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MEMORANDUM OF THE PRESIDENT

OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

COUNTRY ASSISTANCE STRATEGY

OF THE

WORLD BANK GROUP

FOR

THE REPUBLIC OF TOGO

JUNE 2, 1995

Country Department IV
Africa Region

This is the first CAS for the Republic of Togo presented to the Board. The last CSP was discussed by the Loan Committee in November 1991.

CURRENCY EQUIVALENTS

(June 2, 1995)

Currency Unit	=	CFAF
US$1	=	488.5

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank)
CEET	Compagnie d'Electricité du Togo (Togolese Electric Power Company)
CESP	Country Environmental Strategy Paper
ERAC	Economic Rehabilitation and Adjustment Credit
NEAP	National Environmental Action Plan
NGO	Non-Governmental Organization
OTP	Office Togolais des Phosphates (Togolese Phosphates Company)
OPAT	Office de Produits Agricoles Togolais (Office of Togolese Agricultural Products)
PFP	Policy Framework Paper
SAC	Structural Adjustment Credit
SAF	Structural Adjustment Facility
SOTOCO	Société Togolaise de Coton
TOGOPHARMA	Office National de la Pharmacie (National Pharmaceutical Company)
UEMOA	Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union)

FISCAL YEAR

January 1 - December 31

REPUBLIC OF TOGO

COUNTRY ASSISTANCE STRATEGY

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MEMORANDUM OF THE PRESIDENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE EXECUTIVE DIRECTORS ON A COUNTRY ASSISTANCE STRATEGY OF THE WORLD BANK GROUP FOR THE REPUBLIC OF TOGO

1. Togo is recovering from a period of protracted political crisis which had an adverse impact on its economic growth and social infrastructure. Within the context of this improved environment, the central objective of the Bank Group's assistance to the country is to promote the resumption of sustainable growth and poverty reduction. In pursuing this objective, the proposed strategy for FY96-98 adopts a two-pronged approach to address both the country's short-term emergency needs and its longer-term development objectives. The strategy, which was developed in close consultation with the Government, focuses in the short-term on those measures that will ensure macroeconomic stability, restore basic social service provision and rehabilitate the country's essential physical infrastructure. To sustain the growth and poverty alleviation process over the medium to long-term, the strategy will support policies to enhance the poor's participation in economic growth, create an overall favorable environment for private sector development, and increase the efficiency and sustainability of natural resource management.

A. Recent Economic and Social Performance

Background

2. In the past, Togo built a reputation as one of the best economic performers in Western Africa. This was particularly the case during 1983-89 when the country implemented a wide-ranging economic stabilization and adjustment program that helped it achieve a substantial liberalization of its economy and led to real growth despite an unfavorable external environment. Togo's successful economic adjustment effort was interrupted by a deep political crisis that started in 1991. The crisis was triggered by increasing pressure on the regime in power to establish a multi-party system and led to a protracted period of political instability and ensuing economic deterioration. Togo's situation recently stabilized and, since mid-1993, prospects for resuming economic growth have significantly improved. The devaluation of the CFA franc in January 1994, the formation of a new government in June of that year and the preparation of a three-year Policy Framework Paper set the stage for the political stability and improved competitiveness that Togo needs to ensure a strong, broad-based recovery of its economy and a return to the economic dynamism and performance that characterized the country during the 1980s. Yet,

Box 1: Country Profile

Located on the Gulf of Guinea in Western Africa, Togo is a low-income country with an estimated per capita GNP of US$315 in 1994 and a population of 3.9 million that is rapidly growing at an annual rate of 3.1 percent. The economy has traditionally depended on primary production, service activities and exports of phosphates and cotton. Agricultural production, primarily rain fed and small scale, is concentrated in staple food crops, cotton, coffee and cocoa. About 75 percent of the active population is employed in agriculture which accounts for about 38 percent of GDP. The service sector consists mainly of commerce and transit activities. During the crisis, the share of service activities in Togo's GDP fell from 44 to 36 percent, largely due to the collapse of Togo's financial sector and, for transit activities, a lack of security and a deterioration in the country's physical infrastructure. With phosphates accounting for 41 percent of domestic exports and a small but dynamic manufacturing sector, industrial activities represent about 21 percent of GDP.

the political situation is fragile and is fraught with tension, rivalries and sometimes infighting between different groups in the democratic process. Nevertheless, the current environment presents the best opportunity in three years to move beyond economic and political deterioration to economic recovery.

Togo's Adjustment Program in the 1980s

3. After a long period of private sector led, stable growth (7 percent p.a. on average during 1960-1974), sustained by prudent financial management, Togo embarked in the mid-1970s on an ambitious public investment program to modernize and industrialize its economy, primarily through the creation of public enterprises. In 1981-82, the country experienced a sharp decline in the international prices of its major exports and initially failed to adjust. However, during 1983-89 *Togo implemented a wide-ranging economic stabilization and adjustment program* that was supported by three IDA-financed structural adjustment credits, a series of IMF standby and SAF arrangements and support from other donors. Major accomplishments under the adjustment program (see Table 2, p. 22) include: (i) the liberalization of food crop marketing; (ii) the reform of the foreign trade regime, including the elimination of export and import licensing and the state trading company's import monopoly; (iii) price liberalization; (iv) the privatization and liquidation of 30 public enterprises out of a total portfolio of 73; (v) the creation of an export processing zone; and (vi) the adoption of a rolling three-year investment program. This reform effort helped the country achieve a substantial liberalization of its economy and led to a resumption of growth despite an unfavorable external environment characterized by low export commodity prices and an appreciation of the real exchange rate. After three years of negative growth, real GDP grew by 3.4 percent p.a. on average during the period 1984-89 and private investment increased from 8.2 percent of GDP to just under 17 percent.

4. However, despite the significant progress made in liberalizing the economy, and as indicated in the OED performance review of the third adjustment operation, *OTP, the economy's dominating phosphate company, remained entirely outside the reform program*, even though it faced economic efficiency problems and contributed significantly to Togo's fiscal misallocations. This was the main shortcoming of the structural reform program. Failure to tackle OTP was due mainly to strong Government's resistance that is still evident today. In addition, the privatization program, which had moved quickly in the first two adjustment operations, started to run out of steam under SAC III, largely due to the government's unwillingness to sell the larger and more attractive assets in the state's portfolio. The elimination of OPAT's export monopoly for cotton, coffee and cocoa was also not tackled; yet, such a step would have been crucial to increase farmers' productivity and incomes and boost exports. In 1989, the Government requested IDA's support for a fourth Structural Adjustment Credit to deepen public enterprise reform, further improve public investment programming and implementation, strengthen public sector management and enhance Government's capacity to integrate poverty considerations into policy formulation. Implementation of the adjustment program (which again did not substantially address the OTP and OPAT issues) was soon halted by political and social events and, as indicated in the completion report of this operation, resulted in only limited improvement in public resource management and institutional reform.

The 1991-93 Political and Economic Crisis

5. ***Political Crisis.*** Between 1991 and 1993, the country suffered a prolonged period of political instability and ensuing economic deterioration. In 1991, the authoritarian regime in power led by President Eyadema came under increasing pressure to establish a multi-party system and a period of political upheaval began that was marked by violent street riots and mass civil disturbances. A National Conference was convened in July 1991 which led to the formation of a one-year transition government. Parliamentary and presidential elections were scheduled for July 1992. However, political violence

disturbed the electoral calendar and led to a general strike launched by the opposition and the trade unions.

6. ***Macroeconomic Situation***. The general strike, which lasted from November 1992 to July 1993, paralyzed the formal sector of the economy and took a heavy toll on Togo's economic and social infrastructure. During this period, major bilateral donors and the European Union suspended foreign aid disbursements to Togo because of the country's lack of progress on political reform. It is estimated that *real GDP fell by about 17 percent between 1991 and 1993*. This deterioration affected mainly the secondary and tertiary sectors (particularly financial services and transit trade) whose combined output fell by about 34 percent over the two-year period. In contrast, agricultural production rose by about 17 percent over the same period, largely because of favorable climatic conditions and an increased influx of workers in rural areas as a result of deteriorating living conditions and increasing insecurity in the country's urban centers. The depressed level of economic activity and an increased "informalization" of transactions and businesses had an *adverse impact on public finances*, with revenues falling by more than 47 percent and investment expenditures by about 48 percent during the 1992-93 period. By the end of 1993, the overall fiscal deficit (excluding grants) had widened to 14.5 percent of GDP. Because of the interruption of foreign aid disbursements, the deficit was partly financed through the accumulation of domestic and external payment arrears. During 1992-1993, domestic payment arrears increased by about CFAF37 billion (10 percent of GDP), with more than half of this amount corresponding to unpaid salaries and social security contributions. External payment arrears amounted to the equivalent of US$111 million or about 8 percent of GDP. Despite an improvement in the trade account (which resulted from a greater contraction in imports than in exports), the substantial drop in net foreign financing led to a sharp deterioration in the overall balance of payments. By end 1993, reserves had fallen by over 56 percent compared to 1991 and amounted to just over 4 months of imports.

7. *The 1992-93 economic and fiscal collapse severely affected the parastatal and financial sectors*. The parastatal sector is currently characterized by cross debts and arrears which include unpaid public enterprise advances to the treasury, salary arrears, cross receivables among public enterprises, private sector (household and commercial) arrears to the public enterprises and, finally, public enterprises payment arrears to suppliers. In addition, the position of commercial banks was seriously compromised by: (i) their high exposure to the phosphate company (OTP) to which they had been required to extend short term credit over several years--well beyond the BCEAO prudential ratios; (ii) a sharp deterioration in the quality of the private sector portfolio; and (iii) the substantial Government drawings on their public enterprise deposits in order to finance the budget deficit. As a result of the deterioration in the banking system's financial situation, the financial sector has a reduced ability to finance a strong supply response to the devaluation and fuel the resumption of growth.

8. ***Physical Infrastructure.*** *The economic crisis has also taken a heavy toll on the country's physical infrastructures* (in particular, roads, energy, water supply and waste disposal). These are now characterized by a deteriorating physical stock brought about by a three-year lack of routine maintenance and capital investment and, for public utilities, large cross debts and payment arrears. Particularly worrisome is the greatly deteriorated state of the North-South road axis, Togo's main transport corridor for transit trade to/from the Sahelian landlocked countries, and of feeder roads throughout the country. A share of the international traffic to and from the port of Lomé, which enjoyed a good reputation with neighboring countries, was, following strikes and the lack of security, re-routed to other ports in the region. Sanitary conditions in urban areas (especially in Lomé) have degraded markedly as a result of the discontinuity in the removal of wastewater and solid waste, and the lack of maintenance and investment in these sub-sectors now poses serious health hazards. In rural areas, particularly in the northern and central regions, the influx of urban dwellers who returned to villages also put increased pressure on the already limited rural infrastructure capacity.

9. ***Social Conditions.*** Although the information base on poverty remains incomplete (a Poverty Assessment is underway), preliminary indications are that *poverty has increased significantly as a result of the political and economic crisis*. Salaries in both the private and public sectors were not paid for several months and real per capita income fell by about 25 percent over 1990-93 arriving at levels well below those of the early 1980s and before the country's adjustment program had started. Part of the urban population fled to rural areas or neighboring countries to escape urban strife and shortages. The economic crisis also caused *a serious deterioration in the quality and access to basic and preventive health services and primary education* which were, even before 1990, characterized by inadequate budgetary allocations, inefficiency and, in the education sector, a lack of relevance to the needs of a developing economy. During the strike, the educational system was brought to a halt for six months during which school facilities suffered vandalism, theft and neglect. Although classes have since resumed, educational material is lacking, many teachers are still not being paid and instructional standards continue to fall as a result of a significant cut in inspectors' budgets and increased reliance on untrained teachers. While the situation is serious across the country, it is particularly acute in the Savanna and Central regions. Health services are likewise operating with insufficient resources. Preventive care was particularly hard hit, with the vaccination coverage for the 0-1 year-old group falling to less than 40 percent. The reduction, and in some cases interruption, of preventive care services threatens to cause a new outbreak of certain diseases (e.g., measles and meningitis) whose incidence was significantly reduced over the last decade. Essential drugs at affordable prices are rarely available, mostly due to the lack of an efficient system for the supply of generic drugs. Although food production increased substantially in 1993, overall incomes went down and people already suffering from *food insecurity* became more vulnerable. It is estimated that malnutrition increased nationwide, with the highest incidence observed in the Maritime and Savanna regions.

10. ***Gender Issues***. In spite of significant progress made in the 1980s, *the gender gap in economic participation remains quite large* in Togo. The national female literacy rate and net primary enrollment ratios are substantially lower than those of men (31 versus 52 percent and 50 versus 72 percent, respectively) and in rural areas the situation is worse as less than 15 percent of women are literate. Also, the drop-out rate of girls in primary education is twice that of boys nationwide, with a larger gap in the Savanna and Central regions. Many Togolese women suffer from some traditional and cultural practices (e.g., female genital mutilation (FGM), dietary restrictions) that negatively affect women's health. With respect to FGM, Togo is among the signatories of a petition to WHO for assistance in the fight against it. Although women are a major segment of the labor force in agriculture and own more than half of the country's micro-enterprises, their access to land, credit, technology and social services remains limited. For instance, analysis of the portfolio of the largest lending institutions in Togo suggests that women receive less than one percent of available agricultural credit. In several respects, the economic crisis has increased gender disparities. Female students have been less likely to return to school after the end of the strike and maternal and child health care services deteriorated significantly. Also, preliminary findings from the Poverty Assessment indicate that the increase in food insecurity and malnutrition has affected primarily women and children. Improving women's access to jobs, financial resources and social services will be critical for Togo's economic growth and social development. A first priority should be to increase female school enrollments and learning outcomes, especially in the North and in rural areas. The Bank recently completed a study on girls' participation in primary education in Togo which will provide an important input for future interventions in this sector.

11. ***Environment***. Togo faces serious environmental issues including soil degradation, loss of forest cover and widespread and unsustainable mining of groundwater in the coastal areas. *The crisis further deteriorated the country's environmental situation*. Increased agricultural production (para. 6) occurred through the expansion of cultivated land (rather than enhanced productivity) at the expense of forests, marginal lands and fallow. Fuelwood has substituted for cooking gas and kerosene while local wood has

replaced previously imported construction wood, putting a further strain on the already limited forest resources. As a result of social unrest, an estimated 48,000 people moved back to their original villages in Togo's protected areas, with a consequent adverse impact on their delicate ecosystems. Furthermore, key investment decisions for environmental protection have been delayed, including investments to reduce groundwater mining around Lomé and control coastal erosion. The preparation of the National Environmental Action Plan (NEAP), which had started in 1989, was also interrupted in 1991. The NEAP is expected to resume shortly with the assistance of IDA.

Recent Developments

12. Since mid-1993, there have been significant positive developments on the political and economic front. Presidential and legislative elections were held in August 1993 and February 1994, respectively. President Eyadema was reelected for a five year term and the two opposition parties obtained a slight parliamentary majority. After protracted negotiations, *a new government was formed in June 1994*, headed by Mr. Edem Kodjo, the leader of the minority party in the opposition. The majority opposition party, although not part of the government, does participate in the national assembly. Although the new government is not a coalition, the overall political arrangement is considered by most observers as an important step towards establishing a democratic system of government in Togo. In December, an amnesty for opponents implicated in armed attacks in 1993 and early 1994 was proclaimed and the border with Ghana, which had remained closed for more than one year, was reopened. On the economic side, the implementation of the economic restructuring program, which had come to a halt during 1991-93, has slowly resumed. In January 1994, the Government reinforced the adjustment effort by devaluing, in collaboration with the other CFA zone countries, the CFA franc vis-à-vis the French franc. Following the *devaluation*, the Government prepared a *three-year Policy Framework Paper* which sets forth its stabilization and adjustment program.

13. Throughout 1994, there has been a return of some private sector confidence and *the economy has shown clear signs of recovery led by a strong resumption of traditional exports*. Real GDP growth for 1994 is estimated to have reached about 11 percent (close to the PFP program target of 11.7 percent) reflecting a solid recovery of secondary and tertiary activities from the depressed levels of 1992-1993 and the effect of the CFAF devaluation on the production of traditional export crops. Cotton and coffee production were up by about 40 and 30 percent, respectively. Phosphate production reached 2.2 million tons recovering from the depressed 1993 level (1.6 million tons). Also, following a 29 percent upward price adjustment in the two months following the devaluation, monthly inflation returned to moderate levels, fiscal revenues exceeded program targets by about 8 percent (largely as a result of higher than expected direct tax proceeds) and current expenditures were kept slightly below the program level. The population who fled to rural areas and neighboring countries is returning.

14. *Despite these positive developments, Togo's political environment is highly unstable and its economic situation remains fragile*. The country is still in the midst of a difficult political transition from an authoritarian regime to a well functioning democracy. During early 1994, there have been sporadic outbursts of violence and the very visible presence of the military continues to be a source of instability and civilian distress. In addition, there is tension between political forces that support the President and those that support the Prime Minister, and within the former group between the old guard/vested interests and supporters of reform. This complex political landscape necessitates a parallel and intense dialogue with all sides to build a consensus on the extent and pace of reform. Although there are indications of a steadily emerging consensus, this environment represents a complicating factor for the rapid implementation of the economic adjustment agenda. In addition, and despite an economic and fiscal revenue performance that has met and in some cases exceeded program targets, the budgetary

situation remains extremely difficult. Some foreign aid has officially resumed, but the pace and level of disbursements remain slow and limited and largely conditional on future progress on the political front.

B. External Economic Environment

15. As a small open economy, Togo is strongly influenced by the external environment. In particular, four external factors will play a critical role in determining the country's economic prospects. These are a heavy concentration of exports in a few primary commodities (primarily phosphate rock and cotton), reliance on concessional financing to meet its investment capital needs, the amount of external debt, and regional integration.

16. ***Commodity Prices***. Phosphate rock and cotton exports account for about 60-70 percent of domestic export earnings and 10 -12 percent of GDP, depending on the year. It is estimated that a 10 percent decrease in their international price would widen the current account deficit by about 10 percent (or 1.2 percent of GDP). Although the CFA franc devaluation largely compensated for the decline in the world market prices for these two commodities over the period 1992-94, *their price prospects are weak*. Therefore, the liberalization of the producer price and marketing system for cotton and increased efficiency in the phosphate industry are important measures needed to increase Togo's exports of these two commodities. In addition, the devaluation of the CFA franc presents the country with a significant opportunity for export diversification. The creation of an overall favorable environment for private sector development thus becomes critical to stimulate non-traditional sources of export growth, and thereby lessen the country's dependence on phosphates and cotton. The export processing zone established in 1990 is another measure to encourage diversification.

17. ***Foreign Financing***. Foreign assistance will be vitally needed to support the recovery of the Togolese economy. In 1990, the last year before the outbreak of the crisis, the share of domestic financing in the investment budget was only 10 percent which indicates the country's high dependence on external sources of concessional financing to meet its capital requirements. The availability of this financing will be particularly critical for the rehabilitation of the country's physical infrastructure. However, *several donors remain hesitant to resume their assistance programs*. The scale of future foreign financing will likely be influenced not only by the government's commitment to economic reform measures, but also on donors' assessment of progress made in political reforms. This will include, among others, the adoption of key legal texts (e.g., the right of appeal, freedom of the press and protection of civil rights). Total external financing over the 1995-98 period is projected at about US$755 million (see Annex C), nearly all of which is expected to come from foreign aid. During 1995, multilateral donors will bear the major share of financing. However, during 1996-98 it is expected that the majority of already committed bilateral financing (consisting mainly of humanitarian aid) will be disbursed. Togo recently benefited from a Paris Club debt rescheduling of about US$252 million over 1995-97 and the Government plans to undertake a commercial debt buyback operation in 1996 (US$70 million). Given projected external financing requirements, existing commitments and anticipated debt relief, a residual financing gap of about US$56 million is estimated for the 1996-98 period. Considering these strict financial constraints, the government will need to identify clear priorities in order to design a high return public investment program.

18. ***External Debt.*** Togo's total external debt stock was US$1.3 billion as of end-1994 (135 percent of GDP). The share of multilateral, bilateral and commercial bank debt was 60, 36 and 4 percent, respectively. Over 97 percent of Togo's multilateral debt is on concessional terms and 73 percent is owed to IDA. Debt service obligations in 1994 were equivalent to about 37 percent of exports of goods and services, or 96 percent of government's fiscal revenues. Togo's external debt management strategy

is to: (i) limit public external borrowing on non-concessional terms to short-term trade related credits; (ii) reschedule bilateral debt on concessional terms in 1995 to reduce the debt service burden in present value terms (para. 17); and (iii) with the assistance of IDA, buy back its commercial bank debt in 1996. In February 1995, Togo signed an agreement (on Naples terms) with its Paris Club creditors resulting in a reduction of its net present value debt service obligations between now and September 1997 by 33 percent for Paris Club debt (equivalent to 8 percent of total debt). On the basis of end-1993 debt stock, Togo was not included in the group of severely indebted low-income countries as classified by the World Bank (i.e., countries with a present value of debt to exports ratio above 220 percent--this ratio was 169 percent for Togo). On the basis of end-1994 debt stock, this ratio jumped to 280 percent. This slippage largely reflects the record low export levels and the accumulation of external arrears during the 1992-93 crisis years used by the Bank's standard methodology to calculate this ratio.[1] Despite the debt overhang, an assessment of Togo's liquidity situation, assuming adherence to its overall debt management strategy and the "base case" macroeconomic scenario in the CAS (see Box 3), shows that the country would have *a manageable debt servicing burden over the medium term*.[2] The anticipated recovery of exports, the clearing of external arrears in 1995-96 and the commercial debt buyback are expected to significantly improve the country's debt situation over the medium term. Despite this anticipated improvement in its external debt situation, Togo will have to depend on significant amounts of external financing on concessional and grant terms for many years. Export growth and appropriate use of new borrowings to attain high investment and savings rates will be key factors in attaining debt sustainability over the long term and are thus important elements of the proposed assistance strategy.

