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# INFORMATION NOTE



REPUBLIC OF  
TOGO

## Presentation of Sovereign issuers of West African Monetary Union

December 2019

Quality review by **Deloitte.**



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**MINISTRE DE L'ECONOMIE  
ET DES FINANCES**

**SECRETARIAT GENERAL  
DIRECTION GENERALE DU TRESOR  
ET DE LA COMPTABILITE PUBLIQUE**



**REPUBLIQUE TOGOLAISE**  
Travail – Liberté - Patrie

### Attestation de l'émetteur

Je soussigné, Ekpao ADJABO, Directeur Général du Trésor et de la Comptabilité Publique, agissant au nom et pour le compte de la République Togolaise, atteste que les données et informations contenues dans la présente Note d'Information sont conformes à la réalité et n'ai connaissance d'aucune information de nature à en altérer la portée.

L'objectif visé à travers cette Note d'Information est de porter à l'attention des investisseurs sur les titres publics émis par la République Togolaise, toutes les informations utiles à la prise de décisions d'investissement.

Toutefois, je rappelle que les informations et analyses prospectives présentées dans ce document, sont basées sur des projections établies à partir d'hypothèses qui sont entachées d'incertitudes pouvant entraîner des différences entre les réalisations effectives et les performances économiques attendues.

Cette note d'information publiée sera mise à jour chaque fois que nécessaire, afin de rendre compte :

- de l'évolution de la situation économique de la République Togolaise ;
- de la disponibilité ou de la mise à jour des données économiques ;
- de quelques changements intervenus.

**LE DIRECTEUR GENERAL**



**Ekpao ADJABO**

## ACRONYMS

<b>NEA</b>	:	Net External Assets
<b>AIDE</b>	:	<i>Appui à l'insertion et au développement de l'embauche</i> /Support for the integration and development of hiring
<b>NA</b>	:	National Assembly
<b>APRODAT</b>	:	<i>Agence de promotion et de développement des agropoles au Togo</i> /Agency for the promotion and development of agropoles in Togo
<b>ARV</b>	:	Antiretroviral
<b>ASES</b>	:	African Stock Exchanges Association
<b>APDS</b>	:	Analysis of public debt sustainability
<b>ADB</b>	:	African Development Bank
<b>BCEAO</b>	:	Central Bank of West African States
<b>BEPC</b>	:	Brevet d'études du premier cycle/First cycle certificate
<b>ICP</b>	:	Industrial and commercial profit
<b>BOAD</b>	:	West African Development Bank
<b>BRVM</b>	:	Bourse régionale des valeurs mobilières/Regional Securities Exchange
<b>BTS</b>	:	Brevet de technicien supérieur/technician certificate
<b>CAS-IMEC</b>	:	Cellule d'appui et de suivi des institutions mutualistes ou coopératives d'épargne et de crédit/ Support and monitoring unit for mutual institutions or savings and credit cooperatives
<b>BCU</b>	:	Business Climate Unit
<b>ECOWAS</b>	:	Economic Community of West African States
<b>CEMAC</b>	:	Economic and Monetary Community of Central Africa
<b>CEPD</b>	:	Certificate of completion of primary education
<b>AFC</b>	:	African Financial Community
<b>BFC</b>	:	Business Formalities Center
<b>CNDP</b>	:	Comité National de la Dette Publique/National Public Debt Committee
<b>DAPP</b>	:	duties on oil products
<b>DAS</b>	:	Annual salary statement
<b>DB</b>	:	Doing business
<b>DDPF</b>	:	Directorate of Public Debt and Financing
<b>DGEAE</b>	:	Directorate General of Economic Studies and Analysis
<b>SDR</b>	:	Special drawing right
<b>ECF</b>	:	Extended credit facility
<b>IFAD</b>	:	International Fund for Agricultural Development
<b>IMF</b>	:	International Monetary Fund
<b>HAPLUCIA</b>	:	Haute autorité de prévention et de lutte contre la corruption et les infractions assimilés /authority for the prevention and fight against corruption and related offenses
<b>FDI</b>	:	Foreign direct investment
<b>HDI</b>	:	Human Development Index
<b>HICP</b>	:	Harmonized Index of Consumer Prices
<b>IIGA</b>	:	Ibrahim Index of Governance in Africa
<b>FRMT</b>	:	Flat-rate minimum tax
<b>INSEED</b>	:	Institut National de la statistique et des études économique et démographiques/National Institute of Statistics, Economic and Demographic Studies
<b>IRPP</b>	:	Personal income tax
<b>IS</b>	:	Corporate income tax
<b>LMD</b>	:	Bachelor-master-doctorate
<b>MIFA</b>	:	Incentive mechanism for agricultural financing
<b>MPDD</b>	:	Patriotic Movement for Development and Democracy
<b>MRC</b>	:	Movement of centrist republicans

