew by 5.3 percent, driven by strong private consumption, as reflected in stable low-voltage electricity use, rising fuel consumption, and booming retail trade. Inflation eased to 2.2 percent in April 2025, one of the lowest in the region, supported by lower energy prices. The current account deficit narrowed to 3.2 percent of GDP from 4 percent of GDP in 2023, aided by reduced capital imports. Reserves in the West African Economic and Monetary Union (WAEMU) region recovered to 5.4 months of import coverage by April 2025, thanks to strengthened fiscal consolidation, increased external inflows, higher commodity prices, and new hydrocarbon exports from Niger and Senegal, setting a positive outlook for further reserve accumulation.

2. On the fiscal front, revenues strengthened in 2024, with tax revenue rising to 14.9 percent of GDP—up from 14.5 percent in 2023 and 13.9 percent in 2022—representing a cumulative increase of one percentage point over two years. This improvement was driven by new excise taxes, a higher VAT rate on hospitality services, and enhanced tax administration to improve compliance and efficiency. Non-tax revenues also exceeded expectations, reaching 2.1percent of GDP, supported by

more effective arrears collection and improved mobilization of public asset revenues. Despite these gains, the fiscal deficit widened to 7.4 percent of GDP (6.4 percent excluding banking operations), exceeding the 4.9 percent target. This primarily reflected (i) an unplanned purchase of subsidized fertilizer stocks to support farmers, the agriculture sector, and combat food insecurity, and (ii) emergency lending to affected localities following the June 2024 floodings. Consequently, public debt increased to 72.1 percent of GDP from 67.9 percent in 2023, with central government debt rising by 2.3 percentage points, driven by the fiscal gap, below-the-line transactions, including short-term trade credit to finance these operations, the acquisition of a hotel, and exchange rate fluctuations.

3. Nonetheless, the authorities remain confident in the country's positive macroeconomic outlook, anticipating growth to exceed 5.5 percent from 2026 onward, anchored in ongoing fiscal consolidation and reforms efforts aimed at enhancing productivity and stimulating private investment. While prospects remain favorable, the authorities remain vigilant about significant downside risks, including escalating security threats that could jeopardize Togo's crucial logistics sector—which are highly reliant on goods transit through affected areas—alongside geopolitical tensions, trade disruptions, reduced development aid, climate-related challenges, and emerging vulnerabilities such as cyber risks amid growing digitalization. At the same time, sustained efforts to enhance the business environment and advance industrial policies are expected to foster stronger growth and greater economic resilience moving forward.

II. Performance under the Second ECF Review and Program Strategy Going Forward

4. The authorities have shown strong program ownership by taking the required steps to achieve program objectives under difficult circumstances. In the context of the second review, they were able to meet all quantitative performance criteria (PCs) and indicative targets (ITs) for end-2024 except one, the fiscal deficit target. All continuous criteria and all but one structural benchmark (SBs) were also fully achieved. The authorities successfully increased tax revenues as planned and mobilized substantial non-tax revenues. Key structural successes include enhanced budget transparency, recapitalization of the last public bank, and timely reporting on State-Owned Enterprises (SOEs) and local government investments. The authorities have also advanced the program's implementation by achieving one of the two SBs due by end-June 2025, notably expanding the scope of the quarterly debt bulletin to include SOE and publicly guaranteed debt.

5. As outlined in paragraph 2 above, the fiscal deficit overshoots the target because of unplanned fertilizer purchases and emergency credit to flood-affected localities—both initially recorded below the line in accordance with national laws and regional directives. However, following consultations with IMF staff and in line with GFSM methodology, the larger fertilizer purchase was reclassified above the line, causing the program's fiscal deficit ceiling to be missed and contributing to a higher-than-expected rise in public debt. In close collaboration with IMF staff, the authorities agreed on corrective public financial management (PFM) measures to mitigate future debt risks and improve fiscal reporting. They published an analytical report on 2024 debt accumulation *(Annex I: Understanding Fiscal Reporting for 2024)* and committed to annual publications of similar reports as a new structural benchmark. Additionally, they pledged to maintain a fiscal buffer of approximately 0.25 percent of GDP annually to better absorb unforeseen economic shocks.

