Statement by Bassary Touré
Date of Meeting: June 20, 2000

TOGO: Country Assistance Strategy Progress Report

Togo started building over the last recent year a good track record, even if the CAS progress report before us seems shy in spelling out the country’s reform efforts. With limited support, the Government has initiated significant steps aimed at addressing both political and economic key challenges. It is the Government willingness to undertake appropriate supporting reforms aiming at: improving the political climate; restoring macroeconomic stability; fostering the growth and diversification of agricultural output; developing a comprehensive, export-oriented manufacturing sector; rehabilitating the country’s seriously damaged physical infrastructure; and alleviating urgent social problems, including the deterioration in provision of basic health and education services.

On the political front, a dialogue is underway with a view to preparing the next election as laid out in the "Accord-Cadre de Lomé" document. A 20-member Independent National Electoral commission (CENI) (10 from the ruling party and 10 from the opposition) was created. The CENI will be the body overseeing the general election process to ensure its transparency. The Parliament will be dissolved, and new legislative elections will be held within 60 days. The European Union is already willing to provide assistance in implementing the Accord-Cadre de Lomé convention. Moreover the authorities agreed on setting up a group of facilitators (composed of representative of France, Germany, Austria, Francophonie and European Union). This group will intermediate between the opposition and the ruling party. In that line and eager to have a new CAS, my authorities took note of the Bank staff’s argument for not having a new one. However, they remained of the view that, with the full implementation of the "Accord-Cadre de Lomé" - already laying the foundation for the organization of free election - the concern raised by the Bank is already fully addressed. They are dismayed at the use of such arguments by the Bank and would like to stress that the Bank is not empowered to use the organization of this election, per se, as a conditionality. They strongly request that the report be revised accordingly.
On the macroeconomic side, some steps have already been taken to restore and keep the economy onto the path of a sustained and poverty-reducing growth by implementing reforms leading to a private-sector led recovery. As a result growth rates averaged 3.5% and consumer prices fell by 2% in March, largely because of decreased food and housing costs. This has further lessened the impact of the inflationary spike at the beginning of the year, caused by increased fuel prices. My Togolese authorities are therefore confident that they will keep inflation within the West African Franc Zone norm of about 3% this year. Despite some delays, cotton-ginning operations have moved ahead steadily. About two-thirds of the 1999/2000 crop was completed by the end of March.

The Government is committed to set up a specialized privatization unit to speed up the process. Hotel Sarakawa was privatized; the bidding process for the Electricity Company was launched (The privatization of the Electricity Company CEET is the first ever in the region); a commercial bank was selected to undertake the reforms in the telecommunication sector; the Government has also initiated a process of private participation in the provision of the water utility as stated in paragraph 28; advisors were selected for evaluating the banks to be privatized. The limited progress in the banking sector referred to by staff should not be explained by any lack of clear commitment by the Government and hesitations about the privatization approach, since it is committed to setting up a specialized privatization unit to accelerate the implementation of the program. It is more a problem of sequence of reforms in a difficult environment. My authorities are somewhat struck here by the statement throughout the document about the lack of commitment and the lack of clear vision of the Government. They would like to remind the Bank that the country has been struggling for two years without adequate resources, while at the same time the Government was required to address many major obstacles to the development process. They were also struck by the statement underscoring a lack of consensus within the Government. In this difficult context where the Bank and very few donors were the one assisting the country, one could not expect the Government to achieve speedy reforms. Moreover, recent developments pointing to the Government’s willingness to boost the privatization process as underlined in previous paragraphs is not captured. For example, in mid-April, the Government sold its 11.35% stake in the industrial firm Togogaz to private investors. It is my Togolese authorities view that rather than censuring the Government we need to find a constructive way to address the challenges it faces and to be appreciative in order to encourage new developments. Here are a few examples. Special emphasis is being put on public sector reform with a view to re-orienting the Government’s role toward a more conducive to nurturing a friendly environment to private initiative. The legal framework for business operations has improved with the introduction of common business laws in 16 French-speaking countries in West and Central Africa (OHADA) in 1998 and 2000. Effective implementation of the OHADA laws is supported under the privatization project.

We would have expected a more detailed analysis of IFC involvement to address the bottleneck in the business environment. We do think that the Corporation assistance will contribute to an effective implementation of the reforms required to promote private initiative. My authorities therefore call upon IFC and MIGA management to give due attention to assist them in promoting a better image of the country. They are also calling upon the assistance of the newly created global product group for the implementation of their privatization program, the assistance to SMEs, and the strengthening of financial sector activities.
On the social front, to address the deterioration in the provision of basic education, steps have been taken to extend the access to primary education as underscored in the document (significant increase in the enrollment rate at the primary education level from 56% in 1996 to 65% in 1999). However, my authorities are conscious that the road ahead is challenging to improve the overall performance of the sector and they stand committed to address the remaining challenges with the support of the Bank. The improvement of health indicators is of great concern to the Togolese Government. In that line, my authorities are appreciative of the steps taken to appropriately retrofit in existing IDA operations HIV/AIDS component. Particular attention is being devoted to finding appropriate steps to address this major impediment to the economic growth of the country and they have started a strong sensibilization campaign.