<b>NEC</b>	:	New Togolese commitment
<b>TIN</b>	:	Tax Identification Number
<b>SDG</b>	:	Sustainable development goals
<b>WTO</b>	:	World Trade Organization
	:	
<b>TRO</b>	:	Togolese Revenue Office
<b>PDP</b>	:	Pan-African Democratic Party
<b>REP</b>	:	Regional Economic Program
<b>GDP</b>	:	Gross Domestic Product
<b>PIP</b>	:	Public Investment Program
<b>SME/</b>	:	Small and medium enterprises/industries
<b>PNDS</b>	:	National Health Development Plan
<b>NDP</b>	:	National Development Plan
<b>PNIASA</b>	:	National Agricultural Investment and Food Security Program
<b>PPP</b>	:	Public-private partnership
<b>HIPC</b>	:	Highly indebted poor country
<b>PROVONAT</b>	:	Promotion of national volunteering in Togo
<b>PSE</b>	:	Education Sector Plan
<b>PSNEJ</b>	:	National Strategic Plan for Youth Employment
<b>TFP</b>	:	Technical and financial partners
<b>RGPH</b>	:	General population and habitat census
<b>SCAPE</b>	:	Strategy for accelerated growth and employment promotion
<b>DFS</b>	:	Decentralized financial system
<b>TLS</b>	:	Trade liberalization scheme
<b>SPT</b>	:	Supplementary protection tax
<b>CET</b>	:	Common external rate
<b>TPU</b>	:	Single business tax
<b>VAT</b>	:	Value Added Tax
<b>WAEMU</b>	:	West African Economic and Monetary Union
<b>UFC</b>	:	Union of forces for change
<b>UNIR</b>	:	Union for the Republic



## EXECUTIVE SUMMARY

Over the 2013-2017 period, economic activity in Togo was impacted by the implementation of the Accelerated Growth and Employment Promotion Strategy (SCAPE), the execution of agricultural sector projects through the National Agricultural Investment and Food Security Program (PNIASA) and the achievement of major construction works and strengthening of economic infrastructure.

The Togolese economy recorded an annual growth rate of over 5.0% over the entire period, except in 2017 when it stood at 4.4%. Economic activity is expected to accelerate in 2018 with an estimated real GDP growth rate of 4.9% and 5.1% in 2019.

The fiscal deficit to GDP ratio remained above the Community norm of 3.0% over the entire period 2013-2017. However, with an estimated fiscal deficit of 3.0%, Togo is expected to meet the WAEMU community ceiling in 2018.

Togo has met the WAEMU convergence criterion relating to the inflation rate over the period 2013-2017 with inflation below the threshold of 3.0%. The inflation rate is estimated at 2.1% for 2018.

The current account deficit to GDP fell from 13.2% in 2013 to 8.1% in 2017, an improvement of 5.0 points in five (5) years. The burden of public debt has increased in recent years.

The outstanding public debt to GDP increased from 53.7% in 2013 to 80.0% in 2016 before settling at 73.8% in 2017. It is estimated at 74.6% in 2018.



## BRIEF OVERVIEW OF THE COUNTRY



TOGO



Area  
56 785 km<sup>2</sup>



Population :  
7 889 094  
inhabitants (2018)  
(source : World Bank)

Official Language : French  
Currency : CFAF



Democratic presidential system

Political capital : Lomé



(source : National Services, BCEAO)

- ▶ Economy based on **agriculture**, **extractive industry** and **trade**
- ▶ **Fifth** largest **phosphate** producer in the world



# 1. GENERAL PRESENTATION OF THE COUNTRY

## 1.1. Political system

---

Togo is a democratic and secular Republic. It became independent on 27 April 1960 and has lived under the Fourth Republic since 14 October 1992, the date of adoption of the last Constitution. In Togo, the system is presidential and pluralist.

### 1.1.1. Executive power

The President of the Republic is elected by direct universal suffrage for a renewable term of five (5) years. He is the Head of State, the guarantor of independence and national unity, national territorial integrity, respect for the Constitution and international treaties and agreements, as well as the continuity of the State and the institutions of the Republic.

Under the authority of the President of the Republic, the government composed of the Prime Minister and ministers determines and conducts the nation's policy and runs the civil and military administration. It manages the administration, the armed forces and the security forces.

In the event of a vacancy in the Presidency of the Republic due to death, resignation, or permanent incapacity, the presidential office is temporarily held by the President of the National Assembly. The vacancy is declared by the Constitutional Court once it is referred by the Government. The latter convene the electorate within sixty (60) days of the opening of the vacancy for the election of a new President of the Republic.

### 1.1.2. Legislative power

The legislative power is exercised by a Parliament composed of two assemblies: The National Assembly (NA) and the Senate. The latter is not yet operational.

The deputies of the National Assembly are elected by direct and secret universal suffrage by first-past-the-post vote for five (05) years. They may be re-elected, with no term limit. The National Assembly meets as of right in two (02) ordinary sessions per year: the first session opens on the first Tuesday of April and the second session opens on the first Tuesday of

October. Each session lasts three (03) months.

The initiative for legislation belongs concurrently to MPs and the government. The tabling on the National Assembly's desk of draft laws and legislative proposals is announced without delay in plenary session by the President. They are discussed in plenary session as follows: the discussion of draft laws, proposed laws and resolutions concerning a text presented by the competent National Assembly (NA) commission; the discussion is opened by the presentation of the report seized by the commission of the matter, followed where appropriate, by that of the reports of the commission seized for opinion.

Since 2013, the number of deputies in the National Assembly has increased to 91 from 81 between 1994 and 2013. The parliamentary elections of 20 December 2018 ended the fifth legislature. The sixth legislature is expected to begin in January 2019. It is composed as follows: 59 deputies for the Union for the Republic (UNIR), the presidential majority, 14 deputies from the opposition (7 for the UFC, 3 for the NET, 2 for the MPDD, 1 for the PDP and 1 for the MRC) and 18 independent MPs.