6. Considering these developments and their commitment to corrective actions, the Togolese authorities are recalibrating their dual fiscal anchor. Rising public debt has made the original target of reducing the present value of public debt below 55 percent of GDP by 2026 increasingly unattainable. To support growth, safeguard critical development and security expenditures, and preserve macroeconomic stability, they propose postponing the debt target to 2027—thus preserving the program's original goal of achieving debt reduction by its final full year—and relaxing the fiscal deficit to 3.5 percent of GDP (excluding exceptional banking operations) in 2025. The commitment to a 3 percent deficit ceiling will be reinstated from 2026 onward.

7. In light of this, the authorities request (i) a waiver for non-observance of the PC on the basic primary fiscal balance, (ii) a recalibration of fiscal targets to prevent excessive contraction—

specifically modifying the PC on the basic primary fiscal balance and net domestic financing—and (iii) an extension of the program through July 31, 2028, introducing a new test date at end-December 2027 to enable monitoring of fiscal policy implementation over the full year, along with a corresponding rephasing of access for the program's eighth review. Structural reforms will continue as planned, with a focus on strengthening revenue mobilization, improving PFM, enhancing governance and the business environment, and advancing reforms of the remaining state-owned bank.

III. Short and medium-term policies and structural reforms

Fiscal Policy and Debt Sustainability

8. Fiscal consolidation will continue through both revenue measures and expenditure control, supported by PFM reforms. The government aims to raise revenues by 0.5 percent of GDP annually through excise taxes, VAT reforms, and the removal of regressive exemptions. Strengthened revenue administration—with improved compliance, customs operations, and tax audits—is expected to yield an additional 0.2 percent of GDP. Non-tax revenues will be bolstered through digitalization of payment systems, stricter enforcement of mining royalties, and better management of public assets, targeting a 1.4 percent of GDP revenue collection over the medium-term.

9. The medium-term spending strategy seeks to balance fiscal consolidation with priority investments in security, social services, infrastructure, and banking sector rehabilitation. Current expenditures are expected to decline due to lower interest payments, reduced fuel subsidies, and greater reliance on concessional financing. Public investment, including security-related spending, is forecast to decrease before recovering, while security investments, albeit remaining elevated since the 2021 terrorist attacks, should continue their downward trend. Social spending will gradually increase, notably through the emergency development program in the northern region.

10. Improving PFM is also a critical reform pillar. To enhance fiscal transparency, the government is analyzing indeterminate debt accumulation and aligning debt and fiscal reporting. A comprehensive report and strategy will be finalized by end-2025, with annual reconciliation notes published thereafter. Stronger oversight of SOEs is being implemented through new governance rules, regular audits, and performance monitoring. The Public-Private Partnership (PPP) framework is also being reinforced, with technical support from international partners, a dedicated PPP unit and a project pipeline set for 2025. Reforms of the utilities sector continue with tariff adjustments, renewable investments, grid efficiency improvements, and expanded urban water access. A comprehensive medium-term fiscal strategy that enhances efficiency and ensures prudent public resource management is also underway. This strategy will establish a clear fiscal anchor and align revenue mobilization with expenditure planning to promote tax efficiency and ensure equitable revenue distribution. A fiscal buffer of about 0.25 percent of GDP will be maintained annually to absorb potential economic shocks.

11. Despite rising public debt, Togo's overall risk of debt distress has eased, due to an upgrade in debt-carrying capacity from 'medium' to 'strong,' supported by improved CPIA scores, robust growth, and regional reserve recovery. The debt distress threshold rose to 70 percent of GDP from 55 percent. With debt projected to decline in 2025, the overall risk level is now moderate, down from high and external debt risk remains moderate.

12. To strengthen debt management and sustainability, the government will work to ease short-term external debt pressures and prioritize concessional financing. On the former, it will seek favorable terms—with the World Bank support—for refinancing the 2024 short-term loan used to purchase the subsidized fertilizer stocks and will ensure that any additional borrowing aligns with proceeds from fertilizer sales and reimbursements of past advances. It will also maintain a debt ceiling consistent with IMF policy. Transparency will be improved with expanded quarterly debt bulletins covering SOEs and guaranteed debt, alongside an updated medium-term debt strategy. The government also plans to clear past domestic arrears through a four-year forfeiture process.