19. ***Regional Integration***. The regional context creates new challenges and opportunities for Togo. The country's long-standing role in regional transit trade and financial services requires that *its development agenda be looked at in the context of broader regional integration issues*. As an active participant in the on-going efforts to transform the West African Monetary Union into a full-fledged economic union (West African Economic and Monetary Union), Togo will need to harmonize its macroeconomic and sectoral policies, and its indirect tax system with the other six signatories. In 1993, Togo also signed treaties to harmonize business laws, social security systems, and insurance regulations within the franc zone countries. Anticipated benefits from these regional initiatives include increased potential for intra-regional trade, economies of scale and capital flows in a market of nearly 60 million persons, and macroeconomic stability. Because Togo's comparative advantages can best be realized in a regional context, it is exploring with the assistance of IDA the potential for strengthening regional complementarities with neighboring countries. These include regional infrastructure projects, primarily the development of sub-regional electric power generation and associated transmission grids and the construction of a gas pipeline connecting it with Nigeria, Benin and Ghana. Togo also needs to develop regional transport links to strengthen its position in the transit trade to the Sahelian countries.

C. Togo's Development Objectives and Policies

20. The Government's development priorities are to seize the significant opportunities offered by the CFAF devaluation to *promote a broad-based, private sector-led recovery of the Togolese economy and restore it onto a sustained, poverty-reducing growth path*. The intention is to accelerate the creation of

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[1] Computed by taking the ratio of the present value of debt service on its existing debt stock as of end-1994 (discounted at a rate of 8 percent) to average exports for the past three years (1992-94). If the historically more representative export average for 1991-94 were used instead, this ratio would be 194 percent.

[2] Projected liquidity ratios (i.e., scheduled debt service as a percentage of exports of goods and services) are below the 25 percent threshold level for sustainability throughout the period 1995-2004.

new employment opportunities for the country's rapidly growing population and raise their per capita incomes. The country has a high potential for sustained economic growth given its fertile agricultural land and favorable climate, a well equipped port, a dynamic private sector (including micro-enterprises), abundant phosphate reserves (estimated at about 25 years), and the existing and planned cooperative arrangements with neighboring countries in energy and transport. The Government has set a target of 6 percent annual growth over the 1995-97 period. The key strategies designed to attain this goal are: (a) restoring macroeconomic stability; (b) fostering the growth and diversification of agricultural production; (c) developing a competitive, export-oriented manufacturing sector; (d) rehabilitating the country's seriously damaged physical infrastructure; and (e) alleviating urgent social problems, including the deterioration in the provision of basic health and education services. To promote the resumption of sustainable growth, the Government intends to make the private sector the engine of growth. In the past, a number of constraints inhibited strong private sector involvement, including the government's heavy intervention in the economy, especially in the agricultural sector, a rigid regulatory environment, and the country's inadequate levels of human resource development. The recent economic crisis has added an additional set of constraints, notably macroeconomic instability, the financial sector's reduced intermediation capacity, and a deterioration in the country's physical infrastructure and social services. The ability of the private sector to sustain Togo's economic recovery will depend on how rapidly these key constraints are overcome.

Sources of Growth

21. Most of the anticipated increase in growth is initially expected to come from agriculture, service activities and small and medium-scale manufacturing. Growth in financial services is expected to follow over the medium-term. Largely driven by the primary and tertiary sectors and by micro, small and medium size enterprises, growth is expected to be broad based and labor intensive. Because such growth would be private sector-led, its prospects hinge on the government's ability to put in place an enabling business environment and a stable and predictable macroeconomic framework. *Agricultural growth* is expected to come from increased productivity of food and cash crops (primarily cotton) and non-traditional products (horticulture). However, for the anticipated growth to take place in this sector, critical constraints in support services and rural infrastructure must be addressed. Another significant source of growth is in *tertiary activities*, and especially transit trade. In order to regain its share of the regional transit trade, Togo will need in the short term to implement timely rehabilitation and restructuring measures aimed at restoring its physical infrastructure for these sub-sectors, improving trade logistics by eliminating road checkpoints and streamlining customs procedures and, over the long term, investing in human resource development. Restoring its position as a regional financial center will remain a longer-term objective that requires comprehensive measures to stabilize Togo's financial system, including a reform of the country's public enterprises and a restructuring of the banking and insurance sectors. In addition to agriculture and tertiary activities, there is also some scope for further increasing *micro, small and medium scale manufacturing* activities (especially for agro-processing, wood and textile products) because of their increased competitiveness resulting from the recent CFA franc devaluation.

Major Development Constraints

22. *Macroeconomic instability*. The Togolese authorities recognize that restoring macroeconomic stability and sustaining it over the medium-term are critical for accelerated growth. To this end, they plan to implement a comprehensive program aimed at clearing domestic and external payment arrears, rebuilding the tax base, containing expenditures and deepening public sector reform. The elimination of domestic payments arrears is urgently needed to restore orderly supply conditions, normalize relations with creditors and improve the financial viability of the country's public utilities. The settlement of

external payment arrears through rescheduling, cash settlements and buybacks of commercial bank debt is also an urgent priority for reducing the external debt burden. In order to mobilize domestic resources, the Government is preparing a reform of the domestic and external trade taxation that includes the substitution of a generalized value added tax (VAT) for the current sales tax in 1995 and, over 1995-98, the reduction in the level and dispersion of import tariffs, the elimination of remaining quantitative restrictions, a reduction in the number of tax exonerations and strengthening of the tax administration. To contain public expenditures and improve their management, there is a need to restrain the wage bill, reallocate resources from non-productive sectors (primarily the military--para. 31) to development-oriented activities and basic social services, and improve the programming and implementation of the public investment program.

23. As indicated in para. 3, significant progress was achieved in the 1980s in privatizing and liquidating public enterprises. A critical challenge now facing the Government is to deepen the public enterprise reform program to strengthen public finances and increase the scope for private activity. The reform agenda facing the Government includes: (i) liquidating nonviable public enterprises; (ii) increasing the scope for private sector activity through privatization (with particular emphasis on the OTP as discussed in para. 30); (iii) restructuring remaining enterprises to increase their efficiency; and (iv) ensuring the return to financial viability of public utilities by revising tariff policy and, as indicated above, clearing government payment arrears. The Government has already put in place the legal framework for privatization and is preparing valuation studies for thirteen enterprises to be privatized.

24. *Government's intervention in agriculture* remains a major constraint on this sector's ability to make its expected contribution to Togo's economic growth and development. The growth of traditional exports (coffee, cocoa and cotton) is impaired by high marketing costs (due to inefficient internal marketing systems and OPAT's monopoly on exports) and a system of administered prices which still insulates farmers from the world market. To unleash this sector's potential and ensure its strong supply response to the CFAF devaluation, the Togolese authorities intend to liberalize internal and external marketing systems and producer prices for cocoa and coffee. Cotton marketing and distribution costs are currently split between the state marketing agency (OPAT) and the cotton processing company (SOTOCO), creating some opportunities for cost cutting. To improve the efficiency of the sector, the Government is thus seeking as a first step to transfer cotton marketing from OPAT to SOTOCO. In the long run, SOTOCO's monopoly should be abolished to allow for greater involvement of the private sector. The Government also intends to decentralize the provision of extension services, research activities and support to farmers' organizations. Finally, development of rural credit also needs to be strengthened, particularly through actions to promote viable credit/savings schemes that reach the rural poor.

25. After the considerable progress made in the 1980s to improve the *incentive and regulatory system for non-agricultural activities* (para. 3), no advances were made since the beginning of the crisis. The prices of several products (notably, cement, iron rods and bread flour) continue to remain controlled or subject to fixed profit margins. The investment incentive system, which remains discretionary and overly generous, has been costly in terms of potential revenue foregone but has had only a limited impact on investment. Rigidities in hiring and firing workers in the formal sector act as an implicit tax thus discouraging investment and job creation. Also, the largely ineffective legal system coupled with the public sector's weak institutional support remain major constraints to the development of the private sector. The authorities, recognizing that improvements in the regulatory and incentive framework are needed, have already commenced actions to: (i) simplify the investment code in order to make it more neutral, automatic and transparent; (ii) revise the Labor Code to increase labor market flexibility; and (iii) eliminate the remaining price controls and profit margin regulations. Public sector management also

needs to be strengthened, particularly in the areas of planning, programming and budgeting and local agencies' technical and institutional capacity.

26. *The financial sector's weak intermediation capacity*. Togo's financial sector is relatively well developed in comparison to other sub-Saharan countries and, before the crisis, it also provided sound financial intermediation to other countries in the sub-region. However, the 1992-93 economic crisis deeply affected performance in this sector. Many financial institutions were closed for over six months, their portfolios deteriorated severely, liquidity was reduced almost by half and, more generally, the level of financial intermediation, as reflected in their total assets, credits and deposits, regressed significantly. Commercial banks are facing a difficult situation with a large exposure to Government and public enterprises' arrears (primarily to OTP), a non-performing private sector portfolio, high operating costs and low profitability. As most of the sector's institutions continue to be in a liquid position, there is no immediate danger of collapse. However, without a comprehensive reform program, they will not be able to support a strong private sector-led recovery of the Togolese economy. Restoring macroeconomic stability will be a necessary precondition for the restructuring of the financial sector.

27. *Deteriorated physical infrastructure*. After three years of inadequate funding for maintenance and investment, the country's transport, energy and urban infrastructures are in urgent need of rehabilitation and restructuring. With re-exports accounting for between 25 and 40 percent of total exports, measures aimed at restoring Togo's position as a key regional transit trade and transportation center are especially critical. In the road sub-sector, key government priorities are the rehabilitation of about 466 km of primary roads (of which 355 km on the North-South axis), the repair of key feeder roads and small bridges in rural areas across the country, and the reorganization of the road institutions. Primary roads that need urgent rehabilitation include the Atakpamé-Blitta, the Kara-Dapaong and the Kpalimé-Atakpamé sections of the North-South axis. Given the importance of the Lomé port for the country's economic development, the reorganization of its management and the streamlining of its operations are critical. The Government has already started taking a series of measures to improve the functioning of the port (see Box 2). In the energy and water sectors, key priorities are the settlement of payment arrears to public utilities, the revision of tariff policies and, for water, arresting the unsustainable use of groundwater in both urban (especially around Lomé) and rural areas. In both sectors, the strengthening of institutional and management capabilities, as well as improved cost recovery (with appropriate life-line rates to protect the poorest consumers), are also needed to increase their operational efficiency, lower operating costs and raise service delivery levels.

Box 2: The Port of Lomé

Focal point of the national transport system and terminus of Togo's corridor to the landlocked Sahelian countries, the Port of Lomé is of major importance for Togo's economic development. Because of its large capacity (3.0 million tons p.a., of which only 50 percent is currently utilized) and good infrastructure, the port should be able to accommodate even a substantial increase in cargo traffic for at least the next ten years. During the political and economic crisis, the port's financial situation deteriorated markedly as a result of declining economic activity, insecurity in the port and increased Government interference in its management. For example, the salary bill increased by about 70 percent (despite a simultaneous decline in traffic) and the Government withdrew about CFAF 3.4 billion from the port's financial reserves held abroad. After regaining part of its autonomy, the port's management recently implemented a series of corrective measures to restore its financial viability and competitiveness. These include the reorganization and downsizing of the dock labor pool, restoring security in the port area and along the transport corridor, the streamlining of cargo handling and the creation of a committee of public and private operators charged with the preparation and implementation of a detailed action plan to improve port operations. Urgent reform measures in this area would include: devolving some port activities to the private sector (i.e., cargo handling, stevedoring), upgrading management practices, further streamlining the organization of the dock labor pool, defining a new contractual relationship between the Government and the port authority and improving customs clearance procedures at the port.

28. *Inadequate human resource development*. In the 1980s, Government's efforts were successful in increasing enrollment ratios, reducing mortality and fertility rates, strengthening local communities' participation in service management and funding, and improving the vocational training system. Despite these accomplishments, learning outcomes lagged (at 36 and 46 percent, repetition and drop-out rates were among the highest in sub-Saharan Africa), the population growth rate remained high (3.1 percent), and premature death, malnutrition and avoidable illness continued to affect most of the population. Gender and regional disparities also remained large. Unfortunately, preliminary findings from the ongoing Poverty Assessment indicate that this situation has worsened following the social turmoil and economic crisis of the early 1990s (para. 9-10). Several problems constrain the development of the country's human resources. These include inadequate budgetary allocations (especially for non-wage expenditures and across regions), weak planning and management capacity and, despite significant progress made in the 1980s, the still limited involvement of beneficiaries. Furthermore, the country still lacks a comprehensive and effective national population policy to reduce its high population growth rate. The 1992-93 political and economic crisis has added an additional set of problems and constraints: a deterioration in the existing health and education physical infrastructure; a decreased availability of personnel and equipment; and the lack of financial resources. The Government recognizes that the development of human resources is of crucial importance to achieving its overall objectives of sustained economic growth and improved living standards. To this end, it intends to increase budgetary allocations for basic health and education services, primarily for operating expenditures and for the northern regions of the Savanna and Kara. Over the short term, priority should be given to strengthening family planning and AIDS prevention programs, rehabilitating health care centers and primary school buildings, ensuring the availability of teachers and health personnel (especially in rural areas), providing essential textbooks and equipment nationwide, and resuming vaccination programs and maternal and child health care. To ensure sustainable improvements in the delivery of basic social services over the medium to long-term, the Government is developing, with the help of IDA, sector strategies focusing on improved effectiveness of primary health and education services, the decentralization of management responsibilities, the promotion of sustainable financing methods and on regional and gender equity. In addition, after having abolished Togopharma's monopoly on drug import and distribution, the Government has initiated discussions with IDA and other donors to develop a national generic drug policy to ensure that drugs most needed by the population are available nationwide on a continuous basis and at affordable prices.

Key Issues in the Government's Reform Agenda

29. The key issue in the government's reform agenda is how swiftly it can re-orient its role from one of heavy intervention in the economy to that of providing: (i) an enabling environment for private economic activity; and (ii) the essential services and infrastructures needed to underpin economic growth. A critical test of Government's progress in this area will be the speed and depth with which it will address the following issues: (a) privatization of the phosphates company (OTP); (b) reduction of military expenditures; (c) decentralization of government administration; and (d) creation of a national consensus on the reform agenda.

30. *Privatization of OTP*. Opening up the OTP to private sector participation will be a critical test of the Government's political will to promote private sector-led growth. During the 1980s, the mining company was a major source of government financing for extrabudgetary expenditures. In conjunction with falling international prices and demand for phosphates, the heavy drain exerted by the government on OTP's resources led to a sharp deterioration of the company's financial situation. The recent exchange rate adjustment, a production increase and cost-cutting measures implemented in 1993 have improved OTP's financial position. However, the company will continue to have

difficulties in meeting its financial obligations as well as necessary maintenance and investment expenditures unless it increases output and is effectively shielded from the pressure to finance government deficits. The Government recognizes that additional financial and managerial restructuring measures are needed and has agreed, in the context of the PFP and follow-up policy discussions, on the principle of opening OTP's ownership to private participation. The issue is how quickly and how far is the Government prepared to go. The Bank Group's goal is to ensure management autonomy and full transparency of the company as well as a capital infusion that could further improve the company's operations. Two options are possible to pursue this goal. The first best would be immediate Government's agreement to divest at least 51 percent ownership to the private sector. In the dialogue with the Government we have been pressing for this option. However, there appears to be strong trepidation of the political fallout of such an approach on the part of even pro-reformers. Through the planned Economic Recovery and Adjustment Credit and with IFC assistance, we intend to press for majority private ownership. We however realize that, given the political situation discussed earlier, we may have to opt for a more gradual approach involving an initial opening of OTP's capital with a management arrangement ensuring investors' control of key business decisions. Full privatization could then be pursued under a follow-up operation to allow time for consensus building on majority private ownership. There is no doubt, however, that without an expeditious and fundamental resolution of the OTP problem, the credibility of the Government's proposed adjustment program, including its emphasis on private sector development, will be called into question.

31. *Military expenditures*. Another major issue on the country's reform agenda is the need to reorient its scarce public resources from nondevelopment expenditures to essential social services and productive activities. Togo's main nondevelopment expenditure, its 13,000 strong army, continues to absorb a significant share of the budget. In 1993, overall military expenditures increased by 27 percent over the previous year and accounted for about 4 percent of GDP and twice productive investment expenditures. Despite relatively modest levels of salaries, the military wage bill, which doubled between 1990 and 1994 (while the total civil service salary bill increased by a much more modest 15 percent), now accounts for one fifth of the budget's total wage bill. Given the significant resource needs for the country's recovery and economic and social development, it is clear that this trend is problematic. IDA has held preliminary discussions with the Government on this issue, including the possible training and reintegration of military personnel into civilian activities. The dialogue, which is still in its early stages, will be pursued in the context of an upcoming public expenditure review (see para. 36).

32. *Decentralization*. Togo has a history of centralized management of its economy. While this may have worked in the past, the present internal and external circumstances dictate that administrative management be devolved to the local level. A change away from the top-down decision making approach that characterized the past decade ranks high on the government agenda, particularly with respect to the provision of agricultural, transport and social services. However, the government has yet to define its decentralization policy and the modalities of its implementation. Key areas for important consideration include the definition of the local government's governing framework, responsibilities, self-financing authority and capabilities. Also of concern will be local technical and institutional capacity as well as coordination with center agencies and ministries. As difficult as these issues are for implementation, the Government will need to move ahead with its plans for decentralization in order to ensure needed improvements in the delivery of basic infrastructure and social services.

33. *Creating a national consensus on the reform agenda*. The successful implementation of the country's reform program hinges on the Government's ability to forge a national consensus on key

economic policies cutting across political allegiances. However, the current political environment is characterized by an insufficient dialogue on the economic agenda among the various actors in the government and civil society at large. An important, though difficult, element of the government's economic program will thus be to promote an open debate on the country's reform agenda among government officials, private sector organizations, technical and professional bodies, NGOs and local communities.

D. The Bank Group's Country Assistance Strategy

Country Assistance Objectives and Instruments

34. The ***promotion of sustainable, private sector-led growth and poverty reduction*** is the central objective of the Bank Group's program of assistance for Togo. In pursuing this objective, the strategy is selective in emphasis and adopts ***a two-pronged approach*** for its implementation ensuring that both the country's short-term emergency needs and longer-term development objectives are addressed. Because restoring macroeconomic stability is a necessary precondition for the resumption of growth and sustained poverty reduction, IDA's assistance strategy will first support the Government's efforts to improve public resource mobilization and allocation and reform public enterprises. Also in the short term, the strategy focuses on rehabilitating essential transport and energy infrastructure and restoring basic social services (primary health, education and urban services), both of which deteriorated significantly during the crisis. To sustain the economic growth and poverty alleviation process over the medium to long-term, the strategy proposes to support broad policy reforms and targeted investments to enhance the poor's participation in economic growth, create an overall favorable environment for private sector development and increase the efficiency and sustainability of natural resource management. Throughout the assistance program, strengthening public sector management will be an important component of the planned operations.

35. With regards to instruments, the planned Economic Recovery and Adjustment Credit tackles the most sensitive items on the reform agenda (the opening of OTP to private sector participation and the liquidation of OPAT) and addresses the country's remaining broad-based reform issues. Its impact on poverty reduction is substantial given its focus on increasing expenditures for health and education, widening access to generic drugs and improving farmers' incomes through the liberalization of pricing and marketing of key crops (cocoa and coffee). In addition, the operation facilitates a transition to sectoral adjustment lending in the key areas of finance, public enterprise restructuring, and private sector development. Investment lending is envisaged for infrastructure, agriculture and human resource development. Three sector investment credits are planned for transport, health and population, and education to support a comprehensive restructuring of these sectors with an integrated sector approach. Table 2 (p. 22) summarizes the remaining policy agenda for the planned sectoral adjustment operations and investment projects. Also, because our knowledge of the country is limited after over three years of reduced Bank involvement, economic and sector work will be undertaken to increase our specific sector knowledge, underpin medium-term proposed lending and help the Government develop long-term strategies for sustainable development. The expected impact of key ESW in all sectors is summarized in Annex B and discussed in the following paragraphs. With regards to the existing portfolio, IDA has restructured several operations to better respond to the country's changed economic realities and action plans are being implemented to improve portfolio performance. In pursuing its objectives, IDA will also increase its efforts to use various forms of client consultation and public education, primarily by undertaking beneficiary assessments, increasing stakeholder participation in project design and implementation, holding seminars on major reform issues for parliamentarians and the public at large,

and disseminating the result of ESW. This will promote the acceptance of policy reforms, help enhance local ownership of the development process and thus ensure better results on the ground.