### 1.1.3. Judicial power

The judiciary, which guarantees the individual freedoms and fundamental rights of citizens, is independent of the legislative and executive powers. Judges are subject, in the performance of their duties, only to the authority of the law.

The Supreme Court is the highest court of the State in judicial and administrative matters. It is composed of two chambers: The Judicial Chamber and the Administrative Chamber. Each of these chambers constitutes an autonomous jurisdiction within the Supreme Court and is composed of a chamber president and administrative litigation advisers.

The High Court of Justice in Togo, composed of the President and Presidents of the Supreme Court chambers and four (04) deputies elected by the National Assembly, is the only court competent to hear offenses committed by the President of the Republic and to judge members of the government and their

accomplices in the event of a conspiracy against State security.

## 1.2. Administrative organization

The Togolese Republic is organized into territorial communities based on the principle of decentralization. These territorial communities are municipalities, prefectures, and regions. Territorial communities are freely administered by councils elected by universal suffrage, under the conditions provided for by law. The State ensures the harmonious development of all territorial communities on the basis of national solidarity, regional potential and inter-regional balance.

Togo is divided into five (5) administrative regions, which are themselves divided into thirty-nine (39) prefectures. From South to North, the 5 administrative regions are: the Maritime region (capital Lomé), the Plateau region (capital Atakpamé), the Central region (capital Sokodé), the Kara region (capital Kara) and the Savannah region (capital Dapaong).

## 1.3. Geographical location

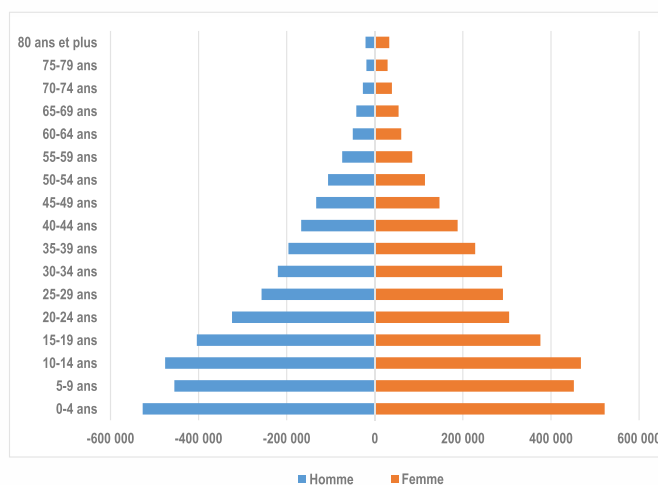
Located in West Africa, on the coast of the Gulf of Guinea, Togo covers an area of 56.600 km<sup>2</sup>. It stretches over a length of 600 km and a width varying between 50 and 150 km. Bordered to the north by Burkina Faso, to the south by the Atlantic Ocean, to the east by Benin, and to the west by Ghana.

The Togolese relief is mainly composed of two (2) plains covered with savannahs separated by the Togo chain (Atakora), oriented from the North-East to the South-West. There are several lakes in Togo, the largest of which is Lake Togo. The country has a tropical climate divided into two (2) main zones: a Guinean-type zone in the south with two (2) dry seasons (November to March and July to August) and two (2) rainy seasons (March to July and September to October); a second Sudanese type zone covering the northern half and characterized by a single rainy season (May to October) and a dry season (November to April).

## 1.4. Population

Togo's population stood at 6,191,155 inhabitants in 2010, according to the National Institute of Statistics and Economic and Demographic Studies (INSEED), from a population of 2.719.567 inhabitants in 1981. In 2010, 48.6% were men and 51.4% were women. This distribution has remained stable since 1981. In 2017, the population is estimated at 7,178,000 inhabitants with a density of 132.8 inhabitants/km<sup>2</sup>. Nearly a quarter of the population resides in the capital's large urban area (Lomé-Commune) and 42% in the Maritime region. Overall, 41.2% of the total population live in urban areas compared to 39.1% in 2013. The structure of the population by major age groups shows a preponderance of young people with 60% under 25 years of age, 42% under 15 years of age and 4% over 65 years of age. The total fertility rate is 4.1 children per woman. The age pyramid below shows the distribution of the population by age group.

Figure 1. 2017 Age pyramid



Source: Data from the National Institute of Statistics and Economic and Demographic Studies, 2015

According to the 2015 INSEED projections, the population will reach 9.4 million in 2031, representing an average annual growth rate of 2.3% between 2010 and 2031.

## 1.5. Education

To meet the challenge of developing and modernizing its education system, the country has adopted an Education Sector Plan (2010-2020 PSE) in March 2010. It was then revised in December 2013 for the 2014-2025 period. It aims at balancing the national educational pyramid while correcting disparities, improving the efficiency and quality of the educational service, building an effective partnership with the various members of the social body and improving the sector's management and governance.

The formal school system begins with preschool, which lasts two years and is addressed to children aged 4 to 5 years old. The entry into primary education is at age 6 and lasts 6 years, with the end of primary school being marked by a certificate of completion of primary education (CEPD) giving access to secondary education. General secondary education includes a first cycle of four-year completed by the first cycle certificate (BEPC) and a second cycle of three-year completed by the baccalaureate. Students who choose the vocational path after the BEPC can continue their studies in a technical and vocational college.