Monetary and Financial Sector Policies

13. Monetary policy, directed at the regional level by the *Banque Centrale des États de l'Afrique de l'Ouest (BCEAO),* focuses on maintaining price stability and managing foreign exchange and reserve operations for the eight WAEMU member countries. On June 4, 2025, the BCEAO eased its monetary policy, lowering its key interest rates by 25 basis points, setting the main policy rate at 3.25 percent, and the marginal lending facility rate at 5.25 percent. This move aims to support regional growth amid improving external conditions and sustained disinflation, keeping inflation durably below the 3 percent target.

14. National and regional authorities remain resolute in strengthening the banking sector through prudent credit policies, expanded financial inclusion, and stronger regulatory oversight. Priority measures include bolstering the real estate registry, ensuring adherence to prudential standards, and enhancing the Banking Commission's supervisory capacity. In December 2024, the last public bank in Togo received a capital injection, reducing prudential breaches from twelve to three and improving asset quality with fewer non-performing loans. An independent operational audit conducted in October 2024 is guiding a restructuring plan to restore the bank's profitability and stability.

Structural Reforms

15. The Togolese authorities are pressing ahead with structural reforms to promote inclusive growth and enhance governance, and the business climate. Social spending is increasing, supported by the World Bank cash transfer program, and is expected to benefit 110,000 people in 2025. In parallel, fuel subsidies are being gradually phased out through the implementation of an automatic fuel price regulation mechanism, freeing up resources for more targeted support. Investments under the emergency program across the northern and neighboring regions affected by terrorist attacks—*Savanes, Kara, and Region Centrale*—have improved access to water, energy, education, and livelihoods in communities heavily affected by insecurity, with further progress planned through 2026. Looking ahead, social spending will continue to rise, including through plans underway to extend universal health coverage to the most vulnerable. Fuel subsidies are expected to drop to a target of 0.2 percent of GDP in 2026 and be gradually eliminated thereafter.

16. The authorities also remain committed to strengthening governance and the business environment to boost private investment and confidence. An IMF Governance Diagnostic Assessment has been requested, and a mission is scheduled for August 2025. In the interim, progress includes enhanced procurement transparency, the launch of a beneficial ownership registry, and the update of anti-money laundering laws aligned with regional standards. Notable progress has been made in improving the business environment through digitalization of key services, more efficient dispute resolution, and enhanced transparency. These efforts have positioned Togo as a leading reformer in Africa, as recognized in the World Bank's Business Ready 2024 report.

17. Efforts to strengthen the AML/CFT framework to address key risks, including terrorism financing, tax fraud, and corruption, as identified in the 2022 GIABA assessment are progressing well. A new uniform law, based on the 2023 WAEMU directive on AML/CFT, is being drafted, in line with international standards and best practices. The new law will enable phased implementation of priority measures and introduce beneficial ownership disclosure requirements.

Climate Policies

18. Climate change remains a top priority for the authorities, given Togo's reliance on agriculture and exposure to coastal risks. They completed an IMF Climate-Public Investment Management Assessment (CPIMA), benefited from the World Bank's Country Climate and Development Report (CCDR), and underwent an IMF Climate Policy Diagnostic (CPD) mission in May 2025. The authorities are now working closely with IMF staff to finalize a comprehensive reform package and

envisage their request for Resilience and Sustainability Facility (RSF) support to be considered at the time of the third ECF review.

IV. Conclusion

The Togolese authorities have demonstrated a sustained commitment to the ECF-supported program. Despite significant challenges, performance under the program remains broadly satisfactory. The authorities have taken corrective measures in response to the missed performance criterion. Looking ahead, the authorities reaffirm their strong engagement with the IMF and their determination to advance their economic reform agenda and meet the ECF's objectives. Accordingly, they seek Directors' support for the completion of the second review under the ECF and the approval of related requests.