Short-Term Objectives and Priorities

36. ***Objective #1: Restore macroeconomic stability***. Following the economic and fiscal collapse of the early 1990s and the existing large internal and external imbalances, restoring macroeconomic stability is IDA's first short-term assistance priority. In this regard, it would support the Government's efforts to: (i) reform the domestic and external tax system in order to increase government revenues as a share of GDP while eliminating disincentives to private sector activity; (ii) restructure the composition of public expenditure and improve its management to increase the share of non-wage expenditures for basic social services and infrastructure maintenance and improve the efficiency of the public investment program; (iii) clear domestic and external payment arrears; and (iv) step up the public enterprise restructuring and privatization program.

- **ESW**. A *Public Expenditure Review* is expected to commence shortly to analyze the structure of public expenditure and present recommendations to restructure its composition and raise its efficiency. Key objectives will be to: (i) reallocate public resources towards basic health and education and road maintenance, especially for non-wage current and investment expenditures; (ii) increase cost recovery (on an ability-to-pay basis) within an increasingly decentralized administrative context; (iii) strengthen programming and budgeting procedures; and (iv) coordinate donor assistance in the financing of critical investment expenditures. Within the context of the PER, IDA will also pursue its dialogue with the government on the issue of military expenditures and will attempt to secure the Government's commitment for a gradual reduction in their levels. Annual PERs will be conducted regularly thereafter to monitor actual execution performance and to address each year a special thematic focus. To strengthen public sector management in the key areas of planning, programming and budgeting, an *Institutional Assessment Study* will be undertaken in FY96. A major focus of the study will be to functionally review the government's organizational structure, assess the institutional development needs of key central ministries and identify priority areas for supporting the government's decentralization objectives. The outcome of the study will provide an avenue for pursuing our ongoing dialogue with the Government on broad governance/institutional development issues. A *Country Economic Memorandum* (FY97) will examine the country's macroeconomic performance and its development prospects in the context of broader regional integration issues and complementarities with neighboring countries.

- **Lending**. The *Economic Recovery and Adjustment Credit* (ERAC) (planned for FY95, to be presented to the Board in early FY96) supports measures to strengthen revenue mobilization and public resource management (see para. 22-23). The credit also supports the reform of the parastatal sector, including the opening of OTP's capital to private participation, the liquidation of OPAT, state divestiture from TOGOPHARMA, the liquidation or privatization of 21 other public enterprises (including 10 hotels), and an improvement in the public utilities' financial situation through the clearing of government payments arrears and the revision of tariff policies. Thus, the operation tackles most of the problems discussed in para. 36. The ongoing *Pre-Investment Project* is financing feasibility studies for the privatization program. In addition, the government has requested IFC's assistance for the restructuring and privatization of the phosphate company (OTP) (see para. 48). IDA would also support a *commercial debt buy-back operation* (FY96), with a grant contribution from the Debt Reduction Facility and additional cofinancing from other donors, notably France and Switzerland. This operation, which is an integral part of the country's debt management strategy (see para. 18), is expected to eliminate at a significant discount from 80 to 100 percent of Togo's commercial debt stock (estimated to be US$70 million).

37. ***Objective #2: Restore the provision of basic health, education and urban services.*** Given the overall collapse in the social service delivery system, restoring the provision of essential health, education and urban services and establishing a framework for long-term sustainable improvements in their quality and access are critical for Togo's sustained recovery and poverty alleviation.

- **ESW**. As indicated above, a major focus of the Public Expenditure Review will be to help orient public resources towards non-wage and investment expenditures for basic and preventive health and primary education (particularly those with the highest poverty alleviation impact and for the most disadvantaged regions). An additional goal of the PER will be to highlight the need to increase the overall budgetary allocations to these sectors over time, as additional public resources are mobilized. A *Social Sector Strategy Review* (FY96) will examine the quality and targeting of social service delivery through a beneficiary assessment; the review will also evaluate the scope and effectiveness of poverty alleviation interventions conducted by the Ministry of Social Affairs and will set targets for improvements in social indicators.

- **Lending**. Through the proposed *Education Rehabilitation Project* (FY95) and the ongoing *Health Adjustment Credit*, IDA's short-term assistance in the health and education sub-sectors would focus on helping to rehabilitate school and hospital facilities nationwide, with priority given to the more disadvantaged rural areas. Assistance will also be provided to ensure the availability of basic material and equipment, including textbooks and essential drugs. In addition, the Education Rehabilitation Project will start establishing a framework for the gradual transfer of management responsibilities (including the hiring and financing of teachers) to the regions, a process which will be pursued under a follow-up operation in FY98 (see para. 40). The *ERAC* will also support increases in non-wage expenditures for key social sectors and the most disadvantaged regions of Savannes and Kara. In addition, the liberalization of the drug import and distribution system under this operation will improve access of the most vulnerable groups to low cost generic drugs. Through the ongoing *Urban Project*, IDA is also supporting efforts to improve environmental and sanitary conditions in one of the most underpriviledged and ecologically delicate areas of Lomé, including increasing erosion control of the Bé Lagoon, strengthening local government capacities in urban planning and revenue collection, and supporting grassroots initiatives for expanding coverage of sewerage and solid waste removal. In addition, under the *ERAC* water tariffs would be increased and a user charge system for standpipes water would be introduced in order to strengthen the financial viability of the water company.

38. ***Objective #3: Rehabilitate essential transport and energy infrastructures.*** Given the greatly deteriorated state of the country's transport infrastructure, and its decreasing share of the regional transit trade, IDA's strategy in the short-term would focus on lowering transport costs and increasing efficiency by addressing critical rehabilitation and maintenance needs in the road and port sub-sectors. In the transport rehabilitation effort, emphasis would be placed on using labor-intensive techniques and developing the use of small enterprises to undertake road rehabilitation and maintenance works through simplified procurement and payment procedures, enhancing private sector skills in low-cost road maintenance, and expanding community participation in infrastructure maintenance. In addition, IDA is addressing emergency rehabilitation needs in the energy sector in order to meet a power shortage that has emerged in the sub-region and is supporting measures (including energy tariff increases) to restore the national power utility's financial viability.

- **ESW.** IDA is assisting the Government to formulate a *Transport Sector Strategy* in order to establish priorities for intervention in the sector, improve its planning, programming and management capacity, mobilize donor financing and increase private participation in public works.

Within this context, the *Public Expenditure Review* will also assess the level of budgetary expenditures needed for road maintenance and rehabilitation needs.

- **Lending**. The ongoing *Transport Rehabilitation Project* was recently restructured to address immediate paved road rehabilitation needs in key sections of the country's transport network. A *Transport Sector Investment Project* (FY97) is under preparation to support a comprehensive rehabilitation and restructuring of the country's transport sector. These objectives would be accomplished through: (i) rehabilitation of the most deteriorated parts of the North-South road axis, and upgrading and creation of priority feeder roads to support agricultural development; (ii) regulatory and institutional reform for the maritime transport and road sub-sectors; (iii) reallocating public expenditures from new construction towards maintenance; and (iv) restructuring and reorganizing key transport sector operating entities, primarily the Lomé Port (see Box 2) and road management institutions. IDA also recently restructured the ongoing *Power Rehabilitation Project* to rehabilitate a diesel plant, improve the power utility's revenue collection and upgrade its technical and managerial standards. Under the *ERAC*, energy tariffs would be increased to strengthen the utility's financial viability.

Longer-Term Objectives

39. ***Objective #4: Create an overall favorable environment for private sector activity***. In order to promote the resumption of private sector-led economic growth and poverty reduction, IDA will assist the Government to improve the economy-wide structure of incentives and strengthen the legal and regulatory framework governing private sector activity. By supporting these changes, IDA will assist the private sector to respond to the country's increased competitiveness and improve the mobilization of savings and investment. IDA will also pursue further public enterprise reform and privatization in order to complete the reform agenda in this area.

- **ESW**. A *Private Sector Assessment* (FY96) would identify remaining constraints to private activities and present recommendations to streamline the existing cumbersome administrative procedures. The study would place special emphasis on micro, small and medium enterprises whose development will be critical for ensuring that the benefits of future growth are widely shared in society. The Private Sector Assessment would be followed up by a study on the issues and prospects for private sector provision of infrastructure services. A study on the *Sources of Agricultural Growth* (FY96) will identify rehabilitation needs for small irrigation systems, evaluate prospects for the transformation of agricultural products and assess opportunities and constraints to export diversification. *Smaller studies* prepared in the context of the preparation of the agricultural project (see below) will examine the land tenure system in Togo (including women's property rights) and possible reform options, and NGO's involvement in rural development.

- **Lending**. Under the *ERAC*, IDA would support the privatization program, the reform of the domestic and external tax system and the improvement of the incentive and regulatory framework for private sector activity (including the simplification of the Investment Code and the revision of the Labor Code). In addition, IDA's lending strategy would address key constraints to agricultural production (including the government's heavy intervention in the sector). Support would also be provided for the restructuring of the financial sector and the completion of the public enterprise privatization program (including public utilities) after the ERAC, and further strengthening of the institutional, incentive and regulatory framework for private activities. Next, IDA would help the government extend the energy infrastructure to meet increasing demand.

Agriculture. Agriculture is the most important component of the private sector in Togo and employs about 70 percent of the country's labor force. In light of its importance for accelerated growth and poverty reduction, IDA's strategy places a strong emphasis on removing the key constraints to increased productivity and incomes of poor farmers, notably the government's intervention in production and marketing, inadequate agricultural support services and credit provision, and insufficient rural infrastructure. The *ERAC* supports the liberalization of internal and external marketing systems and producer prices for cocoa and coffee, the transfer of cotton marketing from OPAT to SOTOCO, and the preparation and adoption of an action plan for the liberalization of the cotton subsector (including the implementation of cotton export liberalization). These measures are expected to reduce marketing costs, improve efficiency and thus raise farmers' productivity and incomes. A *Rural Institutions and Credit Support Project* (FY97) will focus on completing the implementation of the action plan for the liberalization of the cotton sector, strengthening agricultural services (e.g., adaptive research and extension) and improving the availability of rural credit to ensure the widespread adoption of improved technologies. Agriculture services will be strengthened by increasing farmers' participation in their management and financing; promoting the development of private (individual and cooperative) rural production and marketing activities; and strengthening the sector agencies' capabilities to design, implement and monitor policies and programs at both the national and local level. In parallel, the project would implement a pilot cooperative credit operation in each of the country's five regions. The objective is to help promote greater efficiency in rural financial intermediation through competitive financial margins and market-determined interest rates, and to develop viable credit/savings schemes that reach the rural poor. Because women are key agricultural producers and traders, especially of food crops, this project will place particular emphasis on initiatives that target women farmers, primarily by making extension services more relevant and readily accessible to women and improving their access to land, institutional credit and market information through informal group lending and related activities. Finally, through the above mentioned *Transport Sector Project* (see para. 38) IDA would support the upgrading of rural infrastructure, particularly feeder roads.

Financial Sector Restructuring. In view of the severe impact of the 1992-93 crisis on the Togolese financial institutions, an IDA-financed *Financial Sector and Public Enterprise Restructuring Credit* (FY97) would focus on restructuring the banking and insurance sectors and continuing the public enterprise privatization program supported under the ERAC. A comprehensive reform of the financial sector is urgently needed to provide the economy with an independent and efficient banking system capable of supporting the recovery of private sector activity and a strong supply response to the devaluation. The reform program would encompass measures to recapitalize, restructure, privatize or close troubled commercial banks and insurance companies, as well as to consolidate and/or refinance their non-performing or illiquid portfolios. In addition, it would include measures to restructure the social security agency, strengthen regulations governing the supervision of financial institutions, and reform the judicial system to strengthen the enforcement of financial contracts and the recovery of bad debts.

Non-Agricultural Regulatory and Incentive Framework. Under the *ERAC*, IDA would also support the revision of the Labor Code to reduce the legal constraints to labor mobility and employment creation and government intervention in the labor market. The new code would remove restrictions on hiring and layoffs (including the eliminating of government's monopoly on placement) and facilitate the renewal of temporary and seasonal labor contracts. In the context of the tax reform, IDA is assisting the Government in simplifying the investment code to provide neutral and automatic incentives. A *Private Sector Adjustment Credit* (FY98) would support further strengthening of the incentive and regulatory framework for private activities, complete the

public enterprise privatization program (including public utilities) and address key institutional support issues (e.g., the revision of competition policy, foreign investment promotion, improving the legal framework for enterprise creation, operation and liquidation, and increasing the availability of technological and market information).

Energy. After rehabilitation, the existing power generation capacity will be sufficient to meet demand in Togo and Benin until 1997. After that, IDA has identified with both governments the rehabilitation of the Lomé power plant as the least cost option to meet these countries' energy demand. A *Power Extension Project* is planned for FY98 to support private sector participation in the rehabilitation of this plant through a ROOT (Rehabilitate-Own-Operate-Transfer) approach. The project will thus support a major shift towards private sector involvement in the management and financing of power generation and distribution in Togo.

40. ***Objective #5: Develop human resources and sharpen the poverty focus of IDA's assistance.*** In order to develop the human resource base needed to underpin private economic activity and strengthen the poverty impact of ongoing and planned operations, IDA's strategy would help establish a framework for long-term, sustainable improvements in the coverage and quality of basic health and education services and identify better ways to enhance the poor's participation in economic growth.

- **ESW**. A *Poverty Assessment* is underway to improve our understanding of the causes of poverty in Togo, evaluate the impact of ongoing IDA projects and sharpen the poverty focus of planned operations. A major objective of the study is to identify policies and strategies to increase the productivity of assets held by the poor (particularly women) and their access to employment opportunities and income-generating assets, both physical and human. This work also emphasizes capacity building in government institutions for poverty assessment and monitoring. While waiting for these results, IDA has already initiated a comprehensive policy dialogue with the Government to raise the prominence of these issues in the country's economic agenda. The expected impact is therefore to help strengthen Government's commitment and effectiveness in poverty reduction and IDA's targeting of vulnerable groups. A *Poverty Monitoring Follow-up* (FY98) will focus on the most vulnerable geographical areas and population groups identified by the poverty assessment to examine the impact of the stabilization and recovery efforts on poverty reduction. The *Public Expenditure Review* will also assess the effectiveness of expenditures in helping the poor access public goods and services and will provide recommendations to improve their targeting. *Smaller studies* prepared in the context of project preparation will examine prospects to improve health and education service delivery through expanded private sector and community participation, issues related to the decentralization of the health and education systems, and linkages between labor market demands and school curricula.

- **Lending**. Primary Health and Education. The ongoing *Vocational Training Project* has been restructured to help provide skills in demand by Togo's private sector. Following the Education Rehabilitation Project, there is the need to tackle important policy issues in the education sector which have an impact on the efficiency of resource use. An *Education Sector Investment Credit* (FY98) will focus on pursuing the decentralization of management responsibilities (including the hiring and financing of teachers), rebuilding sectoral management systems and capacity and promoting sustainable financing methods. A major focus of the operation would also be to address the constraints to girls' increased enrollment and better achievement in school and to further align technical training with actual market skill demands. Under a *Population and Health Sector Investment Credit* (FY97), IDA would support the rehabilitation of health care centers (particularly in the most disadvantaged regions of the Savanna and Kara), develop an effective national population policy, improve nutritional monitoring, and intensify health education

activities, with a particular emphasis on AIDS and FGM prevention. In both the health and education sectors, emphasis would be placed on assisting the government in restructuring expenditures on social services to directly benefit low-income populations and disadvantaged regions, encouraging community participation in service management and funding, and strengthening local government's management capacity.

Extension of the Water Infrastructure. Also over the medium-term, IDA would assist the Government extend the potable water supply systems in urban and peri-urban areas through a *Water Extension Project* in FY96. In the water sector, IDA will also continue to emphasize strengthening institutional and management capabilities as well as improving cost recovery with appropriate safeguards to protect indigent consumers.

41. ***Objective #6: Increase the efficiency and sustainability of natural resource management***. Land degradation and deforestation are significant environmental problems in Togo, particularly in the Savanna, Kara and Maritime regions. In these areas, the combination of rapidly increasing population, poor land capability and traditional land use practices (including slash and burn agriculture and bush fires) has led to soil erosion and the encroachment of forests and marginal lands. The political and economic crisis has exacerbated this trend due to the large exodus of urban dwellers to rural areas and the resulting increased pressure on cultivated land. Environmental degradation in turn has contributed to increasing poverty by reducing farmers' productivity, increasing their income variability and lengthening the time needed for fuel-wood gathering, livestock pasturing and potable water collection (tasks that children and women typically perform). A major focus of IDA's strategy would be to increase the efficiency and sustainability of natural resource management in the context of its ongoing and planned operations, assist the Government in formulating policies and mechanisms to arrest the degradation of natural resources and improve donor coordination in environmental activities.

- **ESW**. A *Country Environmental Strategy Paper* (CESP) was recently prepared in close consultation with the ongoing Poverty Assessment to develop a long-term strategy for natural resource management and to help the country resume preparations of the National Environmental Action Plan that was interrupted during the crisis. The CESP outlines an integrated approach to natural resource management with components addressing the need for an appropriate macroeconomic framework (input and output markets), provision of services (agricultural extension and research, family planning, primary health care and education), and strengthening the legal, regulatory and institutional framework (especially the land tenure system) for environmental protection and standards. The report also highlights the importance of mobilizing community and individual (particularly women's) participation in natural resource management through improved environmental education and devolution of planning and implementation responsibilities to local governments and communities. During FY96-97, IDA will assist the Government in the preparation and implementation of the NEAP.

- **Lending**. Natural resource management issues are addressed in several ongoing and planned operations. As indicated above, the ongoing *Urban Project* is improving environmental and sanitary conditions in some of Lomé's poorest neighborhoods and protecting the sensitive ecosystem of the Bé Lagoon. The *Water Extension Project* will slow the exploitation of the aquifers close to Lomé and strengthen the legal, regulatory and institutional framework for sustainable water management. The *Rural Institutions and Credit Support Project* will promote environmentally sustainable agricultural methods and land management.

Overall Lending Levels

42. ***Alternative Lending Scenarios***. Over the FY96-98 period, the Bank anticipates total lending in the range of US$50-115 million, with its level and composition dependent on overall economic and portfolio performance. Because of the country's emerging political stability, its good macroeconomic performance under the IMF program and its considerable recovery needs, a quick and substantial response on IDA's part is indicated. Furthermore, Togo remains one of the few CFA countries that did not receive new quick-disbursing support after the devaluation. The *base case* (US$95-115 million) is predicated on Togo's compliance with the macroeconomic targets in the IMF stabilization program, steady movement on the reform agenda defined in the ERAC (especially public enterprise reform), sustained government commitment to poverty reduction and continued improvement in portfolio implementation. Without satisfactory performance on the stabilization and reform program, the country would not be able to reach the base case growth objectives and it would revert to a low case macroeconomic scenario (see Box 3 and Annex C). IDA would respond by scaling its activities to a *core lending program* (US$50 million) concentrating on projects that target the rehabilitation of basic social infrastructure (including in the water sub-sector) and the strengthening of agricultural support services. A technical assistance operation to support public enterprise reform would also be included in the core lending program to maintain an ongoing dialogue with the Government on this critical component of the reform program. If, on the contrary, the Government agrees to accelerate and deepen the reform program over and above that envisaged in the base case, a sustained higher growth rate (possibly as high as 7-8 percent, see Box 3) could materialize and we would move to a *high case lending scenario* of US$180 million. The high case lending would consist of planned base case projects plus additional

Box 3: Macroeconomic Scenarios

The *base case macroeconomic scenario* (see Annex C) forecasts a rapid recovery of the Togolese economy to pre-crisis levels during 1995-96 and sustained growth thereafter. Togo grew at 10.7 percent in 1994 due to a solid recovery of traditional export crops, manufacturing phosphate production and services from the depressed levels of 1992-93. We envisage a return to a more sustainable growth rate in the base case. In this scenario, real GDP growth is projected to average about 5.5 percent p.a. during 1995-98, reflecting a strong recovery from the exceptionally depressed levels of 1992-93, and stabilize at slightly over 4.5 percent during 1999-2004. This growth performance would be underpinned by a marked increase in gross domestic investment. Assuming a resumption of foreign assistance in 1995-96 and improvements in public savings in the following years, government investment is programmed to increase from about 2 percent of GDP in 1994 to above 6 percent of GDP after 1996 and to focus on economic and social infrastructures. Private investment, from both domestic and foreign sources, is also expected to recover rapidly (from 9 percent of GDP in 1994 to above 13 percent in 1998 and thereafter), particularly in export crops, light manufacturing (agro-processing and cotton ginning) and tertiary activities. Private savings are projected to average about 15 percent of GDP during the projection period. Public savings are also projected to turn positive by 1997 and to increase gradually to 4 percent by 2004 reflecting the planned broadening of the tax base and the introduction of the VAT. The projected quick rebound of economic activity in Togo is not unusual, as in the 1980s the country experienced increases in key economic indicators such as GDP growth, savings and investment of the same order of magnitude that demonstrate this economy's scope for rapid recovery. Indeed, the significant resumption of economic activities and the strong response to the CFA franc devaluation experienced in 1994 were largely made possible by the substantial degree of liberalization in the Togolese economy resulting from four structural adjustment credits in the 1980s.

