Togo: Country Assistance Strategy - Progress Report

We welcome the discussion of this Progress Report for Togo. It is encouraging to learn that, over the last two years, remarkable progress has been made in macroeconomic and structural reform areas, and that this performance is fully in line with the base case. We commend the Togolese authorities for these achievements, especially considering the difficult, internal sociopolitical situation facing the country.

While there is no doubt that the main challenges ahead for Togo remain poverty reduction and the creation of an environment favorable for sustainable private sector-led growth, the government should remain fully committed to the adjustment and reform process in order to reach a sustainable economic recovery. This will lay the foundation for achieving these longer-term objectives above mentioned.

We have the following comments and questions.

With respect to the economic outlook, we are aware that the changes in prices of cotton and phosphates are critical to the external current account position in the medium-term. Considering that a number of uncertainties exist and that these areas usually support the balance of payments projections, we believe that the authorities should make efforts to identify the potential for diversification and expansion of the export sector of the economy. That diversification, if it takes hold, should be expected to contribute significantly towards external viability. Furthermore, it would be important that the government adopt the second phase of its divestiture program as soon as possible.

As regards portfolio management, we are happy to learn from staff that, in general, project implementation has improved considerably during the CAS period. At the same time, we are concerned by the fact that two projects in the area of education were rated unsatisfactory, and that “actions have been agreed for both projects to closure or suspension of disbursements before the end of the fiscal year”. In our view, it is regrettable that in a country where education is one of the priority sectors for poverty alleviation, two credits of this sort are put at risk of
cancellation. Considering that a portfolio improvement action plan was recently adopted by both the Government and the Bank, we wonder whether there is not an option to reactivate those credits within the current base case. Staff comments would be appreciated.

Another issue that deserves special consideration is good governance. As noted by the staff, financial transparency, especially with regards to public expenditure management, the institutional and regulatory environment, and the judiciary system, is an important factor in the creation of a climate of confidence conducive to strong private sector development. While we are aware that a private sector assessment is underway and some of these issues will be taken up in the context of a planned Financial Adjustment Credit, the government should, in our view, be convinced that consolidating the positive results of its adjustment efforts and achieving lasting economic progress will require a national program of strengthening its macroeconomic management and revising sectoral policies. We would therefore argue that, in the future, all these issues should be taken into consideration.

Finally, despite the difficult political environment and the uncertainties created by the forthcoming elections, the government must demonstrate its determination to stay on course with its adjustment strategy and establish a good track record of policy performance.

With these remarks we wish the Government of Togo every success in its future endeavors.