Higher education lasts from two to seven years and is open to high school graduates. It provides academic and professional training. In July 2008, the Bachelor-Master-Doctorate (LMD) system was introduced in higher education. BTS training is provided by the private sector.

The gross pre-school enrolment rate<sup>1</sup> and the gross primary school enrolment rate were 21.1% and 123% respectively in 2017 compared to 13.55% and 126.6% in 2013. The net primary school enrolment rate<sup>2</sup> was 89.9% in 2017. In secondary education, the gross enrolment rate and the net enrolment rate were 61.7% and 40.9% respectively in 2017. In higher education, the gross enrolment rate stood at 12.9% in 2017.

The lower secondary school completion rate performed well, rising from 43 % in 2016 to 50 % in 2017. However,, the upper secondary school is still faced

with certain challenges related to access and quality. Indeed, the upper secondary school completion rate went from 22.5% in 2016 to 16% in 2017.

## 1.6. Health

According to the results of the health map drawn up in 2015, the State is the main healthcare provider with 59% of the offer. The private sector (41% of the healthcare offer) is mainly liberal and concentrated in the major urban centers, mainly in Lomé, where demand is more solvent. However, it is poorly regulated, especially in its geographical location, and not always taken into account in planning the offer of services. To this offer, we must add the presence of a traditional sector that is quite influential, especially in rural areas.

In terms of social health protection in Togo, only 7.6% of the Togolese population is currently covered by a health insurance mechanism. The total number of health workers in the public and private sectors is estimated at 14,877. 75% of whom are public and 25% private. Lomé-Commune has 32.6% of the total number of the medical staff. The medical staff to population ratio shows a disparity between the regions: Savannah region 6.6 staff per 10,000 inhabitants, Plateau region 6.8 staff per 10,000 inhabitants, Maritime region 8 staff per 10,000 inhabitants, Kara region 9.8 staff per 10,000 inhabitants, Central region 10.3 staff per 10,000 inhabitants, against a WHO standard of 23.

The proportion of the general state budget allocated to health remains low. It went from 5.4% in 2015 to 4.6% in 2017.

Togo's health system has improved in recent years. This has resulted in an improvement in the well-being of the population. Thus, life expectancy at birth<sup>3</sup> increased from 59.8 years in 2000 to 65.6 years in 2016. The gross birth rate is 32.0 per 1000 and the mortality rate is 7.4 per 1000. The total fertility rate is 4.0 children per woman. According to data from the 2010 RGPH, maternal mortality is 437 per 100,000. Malaria was the main reason for consulting patients in 2016. Its morbidity rate is 42%. It is followed by respiratory tract infection and wounds and trauma

<sup>1</sup> Source : UNESCO, [www.uis.unesco.org/fr/country/tg](http://www.uis.unesco.org/fr/country/tg)

<sup>2</sup> Data not available for preschool and for the comparison year (2013).

<sup>3</sup> Health statistics yearbook of Togo, 2016, Ministry of Health



with morbidity rates of 7% and 6% respectively. Concerning HIV/AIDS, the number of patients on antiretroviral therapy is increasing thanks to the free provision of ARV drugs decreed in 2008 by the government, supported by technical and financial partners, the decentralization of ARV dispensing, and the extension of healthcare services.

In 2017, the Ministry of Health began implementing its new National Health Development Plan (2017-2022 PNDS). Through this plan, Togo aims to establish an efficient, accessible and equitable health system capable of satisfying the right to health for all, in particular for the most vulnerable groups.

## 1.7. Employment

In terms of employment, unemployment stood at 3.4% of the working population in 2015. The latter was estimated at 3,758,000 in 2016. However, it is higher in urban areas, at 6.2% compared to 1.3% in rural areas. In addition, the unemployment rate is higher for men (4%) than for women (2.7%). According to the place of residence, the Lomé agglomeration has the highest unemployment rate at 7.8%, significantly higher than that recorded in other urban areas (3.5%) and in rural areas (1.3%).

With regard to underemployment, it remains high at the national level. It was estimated at 24.9% in 2015. Based on gender, men are more underemployed (25.8%) than women (24.1%). This rate is lower in rural areas (22.9%) than in urban areas (27.7%). Employment remains dominated by the informal sector, which provides nearly 70% of jobs.

Since 2011, Togo has undertaken a policy to promote youth employment through the Promotion of

National Volunteerism in Togo (PROVONAT) and the Support for Integration and Hiring Development (AIDE) program aimed at providing first professional experience to graduates.

Employment is a concern for the government because of the growing gap between the evolution of the labor force and that of the jobs created as a result of the short-term inability of the economic system to generate sustainable, productive and decent jobs. To address these constraints and provide adequate solutions to rising unemployment and underemployment, a national employment policy and a national strategic plan for youth employment (PSNEJ) were adopted in 2014.

## 1.8. Reminder of the main aggregates

### 1.8.1 Level of development

Togo's Human Development Index (HDI) increased from 0.47 in 2013 to 0.50 in 2017. This development is in line with the country's efforts in the field of education. Togo is ranked 165th in the world out of 189 countries. Despite this progress, Togo remains in the category of nations with "low human development". Socio-economic inequalities have increased over the past decade due to gender issues and the unequal redistribution of the benefit of growth. Indeed, in 2007, the inequality of the distribution in the standard of living measured by the GINI index ranged from 33.5% to 42.7% in 2017.