A *lower growth scenario* could emerge if there is a deterioration in the political climate, weak implementation of the economic stabilization and reform program and limited availability of external financing. If the tax base is not adequately broadened and the privatization program slows down, the fiscal deficit would widen. Under this scenario, the growth rate would gradually decline to 1 percent by 1997.

On the contrary, a sustained *higher growth rate* (7-8 percent) could materialize if the Government rapidly stabilizes the macroeconomic situation, and accelerates and deepens the reform program over and above that envisaged in the PFP. Under this scenario, the fiscal deficit would improve more rapidly and inflation would stabilize faster than in the base case, thus stimulating an accelerated recovery of private investment.

support for private sector development in transport and energy. Our project pipeline would be ready to accommodate such an increase.

43. ***Nature and Sequencing of Operations***. Following the Economic Recovery and Adjustment Credit, which addresses the remaining broad-based reform issues, we envisage to move to sectoral adjustment and investment lending during FY96-98. *The two planned sectoral adjustment credits* will support financial sector and public enterprise restructuring, and private sector development for a total amount of US$30 million. For FY96-98, sectoral adjustment lending will represent about 26 percent of the base case lending. This amount is determined by the projected financing gap and would support the completion of the public enterprise reform agenda after ERAC, the restructuring of the badly deteriorated financial sector and further strengthening of the incentive and regulatory framework for private activity. The Financial Sector and Public Enterprise Restructuring operation is scheduled for FY97 in order to allow for a substantial improvement in the OTP debt situation and to follow up on the privatization program after the ERAC. The Private Sector Adjustment operation is planned for FY98. *The bulk of the financing in the pipeline would be for investment lending*, which focuses on infrastructure, social services and agriculture. About half of this amount (US$45 million) is programmed for sector investment credits for transport (FY97), health and population (FY97) and education (FY98). Table 1 shows the Bank's lending program under the base, low and high case lending scenarios. Table 2 summarizes the policy agenda for the remaining sectoral adjustment credits and the planned investment operations.

Table 1: Proposed Lending for FY96-98

Sectors	Base Case	Low Case	High Case
Commitments (US$ million)	95-115	50	180
Sector (%)			
Agriculture	9%	20%	10%
Infrastructure	39%	24% (Water)	45%
Human Resources	26%	50%	22%
Financial/Private Sector	26%	6%	23%

Portfolio Management

44. Total IBRD and IDA lending to Togo as of March 31, 1995 amounted to US$580.1 million, with total disbursements of US$475.1 million (for details, see Annex A7). IDA investment credits, which account for 66 percent of IDA commitments to date, have covered a wide variety of sectors (agriculture, transport, energy, water supply and sewerage, telecommunications, education, private sector development, urban environment, and grassroots development). Togo has also received four IDA structural adjustment credits, the most recent of which (SAC IV) was approved in December 1990, and a health sector adjustment credit approved in February 1991. Second tranches of both adjustment credits were released in 1994 in support of the January 1994 CFAF devaluation. In addition, IDA has provided technical assistance to the Ministries of Planning, Rural Development and Industry, State Enterprises and Public Works. Togo has also received Bank Group's support for regional operations, including two credits to the West African Development Bank, and financing for the construction of the Nangbeto regional hydroelectric project. Project implementation has been uneven: about a third of the completed projects evaluated by OED did not fully meet their development objectives while the rate of return of a third of the investment projects, evaluated after completion, was found to be far below that projected at

Table 2: Togo's Reform Agenda

Issue	Main Actions Under Previous Adjustment	Main Actions in ERAC	Remaining Actions and Instruments
Incentive and regulatory framework in agriculture a) food crops (20% of GDP) b) export crops (3% of GDP and 25% of exports)	• liberalization of food crops (prices, exports and imports)	• liberalization of coffee and cocoa (prices and exports) • transfer of cotton external marketing from OPAT to SOTOCO followed by a full liberalization of exports • adoption of action plan for remaining cotton sector liberalization	• completion of cotton sector liberalization (Rural Institutions and Credit Support Project, FY97)
Incentive and regulatory framework for non-agricultural activities	• abolition of state monopoly on imports • elimination of export and import licensing (with the exception of 3 products under NTBs) • elimination of price controls for 150 products • abolition of state monopoly for drug import and distribution	• removal of 3 remaining NTBs • simplification of Investment Code; revision of Labor Code • removal of the 11 remaining price controls	• deregulation of maritime transport (Transport Sector Investment Project, FY97) • further streamlining of the incentive, regulatory and institutional framework for private activities (e.g., competition policy, foreign investment promotion, increase availability of technological and market information; legal framework; Private Sector Adjustment Operation, FY98)
Size and Efficiency of public enterprises	• privatization and liquidation of 30 PE out of a total portfolio of 73 • adoption of institutional and regulatory framework for public enterprises • adoption of legislation for privatization	• continuation of privatization and liquidation program for 23 additional public enterprises	• completion of PE reform program, including financial sector institutions and public utilities (Financial Sector and Public Enterprise Restructuring Operation, FY97; Private Sector Adjustment Operation, FY98)
MAIN ISSUE: OTP	• NOTHING DONE ON OTP	• OPENING OTP TO PRIVATE SECTOR PARTICIPATION	• COMPLETION OF OTP PRIVATIZATION OR CONTINUED SALE OF ITS SHARES
Efficiency of the tax system	• introduction of income tax and of a general sales tax • elimination of export duties and taxes • reduction in the number and dispersion of tariff rates	• further reduction in the level and dispersion of import tariffs • simplification of import taxation	
Efficiency of public expenditures	• introduction of a rolling three-year investment program • adoption of procurement code • annual review of level and structure of budgetary allocations for priority sectors	• annual review of level and structure of budgetary allocations for priority sectors	• annual PERs to advise government on public resource management issues
Financial sector			• restructure and privatize public banks and insurance companies; strengthen regulations governing supervision of financ. institutions; reform judiciary system for enforcement of financ. contracts and recovery of bad debts (Financ. Sector and Public Enterp. Restruct. Operation, FY97)
Education and health sectors		• introduction of regulatory framework for drug import, distribution and pricing • increase budgetary allocations for primary health and education sectors	• strengthen sector policy formulation; improve quality of basic education and health care; decentralize management responsibilities; and reorient expenditures towards these sectors (especially for non-wage items and across regions) (Health/Popul. and Education Sector Invest. Credits, FY97 and FY98, respectively)

appraisal. Poor institutional arrangements, a cumbersome decision process and, more recently, lack of counterpart funds are among the major factors determined by OED to be associated with less than satisfactory execution performance. As indicated below, we are addressing these problems in the context of Togo's portfolio restructuring and performance review. In addition, OED's evaluation of the past structural adjustment credits highlighted the need to tackle the OTP and OPAT issues in future adjustment operations. As already indicated, these items are key components of the planned ERAC.

45. As a result of the political and economic crisis during the 1990-94 period, and the resulting deterioration in government finances and public administration capacity, our program slowed considerably with limited lending and below average disbursement levels. Between March 1991 and May 1994, there were no new commitments and total disbursements for FY93 and FY94 were only US$19.1 and 9.1 million, respectively. The current IDA-financed portfolio consists of 10 projects, representing a total commitment of US$200.7 million, of which US$105 million or 52 percent is undisbursed. The main areas of emphasis are structural adjustment (27 percent of commitments), infrastructure (35 percent) and human resources (14 percent).

46. *Portfolio restructuring*. Following the progressive return of the country to normalcy since December 1993, regular supervision and field work have resumed. In addition, the portfolio was restructured to better meet Togo's changed economic realities, help alleviate the worsened poverty conditions, gear projects to getting better results on the ground and improve portfolio disbursements. As indicated above, the objectives of four projects (transport sector rehabilitation, power, vocational training and pre-investment) were refocused on some of the country's immediate priorities: rehabilitating essential roads and energy infrastructure, providing skills in demand by Togo's private sector and supporting the public enterprise reform program. Also, the Urban and Emergency Education Management projects were post-appraised and restructured to address the urgent priority of restoring urban service delivery and halting the degradation of educational services. After disbursement of the second tranche of SAL IV in July 1994 and given the changes that occurred in the Togolese economy, it was agreed with the Government that the third tranche (US$15 million) be cancelled once the Bank Loan Committee approved further processing of the planned ERAC. In order to maximize local income and employment opportunities, the infrastructure rehabilitation components of the transport, urban and education projects were redesigned to contract out most of the work to private firms, primarily local SMEs, and to employ labor-intensive construction techniques. In addition, given the unavailability of counterpart funds linked to Togo's budgetary difficulties and the slow resumption of external assistance, IDA agreed to waive counterpart fund requirements for high priority projects until June 1995, by which time the macroeconomic situation is expected to improve. Despite the still difficult political situation, the restructuring of the portfolio has already resulted in improved project implementation which is reflected in higher development objectives and implementation ratings for FY95. The number of problem projects has decreased from 9 in FY93 to 1 in FY95 and portfolio disbursements have improved.

47. *Action plans to further improve project execution and foster "quality at entry"* have been identified. In particular, plans to increase beneficiaries' participation in project design, ensure adequate institutional appraisal and up-front training, and take advantage of increased local currency in project funds as a result of the recent devaluation are currently being discussed with the government. A country portfolio performance review (CPPR) attended by all key ministries and senior staff took place in December 1994 to follow-up on the portfolio restructuring and implementation and discuss the Bank Group's assistance strategy. Key decisions from the CPPR were to: (i) extend the performance review process to the whole public investment program; (ii) introduce beneficiary assessments as components of annual audit reports for key projects; and (iii) produce annual operational audits to assess project management performance. The Government has appointed a team composed of all Bank-financed project directors under the leadership of the Ministry of Planning to implement portfolio and project

restructuring proposals and improve project implementation. In addition to increasing government's ownership of the portfolio review, the CPPR also provided an avenue to discuss with the Togolese authorities IDA's assistance strategy. This will ensure an increased level of Government's ownership in the identification, preparation and implementation of the Bank's lending and ESW program. Annual CPPRs will be held thereafter to monitor implementation of the Bank's strategy and the quality of portfolio execution. Finally, the Resident Mission is expected to play an increasingly greater role in project preparation and supervision and in providing implementation assistance to the government. To that end, during FY95 local staff were trained in procurement, disbursement and audits procedures and have become increasingly involved in improving disbursement and procurement operations. In addition, the Resident Mission is closely involved in the preparation of the Education Rehabilitation and the Rural Institutions and Credit Support Projects and it is at the forefront of the dialogue on the ERAC.

IFC and MIGA

48. IFC's current portfolio consists of investments in textiles and fishing with a total commitment of US$2.1 million, of which US$0.3 million in loans and US$1.8 million in equity participation. The progressive improvement in the political environment and the devaluation should offer IFC the opportunity to intensify its activities in the country. In particular, IFC expects to play a major role in the privatization effort by investing in privatized/restructured enterprises and advising the Government and investors on restructuring operations. Concerning OTP, IFC has been requested to play a major role in the company's restructuring effort and will specifically address the identification of potential private investors and possibly take an investment share in the company.

49. Togo has been a member of MIGA since 1988. MIGA has not yet completed an operation in the country but it has received one preliminary application for insurance coverage which it is in the course of evaluating.

Collaboration with IMF and Other Donors

50. IDA staff have worked closely with the IMF in policy discussions with the Government for the preparation of the PFP. A three-year arrangement under the ESAF in an amount equivalent to SDR 65.16 million, and the first annual arrangement thereunder (SDR 21.72 million), were approved by the IMF Board on September 16, 1994. The IMF has recently completed a mid-term review of the ESAF and is satisfied with the implementation of the macroeconomic program.

51. Next to IDA and the IMF, the European Union, the United Nations system and the African Development Bank are Togo's most important multilateral donors and have in the past been major IDA cofinanciers. France remains the largest source of bilateral aid, but other OECD countries, primarily Germany, the United States and Switzerland, have in the past also provided significant support. In its aid coordination role, IDA maintained an active dialogue with multilateral agencies and bilateral donors throughout the country's political crisis. In view of the improvement in the political situation and the gradual resumption of foreign aid, IDA will assist the UNDP in organizing a round table in the fall of 1995 to support the Government's efforts in foreign aid mobilization and coordination. IDA will also organize a transport sector coordination meeting in 1996. However, due to Togo's still difficult political situation, most donors have not yet resumed their assistance programs. Only France, which is particularly active in agriculture, infrastructure (transport and energy), health and vocational training, has renewed its disbursements to Togo and is, for the moment, the only possible IDA bilateral cofinancier. The European Union, which provides substantial support for commodity programs, plans to gradually resume its assistance. During the remainder of 1995, we plan to work closely with Togo's traditional and potential donors to mobilize additional resources for the period 1996-98. In the context of

our consultations on the assistance strategy, we have also emphasized to the Government, and will continue to do so, the need to adopt those measures (e.g., acceleration of the democratization process, good governance) that will restore political stability and bring donors back in the country.

52. In Togo, IDA has a strong and ongoing relationship with both international and local NGOs. It is estimated that there are about 100 NGOs operating in the country, most of which were only recently created. NGOs are actively involved in two IDA projects (urban development and education) and another ongoing project (Grassroots Development) is specifically designed to strengthen local NGOs' capacity to prepare and implement community-level initiatives. Because of NGOs' special capabilities for reaching the poor at the grassroot level and the government's emphasis on the decentralization of basic social service delivery, IDA expects to build on this already strong relationship in future projects. It is our intention to actively involve NGOs with good operational capacity in further project design (through the use of participatory approaches) and subsequent implementation in operations with a direct impact on the poor, particularly in the social sectors, agriculture and infrastructure.

E. Agenda for Board Consideration

53. We present the following key issues for the Board's consideration.

54. ***Focus of Bank Assistance***. The central objective of the Bank Group's program of assistance to Togo is the promotion of sustainable, private sector-led growth and poverty reduction. In pursuing this objective, the proposed strategy adopts *a two-pronged approach* for its implementation. The Board could consider whether the planned strategy as discussed above represents an adequate continuum and balance between Togo's short-term macroeconomic stabilization and recovery needs and its longer-term development objectives.

55. ***Adjustment Lending.*** As indicated above, after the ERAC we plan two more sectoral adjustment operations (totaling US$30 million) between FY96-98. The policy goals of the remaining adjustment agenda are shown in Table 2. In tandem with these, our assistance will become increasingly more investment oriented (including three sector investment credits for transport and health/population in FY97 and education in FY98), with the share of planned adjustment lending in total commitments decreasing from 58 percent in FY95 to 26 percent over the FY96-98 period.

56. ***Lending Triggers***. The actual volume and composition of lending will depend on overall economic and portfolio performance. The specific triggers for monitoring performance and moving among the three lending scenarios are summarized in Table 3.

57. ***Risks.*** There are three major risks associated with the proposed strategy: political instability and its effect on the sustainability of Togo's reform program; weak Government commitment to restructure and privatize key public enterprises and reduce military expenditures; and its inability to forge a national consensus on key economic policies cutting across political allegiances. Concerning the first risk, protracted insecurity and internal wrangling could undermine the Government's ability to pursue the stabilization and adjustment program and would also compromise the resumption of external financial assistance. Under these conditions, the private sector response would be weak and Togo would not attain its projected growth objectives. Mitigating against further political instability is the population's extreme fatigue with political strife and a strong desire for a return to normalcy. Also, a rapid recovery of the economy, the resumption of social services and the resulting improvement in welfare should help alleviate tensions and reduce the risk of further deterioration.

Table 3: Planned Lending Program, Lending Scenarios and Trigger Points, FY96-98

Scenario	**Trigger Points**	**Proposed Operations**
Base Case (US$95-115 mil.)	• Compliance with the annual fiscal targets set forth in the PFP. • Following the completion of the Poverty Assessment, adoption of a poverty alleviation strategy including at a minimum a satisfactory reorientation of public expenditures towards the delivery of basic social services as defined in the ERAC and the PER and the introduction of a regulatory framework for generic drug import, distribution and pricing. • Meeting the ERAC targets for public enterprise privatization (especially OTP) and improvement in the regulatory and incentive framework for private activities. • Continued improvement in overall portfolio performance ratings and disbursement levels for investment projects.	*Support for infrastructure, agriculture, social services, financial sector and public enterprise restructuring, and private sector development.* FY96: Commercial Debt Buyback; Water Extension FY97: Transport Sector Invest., Health/Pop. Sector Invest., Rural Institutions and Credit Support; Financial Sector and Public Enterprise Restructuring FY98: Education Sector Invest., Private Sector Adjust., Energy
Core Case (US$50 mil.)	• Failure in restoring macroeconomic stability; and • slow movement in implementing structural reforms; and • a deterioration in portfolio performance.	*Support for the rehabilitation of basic social infrastructure, the strengthening of agric. support services and maintaining a dialogue on public enterprise restructuring.* FY96: Water Extension; Public Enterprise TA Project; FY97: Rural Instit. and Credit Support; Health/Pop. Sect. Inv. FY98: Education Sect. Inv.
High Case (US$180 mil.)	• Faster pace and deeper thrust of privatization program than outlined in the ERAC and PFP. • Faster and greater improvement in the regulatory and incentive frameworks for private sector development than outlined in the ERAC.	*Base case lending plus additional support for private sector development, particularly transport and energy.*

58. Second, lack of a strong Government commitment to restructure and privatize key public enterprises and reduce nondevelopment expenditures could undermine efforts to both redress public finances and improve the allocation of public expenditures. The credibility of the reform program would thus be weakened leading to a fall in private investment. As a mitigating factor, all factions in the government realize that the country's economic and financial situation is extremely difficult and that it could collapse if they do not take action. Also, preliminary discussions held by IDA with high level government officials on the subject of military expenditures indicate their willingness to examine this issue. Overall, Togo's track record as a serious and committed economic reformer in the 1980s demonstrates that, once the government is committed to policy reforms, it follows through without backtracking. Finally, the lack of a national consensus on key economic policies could slow the implementation of planned reforms or even reverse them. To mitigate this risk, we are supporting the Government's efforts to hold a dialogue with all groups in order to forge a consensus on the reform program. We also plan to assist the Government in promoting the acceptance of policy reforms through

various forms of public education, targeted at parliamentarians and civil society at large, primarily by holding in-country workshops on major reform issues and disseminating the results of our ESW.

James D. Wolfensohn
President

Togo - Selected Indicators of Bank Portfolio Performance and Management

Indicator	*FY91*	*FY92*	*FY93*[a]	*FY94*	*FY95* (quarter III)
Portfolio Performance					
Number of projects under implementation	17	15	13	11	10
Average implementation period (years)[b]	3.6	4.3	5.0	4.8	5.5
Percent of problem projects rated U or HU[c] (for past years, rated 3 or 4)					
Development objectives[d]	23.1	20.0	69.2	30.0	20.0
Implementation progress (or overall status for past years)[e]	35.3	46.7	69.2	36.4	30.0
Cancelled during FY	0	0	0	0	1
Disbursement ratio (%)[f]	24	20.5	17.3	5.9	9.2
Disbursement lag (%)[g]	5	27	50.1	47.9	14.9
Memorandum item: % completed projects rated unsatisfactory[h]					37
Portfolio Management					
Supervision resources (total US$ thousand)	679	654	482	595	i
Average supervision (US$ thousand/project)	40	44	37	54	i
Supervision resources by location (in %)	100	100	100	100	
Percent headquarters	76.3	83.2	69.9	72.0	i
Percent resident mission[j]	23.7	16.8	30.1	28.0	i
Supervision resources by rating category (US$ thousand/project)					
Projects rated HS or S	36	45	28	61	i
Projects rated U or HU	53	39	41	52	i
Memorandum item: next CPPR					12/95

a. Project execution and disbursement were hampered by civil disturbances and strikes from November 1992 through October 1993.
b. Average age of projects in the Bank's country portfolio.
c. Rating scale: "HS" denotes "Highly Satisfactory," "S" denotes "Satisfactory," "U" denotes "Unsatisfactory," and "HU" denotes "Highly Unsatisfactory."
d. Extent to which the project will meet its development objectives (see OD 13.05, Annex D2, *Preparation of Implementation Summary (Form 590)*).
e. Assessment of overall performance of the project based on the ratings given to individual aspects of project implementation (e.g., management, availability of funds, compliance with legal covenants) and to development objectives (see OD 13.05, Annex D2, *Preparation of Implementation Summary (Form 590)*). The overall status is not given a better rating than that given to project development objectives.
f. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only. For FY95, disbursements are for the first two quarters. Annualized ratio would be 29.8 %.
g. For all projects comprising the Bank's country portfolio, the percentage difference between actual cumulative disbursements and the cumulative disbursement estimates as given in the "Original SAR/PR Forecast" or, if the loan amounts have been modified, in the "Revised Forecast." The country portfolio disbursement lag is effectively the weighted average of disbursement lags for projects comprising the Bank's country portfolio, where the weights used are the respective project shares in the total cumulative disbursement estimates.
h. OED Project Performance Ratings: from the OED database.
i. Supervision resources for FY95 not yet available from the OPR Information System.
j. Supervision resources by resident mission are calculated differently for FY91-92 and FY93-94.