Urban services remain among on top of the Government agenda. While my authorities are keen to boost a decentralized and community-based approach, they are of the view that it should not be a speedy process since the lack of capacity at community level is revealing. It is of tremendous importance that the decentralization process that the Bank is willing to promote be undertaken with appropriate capacity building program endowing local communities to undertake the implementation of donor supported projects. In that line, they welcome the Social Fund project and the Urban development project. The whole issue of capacity building is of great importance to my authorities and they look forward to the Bank assistance with non-lending services. My authorities strongly urge the Bank to increase its non-lending services, at this moment where the country is desperately ready for this crucial assistance, in order to pave the way to a sustainable recovery process. In that line, they call also for an IMF and other donors support in addressing the requirement of finding valid data in the process of designing the PRSP for Togo.

Regarding transparency, the document is very keen to censure the Government with the dedication to lack of transparency. This is a strong statement, with no factual ground. We see no substantive fact to attest that there is a lack of transparency at all level of Government. As a matter of principle, we think that the Bank can associate the lack of transparency to the lack of audit practice in the system but cannot deduct the existence of lack of transparency at all level of government. Many of the examples given in the CAS do not take recent developments into consideration. For example, the Government’s decision to terminate the deal previously agreed on regarding the concession of the Port that led to the cancellation of the IDA credit component underscores the authorities willingness to pave the way for effective reform. Moreover, the staff monitoring program of the IMF will lay the ground for the implementation of effective fiscal policy management (e.g. sound treasury procedure and budget monitoring) leading to improvements in the overall fiscal position. In that line, they are of a view that it is not accurate to state in this CAS that IMF program has been adopted after difficult and protracted discussions. They remain at loss about the point the staff is willing to make. Nevertheless, my authorities are therefore confident that the “lack of transparency in the mobilization and use of public resources” underscored in the document, as a major issue of economic governance in Togo, will be address within this IMF program.

The international community’s support is much needed to keep the reform agenda moving on track. It is worthwhile to acknowledge that since 1998, donor’s contributions to Togo
was substantially reduced. My authorities welcome the steps taken by IDA in helping the
country achieve the six objectives underlined in the 1995 CAS: restoring macroeconomic
stability; restoring the provision of Basic health, education, and urban services; rehabilitating
essential transport and energy infrastructure; creating an overall favorable environment for
private sector activity; developing human resources and sharpen the poverty focus of IDA
assistance; and increasing the efficiency and sustainability of natural resource management. In
that line, numbers of operations, i.e. the Public Enterprise Restructuring and Privatization Credit
(PERP); the Lomé Urban Development Project; the agricultural Sector Project; the Transport
Sector Project; the Social Fund Pilot Project (LIL) will be crucial to get the country back on
track.

Regional Integration is another area of priority for my Togolese authorities, given
the relatively small size of the country and its neighboring markets. Like the other members of
the West African Economic and Monetary Union and at broader scope those of the Economic
Community of the West African States (ECOWAS), Togo is increasingly looking to regional co-
operation to promote growth. At the latest ECOWAS Summit, held in Abuja (Nigeria) in late
March, further steps were taken towards the creation of a free trade area. Agreement was reached
on the complete removal of road blocks and security checkpoints to reduce delays, harassment
and extortion, which have been rife on Togolese sections of the roads. Plan for anticipated
benefits from regional initiatives includes, increased potential for intra-regional trade and Togo
has a comparative advantage, in regional transit trade; economies of scales and capital flows in a
market of nearly 100 million consumers and, more importantly economic stability.

Continuous support from the Bank and the international community to this effort
is needed. In the same token, my authorities would like to underscore that they find misleading
the statement in the document that the preparation of the Organization of African Unity (OAU)
Summit in Lomé in July 2000 represents an additional risk of derailing the 2000 budget and
increasing salary arrears (paragraph 44). They would like to reassure the Board that the OAU
Summit is undertaken with the objective of promoting the driving forces of regional growth.
Moreover they have called for the private sectors assistance and the regional partners assistance
to finance this Summit. It will be worthwhile to note that a Meeting like this will boost private
initiative in the country as well as translate into the rejuvenation of economics activities.

Finally, I would like to convey my authorities appreciation for the Bank group
assistance, these last two years, in addressing these challenges facing their country as well as
their willingness to see the international community play an active role in the recovery process
that lays ahead. The nature of events in Togo and the willingness to benefit from HIPC Initiative
deserve a candid evaluation of the country’s situation. Therefore, while my Togolese authorities
noted with interest the Bank’s willingness to assist the country in its ongoing efforts to recover
from this economic downturn, they conveyed being at loss by going through the report, because
it either did not take into account recent developments or was keen to censure the Government
with political judgement which is not of the resort of the Bank. They are calling upon the Bank
Management to revise these misleading statements transpiring political a priori and those not
reflecting recent developments before they give they authorization for dissemination.