The table above shows the evolution of the real GDP per capita and the GDP in purchasing power parity (PPP) per capita.

<sup>4</sup> 2015 QUIBB Survey, National Institute of Statistics and Economic and Demographic Studies

<sup>5</sup> National Development Plan 2018-2022

<sup>6</sup> Togo, 2017 poverty map, INSEED

**Table 1: Real GDP per capita and GDP purchasing power parity**

Years	GDP per capita (USD, 2005 constant)	PPP GDP per capita (USD, current)	PPP GDP per capita (USD, 2011 current)
2010	527	1201	1226
2011	546	1270	1270
2012	566	1343	1318
2013	585	1413	1362
2014	604	1485	1406
2015	622	1547	1449
2016	638	1603	1485
2017	650	1663	1512

Source: World Bank data

## 1.8.2 Summary table

**Table 2: Main macroeconomic aggregates (data in billions, unless otherwise indicated)**

	2013	2014	2015	2016	2017	2018
<b>National economy</b>						
<b>nominal GDP</b>	2 134.5	2 258.9	2 471.8	2 614.5	2 739.6	2 935.1
<b>Real GDP growth</b>	6.1	5.9	5.7	5.1	4.4	4.9
<b>Investment rate (as a % of GDP)</b>	29.6	27.9	32.2	26.8	20.0	22.1
<b>Inflation rate (in %)</b>	1.8	0.2	1.8	0.9	-0.8	2.1
<b>Balance of payments</b>						
<b>CIF Exports</b>	751.9	655.5	597.7	614.2	603.8	
<b>CIF Imports</b>	1 182.0	1 093.9	1 208.5	1 185.9	1 164.0	
<b>Balance</b>	-430	-438.4	-610.8	-571.7	-373.8	-576.5
<b>Current account balance</b>	-280.7	-226.4	-272.6	-258.7	-222.9	-230.8
<b>Public finances</b>						
<b>Revenues and grants</b>	522.1	551.2	628.2	695.0	709.9	759.3
<b>Expenses</b>	614.4	626.4	780.6	912.7	717.7	787
<b>Balance</b>	-106.7	-100.2	-124.1	-127.6	-58.2	63.5
<b>Public debt</b>						
<b>Domestic debt</b>	727.4	877.5	1 037.4	1 529.8	1 470.1	
<b>External debt</b>	357.4	470.5	699.1	518.8	538.1	
<b>Domestic debt as a % of GDP</b>	34.1	38.8	42.0	58.5	53.7	73.4
<b>Budget deficit</b>						
<b>In value terms</b>	-106.7	-100.2	-124.1	-127.6	-58.2	-88.6
<b>As a percentage of GDP (%)</b>	-5.0	-4.4	-5.0	-4.9	-2.1	-3.0

Source: DGEAE /INSEED/BCEAO

## 2. RECENT ECONOMIC SITUATION AND FUTURE PROSPECTS<sup>7</sup>

### 2.1 Gross domestic product assessment

The economic activity in Togo over the 2013-2017 period was mainly marked by the implementation of the Strategy for Accelerated Growth and Employment Promotion (SCAPE), the execution of agricultural projects through the National Program for Agricultural Investment and Food Security (PNIASA) and the implementation of major construction work and the strengthening of economic infrastructure. The Togolese economy recorded an annual growth rate of over 5.0% over the entire period, except in 2017 when it stood at 4.4%. Economic activity is expected to recover in 2018 with a real GDP growth estimated at 4.9%.

#### 2.1.1 Level of GDP (expressed in CFA francs)

The growth rate stood 5.9% in 2014, 5.7% in 2015 and 5.1% in 2016. In 2017, it fell to 4.4%, the lowest rate in nine years. The slowdown in the growth rate is attributable to the completion of the work to strengthen economic infrastructure, in particular the autonomous port of Lomé and the international airport. In 2018, growth is estimated at nearly 5% and the following years until 2020.

**Table 3: Evolution of the nominal GDP**

in billions of CFA Francs	2013	2014	2015	2016	2017	2018 est.	2019 proj.	2020 proj.
<b>Nominal GDP</b>	2 134.5	2 258.9	2 471.8	2 614.5	2 739.6	2 935.1	3 134.0	3 365.3

Source: INSEED/DGEAE

#### 2.1.2 Real GDP growth (expressed as a %)

The recovery in growth would be supported by the strength of phosphate mining and cotton production, as well as by the strong performance of the tertiary sector, particularly airport activities, and by duties and taxes. The economy is expected to reap the

benefits of the significant public investment made in recent years and the increase in foreign direct investment (FDI) flows. Through the improvement of the business environment and public infrastructure, the private sector is expected to play an increasing role as an engine of growth.

**Table 4 : Evolution of the real GDP growth rate**

	Real GDP growth (%)							
	2013	2014	2015	2016	2017	2018 est.	2019 proj.	2020 proj.
<b>Total GDP</b>	6.1	5.9	5.7	5.1	4.4	4.9	5.1	5.1
<b>Primary sector</b>	-3.2	7.4	0.0	8.8	7.7	5.6	6.0	5.6
<b>Secondary sector</b>	13.7	1.0	1.6	0.8	6.2	8.8	11.1	9.6
<b>Tertiary sector</b>	5.7	6.8	6.7	3.2	7.2	5.1	3.4	4.5
<b>Duties and taxes</b>	15.5	7.6	18.3	14.2	-4.6	4.8	5.9	7.7

Source: INSEED/DGEAE

<sup>7</sup> The GDP data are based on the GDP Committee's macroeconomic framework of September 2018. Data from 2013 to 2015 are from the final national accounts produced by the National Institute of Statistics and Economic and Demographic Studies (INSEED).