Togo - Bank Group Fact Sheet, FY85-98

IBRD/IDA Lending Program, FY85-98

Category	*Past* FY85-90	FY91-93	FY94	*Current* FY95	*Planned* FY96-98
Commitments (US$m)	221.9	93.4	26.2	86.6	95-115
Sector (%)					
Agriculture and Rural Development	19.2				8.7
Energy		16.1			9.6
Transport and Telecom.	25.2				13.0
Industry and Finance	5.2				13.0[a]
Urban and Water			100.0		16.6
Education and Vocat. Training	5.6	9.9		42.3	13.0
Population, Health and Nutrition		15.2			13.0
Grassroots Development	2.2				
Other non-sector specific	42.6	58.8		57.7[b]	13.0[c]
TOTAL	100.0	100.0	100.0	100.0	100.0
Lending instrument (%)					
Adjustment loans[d]	37.5	74.1	0.0	57.7[b]	26.1
Specific investment loans and others	62.5	25.9	100.0	42.3	73.9
TOTAL	100.0	100.0	100.0	100.0	100.0
Disbursements (US$m)	221.2	102.5	9.1	24.9	189.0
Adjustment loans[d]	100.6	29.2	4.1	16.1	80.0
Specific investment loans and others	120.6	73.4	5.0	8.8	109.0
Repayments (US$m)	4.9	4.5	1.9	3.5	10.5
Interest (US$m)	11.0	9.6	3.0	4.1	12.6

a. Planned Financial Sector and Public Enterprise Restructuring Credit (FY97).
b. The Economic Recovery and Adjustment Credit planned for FY95 will actually be presented to the Board in early FY96.
c. Planned Private Sector Adjustment Credit (FY98).
d. Includes structural adjustment loans and sector adjustment loans; excludes the planned Commercial Debt Buyback (FY96) which is not counted as part of IDA's lending allocation.

Togo - IFC and MIGA Program, FY91-94

Category	*Past*			*Current*
	FY91	*FY92*	*FY93*	*FY94*
IFC Approvals (US$m)	0	0.34	0	0
Sector (%)				
Agribusiness		100.0		
Investment instrument (%)				
Loans		85.3		
Equity		14.7		
Quasi-equity[a]				
TOTAL		100.0		
MIGA guarantees (US$m)	0	0	0	0
MIGA commitments (US$m)	0	0	0	0

a. Includes quasi-equity types of both loan and equity instruments.

Togo - Summary of Economic and Sector Work
(US$ thousands)

Category	*Last FY Actual 94*	*Current FY95*	*FY96*	*FY97*
Agriculture	13		100	40
Transportation		78		
Social sector	48	13	100	
Public sector management			50	
Environment		82	80	80
Other non-sector specific[a]	9	13		
Other economic work				
Poverty assessment		45	18	
Private sector assessment				100
Country Economic Memorandum				50
Public Expenditure Review		20	80	100
Policy Framework Paper	113	59	60	60
Total ESW	183	310	488	430

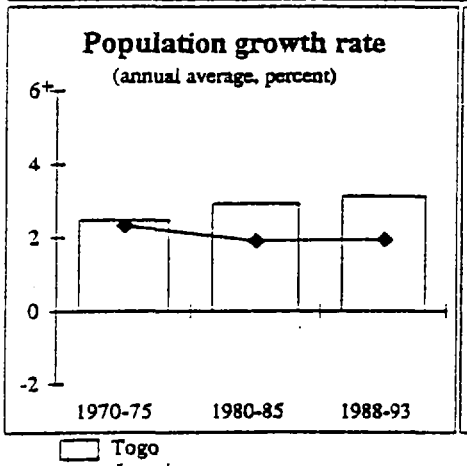
a. Legal issues.

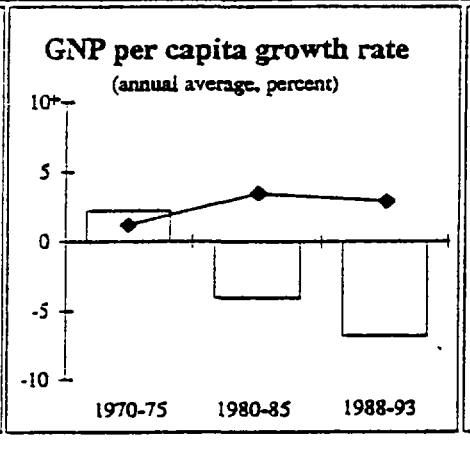
Togo - Tentative ESW Program, FY96-98

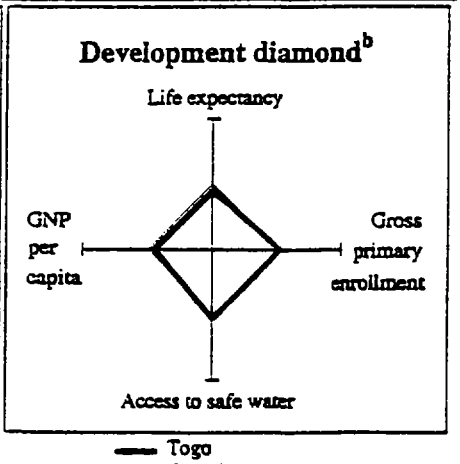
FY	*ESW*
FY96	Public Expenditure Review Social Sector Review Support for NEAP Sources of Agricultural Growth Institutional Assessment Study
FY97	Public Expenditure Review Private Sector Assessment Support for NEAP Country Economic Memorandum
FY98	Poverty Monitoring Public Expenditure Review

Togo

Indicator	Unit of measure	Latest single year 1970-75	Latest single year 1980-85	Most recent estimate 1988-93	Same region/income group: Sub-Saharan Africa	Same region/income group: Low-income	Next higher income group
Priority Poverty Indicators							
POVERTY							
Upper poverty line	local curr.	..	..	..	..	..	..
Headcount index	% of pop.	..	..	..	..	19	..
Lower poverty line	local curr.	..	..	..	..	..	..
Headcount index	% of pop.	..	..	..	..	..	..
GNP per capita	US$	280	240	340	520	380	1,590
SHORT TERM INCOME INDICATORS							
Unskilled urban wages	local curr.	..	..	..	..	..	..
Unskilled rural wages	"	..	..	..	..	..	..
Rural terms of trade	"	..	..	..	..	..	..
Consumer price index	1987=100	42	96	101	..	..	..
Lower income	"	..	..	..	..	..	..
Food[a]	"	27	..	..	..	..	..
Urban	"	..	97	92	..	..	..
Rural	"	..	..	..	..	..	..
SOCIAL INDICATORS							
Public expenditure on basic social services	% of GDP	..	..	5.5	..	..	..
Gross enrollment ratios							
Primary	% school age pop.	99	93	111	67	108	104
Male	"	130	114	134	74	116	..
Female	"	68	71	87	60	101	..
Mortality							
Infant mortality	per thou. live births	129.0	105.0	83.4	93.1	63.1	39.0
Under 5 mortality	"	..	..	135.0	172.3	101.4	61.5
Immunization							
Measles	% age group	..	..	61.0	49.9	87.3	77.6
DPT	"	..	9.0	73.0	51.9	89.9	82.2
Child malnutrition (under-5)	"	..	..	24.4	..	40.3	..
Life expectancy							
Total	years	45	50	55	52	62	67
Female advantage	"	3.2	3.4	3.6	3.3	2.1	5.9
Total fertility rate	births per woman	6.6	6.6	6.5	6.2	3.6	2.9
Maternal mortality rate	per 100,000 live births	..	718	..	..	..	..
Supplementary Poverty Indicators							
Expenditures on social security	% of total gov't exp.	..	5.2	..	..	..	..
Social security coverage	% econ. active pop.	..	..	..	..	..	..
Access to safe water: total	% of pop.	16.0	46.7	70.7	..	67.0	..
Urban	"	49.0	68.0	100.0	..	78.7	..
Rural	"	10.0	41.0	60.9	..	62.0	..
Access to health care	"	..	..	..	..	..	..







Togo
Low-income

Togo
Low-income

a. See the technical notes, p.387. b. The development diamond, based on four key indicators, shows the average level of development in the country compared with its income group. See the introduction.

Togo

Indicator	Unit of measure	Latest single year 1970-75	Latest single year 1980-85	Most recent estimate 1988-93	Same region/income group: Sub-Saharan Africa	Same region/income group: Low-income	Next higher income group
Resources and Expenditures							
HUMAN RESOURCES							
Population (mre=1993)	thousands	2,285	3,028	3,885	558,978	3,091,764	1,096,665
Age dependency ratio	ratio	0.90	0.93	0.95	0.94	0.67	0.69
Urban	% of pop.	16.3	26.5	29.9	29.8	27.6	54.7
Population growth rate	annual %	2.5	2.9	3.2	2.9	1.9	1.6
Urban	"	6.5	5.7	4.8	5.0	3.9	2.9
Labor force (15-64)	thousands	998	1,244	1,503	229,480	1,442,452	459,196
Agriculture	% of labor force	75	73	..	..	..	..
Industry	"	9	10	..	..	..	..
Female	"	39	37	36	36	33	31
Females per 100 males							
Urban	number	..	..	..	..	..	..
Rural	"	..	..	..	..	..	..
NATURAL RESOURCES							
Area	thou. sq. km	56.79	56.79	56.79	24,273.63	39,091.96	40,682.67
Density	pop. per sq. km	40.24	53.32	66.25	22.37	77.60	26.52
Agricultural land	% of land area	44.13	44.75	45.21	52.54	52.82	39.61
Change in agricultural land	annual %	0.21	0.21	0.00	0.06	0.03	-0.13
Agricultural land under irrigation	%	0.25	0.29	0.28	0.83	18.02	12.66
Forests and woodland	thou. sq. km	..	0.02	0.01	5.32	7.15	5.95
Deforestation (net)	annual %	..	..	1.49	..	..	..
INCOME							
Household income							
Share of top 20% of households	% of income	..	..	..	..	..	..
Share of bottom 40% of households	"	..	..	..	..	..	..
Share of bottom 20% of households	"	..	..	..	..	..	..
EXPENDITURE							
Food	% of GDP	..	..	33.7	..	..	..
Staples	"	..	..	11.8	..	..	..
Meat, fish, milk, cheese, eggs	"	..	..	11.9	..	..	..
Cereal imports	thou. metric tonnes	2	57	63	13,157	34,420	66,281
Food aid in cereals	"	11	23	3	5,079	8,334	5,477
Food production per capita	1987 = 100	126	106	113	101	113	101
Fertilizer consumption	kg/ha	1.0	4.0	5.0	4.6	59.9	48.0
Share of agriculture in GDP	% of GDP	26.6	33.7	48.6	16.3	26.3	15.7
Housing	% of GDP	..	..	8.5	..	..	..
Average household size	persons per household	6.0	..	..	..	..	..
Urban	"	..	..	..	..	..	..
Fixed investment: housing	% of GDP	..	..	5.0	..	..	..
Fuel and power	% of GDP	..	..	3.5	..	..	..
Energy consumption per capita	kg of oil equiv.	60	49	47	257	364	1,595
Households with electricity							
Urban	% of households	..	..	..	..	..	..
Rural	"	..	..	..	..	..	..
Transport and communication	% of GDP	..	..	2.5	..	..	..
Fixed investment: transport equipment	"	..	..	5.0	..	..	..
Total road length	thou. km	7	7	8	..	..	..
INVESTMENT IN HUMAN CAPITAL							
Health							
Population per physician	persons	28,938	8,725	..	..	..	3,277
Population per nurse	"	1,592	1,239	..	..	..	..
Population per hospital bed	"	701	..	665	1,269	1,016	604
Oral rehydration therapy (under-5)	% of cases	..	..	33	37	38	..
Education							
Gross enrollment ratio							
Secondary	% of school-age pop.	19	21	23	18	41	53
Female	"	9	10	12	..	34	..
Pupil-teacher ratio: primary	pupils per teacher	60	46	59	40	39	..
Pupil-teacher ratio: secondary	"	44	23	28	..	20	..
Pupils reaching grade 4	% of cohort	84	73	85	..	..	..
Repeater rate: primary	% of total enroll	29	35	37	..	..	..
Illiteracy	% of pop. (age 15+)	84	62	57	50	41	19
Female	% of fem. (age 15+)	..	75	69	62	53	..
Newspaper circulation	per thou. pop.	3	4	3	12	..	74

World Bank International Economics Department, April 1995

Togo - Key Economic Indicators

Indicator	Actual 1990	1991	1992	Estimate 1993	1994	Projected 1995	1996	1997	1998
National accounts (as % GDP at current market prices)									
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	33.7	32.6	36.1	45.7	37.9	..	..	..	..
Industry	22.5	23.8	22.5	18.5	21.4	..	..	..	..
Services	43.8	43.6	41.4	35.8	40.7	..	..	..	..
Total consumption	86.9	90.5	92.9	103.2	92.9	88.2	85.9	84.8	83.7
Gross domestic fixed investment	24.9	17.5	16.3	4.0	10.9	15.4	17.6	18.6	19.6
Government investment	7.2	4.5	3.5	2.2	2.2	3.8	6.0	6.4	6.4
Private investment (includes increase in stocks)	17.6	13.0	12.8	1.8	8.6	11.6	11.7	12.1	13.1
Exports (GNFS)[a]	33.3	33.2	27.0	22.6	30.1	29.6	30.3	30.4	30.6
Imports (GNFS)[a]	45.1	41.2	36.3	29.7	33.9	33.2	33.8	33.7	33.9
Gross domestic savings	13.1	9.5	7.1	-3.2	7.1	11.8	14.1	15.2	16.3
Gross national savings[b]	11.8	8.4	6.0	-4.4	2.7	9.0	11.9	13.3	14.6
Memorandum items									
Gross domestic product (US$ million at current prices)	1636	1614	1688	1333	981	1230	1348	1452	1551
Gross national product per capita (US$, Atlas method)	429	426	439	371	315	299	292	324	340
Real annual growth rates (%, calculated from 1990 prices)									
Gross domestic product at market prices	0.1%	-0.9%	-3.7%	-13.5%	10.7%	5.7%	5.5%	5.3%	5.0%
Gross domestic income	0.7%	-1.5%	-3.4%	-14.8%	10.4%	7.7%	6.5%	5.4%	5.1%
Real annual per capita growth rates (%, calculated from 1990 prices)[c]									
Gross domestic product at market prices	-3.0%	-3.6%	-6.8%	-13.9%	4.6%	2.6%	2.4%	2.2%	1.9%
Total consumption	-0.8%	-0.3%	-2.2%	-7.3%	-5.9%	0.1%	1.1%	1.2%	1.0%
Private consumption	-1.3%	1.1%	-1.3%	-6.5%	-7.0%	1.7%	1.7%	1.2%	1.0%

(Continued)

Togo - Key Economic Indicators (Continued)

Indicator	Actual 1990	1991	1992	Estimate 1993	1994	1995	Projected 1996	1997	1998
Balance of Payments (US$m)									
Exports (GNFS)[a]	545.1	535.9	456.0	300.7	295.6	364.5	408.7	440.9	474.8
Merchandise FOB	395.3	393.0	326.8	214.9	221.5	284.1	320.9	346.5	373.3
Imports (GNFS)[a]	738.3	665.5	612.0	395.9	332.4	408.2	455.7	489.9	525.9
Merchandise FOB	510.9	452.5	409.2	251.1	207.9	263.4	296.9	320.1	344.6
Resource balance	-193.2	-129.6	-156.0	-95.2	-36.9	-43.6	-47.0	-49.0	-51.1
Net current transfers	9.9	14.3	8.7	9.5	8.5	6.2	7.2	7.5	7.8
Current account balance (before official grants)	-213.7	-146.1	-174.8	-112.0	-79.9	-78.3	-77.6	-77.2	-77.3
Official grants	113.9	91.4	81.2	31.1	27.6	56.0	62.5	65.7	66.3
Current account balance (after official grants)	-99.9	-54.7	-93.7	-80.9	-52.3	-22.3	-15.1	-11.5	-11.0
Net private foreign direct investment	7.7	11.6	18.9	1.8	6.3	3.7	4.6	5.5	7.3
Long-term loans (net)	9.2	35.3	-20.0	-47.4	-17.9	24.8	13.2	27.5	14.1
Other capital[d]	86.1	23.2	9.1	1.5	121.5	33.0	44.3	32.0	31.3
Change in reserves (- indicates increase)[e]	-3.2	-15.4	85.7	125.0	-57.6	-39.2	-47.0	-53.5	-41.7
Memorandum items									
Resource balance (% of GDP at current market prices)	-11.8%	-8.0%	-9.2%	-7.1%	-3.8%	-3.5%	-3.5%	-3.4%	-3.3%
Real annual growth rates (1990 prices)									
Merchandise exports (FOB)	-14.6%	4.1%	-14.0%	-22.1%	3.8%	4.5%	5.5%	5.5%	5.3%
-excluding re-exports	-28.4%	8.3%	-10.9%	-13.5%	13.4%	5.4%	6.0%	6.1%	5.7%
Merchandise imports (CIF)	1.1%	-10.0%	-10.5%	-35.2%	-19.9%	17.3%	11.1%	6.1%	5.8%
Public finance (as % of GDP at current market prices)[f]									
Current revenues	22.5	17.3	16.3	10.1	11.9	14.8	16.5	17.4	17.5
Current expenditures	21.4	20.3	18.6	22.5	22.0	18.7	17.4	16.6	16.0
Current account surplus (+) or deficit (-)	1.1	-3.0	-2.4	-12.3	-10.0	-3.9	-0.9	0.8	1.5
Capital expenditure	7.2	4.5	3.5	2.2	2.2	3.8	6.0	6.4	6.4
Foreign financing	8.8	9.6	6.8	5.3	10.3	5.3 ..	..	..	

(Continued)

Togo - Key Economic Indicators
(Continued)

Indicator	Actual			Estimate		Projected			
	1990	1991	1992	1993	1994	1995	1996	1997	1998
Monetary indicators									
M2/GDP (at current market prices)	42.8	43.5	38.2	38.2	34.0	34.6	..	..	..
Growth of M2 (%)	5.1	4.1	-13.9	-15.5	28.4	22.9	..	..	..
Price indices (1990 =100)									
index									
Merchandise export price index[g]	100.0	95.5	92.4	77.9	77.4	94.9	101.7	104.0	106.5
Merchandise import price index[g]	100.0	97.9	98.7	93.5	95.3	102.0	103.8	105.4	107.2
Merchandise terms of trade index[g]	100.0	97.6	93.6	83.4	81.2	93.1	97.9	98.7	99.3
Consumer price index (% growth rate)	1.0%	0.4%	3.3%	-2.5%	40.0%	9.7%	..	..	..
GDP deflator (% growth rate)	3.1%	3.2%	1.8%	-2.3%	30.2%	14.4%	4.1%	3.4%	2.7%
Real exchange rate (1985 = 100) (US$/LCU)[h]	109.5	105.1	110.2	103.2	65.3	..	..	..	..

a. "GNFS" denotes "goods and nonfactor services."
b. Includes net unrequited transfers excluding official capital grants.
c. Per capita growth rates in 1993 and 1994 assume a population growth rate of 0.4 percent and 5.8 percent, respectively. This reflects the large exodus of Togolese during the crisis in 1993, and their return in 1994.
d. Includes changes in arrears, debt rescheduling, short-term capital, and errors & omissions.
e. Includes use of IMF resources.
f. Central government only.
g. Trade indices are based on IMF estimates until 1995, and World Bank price projections starting in 1996.
h. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Togo - Key Exposure Indicators

Indicator	Actual			Estimate		Projected			
	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total debt outstanding and disbursed (DOD) (US$m)[a]	1181.6	1256.6	1194.3	1235.3	1325.6	1370.7	1403.6	1434.7	1434.3
Net disbursements (US$m)[a]	46.5	-13.3	-95.2	-147.1	16.9	45.9	33.1	31.1	-0.1
Total debt service (TDS) (US$m)[a]	134.0	114.7	115.5	115.8	116.4	97.8	91.8	81.3	86.2
Debt and debt service indicators (%)									
DOD/XGS[b]	199.4	215.9	236.6	354.7	422.3	358.6	326.7	309.5	287.6
DOD/GDP	72.2	77.8	70.8	92.6	135.2	111.4	104.1	98.8	92.5
TDS/XGS	22.6	19.7	22.9	33.3	37.1	25.6	21.4	17.5	17.3
IBRD exposure indicators (%)									
IBRD DS/public DS	6.5	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IBRD DS/XGS	1.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of IBRD portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFC (US$m)									
Loans	0.0	0.0	0.29	0.0	0.0	..	..	..	..
Equity and quasi-equity[c]	1.72	0.0	0.05	0.0	0.0	..	..	..	..
MIGA									
MIGA guarantees (US$m)	0.0	0.0	0.0	0.0	0.0	..	..	..	..

a. Includes public and publicly guaranteed debt, private nonguaranteed debt, use of IMF credits, and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Includes equity and quasi-equity types of both loan and equity instruments.

Status of Bank Group Operations in Togo

IBRD Loans and IDA Credits in the Operations Portfolio
(as of 3/31/95)

Project ID	Fiscal Year	Borrower	Purpose	Original amount in US$ million IBRD	IDA	Cancellations	Undisbursed	Difference between actual and expected disbursements[a]	Last ARPP supervision rating[b] Development objectives	Overall status[c]
4 loans and 30 credits fully closed				60.0	319.4					
TG-PA-2862	1988	Government	Transport Rehabil.		40.0		19.9	-14.2	S	S
TG-PA-2856	1988		Cotton III		15.1		4.4	-3.0	U	U
TG-PA-2861	1989		Grassroots Develop.		5.0		2.3	-1.8	S	S
TG-PA-2880	1989		Pre-Investment Project		5.0		5.5	-4.5	S	S
TG-PA-2874	1989		Telecommunications		16.0		1.9	-0.4	S	HS
TG-PA-2863	1991		Power Rehab. & Extens.		15.0		11.3	-9.3	S	U
TG-PA-2872	1991		Vocat. Education and Train.		9.2		8.1	-6.6	S	S
TG-PA-2871	1991		SAL IV		55.0		16.5	-14.2	S	S
TG-PA-2864	1991		Population/Health Adjust.		14.2		7.0	-6.1	S	S
TG-PA-2865	1994		Lomé Urban Developm.		26.2		28.1	0.8	S	S

Total disbursed (IBRD and IDA)	475.1
of which repaid	70.6
Total now held by IBRD and IDA	509.5
Amount sold	0
Total undisbursed	105.0

a. Actual disbursements to date minus intended disbursements to date as projected at appraisal.
b. Rating of 1-4; see OD 13.05, Annex D2, *Preparation of Implementation Summary (Form 590)*. Following the FY94 Annual Review of Portfolio Performance (ARPP), a letter-based system will be used (HS=highly satisfactory, S=satisfactory, U=unsatisfactory, HU=highly unsatisfactory); see *Proposed Improvements in Project and Portfolio Performance Rating Methodology* (SecM94-901), August 23, 1994.
c. Following the FY94 ARPP, "Implementation Progress" will be reported here.

Statement of IFC Investments
(as of 5/31/1995)

Fiscal year	*Obligor*	*Business*	*Amount in US$ millions*		
			Loan	*Equity*	*Total*
1987	Pan Atlantic Company S.A.[a]	Textiles	7.00	1.09	8.09
1988	Ducros - Togo S.A.[a]	Food and Agribusiness	1.43	-	1.43
1988	STS[a]	Iron and Steel	0.85	-	0.85
1990	Togotex International	Textiles	-	1.72	1.72
1992/95	STPM	Food and Agribusiness	0.29	0.05	0.34
Total gross commitments			9.57	2.86	12.43
Total commitments now held by IFC			0.31	1.77	2.08
Total undisbursed (including participant's portion)			0.08	-	0.08

a. Investments which have been fully cancelled, terminated, written-off, sold, redeemed or repaid.

Annex B: Objectives and Instruments of Country Assistance Strategy, FY96-98

SHORT-TERM OBJECTIVES	RECENT PROGRESS	FUTURE ACTIONS AND INSTRUMENTS	EXPECTED IMPACT
1. **Restore and Sustain Macroeconomic Stability**	After a three year period of political crisis and economic deterioration, in 1994 the economy showed clear signs of a recovery; fiscal revenues have exceeded PFP targets; the budget and current account deficits are less than programmed under the PFP; the country recently benefited from Paris Club rescheduling.	Reform domestic and external tax system; restructure the composition of public expenditure towards social sectors and infrastructure maintenance and improve its management; clear domestic and external payment arrears; and step up the public enterprise restructuring and privatization program. *ESW.* Annual PERs to analyze the structure of public expenditure and present recommendations to restructure its composition and raise its efficiency. Institutional Assessment (FY96); Country Economic Memorandum (FY97). *Lending.* ERAC (planned for FY95, to be presented to the Board in early FY96); the ongoing Pre-Investment Project is financing feasibility studies for the privatization program; Commercial Debt Buyback operation (FY96).	Resume economic growth and sustain poverty reduction.
2. **Restore the Provision of Basic Health, Education and Urban Services**	A Poverty Assessment is underway to improve our understanding of the causes of poverty in Togo and improve the targeting of vulnerable groups in IDA's operations and Government's policies. A major focus of the assessment is to evaluate the impact of the crisis on access to and quality of basic social services.	Help rehabilitate school and hospital facilities, with priority given to the Savanes and Kara regions; provide basic instructional material and equipment, including textbooks and essential drugs; improve water, sewerage and solid waste removal . *ESW.* A PER (FY96) will identify priority areas for increased budgetary allocations to ensure delivery of basic services for the poor. A Social Sector Strategy Review (FY96) will examine the quality and targeting of social service delivery. *Lending.* Education Rehabilitation Project (FY95); ongoing Health Adjustment Credit and Urban Project.	Ensure the provision of basic social services, including the resumption of vaccination programs and the availability of essential drugs.
3. **Rehabilitate Essential Transport and Energy Infrastructure**	A Transport Sector Strategy is being prepared to establish priorities for intervention in the sector, improve its planning, programming and management capacity, mobilize donor financing and increase private participation in public works.	Priorities are the rehabilitation of the most deteriorated parts of the North-South road axis; upgrading and creation of feeder roads; regulatory and institutional reform for the maritime transport and road sub-sectors: and addressing emergency rehabilitation needs of the national power utility (CEET). *ESW.* Completion of the Transport Sector Strategy; the PER (FY96) will examine level of budgetary expenditures needed for road maintenance and rehabilitation needs. *Lending.* Ongoing Transport Rehabilitation Project addresses immediate paved road rehabilitation needs. Ongoing Power Rehabilitation Project aims at improving CEET's financial viability. The Transport Sector Investment Project (FY97) will support a comprehensive rehabilitation and restructuring of this sector.	Lower transport costs and increase efficiency of transport and energy infrastructure.

Annex B: Objectives and Instruments of Country Assistance Strategy, FY96-98

LONGER-TERM OBJECTIVES	PROGRESS TO DATE	FUTURE ACTIONS AND INSTRUMENTS	EXPECTED IMPACT
4. **Promote Private Sector Development**	Labor and Investment Codes are being revised. Legal framework for privatization has been put in place. Valuation studies for 13 public enterprises are being prepared for privatization.	Emphasis on eliminating restrictive regulations, improving institutional framework, reducing public sector involvement in production through privatization/restructuring (OTP, OPAT, TOGOPHARMA), supporting exports (liberalization of cocoa and coffee marketing and pricing and of cotton sector), restructuring banking and insurance sector and meeting increasing energy demand. *ESW*. Private Sector Assessment (FY96) to identify remaining constraints to private activities (emphasis on small and medium-size enterprises). Follow-up study on the issues and prospects for private provision of infrastructure services (FY97). Study on sources of agricultural growth (FY96). *Lending*. ERAC (FY95); Rural Institutions and Credit Support Project (FY97); Financial Sector and Public Enterprise Restructuring Credit (FY97); Private Sector Adjustment Credit (FY98); Power Extension Project (FY98).	Provide a stable, predictable and encouraging business environment.
5. **Develop Human Resources and Sharpen the Poverty Focus of IDA'S Assistance and Government's Policies**	A Poverty Assessment is underway to improve understanding of the causes of poverty in Togo and targeting of vulnerable groups in IDA's operations and Government's policies (see above).	In education, rebuild management systems and capacity; promote sustainable financing methods; and address constraints to girls' increased enrollments and achievement in school. In health, develop a national population policy; improve nutritional monitoring; and intensify health education activities. In both sectors, improve allocation of public expenditures towards basic health and education, especially for disadvantaged regions; encourage community participation in service management and funding; decentralize management responsibilities and strengthen local government's management capacity. Extend the potable water supply systems in urban and peri-urban areas. *ESW*. Annual PERs; a Poverty Monitoring Follow-up (FY98) will focus on most vulnerable regions and population groups. *Lending*. Ongoing Vocational Training Project; Education Sector Investment Credit (FY98); Health and Population Investment Credit (FY97); Water Extension Project (FY96).	Design and implement a medium-term strategy for poverty reduction; expand coverage and quality of basic health and education; reduce the population growth rate; and improve the vocational training system.
6. **Increase the Efficiency and Sustainability of Natural Resource Management**	A CESP was recently prepared to develop a long-term strategy for natural resource management and to help the country resume preparation of the NEAP that was interrupted during the crisis.	Emphasis on strengthening the policy and institutional framework for natural resource management; improving the process of consultation between the Government and local communities on environmental impact of development projects; and strengthening donor coordination in environmental activities. *ESW*. IDA will assist the Government in the preparation and implementation of the NEAP. *Lending*. Resource management issues are addressed in the ongoing Urban Project, and in the planned Water Extension (FY96) and Rural Institutions and Credit Support Projects (FY97).	Improve the sustainability of land and water use; ameliorate environmental and sanitary conditions in Lomé's poor neighborhoods; and protect the ecosystem of the Bé Lagoon.

Technical Annex

Macroeconomic Scenarios

1. The base case growth scenario (Table 1) assumes successful stabilization (as per the PFP macroeconomic targets) and steady movement on the reform agenda defined in the ERAC (including public enterprise reform). Under the combined effect of these conditions, the Togolese economy is expected to recover rapidly. Real GDP growth is projected to average about 5.5 percent a year during 1995-98, reflecting a strong recovery from the exceptionally depressed levels of 1992-93, and to stabilize at slightly over 4.5 percent during 1999-2004. This growth performance would be underpinned by a marked increase in gross domestic investment. Following the expected increase in foreign loans and grants in 1995-96 and improvements in public savings in the following years, government investment is programmed to increase from about 2 percent of GDP in 1994 to above 6 percent after 1996. Private investment, from both domestic and foreign sources, is also projected to recover rapidly (from 9 percent of GDP in 1994 to above 13 percent in 1998 and thereafter). Private savings are projected to average about 15 percent of GDP during the projection period, while public savings would turn positive by 1997 and increase gradually to 4 percent by 2004 reflecting the planned broadening of the tax base and the introduction of the VAT in 1995. The narrow fiscal deficit (excluding capital expenditures and interest payments on domestic and external debt) is expected to turn into a surplus by 1996 and to increase to about 5 percent by 2004. Inflation as measured by the GDP deflator would stabilize at its pre-devaluation levels by 1997.

Table 1: Base Case Macroeconomic Scenario

	1994	1995	1996	1997	1998	1999	2000	2004
GDP growth (% p.a.)	10.7	5.7	5.5	5.3	5.0	4.8	4.8	4.8
Investment (% of GDP in current prices)	10.9	15.4	17.6	18.6	19.6	20.3	20.8	22.8
Private	8.6	11.6	11.7	12.1	13.1	13.9	14.4	16.4
Public	2.2	3.8	6.0	6.4	6.4	6.4	6.4	6.4
Gross Domestic Savings (% of GDP in current prices)	7.1	11.8	14.1	15.2	16.3	17.1	17.6	20.1
Private	17.1	15.7	15.0	14.4	14.7	15.1	15.3	16.5
Public	-10.0	-3.9	-0.9	0.8	1.5	2.0	2.4	3.6
Narrow fiscal surplus or deficit (-) (% of GDP)[1]	-4.5	- 0.2	2.3	3.6	4.0	4.0	4.2	4.9
Exports (% of GDP in current prices)	30.1	29.6	30.3	30.4	30.6	30.9	31.0	32.0
Current a/c deficit (% of GDP)	-8.1	-6.4	-5.8	-5.3	-5.0	-4.5	-4.3	-3.4
GDP growth per capita (% p.a.)	4.6	2.6	2.4	2.2	1.9	1.7	1.7	1.7
Total consumption growth per capita	-5.9	0.1	1.1	1.2	1.0	0.9	1.2	1.2
Private consumption growth per capita	-7.0	1.7	1.7	1.2	1.0	0.6	1.2	1.1
% Change in GDP deflator (annual ave.)	30.2	14.4	4.1	3.4	2.7	2.7	2.7	2.7

1. Excludes capital expenditures and interest payments on domestic and external debt.

2. After an increase of 3.8 percent in 1994, the overall goods export volume (f.o.b.) is projected to grow by an annual average of about 5 percent over 1995-98 as a result of the adjustment of the CFA franc and continued recovery from the depressed levels of 1992-93. The import volume (c.i.f.) is projected to increase by about 10 percent on average during 1995-98. This import profile assumes a substantial rebound in capital imports in line with the anticipated recovery of public and private investment, and the relative contraction of consumer goods imports induced by the CFAF devaluation. As a result of the

recovery of the export sector and an anticipated restructuring of the country's bilateral and commercial bank debt, the current account deficit (excluding grants) is projected to gradually decline from 8 percent of GDP in 1994 to about 5 percent in 1998 and 3 percent in 2004. The projected quick rebound of economic activity in Togo is not unusual, as in the 1980s the country experienced increases in key economic indicators such as GDP growth, savings and investment of the same order of magnitude that demonstrate this economy's scope for rapid recovery. Indeed, the significant resumption of economic activities and the strong response to the CFAF devaluation experienced in 1994 were largely made possible by the significant degree of liberalization in the Togolese economy resulting from four structural adjustment credits in the 1980s.

Table 2: Low Case Macroeconomic Scenario

	1994	1995	1996	1997	1998	1999	2000	2004
GDP growth (% p.a.)	10.7	3.5	2.0	1.0	1.0	1.0	1.0	1.0
Investment (% of GDP in current prices)	10.9	13.5	12.9	12.8	12.5	12.3	12.0	11.0
Private	8.6	9.7	9.1	8.9	8.7	8.6	8.4	7.7
Public	2.2	3.8	3.8	3.9	3.8	3.7	3.6	3.3
Gross Domestic Savings (% of GDP in current prices)	7.1	9.3	8.7	8.3	7.8	7.0	6.2	3.4
Private	17.1	15.1	14.3	14.2	14.3	14.3	13.5	12.7
Public	-10.0	-5.8	-5.6	-5.9	-6.6	-7.2	-7.3	-9.3
Narrow fiscal surplus or deficit (-) (% of GDP)[1]	-4.5	- 1.9	-2.4	-3.1	-4.1	-5.0	-5.3	-5.9
Exports (% of GDP in current prices)	30.1	27.8	26.4	25.6	25.0	25.0	24.9	24.7
Current a/c deficit (% of GDP)	-8.2	-7.1	-6.4	-6.5	-6.5	-6.7	-7.1	-8.8
GDP growth per capita (% p.a.)	4.6	0.5	- 1.0	-1.9	-1.9	-1.9	-1.9	-1.9
Total consumption growth per capita	-5.9	-0.5	-0.1	-1.7	-1.5	-1.5	-1.5	-1.5
Private consumption growth per capita	-7.0	0.4	0.6	-1.4	-1.3	-1.2	-1.2	-1.2
% Change in GDP deflator (annual ave.)	30.2	14.4	10.0	6.0	5.0	5.0	5.0	5.0

1. Excludes capital expenditures and interest payments on domestic and external debt.

3. A lower growth scenario could emerge if there is a deterioration in the political climate, weak implementation of the economic stabilization and reform program, and limited availability of external financing. If the tax base is not adequately broadened and the privatization program slows down, the fiscal deficit would widen. Inflation would stabilize at about 5 percent against slightly less than 3 percent in the base case scenario. The unsustainable level of government deficits would crowd out private investment. Also, lack of reform in the incentive framework would keep private investment as a share of GDP at below 9 percent. A major shortfall in external financing would compromise the programmed reduction of domestic and external payment arrears and net credit to the Government from the banking system during 1995-97 and would maintain public investment at the current depressed levels. Private investment would not recover because of the lack of macroeconomic stability and slow progress on the reform agenda. Under this scenario, the growth rate would decline to 1 percent by 1997.

4. A sustained high growth scenario (8 percent in 1995-96 and 7 percent thereafter) could materialize if the Government rapidly stabilizes the macroeconomic situation and accelerates and deepens the reform program over and above that envisaged in the PFP. Under this scenario, the fiscal deficit would improve more rapidly and inflation would stabilize more quickly than in the base case. The improvement in the macroeconomic situation and the incentive framework would speed up the recovery of private investment.

Table 3: High Case Macroeconomic Scenario

	1994	1995	1996	1997	1998	1999	2000	2004
GDP growth (% p.a.)	10.7	8.0	8.0	7.0	7.0	7.0	7.0	7.0
Investment (% of GDP in current prices)	10.9	16.3	18.0	19.8	21.4	22.4	23.6	26.0
Private	8.6	12.0	11.9	13.2	14.2	14.8	16.0	18.3
Public	2.2	4.3	6.1	6.6	7.1	7.7	7.6	7.6
Gross Domestic Savings (% of GDP in current prices)	7.1	13.0	16.4	18.8	20.9	22.5	24.0	28.9
Private	17.1	16.4	17.5	17.8	18.7	19.3	20.5	23.2
Public	-10.0	-3.4	-1.0	1.1	2.2	3.2	3.5	5.8
Narrow fiscal surplus or deficit (-) (% of GDP)[1]	-4.5	0.3	2.1	3.7	4.5	5.1	5.2	6.8
Exports (% of GDP in current prices)	30.1	30.2	31.8	32.3	32.8	33.3	33.8	36.5
Current a/c deficit (% of GDP)	-8.2	-6.1	-3.7	-2.8	-1.9	-1.0	-0.5	2.7
GDP growth per capita (% p.a.)	4.6	4.9	4.9	3.9	3.9	3.9	3.9	3.9
Total consumption growth per capita	-5.9	0.5	2.7	1.7	1.9	2.3	2.2	2.5
Private consumption growth per capita	-7.0	2.2	2.3	1.2	1.1	1.5	1.5	1.8
% Change in GDP deflator (annual ave.)	30.2	12.5	3.5	3.0	2.7	2.7	2.7	2.7

1. Excludes capital expenditures and interest payments on domestic and external debt.

External Financing Requirements

5. As illustrated in Table 4, under the base case scenario Togo's external financing requirements for the period 1995-98 are tentatively estimated at about US$943 million. Of this amount, grants, IMF ESAF resources, private capital, debt relief already obtained and medium and long term loans total US$755 million, of which IDA contributions amount to about US$208 million. The Government has obtained debt rescheduling from Paris Club creditors for US$252 million and also plans to undertake a commercial buy back operation in 1995 (US$70 million). A residual financing gap of US$56 million for the 1996-98 period remains. During 1995, multilateral donors will bear the major share of financing. However, during 1996-98 it is expected that the majority of already committed bilateral financing (consisting mainly of humanitarian aid) will be disbursed.

Table 4: External Financing Requirements, 1992-1998

(In millions of US$)

	Actual		Est.	Projections				Total
	1992	1993	1994	1995	1996	1997	1998	1995-98
A. External Financing Requirements	136.4	-20.9	122.4	347.1	262.9	178.0	154.9	943.0
Current Account Deficit, excluding official grants	174.8	112.0	79.9	78.3	77.6	77.2	77.3	310.4
o/w interest due on external debt	45.1	47.8	50.2	41.1	39.0	37.6	36.0	153.8
Amortization on Public MLT Debt	59.2	60.6	59.5	46.0	41.2	31.5	36.0	154.6
IMF Repurchases	11.1	7.4	6.7	10.7	11.6	12.2	14.2	48.7
Reduction in arrears (-=incr.) 1/	-22.9	-68.4	-89.8	151.9	65.6	0.0	0.0	217.5
Change in Net Foreign Assets (+=incr.) 2/	-85.8	-132.4	66.1	60.3	66.9	57.2	27.5	211.8
B. Resources	136.4	-20.9	122.4	347.1	174.7	127.1	106.6	755.4
Official Grants	81.2	31.1	27.6	56.0	45.3	48.2	50.1	199.6
o/w Project	25.6	3.5	7.3	16.5	27.9	36.8	45.6	126.8
MLT Loans - Official Creditors	39.2	13.2	41.6	70.8	53.5	56.6	48.1	228.9
Project	34.2	13.2	13.4	40.8	33.5	45.6	35.1	154.9
Adjustment	5.0	0.0	28.2	30.0	20.0	11.0	13.0	74.0
o/w World Bank	5.0	0.0	20.1	30.0	20.0	11.0	13.0	74.0
Net Private Capital	-56.1	-90.5	32.1	3.7	4.6	5.5	7.3	21.2
Debt Relief Obtained	61.2	25.4	5.8	184.9	39.9	0.9	1.0	226.7
IMF Purchases	11.0	0.0	15.2	31.8	31.4	15.8	0.0	79.0
C. Financing Gap before Debt Relief	0.0	0.0	0.0	0.0	88.3	51.0	48.4	187.6
Possible Debt Relief 3/	..	..	0.0	0.0	70.0	31.2	30.2	131.4
o/w Paris Club	..	..	0.0	0.0	0.0	31.2	30.2	61.4
D. Residual Financing Gap	0.0	0.0	0.0	0.0	18.3	19.8	18.2	56.3

1/ Includes arrears of commercial bank debt.
2/ Excludes IMF credit which is shown separately.
3/ Includes commercial bank debt buyback of US$70 million in 1996.

Sources: Official data; and Bank and Fund staff estimates and projections.