**2.1.2 Structural breakdown of GDP (expressed as a %)** years by the primary and tertiary sector, as has been the case in recent years.

GDP growth is expected to be driven in the coming

**Table 5 : Structural breakdown of GDP in terms (in %)**

	2013	2014	2015	2016	2017	2018 Est.	2019 Proj.	2020 Proj.
<b>Total GDP</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Primary sector</b>	26.6	25.7	24.4	41.9	42.6	42.8	43.3	43.1
<b>Secondary sector</b>	16.8	16.2	15.6	16.4	16.6	16.6	18.2	19.5
<b>Tertiary sector</b>	43.9	43.6	43.9	27.6	27.7	27.5	25.6	24.5
<b>Duties and taxes</b>	12.7	14.5	16.1	14.1	13.1	13.1	12.9	12.9

Source: INSEED/ DGEAE

**2.2 Details of the gross domestic product**

**2.2.1 GDP in value, sectoral breakdown**

The structure of Togo's economy shows a predominance of the primary and tertiary sectors in the

formation of GDP. In particular, it appears that agriculture plays an important role in economic activity. In the tertiary sector, trade activities, trade services, transport, and communications also play a significant role.

**Table 6 : GDP in value**

	2012	2013	2014	2015	2016	2017
<b>Primary sector (i)</b>	564	567.2	580.2	602.5	1096.7	1168.1
<b>Agriculture</b>	449.6	444.3	452.1	463.8	823.2	849.5
<b>Secondary sector (ii)</b>	319.3	359.7	365.4	385.4	427.9	454.8
<b>Extractive industries</b>	64.2	61.2	55.3	66.2	85.1	82
<b>Manufacturing industries</b>	126.9	167.9	167.7	168.3	119	138.4
<b>Tertiary sector (iii)</b>	850.7	939.7	1015.4	1140.9	537.7	582.7
<b>Trade</b>	174	188	175	167.8	187.6	206.5
<b>Transport, Warehouses and Communications</b>	213	228.1	248.7	263.2	121.8	133.2
<b>Banking, Insurance</b>	66.4	68.5	73.6	91.8	51.2	54.6
<b>Other market services</b>	234.6	245	251.8	282.5	177.1	188.3
<b>MARKET PRODUCTIVE ACTIVITIES (iv)</b>	1733.9	1866.5	1961	2128.8	2343.6	2456.3
<b>Public services</b>	149.5	164	173.9	225.9	232.5	243.3
<b>NON-MARKET PRODUCTIVE ACTIVITIES (v)</b>	243.6	267.9	298.1	343	271	283.4
<b>GDP - GROSS DOMESTIC PRODUCT</b>	1977.5	2134.5	2259.1	2471.8	2614.5	2739.6

Source: BCEAO (\*) provisional data



## 2.2.2 GDP in composition

Since 2010, thanks to information and communication technologies, the tertiary sector has played a major role in the creation of national wealth. Its share in nominal GDP was 43.9% in 2015 and its contri-

bution to real growth is 3.1 points out of the 5.7% in real GDP growth. It is followed by the primary sector (24.4%) and the secondary sector (15.6%). The informal sector contributed 35.9% to the GDP formation in 2015 compared to 39.3% in 2014.

**Table 7: GDP in composition**

	2012	2013	2014	2015	2016	2017
<b>Primary sector (i)</b>	29%	27%	26%	24%	42%	43%
<b>Agriculture</b>	23%	21%	20%	19%	31%	31%
<b>Secondary sector (ii)</b>	16%	17%	16%	16%	16%	17%
<b>Extractive industries</b>	3%	3%	2%	3%	3%	3%
<b>Manufacturing industries</b>	6%	8%	7%	7%	5%	5%
<b>tertiary sector (iii)</b>	43%	44%	45%	46%	21%	21%
<b>Trade</b>	9%	9%	8%	7%	7%	8%
<b>Transport, Warehouses and Communications</b>	11%	11%	11%	11%	5%	5%
<b>Banking, Insurance</b>	3%	3%	3%	4%	2%	2%
<b>Other market services</b>	12%	11%	11%	11%	7%	7%
<b>VAB MARKET BRANCHES</b>	88%	87%	87%	86%	90%	90%
<b>Public services</b>	8%	8%	8%	9%	9%	9%
<b>VAB NON-MARKET BRANCHES (v)</b>	12%	13%	13%	14%	10%	10%
<b>GDP - GROSS DOMESTIC PRODUCT</b>	100%	100%	100%	100%	100%	100%

Source: BCEAO (\*) provisional data

## 2.2.3 GDP by component

Final consumption at current prices increased by an annual average of 6% between 2010 and 2017, driven by both private consumption (+4.6%) and public consumption (+14.5%). The share of final consumption in GDP is 98.1% in 2017 compared to 94% in 2010. The investment rate increased by 10.6 points in five years, from 21.6% in 2010 to 32.2%

in 2015, in line with the intensification of infrastructure construction work. With the completion of the work and the measures taken by the government to reduce the budget deficit, public investment expenditure fell, leading to a decline in the investment rate: 20.0% in 2017 against 26.8% in 2016.