Togo - National Accounts

Part A: Current Price Data

(in billions of CFAF)

Base-case (most likely) projection

Atlas GNP per capita: $ 314.7 (1994)

Mid-year population: 4 million

	Actual			*Estimate*			*Projection*				
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2004**
Gross domestic product at market prices	445.4	455.4	446.7	377.6	544.5	658.1	722.9	786.8	848.8	913.4	1312.9
Net indirect taxes	45.0	41.0	26.9	14.7	21.5	36.4	45.0	52.7	58.2	63.1	93.8
GDP at factor cost	400.4	414.5	419.8	362.9	523.0	621.7	677.9	734.1	790.6	850.3	1219.1
Agriculture	149.9	148.4	161.2	172.4	206.6	..	..	..	..	..	..
Industry, of which	100.4	108.4	100.7	70.0	116.4	..	..	..	..	..	..
Manufacturing	44.3	47.4	48.6	29.7	48.0	..	..	..	..	..	..
Services	195.1	198.7	184.8	135.2	221.5	..	..	..	..	..	..
Resource balance	-52.6	-36.6	-41.3	-27.0	-20.5	-23.3	-25.2	-26.5	-28.0	-29.4	-35.2
Exports (GNFS) [a]	148.4	151.2	120.7	85.1	164.1	195.0	219.1	239.0	259.8	281.9	420.2
Imports (GNFS) [a]	201.0	187.7	162.0	112.1	184.6	218.3	244.3	265.5	287.8	311.3	455.4
Total expenditures	498.0	492.0	488.0	404.5	565.0	681.5	748.1	813.4	876.7	942.8	1348.1
Consumption expenditures	387.2	412.4	415.1	389.6	505.9	580.4	620.6	667.2	710.6	757.1	1048.6
Government	68.9	68.7	65.9	58.8	81.2	85.4	92.7	98.8	104.3	112.1	153.6
Private	318.3	343.7	349.1	330.8	424.7	495.0	527.9	568.4	606.3	645.0	895.0
Gross domestic investment	110.8	79.6	72.9	14.9	59.1	101.0	127.4	146.2	166.1	185.7	299.5
Total government investment [b]	32.2	20.4	15.7	8.2	12.1	25.0	43.1	50.7	54.7	58.9	84.6
Total private investment [c]	78.6	59.2	57.2	6.7	47.0	76.0	84.4	95.5	111.5	126.8	214.8
Total fixed investment	105.0	83.8	80.0	38.3	44.2	88.8	122.3	140.9	160.6	180.1	293.0
Total changes in stocks	5.8	-4.2	-7.1	-23.4	15.0	12.3	5.2	5.3	5.5	5.6	6.5
Domestic savings	58.2	43.0	31.6	-12.0	38.6	77.7	102.2	119.7	138.2	156.4	264.3
+ Net factor income	-8.3	-8.7	-7.3	-7.5	-28.6	-21.8	-20.3	-19.4	-18.6	-16.4	-15.6
+ Net current transfers [d]	2.7	4.0	2.3	2.7	4.7	3.3	3.9	4.1	4.3	4.5	5.8
= National savings	52.6	38.4	26.6	-16.8	14.7	59.2	85.8	104.4	123.8	144.5	254.5
Gross national product	437.1	446.8	439.4	370.1	515.9	636.3	702.5	767.4	830.1	897.1	1297.4
Gross national disposable income	439.8	450.8	441.7	372.8	520.6	639.6	706.4	771.5	834.4	901.5	1303.1

(continued)

a. "GNFS" denotes "goods and nonfactor services."
b. Gross domestic fixed capital formation only.
c. Derived as a residual; includes increase in stocks.
d. Total net unrequited transfers excluding official grants.

Togo - National Accounts (continued)

Part B: Shares of Gross Domestic Product

(percentages calculated using current price data)

Base-case (most likely) projection

	Actual			*Estimate*			*Projection*				
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2004**
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net indirect taxes	10.1	9.0	6.0	3.9	4.0	5.5	6.2	6.7	6.9	6.9	7.1
Agriculture value added	33.7	32.6	36.1	45.7	37.9	..	..	..	..	..	..
Industry value added, of which	22.5	23.8	22.5	18.5	21.4	..	..	..	..	..	..
Manufacturing	9.9	10.4	10.9	7.9	8.8	..	..	..	..	..	..
Services value added	43.8	43.6	41.4	35.8	40.7	..	..	..	..	..	..
Resource balance (X-M)	-11.8	-8.0	-9.2	-7.1	-3.8	-3.5	-3.5	-3.4	-3.3	-3.2	-2.7
Exports (GNFS) [a]	33.3	33.2	27.0	22.6	30.1	29.6	30.3	30.4	30.6	30.9	32.0
Imports (GNFS) [a]	45.1	41.2	36.3	29.7	33.9	33.2	33.8	33.7	33.9	34.1	34.7
Total expenditure	111.8	108.0	109.2	107.1	103.8	103.5	103.5	103.4	103.3	103.2	102.7
Government consumption	15.5	15.1	14.8	15.6	14.9	13.0	12.8	12.6	12.3	12.3	11.7
Private consumption	71.5	75.5	78.2	87.6	78.0	75.2	73.0	72.2	71.4	70.6	68.2
Government investment	7.2	4.5	3.5	2.2	2.2	3.8	6.0	6.4	6.4	6.4	6.4
Private investment	17.6	13.0	12.8	1.8	8.6	11.6	11.7	12.1	13.1	13.9	16.4
Gross domestic savings	13.1	9.5	7.1	-3.2	7.1	11.8	14.1	15.2	16.3	17.1	20.1
Gross national savings	11.8	8.4	6.0	-4.4	2.7	9.0	11.9	13.3	14.6	15.8	19.4
o/w Private	10.7	11.4	8.3	7.9	12.7	12.9	12.8	12.5	13.1	13.8	15.8
Memorandum items											
GDP deflator (1990=100)	100.0	103.2	105.1	102.7	133.7	152.9	159.2	164.7	169.2	173.8	198.9
Consumer price index (1985=100)	104.2	104.6	108.1	105.4	147.5	161.8	168.5	174.2	179.0	183.9	210.5
Total GDP (current US$ millions)	1635.9	1614.4	1687.5	1333.4	980.7	1230.3	1348.1	1451.7	1550.8	1661.0	2354.2
Conversion factor used (LCU/US$)	0.272	0.282	0.265	0.283	0.555	0.535	0.536	0.542	0.547	0.550	0.558
Per capita gross national product (Atlas method: in 1993 US$)	429.4	426.2	438.9	371.3	314.7	298.9	291.9	324.4	340.4	354.9	435.0

(continued)

a. "GNFS" denotes "goods and nonfactor services."

Togo - National Accounts (continued)

Part C: Constant Price Data

(in billions of CFAF, constant 1990 prices)

Base-case (most likely) projection

	Actual			*Estimate*		*Projection*					
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2004**
GDP at market prices	445.4	441.5	425.2	367.7	407.2	430.3	454.0	477.8	501.7	525.6	660.0
GDP at factor cost	400.4	396.1	391.5	333.9	363.2	384.2	402.4	421.3	441.7	462.4	579.1
Agriculture	149.9	148.2	150.9	173.6	162.8	..	..	..	..	..	..
Industry, of which	100.4	107.5	99.2	71.3	90.5	..	..	..	..	..	..
Manufacturing	44.3	46.6	47.9	29.7	37.1	..	..	..	..	..	..
Services	195.1	185.8	175.0	122.8	153.9	..	..	..	..	..	..
Resource balance	-52.6	-33.2	-41.3	-20.7	-1.6	-10.2	-14.9	-16.0	-17.0	-17.7	-22.1
Exports (GNFS) [a]	148.4	150.5	125.8	93.2	90.7	94.6	100.0	105.6	111.3	117.1	150.4
Imports (GNFS) [a]	201.0	183.7	167.1	114.0	92.4	104.7	114.9	121.5	128.3	134.8	172.5
Total expenditures	498.0	474.7	466.4	388.5	408.9	440.5	468.9	493.8	518.7	543.3	682.1
Consumption	387.2	397.0	401.2	373.5	372.0	383.2	399.1	416.1	432.8	449.9	550.5
Government	68.9	66.1	63.7	56.4	59.7	56.4	56.6	59.0	61.4	64.9	80.7
Private	318.3	330.9	337.5	317.1	312.3	326.9	342.4	357.1	371.4	385.0	469.9
Gross domestic investment	110.8	77.7	65.2	15.0	36.9	57.3	69.9	77.7	85.9	93.4	131.6
Total government investment	32.2	19.9	14.0	8.2	7.5	14.2	26.4	29.8	31.1	32.4	40.0
Total private investment [b]	78.6	57.7	51.2	6.8	29.4	43.1	43.4	47.9	54.8	60.9	91.6
Terms-of-trade (TT) effect	0.0	-2.5	-1.3	-6.7	-8.6	-1.0	3.1	3.8	4.5	5.0	8.8
Gross domestic income	445.4	438.9	423.8	361.1	398.6	429.3	457.1	481.6	506.2	530.5	668.8
Domestic saving (TT adjusted)	58.2	41.9	22.6	-12.4	26.6	46.1	58.0	65.5	73.4	80.7	118.3
Net factor income	-8.3	-8.4	-6.9	-7.2	-20.7	-14.1	-12.7	-11.8	-11.0	-9.4	-7.9
GNP at market prices	437.1	433.1	418.2	360.6	386.5	416.2	441.3	466.1	490.7	516.1	652.1

(continued)

a. "GNFS" denotes "goods and nonfactor services."
b. Derived as a residual; includes increase in stocks.

Togo - National Accounts (continued)

Part D: Annual Growth Rate

(calculated from data in constant 1990 prices)

Base-case (most likely) projection

	Actual			*Estimate*		*Projection*					
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2004
GDP at market prices	0.1%	-0.9%	-3.7%	-13.5%	10.7%	5.7%	5.5%	5.3%	5.0%	4.8%	4.8%
Agriculture	3.0%	-1.2%	1.9%	15.0%	-6.2%	..	..	..	..	..	..
Industry, of which	-4.4%	7.1%	-7.7%	-28.1%	26.8%	..	..	..	..	..	..
Manufacturing	13.8%	5.2%	2.8%	-38.0%	25.0%	..	..	..	..	..	..
Services	0.4%	-4.8%	-5.8%	-29.8%	25.3%	..	..	..	..	..	..
Exports (GNFS) [a]	-7.9%	1.4%	-16.4%	-25.9%	-2.7%	4.2%	5.7%	5.6%	5.4%	5.2%	5.2%
Imports (GNFS) [a]	3.1%	-8.6%	-9.0%	-31.8%	-19.0%	13.4%	9.7%	5.8%	5.6%	5.1%	5.2%
Total expenditures	4.0%	-4.7%	-1.7%	-16.7%	5.2%	7.7%	6.4%	5.3%	5.0%	4.7%	4.8%
Consumption	2.4%	2.6%	1.1%	-6.9%	-0.4%	3.0%	4.1%	4.3%	4.0%	3.9%	4.2%
Investment	10.0%	-29.9%	-16.0%	-77.0%	146.3%	55.3%	22.0%	11.2%	10.6%	8.7%	7.1%
Gross domestic income	0.7%	-1.5%	-3.4%	-14.8%	10.4%	7.7%	6.5%	5.4%	5.1%	4.8%	4.9%
Gross domestic saving [b]	-12.9%	-23.7%	-46.2%	-124.1%	-710.7%	33.6%	16.7%	12.3%	11.7%	9.9%	7.6%
Per capita growth rates [c]											
Per capita GDP (mp) [d]	-3.0%	-3.6%	-6.8%	-13.9%	4.6%	2.6%	2.4%	2.2%	1.9%	1.7%	1.7%
Per capita GNP (mp)	-2.0%	-3.6%	-6.5%	-14.2%	1.2%	4.6%	2.9%	2.5%	2.2%	2.1%	1.8%
Per capita total consumption	-0.8%	-0.3%	-2.2%	-7.3%	-5.9%	0.1%	1.1%	1.2%	1.0%	0.9%	1.2%
Per capita private consumption	-1.3%	1.1%	-1.3%	-6.5%	-7.0%	1.7%	1.7%	1.2%	1.0%	0.6%	1.1%

a. "GNFS" denotes "goods and nonfactor services."
b. The large negative number in 1994 represents a change in GDS from CFAF -5.8 billion in 1993 to CFAF 35.2 billion in 1994.
c. Per capita growth rates in 1993 and 1994 assume a population growth rate of 0.4 percent and 5.8 percent, respectively.
This reflects the large exodus of Togolese during the crisis in 1993, and their return in 1994.
d. "mp" denotes "market prices".

Part E: Period Average Indicators

	Actual	*Estimate*	*Projection*
	1984-89	1989-94	1994-99
Incremental capital-output ratio	..	-9.8	2.8
Import elasticity	..	4.9	1.4

Togo - Exports and Imports

Base-case (most likely) projection

	Actual			Estimate		Projection					
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2004
A. Value in current prices (US$ millions)											
Total merchandise exports (FOB)	395.3	393.0	326.8	214.9	221.5	284.1	320.9	346.5	373.3	401.7	581.2
Principal primary products	191.8	211.4	163.6	116.0	128.7	189.5	218.0	235.6	253.5	271.9	382.6
Phosphates	103.2	126.2	79.3	52.9	66.1	87.1	96.7	104.2	112.3	119.4	154.8
Cotton	55.6	65.2	55.9	46.3	46.8	74.4	85.4	94.0	102.3	111.9	174.5
Coffee	17.8	9.0	18.1	11.4	9.7	19.0	25.7	26.7	27.8	28.9	38.0
Cocoa	15.2	11.0	10.2	5.3	6.0	9.1	10.4	10.7	11.1	11.7	15.3
Reexports	149.9	144.8	127.7	74.5	59.6	64.4	67.8	71.2	74.8	78.8	103.0
Other goods [a]	53.6	36.9	35.5	24.4	33.1	30.3	35.0	39.7	45.0	51.1	95.6
Total merchandise imports (CIF)	606.8	534.6	482.1	296.0	241.8	303.4	343.0	369.8	398.0	429.5	625.6
Consumer Goods	280.2	272.2	235.4	143.4	110.8	136.6	148.2	158.5	169.3	181.7	257.4
o/w Imports for reexport	98.8	97.8	81.2	49.2	40.1	43.6	45.0	46.3	47.7	50.2	65.7
POL [b] and other energy	48.1	35.1	37.4	26.5	25.3	33.1	36.2	38.7	41.4	44.4	62.9
Intermediate goods n.e.i. [c]	124.9	95.0	77.8	50.2	37.9	49.5	54.6	58.4	62.3	66.9	94.7
Capital goods	131.5	113.1	103.9	59.7	49.8	62.5	80.4	88.9	98.1	107.6	169.8
Other Imports	22.0	19.1	27.6	16.2	18.0	21.7	23.6	25.2	26.9	28.8	40.8
B. Value in constant 1990 prices (US$ millions)											
Total merchandise exports (FOB)	395.3	411.4	353.8	275.7	286.2	299.3	315.7	333.1	350.6	368.2	466.8
Phosphates	103.2	129.2	87.7	65.4	93.9	108.4	113.9	119.6	125.5	130.6	151.3
Cotton	55.6	70.5	64.5	72.6	68.5	83.7	89.6	96.0	101.8	107.9	144.4
Coffee	17.8	11.5	23.4	16.1	12.4	14.9	15.5	16.1	16.8	17.4	21.2
Cocoa	15.2	12.2	11.9	10.6	9.9	12.6	12.9	13.1	13.4	13.7	15.1
Reexports	149.9	145.6	117.0	70.9	54.0	54.5	56.2	57.9	59.6	61.4	71.2
Other goods [a]	53.6	42.4	49.3	40.0	47.6	25.1	27.6	30.4	33.5	37.2	63.6
Total merchandise imports (CIF)	606.8	546.0	488.5	316.6	253.7	297.5	330.4	350.6	371.1	390.8	504.8
Memorandum items											
Export volume growth rate	-14.6%	4.1%	-14.0%	-22.1%	3.8%	4.5%	5.5%	5.5%	5.3%	5.0%	5.0%
Exports excluding re-exports growth rate	-28.4%	8.3%	-10.9%	-13.5%	13.4%	5.4%	6.0%	6.1%	5.7%	5.4%	5.3%
Import volume growth rate	1.1%	-10.0%	-10.5%	-35.2%	-19.9%	17.3%	11.1%	6.1%	5.8%	5.3%	5.4%
C. Price Indices (1990 = 100)											
Merchandise exports	100.0	95.5	92.4	77.9	77.4	94.9	101.7	104.0	106.5	109.1	124.5
Merchandise imports	100.0	97.9	98.7	93.5	95.3	102.0	103.8	105.4	107.2	109.9	123.9
Merchandise terms of trade	100.0	97.6	93.6	83.4	81.2	93.1	97.9	98.7	99.3	99.3	100.5

a. Includes primary products not specifically identified.
b. "POL" denotes "crude oil and derivatives."
c. "n.e.i." denotes "not elsewhere included."

Togo - Balance of Payments

(US$ millions at current prices)

Base-case (most likely) projection

	Actual			Estimate		Projection					
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2004
Total exports of GNFS[a]	545.1	535.9	456.0	300.7	295.6	364.5	408.7	440.9	474.8	512.6	753.5
Merchandise (FOB)	395.3	393.0	326.8	214.9	221.5	284.1	320.9	346.5	373.3	401.7	581.2
Nonfactor services	149.9	142.9	129.2	85.8	74.1	80.4	87.8	94.3	101.4	110.8	172.3
Total imports of GNFS[a]	738.3	665.5	612.0	395.9	332.4	408.2	455.7	489.9	525.9	566.0	816.6
Merchandise (FOB)	510.9	452.5	409.2	251.1	207.9	263.4	296.9	320.1	344.6	371.9	541.7
Nonfactor services	227.4	213.0	202.9	144.8	124.5	144.8	158.7	169.7	181.2	194.1	274.9
Resource balance	-193.2	-129.6	-156.0	-95.2	-36.9	-43.6	-47.0	-49.0	-51.1	-53.4	-63.1
Net factor income	-30.5	-30.8	-27.5	-26.3	-51.5	-40.8	-37.9	-35.7	-34.0	-29.8	-27.9
Factor receipts	30.5	29.4	31.4	29.0	6.7	8.8	10.4	11.6	12.1	13.1	16.2
Factor payments	61.0	60.2	58.8	55.3	58.1	49.6	48.3	47.3	46.2	42.9	44.1
Interest (scheduled)	51.5	49.2	45.1	47.8	50.2	41.1	39.0	37.6	36.0	32.2	28.5
Total interest paid[b]	42.0	26.5	12.0	7.5	7.4	27.7	20.3	21.6	21.4	19.8	23.4
Net adjustments to scheduled interest	9.5	22.7	33.1	40.3	42.8	13.4	18.7	16.1	14.6	12.3	5.1
Other factor payments	9.5	11.0	13.7	7.5	7.9	8.5	9.3	9.7	10.1	10.7	15.6
Net private current transfers	9.9	14.3	8.7	9.5	8.5	6.2	7.2	7.5	7.8	8.1	10.3
Current receipts, of which	26.1	30.1	24.0	18.7	15.5	14.5	16.8	17.6	18.4	19.2	24.1
Workers' remittances	16.9	16.8	17.4	18.7	11.7	8.9	10.5	11.1	11.7	12.3	15.7
Current payments	16.2	15.8	15.3	9.1	7.0	8.4	9.6	10.1	10.6	11.1	13.8
Current account balance	-213.7	-146.1	-174.8	-112.0	-79.9	-78.3	-77.6	-77.2	-77.3	-75.1	-80.6
Official grants	113.9	91.4	81.2	31.1	27.6	56.0	62.5	65.7	66.3	67.1	77.9
Direct foreign investment	7.7	11.6	18.9	1.8	6.3	3.7	4.6	5.5	7.3	8.5	18.0
Net LT[c] borrowing	9.2	35.3	-20.0	-47.4	-17.9	24.8	13.2	27.5	14.1	2.9	-2.4
Disbursements[b]	74.2	92.9	39.2	13.2	41.6	70.8	54.5	58.9	50.1	41.6	42.1
Repayments (scheduled)	65.0	57.6	59.2	60.6	59.5	46.0	41.2	31.5	36.0	38.8	44.4
Total principal repaid[b]	22.1	16.3	6.3	5.2	6.7	26.4	15.6	15.5	19.3	18.9	20.4
Net adjustments to scheduled repayments	42.9	41.2	52.9	55.4	52.8	19.5	25.6	16.0	16.7	19.9	24.1

(continued)

a. Goods and nonfactor services.
b. Historical data from Debt Reporting System (DRS); other data projected by country operations division staff.
c. "LT" denotes "long-term."