**Table 8 : GDP, demand perspective**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Domestic demand</b>	2 508.6	2 713.3	2 991.4	3 149.0	3 238.4	3 446.9	3 650.3	3 853.7
<b>Final consumption</b>	1 925.8	2 035.7	2 218.3	2 453.5	2 683.0	2 789.8	2 904.7	3 020.1
<b>Private consumption</b>	1 604.0	1 662.0	1 773.6	2 080.6	2 240.5	2 320.9	2 431.3	2 523.9
<b>Public consumption</b>	321.9	373.7	444.7	372.9	442.5	468.9	473.4	496.2
<b>FBCF</b>	582.7	677.6	773.1	695.4	555.4	657.1	745.6	833.7
<b>Private FBCF</b>	440.4	482.5	513.9	368.3	380.9	461.3	518.0	581.4
<b>Public FBCF</b>	142.4	195.1	259.2	327.1	174.5	195.7	227.6	252.3
<b>Exports</b>	992.0	897.2	886.0	938.6	938.2	951.4	956.3	965.1
<b>Stocks Var.</b>	48.7	-46.9	23.4	4.7	-2.6	-4.0	-4.0	-4.1

Source: INSEED/DGEAE



## 3. NATIONAL DEVELOPMENT PLAN AND ECONOMIC PROSPECTS

### 3.1 National Development Plan (NDP)

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In 2006, in order to find appropriate responses to the deterioration of macroeconomic and social indicators, the result of several years of socio-political crises, Togo started a process of structural reforms and macroeconomic policies through the implementation of national poverty reduction strategies, the latest of which was the 2013-2017 Strategy for Accelerated Growth and Employment Promotion. This process made it possible to conduct a forward-looking reflection at both the local and central levels on strategic sustainable development issues, including the economic and social challenges facing the country.

The implementation of the various development policies has enabled Togo to make progress in boosting the economy through regular real GDP growth of 5% on average per year over the 2013-2017 period. Macroeconomic stability has improved. The incidence of poverty fell by 3.6 percentage points between 2011 and 2015, from 58.7% to 55.1% of the total population. Employment increased as evidenced by the 3.1 percentage point reduction in unemployment, from 6.5% in 2011 to 3.4% in 2015, but with a still high underemployment rate (25.8% in 2015).

Despite significant progress over the past decade, significant challenges remain in terms of social and spatial inequalities, weak national productive systems, human resources and governance. With the implementation of the SCAPE now complete, Togo has adopted a National Development Plan (NDP) for the 2018-2022 period. The NDP builds on lessons learned from the implementation of successive poverty reduction strategies and takes into account the residual challenges arising from the SCAPE reviews and the results of prioritizing the targets of the Sustainable Development Goals (SDGs) at the central and regional levels. It is also inspired by the Agenda 2063 of the African Union and the 2020 Vision of the Economic Community of West African States (ECOWAS).

The NDP aims to reconcile and translate the ambitions of emergence and sustainable development

through the structural transformation of the economy and the professionalization of the various sectors of the value chains, the acceleration of growth, the reduction of poverty and inequality and the preservation of the environment. To achieve this ambition, actions are focused on three (03) strategic axes:

- Strategic axes 1: Establish a logistics hub of excellence and a first-class business center in the sub-region.
- Strategic axes 2: Develop agricultural, manufacturing and extractive industries processing poles.
- Strategic axes 3: Consolidate social development and strengthen inclusion mechanisms.

The total cost of the investments included in the NDP amounts to CFAF 4,622.2 billion over the 2018-2022 period, with an expected contribution of 65% from the private sector. Indeed, public investment expenditure in this plan is estimated at CFAF 1,623.1 billion, representing 35% of the total cost. Private investments cover the rest of the financing at a rate of CFAF 2,999.1 billion.

The structural transformation should make it possible to achieve, by 2022, real GDP growth of 7.6%, leading to an acceleration in the level of human development and, above all, an improvement in Togo's global HDI ranking by at least ten (10) places. With the support of the private sector and development partners, resources will be devoted to the agricultural sector with innovative and appropriate financing mechanisms that will be used as a priority to modernize agriculture. This includes improving agricultural efficiency through the development of appropriate mechanization, controlling water use and strengthening cooperatives linked to the processing sector. It is also planned to set up agropoles around high value-added sectors (including rice, pineapple, and poultry) and to set up a major processing factory for each targeted high value-added sector.

Manufacturing and extractive industries are identified<sup>8</sup> as key pillars for significant economic growth and job creation. To this end, Togo will set up a manufacturing industries cluster.

<sup>8</sup> Source : 2018-2022 NDP TOGO

The NDP will place particular emphasis on (i) vocational training, which is a central element in improving the productivity of the economy, accelerating youth employment and reducing social inequalities; (ii) social protection, to gradually broaden inclusion to all segments of the population and strengthen the contribution of the social sector to wealth creation; (iii) corporate social responsibility, to increase civic responsibility for the protection of rights; and (iv) continued efforts to improve the quality of and access to basic social services, including general education, health, nutrition, energy services, water, and sanitation.