Togo - Balance of Payments (continued)

(US$ millions at current prices)

Base-case (most likely) projection

	Actual			*Estimate*		*Projection*					
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2004**
Adjustments to scheduled debt service	52.5	64.0	86.1	95.7	95.6	33.0	44.3	32.0	31.3	32.2	29.2
Debt service not paid	52.5	64.0	86.1	95.7	95.6	184.9	109.9	32.0	31.3	32.2	29.2
Reduction in arrears/prepayments (-)	0.0	0.0	0.0	0.0	0.0	-151.9	-65.6	0.0	0.0	0.0	0.0
Other capital flows	34.2	-40.8	-75.0	-92.3	26.3	0.0	0.0	0.0	0.0	0.0	0.0
Net short-term capital	34.2	-40.8	-75.0	-92.3	26.3	0.0	0.0	0.0	0.0	0.0	0.0
Net capital flows n.e.i.[d]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net international reserves (- indicates increase in assets)	-3.2	-15.4	85.7	125.0	-57.6	-39.2	-47.0	-53.5	-41.7	-35.6	-42.1
Memorandum items											
Total gross reserves, of which	357.9	369.3	276.8	161.0	151.0	189.3	256.2	313.4	340.8	365.4	523.6
Total reserves minus gold	353.2	364.9	272.5	156.3	146.2	184.2	250.4	307.6	335.0	359.6	517.8
Gold (at year-end London price)	4.7	4.4	4.3	4.7	4.8	5.1	5.8	5.8	5.8	5.8	5.8
Total gross reserves (in months' imports G&S)[e]	5.4	6.1	5.0	4.3	4.6	5.0	6.1	7.0	7.2	7.2	7.3
Exchange rates											
Annual average (LCU/US$)[f]	272.3	282.1	264.7	283.2	555.2	534.9	536.2	542.0	547.3	549.9	557.7
At end year (LCU/US$)	256.5	259.0	275.3	291.8	530.5	535.1	539.1	544.7	548.6	550.4	558.4
Index real average exchange rate (1985 =100)[g]	109.5	105.1	110.2	103.2	65.3	..	..	..	..	..	..
Current Account Balance as % GDP	-13.1	-9.0	-10.4	-8.4	-8.1	-6.4	-5.8	-5.3	-5.0	-4.5	-3.4

d. "n.e.i." denotes "not elsewhere included."
e. "G & S" denotes "goods and services."
f. "LCU" denotes "local currency units."
g. The index of the real exchange rate reflects US$/LCU, so an increase is an appreciation at the real exchange rate.

Togo - External Debt Stocks and Flows

(US$ millions at current prices)

Base-case (most likely) projection

	Actual[a]			*Estimate*[a]			*Projection*[a]				
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2004
A. Gross disbursements											
Public & publicly guaranteed	74.2	92.9	39.2	13.2	41.6	70.8	54.5	58.9	50.1	41.6	42.1
IDA	31.2	48.1	32.4	9.0	27.9	54.0	52.0	55.0	47.0	40.0	40.0
IBRD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total LT[b] loan disbursements	74.2	92.9	39.2	13.2	41.6	70.8	54.5	58.9	50.1	41.6	42.1
Net ST[b] credit	34.2	-40.8	-75.0	-92.3	26.3	0.0	0.0	0.0	0.0	0.0	0 0
Drawings from IMF	20.6	0.0	11.0	0.0	15.2	31.8	31.4	15.8	0.0	0.0	0.0
Total disbursements (LT+ST+IMF)	129.0	52.1	-24.9	-79.1	83.1	102.5	85.9	74.8	50.1	41.6	42.1
B. Amortization											
Public & publicly guaranteed	65.0	57.6	59 2	60.6	59.5	46.0	41.2	31.5	36.0	38.8	44.4
IDA	0.9	1.0	1.0	2.0	3.0	4.0	4.0	5.0	7.0	8.0	11.0
IBRD	7.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total LT loan amortization	65.0	57.6	59.2	60.6	59.5	46.0	41.2	31.5	36.0	38.8	44.4
Repayments to IMF	17.5	7.9	11.1	7.4	6.7	10.7	11.6	12.2	14.2	11.1	2.6
Total amortization (LT+IMF)	82.5	65.5	70.3	68.0	66.2	56.6	52.8	43.7	50.2	49.8	47.0
C. Net disbursements											
Public & publicly guaranteed	9.2	35.3	-20.0	-47.4	-17.9	24.8	13.2	27.5	14.1	2.9	-2.4
IDA	30.3	47.1	31.4	7.0	24.9	50.0	48.0	50.0	40.0	32.0	29.0
IBRD	-7.7	-5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total LT[b] loan net disbursements	9 2	35.3	-20.0	-47.4	-17.9	24.8	13.2	27.5	14.1	2.9	-2.4
Net ST[b] credit	34.2	-40.8	-75.0	-92.3	26.3	0.0	0.0	0.0	0.0	0.0	0.0
Net credit from IMF	3.1	-7.9	-0.1	-7.4	8.5	21.1	19.8	3.6	-14.2	-11.1	-2.6
Total net disbursements (LT+ST+IMF)	46.5	-13.3	-95.2	-147.1	16.9	45.9	33.1	31.1	-0.1	-8.2	-4.9

(continued)

a. Historical data from Debt Reporting System (DRS); other data projected by country operations division staff.
b. "LT" denotes "long-term," "ST" denotes "short-term."

Togo - External Debt Stocks and Flows (continued)

(US$ millions at current prices)

Base-case (most likely) projection

	Actual[a]			*Estimate*[a]			*Projection*[a]				
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2004
D. Interest and charges											
Public & publicly guaranteed	47.5	46.0	43.0	46.8	48.8	39.7	38.0	36.4	34.9	31.2	28.3
IDA	2.7	2.7	2.9	4.0	4.0	4.1	4.1	4.2	4.4	4.8	6.1
IBRD	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total interest on LT loans	47.5	46.0	43.0	46.8	48.8	39.7	38.0	36.4	34.9	31.2	28.3
Interest on IMF drawings	4.0	3.2	2.1	1.0	1.4	1.4	1.0	1.3	1.1	1.0	0.2
Total interest (LT+ST+IMF)	51.5	49.2	45.1	47.8	50.2	41.1	39.0	37.6	36.0	32.2	28.5
E. External debt (DOD)[c]											
Public & publicly guaranteed	1093.5	1178.0	1120.5	1172.8	1236.1	1260.9	1274.2	1301.6	1315.8	1318.6	1303.6
Official multilateral creditors, of which	592.5	611.0	652.9	669.2	..	..	..	..	..	..	..
IDA	393.2	444.0	460.4	469.0	493.9	543.9	591.9	641.9	681.9	713.9	863.9
IBRD	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official bilateral creditors	444.5	479.0	404.3	392.1	..	..	..	..	..	..	..
Private creditors	56.5	88.0	63.2	111.6	..	..	..	..	..	..	..
Total LT DOD	1093.5	1178.0	1120.5	1172.8	1236.1	1260.9	1274.2	1301.6	1315.8	1318.6	1303.6
Use of IMF credit	88.1	78.7	73.9	62.5	89.5	109.8	129.4	133.1	118.5	95.7	63.6
Total DOD (LT+ST+IMF)	1181.6	1256.6	1194.3	1235.3	1325.6	1370.7	1403.6	1434.7	1434.3	1414.3	1367.2
F. Debt and debt burden indicators (based on data in parts A-E)											
Total debt service (US$ millions)	134.0	114.7	115.5	115.8	116.4	97.8	91.8	81.3	86.2	82.0	75.5
Interest (LT + ST + IMF)[b]	51.5	49.2	45.1	47.8	50.2	41.1	39.0	37.6	36.0	32.2	28.5
Principal (LT + IMF)	82.5	65.5	70.3	68.0	66.2	56.6	52.8	43.7	50.2	49.8	47.0
Total DOD[c] and TDS[d]											
DOD / exports (XGS[e]) ratio	199.4	215.9	236.6	354.7	422.3	358.6	326.7	309.5	287.6	262.9	174.1
DOD / GDP ratio	72.2	77.8	70.8	92.6	135.2	111.4	104.1	98.8	92.5	85.1	58.1
TDS / exports (XGS) ratio	22.6	19.7	22.9	33.3	37.1	25.6	21.4	17.5	17.3	15.2	9.6
IBRD exposure indicators											
IBRD DS[f] / public loan DS	6.5	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IBRD DS / exports (XGS)	1.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Country share in IBRD portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items											
Factor payments / exports (XGS) ratios											
Interest payments / exports	8.7	8.5	8.9	13.7	16.0	10.8	9.1	8.1	7.2	6.0	3.6
Total factor payments / exports	10.3	10.3	11.7	15.9	18.5	13.0	11.2	10.2	9.3	8.0	5.6

a. Historical data from Debt Reporting System (DRS); other data projected by country operations division staff.
b. "LT" denotes "long-term," "ST" denotes "short-term."
c. "DOD" denotes "debt outsanding and disbursed".
d. "TDS" denotes "total debt service."
e. "XGS" denotes "exports of goods and services," which comprise exports of goods, nonfactor services, factor receipts, and workers' remittances.
f. "DS" denotes "debt service."

Togo - Public Finance
(in billions of CFAF)

Base-case (most likely) projection

	Actual			*Estimate*		*Projection*				
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Government budget (billions LCUs)[a]										
Total current revenues	100.4	78.9	72.6	38.2	65.0	97.1	119.2	137.3	148.9	160.2
Direct taxes	31.9	24.0	22.2	11.8	27.0	37.5	47.7	54.3	58.6	63.0
Indirect taxes	50.6	44.8	32.7	19.0	33.6	46.3	55.2	63.3	69.1	74.4
On domestic goods and services	12.6	12.5	7.4	5.5	6.4	9.8	12.5	16.3	18.1	19.2
On international trade	38.0	32.3	25.3	13.5	27.2	36.5	42.8	47.0	51.0	55.1
Nontax receipts	17.9	10.0	17.8	7.4	4.5	13.3	16.3	19.7	21.2	22.8
Total Current Expenditures	95.5	92.5	83.1	84.8	119.5	122.8	125.7	130.9	135.8	142.0
Interest on external debt	12.9	13.0	11.4	13.3	27.9	21.8	20.9	20.4	19.6	17.6
Interest on domestic debt	1.5	1.5	1.3	1.5	2.1	2.7	1.9	1.2	1.1	1.1
Transfers to private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to other NFPS[b]	0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	5.6	3.9	5.8	4.3	12.1	10.0	10.3	10.6	10.9	11.2
Consumption	74.8	74.1	64.5	65.8	77.5	88.3	92.7	98.8	104.3	112.1
Wages and salaries	36.5	42.0	38.6	38.5	49.2	50.7	57.0	60.0	63.6	68.4
Other consumption	38.3	32.2	25.9	27.3	28.3	37.6	35.7	38.8	40.7	43.7
Budgetary Savings	4.9	-13.6	-10.5	-46.6	-54.5	-25.7	-6.5	6.4	13.0	18.2
Total Capital Expenditures	32.2	20.4	15.7	8.2	12.1	25.0	43.1	50.7	54.7	58.9
Overall balance (- = deficit)	-27.3	-34.1	-26.2	-54.8	-66.5	-50.7	-49.6	-44.3	-41.6	-40.7
Sources of financing (+)	27.3	34.1	26.2	54.8	66.5	50.7	49.6	44.3	41.6	40.7
Official grants	31.0	25.8	21.5	8.8	15.3	30.0	33.5	35.6	36.3	36.9
Net external borrowing[c]	8.0	17.8	8.9	11.1	40.6	4.7	..	..	..	..
Net monetary system	4.5	-6.6	0.1	9.9	35.6	12.1	..	..	..	..
Net other domestic borrowing	-16.2	-2.9	-4.2	25.0	-25.0	4.0	..	..	..	..

(continued)

a. "LCU" denotes "local currency unit."
b. "NFPS" denotes "nonfinancial public sector."
c. Includes possible debt relief and financing gap.

Togo - Public Finance (continued)

(in billions of CFAF)

Base-case (most likely) projection

	Actual			*Estimate*		*Projection*				
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Shares of GDP (%)										
Current revenues	22.5	17.3	16.3	10.1	11.9	14.8	16.5	17.4	17.5	17.5
Current expenditures	21.4	20.3	18 6	22.5	22.0	18.7	17.4	16.6	16.0	15.5
Budgetary savings	1.1	-3.0	-2.4	-12.3	-10.0	-3.9	-0.9	0.8	1.5	2.0
Capital expenditures	7.2	4.5	3.5	2.2	2.2	3.8	6.0	6.4	6.4	6.4
Overall Balance (- = deficit)	-6.1	-7.5	-5.9	-14.5	-12.2	-7.7	-6.9	-5.6	-4.9	-4.5
Official grants	7.0	5.7	4.8	2.3	2.8	4.6	4.6	4.5	4.3	4.0
Net external borrowing	1.8	3.9	2.0	3.0	7.5	0.7	..	..	..	..
Monetary system credit	1.0	-1.5	0.0	2.6	6.5	1.8	..	..	..	..
Other domestic financing	-3.6	-0.6	-0.9	6.6	-4.6	0.6	..	..	..	..
Government Debt (DOD /d at the end of the year in billions LCUs, unless noted)										
External debt	303.0	325.5	328.8	360.5	703.2	733.5	756.7	781.4	786.9	778.4
External debt (in US$ millions)	1181.6	1256.6	1194.3	1235.3	1325.6	1370.7	1403.6	1434.7	1434.3	1414.3
External debt / GDP	72.2	77.8	70.8	92.6	135.2	111.4	104.1	98.8	92.5	85.1
Debt to monetary system	39.8	26.1	29.4	38.2	70.4	79.7	..	..	..	..
Tax burden indicators (%)										
Direct taxes / GDP	7.2	5.3	5.0	3.1	5.0	5.7	6.6	6.9	6.9	6.9
Indirect taxes on domestic G&S[e] / GDP	2.8	2.8	1.6	1.5	1.2	1.5	1.7	2.1	2.1	2.1
Indirect taxes on domestic G&S / private consumption	4.0	3.6	2.1	1.7	1.5	2.0	2.4	2.9	3.0	3.0
Taxes on international trade / merchandise imports	27.3	25.3	23.3	19.0	23.5	25.9	26.9	27.1	27.0	27.0

d. "DOD" denotes "debt outstanding and disbursed."
e. "G&S" denotes "goods and services."

Togo - Monetary Survey
(in billions of CFAF)

Base-case (most likely) projection

	Actual			*Estimate*			*Projection*			
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
A. Annual Flows:										
Net foreign assets	3.3	-0.6	-22.2	-35.3	11.2	21.0	..	..	..	..
Net domestic assets	6.2	8.5	-4.2	-0.6	34.8	21.5	..	..	..	..
To government	2.7	-13.7	3.4	8.8	32.2	9.4	..	..	..	..
Government budget	4.5	-6.6	0.1	9.9	35.6	12.1	..	..	..	..
Other NFPS[a]	-1.8	-7.1	3.3	-1.1	-3.4	-2.7	..	..	..	..
To rest of the economy	3.5	22.3	-7.6	-9.4	2.7	12.1	..	..	..	..
Private sector	3.5	22.3	-7.6	-9.4	2.7	12.1	..	..	..	..
Other financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	..	..	..	..
Total assets = liabilities	9.5	7.9	-26.4	-35.9	46.0	42.5	..	..	..	..
Money and quasi-money	9.3	7.8	-27.6	-26.5	41.0	42.5	..	..	..	..
B. End of Year Stocks:										
Net foreign assets	75.3	74.7	52.5	17.2	28.4	49.4	..	..	..	..
Net domestic assets	122.7	131.2	127.0	126.4	161.3	182.8	..	..	..	..
To government (NFPS)	19.2	12.5	12.6	22.5	58.1	70.1	..	..	..	..
Government budget	39.8	26.1	29.4	38.2	70.4	79.7	..	..	..	..
Other NFPS	-20.6	-13.5	-16.8	-15.7	-12.3	-9.6	..	..	..	..
To rest of the economy	103.6	118.7	114.4	103.9	103.2	112.6	..	..	..	..
Private sector	103.6	118.7	114.4	103.9	103.2	112.6	..	..	..	..
Other financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	..	..	..	..
Total assets = liabilities	198.0	206.0	179.6	143.6	189.6	232.1	..	..	..	..
Money and quasi-money	190.5	198.3	170.7	144.2	185.2	227.7	..	..	..	..

(continued)

a. "NFPS" denotes "nonfinancial public sector."

Togo - Monetary Survey (continued)

(in billions of CFAF)

Base-case (most likely) projection

	Actual			Estimate			Projection			
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
C. Factors accounting for monetary expansion (as % MQM[b])										
Net foreign assets	39.5	37.7	30.8	11.9	15.3	21.7	..	..	..	..
Credit to government (NFPS)	10.1	6.3	7.4	15.6	31.4	30.8	..	..	..	..
Credit to rest of the economy	54.4	59.9	67.0	72.1	55.7	49.5	..	..	..	..
Net other liabilities (-)	4.0	3.9	5.2	-0.4	2.4	1.9	..	..	..	..
Total increase in MQM	100.0	100.0	100.0	100.0	100.0	100.0	..	..	..	..
D. Money, credit and prices										
MQM/GDP	42.8	43.5	38.2	38.2	34.0	34.6	..	..	..	..
Annual growth rate MQM	5.1	4.1	-13.9	-15.5	28.4	22.9	..	..	..	..
Annual growth rate private credit	..	14.6	-3.6	-9.1	-0.7	9.1	..	..	..	..

b. "MQM" denotes "money and quasi-money."

Projected Arrears, Rescheduling, and Reductions in Debt and Debt Service

(US$ millions at current prices)

Base-case (most likely) projection

	Estimate	*Projection*					
	1994	1995	1996	1997	1998	1999	2004
A. Interest payments							
1. Interest due per DRS[a] pipeline	..	..	..	..	..	..	..
2. Adjustments to DRS pipeline (if any)	..	..	..	..	..	..	..
3. Less interest saved through debt reduction	..	..	..	..	..	..	..
4. Plus interest on arrears/restructurin/DDSR[b]	..	..	..	..	.	..	..
5. Plus interest due on new LT[c] debt	..	..	..	..	..	..	..
6. Plus interest on ST[c] debt	..	..	..	..	..	..	..
7. Plus IMF service charges	..	..	..	..	..	..	..
8. Subtotal interest due (scheduled basis)	..	..	..	..	..	..	..
9. Adjustments to scheduled interest	..	..	..	..	..	..	..
10. a. Interest not paid	..	..	..	..	..	..	..
11. Arrears accumulation	..	..	..	..	..	..	..
12. Interest rescheduled	..	..	..	..	..	..	..
13. Interest forgiven	..	..	..	..	..	..	..
14. b. Arrears reduction (-)	..	..	..	..	..	..	..
15. Total interest paid (A8-A9) (cash basis)	..	..	..	..	..	..	..
B. Disbursements							
1. Disbursements per DRS pipeline	..	..	..	..	..	..	..
2. Adjustments to DRS pipeline (if any)	..	..	..	..	..	..	..
3. Plus disbursements on new LT debt, of which	..	..	.	..	..	..	..
4. Disbursements for debt reduction	..	..	..	..	..	..	..
5. Subtotal LT disbursements	..	..	..	..	..	..	..
6. Plus net ST capital	..	..	..	..	..	..	..
7. Plus IMF purchases	..	..	..	..	..	..	..
8. Total disbursements	..	..	..	..	..	..	..
C. Principal repayments	..	..	..	..	..	..	..
1. Principal due per DRS pipeline	..	..	..	..	..	..	..
2. Adjustments to DRS pipeline (if any)	..	..	..	..	..	..	..
3. Less principal saved through debt reduction	..	..	..	..	..	..	..
4. Plus principal on arrears/restructuring/DDSR	..	..	..	..	..	..	..
5. Plus principal on new LT debt	..	..	..	..	..	..	..
6. Subtotal LT repayments due (scheduled basis)	..	..	..	..	..	..	..

(continued)

a. "DRS" denotes "Debt Reporting System."

b. "DDSR" denotes "debt and debt service reduction."

c. "LT" denotes "long-term," "ST" denotes "short-term."

Projected Arrears, Rescheduling, and Reductions in Debt and Debt Service (continued)

(US$ millions at current prices)

Base-case (most likely) projection

	Estimate	*Projection*					
	1994	1995	1996	1997	1998	1999	2004
7. Plus IMF repurchases	..	..	..	..	..	..	..
8. Subtotal repayments due (scheduled basis)	..	..	..	..	..	..	..
9. Adjustments to scheduled principal repayments	..	..	..	..	..	..	..
10. a. Principal not paid	..	..	..	..	..	..	..
11. Arrears accumulation	..	..	..	..	..	..	..
12. Principal rescheduled	..	..	..	..	..	..	..
13. Principal forgiven	..	..	..	..	..	..	..
14. b. Arrears reduction/prepayments	..	..	..	..	..	..	..
15.Total principal repayments made (C8-C9) (cash basis)	..	..	..	..	..	..	..
D. Debt oustanding (end of period)	..	..	..	..	..	..	..
1. Long-term DOD[d] per DRS[a] pipeline , of which	..	..	..	..	..	..	..
2. Existing principal arrears	..	..	..	..	..	..	..
3. Adjustments to DRS pipeline (if any)	..	..	..	..	..	..	..
4. Less reduction from forgiveness/DDSR[b]	..	..	..	..	..	..	..
5. Plus consolidation from restructuring/DDSR	..	..	..	..	..	..	..
6. Plus new principal arrears (+increase/-reduction)	..	..	..	..	..	..	..
7. Plus new LT[c] debt	..	..	..	..	..	..	..
8. Plus ST[c] debt, of which	..	..	..	..	..	..	..
9. Interest arrears not yet capitalized	..	..	..	..	..	..	..
10. Plus use of IMF credit	..	..	..	..	..	..	..
11. Exchange rate impacts on DOD	..	..	..	..	..	..	..
12. Total DOD, of which	..	..	..	..	..	..	..
13. Total arrears (interest + principal)	..	..	..	..	..	..	..
Memorandum item: Adjustment due to debt write-offs	..	..	..	..	..	..	..

a. "DRS" denotes "Debt Reporting System."

b. "DDSR" denotes "debt and debt service reduction."

c. "LT" denotes "long-term," "ST" denotes "short-term."

d. "DOD" denotes "debt outstanding and disbursed."

IMAGING

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