### 3.2 Other reforms

In order to stimulate a new economic dynamic based on the structural transformation of the national economy, Togo has opted for a new agricultural policy based on the development and promotion of agropoles. This new strategy for the promotion of agropoles, launched in 2017, aims, on the one hand, to transform agricultural, fisheries and livestock products into manufactured products through the promotion of SME/SMIs and the strengthening of relations between the productions, processing and marketing activities of these products. On the other hand, it aims to establish synergy between most of the actors and social inclusion in order to improve the living conditions of rural populations.

Over the next five years, the implementation of this policy should focus on pilot agropoles: (i) in the Kara basin centered around the sesame, poultry and beverage (fruit juice) value chains, (ii) in the Oti basin around the rice, poultry and livestock/meat value chains and (iii) on supporting private actors in the cashew nut sector to create an agropole in the Haut-Mono.

The overall cost of the project, managed by the Agency for the Promotion and Development of Agropoles in Togo (APRODAT), is estimated at CFAF 64 billion, of which CFAF 35 billion will be financed by the ADB and BOAD. Investments are planned in research, innovation, training and capacity building for the various actors in the agricultural sector to have

more qualified human resources capable of making this new policy a success with concrete and lasting positive impacts. The implementation of agropoles will contribute to poverty reduction, mainly in rural areas, with a reduction of more than 15% over the next five years, and job creation. It will also contribute to the creation of wealth in rural areas and the reduction of the agricultural trade balance deficit.

To definitively solve the problem of access to bank loans and agricultural sector financing, Togo launched the Agricultural Financing Incentive Facility (MIFA) in June 2018. It is a risk-sharing project that aims in particular to be a driving force for more generous agricultural loans from the banking sector and to lower interest rates on loans granted to this sector. This mechanism aims to develop policies adapted to the agricultural sector, apply risk management tools to attract key skills and actors through effective mechanisms and consolidate the links in the various value chains. By adopting it, Togo wants to finance the agricultural sector differently and lead its green revolution. In total, more than one million producers were expected to be favorably impacted by 2021. This mechanism receives financial support from the International Fund for Agricultural Development (IFAD), the African Development Bank (ADB).

As part of the implementation of the Togolese State's commitments to sustainable development objectives, in particular SDG 7 on universal access to reliable and affordable energy services, Togo has also adopted a new national electrification strategy. It is based on an optimal technological combination to provide access to electricity for all Togolese by 2030. The country hopes to install 300 mini solar power plants through PPP (public-private partnership) and increase off-grid coverage by connecting 555,000 remote households via individual kits. In addition, the electricity grid will be extended to nearly 1,000 localities.

### 3.3 Future projects

Togo is aware that the development of the railway network is essential to strengthen its role as a transit and export country for mining and industrial pro-



ducts. Thanks to its more competitive tariffs compared to road tariffs and its loading capacity, the rail network could considerably improve the mobility of goods within the national territory.

Togo's ambition is to significantly increase rail traffic. To this end, the rehabilitation and construction of the Lomé Cinkassé line on the Burkina Faso border and

the modernization of the existing railway network are planned<sup>9</sup>. They are based on the anticipation of an increase in potential traffic, both internal and external. The Lomé Cinkassé railway will link the Autonomous Port of Lomé to the border with Burkina Faso to serve Burkina Faso, Mali and Niger. It will thus promote a fluid trade flow between Togo and these countries.

<sup>9</sup> They are still at the discussion stage. Feasibility studies are not available



## 4. MONETARY SYSTEM AND FINANCIAL MARKETS

### 4.1 Structural elements

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#### 4.1.1. Description of the Franc zone

The Franc zone is characterized by four (4) founding principles. These principles were set out in the Monetary Cooperation Agreement between the Member States of the Bank of Central African States and France of 23 November 1972, as well as in the Cooperation Agreement between the Member States of the West African Monetary Union and France of 4 December 1973.

The four main principles of the Franc zone are:

- **A guarantee from the French Treasury for the unlimited convertibility of the Central Bank currency:** the currencies issued by the issuing institutions of the franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-zones, an operation account is opened with the French Treasury by each Central Bank in the zone and on which the Central Banks have an unlimited drawing right in the event of the exhaustion of their foreign exchange reserves;
- **A fixed parity with the euro of 1 Euro for 655.957 CFA francs:** the parity of the zone's currency with the euro is fixed and defined for each sub-area. The currencies of the zone are interconvertible, at fixed parities, without limitation of amounts. The changeover to the euro resulted in a simple substitution of the anchoring to the French franc by the anchoring to the euro, at equivalent parity, i.e., CFAF 655.957 = EUR 1 (the parity being identical for the West and Central Africa sub-zones).
- **Free and unlimited transfer of reserves:** transfers are, in principle, free within the Zone.
- **Centralization of reserves:** States centralize their foreign exchange reserves in their Central Banks, while in return for the unlimited convertibility guaranteed by France, the Central Banks of the franc zone are required to deposit a portion of their net foreign assets (foreign exchange reserves) with the French Treasury in the operating account opened in the name of each of them. For BCEAO since the September 2005 reform, BCEAO must deposit 50%

of its external assets in its operation account.

#### 4.1.2. Description of BCEAO

Article 41 of the WAEMU Treaty designates the Central Bank of West African States (BCEAO) as an autonomous specialized institution of the Union. In complete independence, BCEAO contributes to the achievement of the objectives of the Treaty.

##### Members

The eight (8) WAEMU Member States are members of BCEAO. These are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

##### Bodies

The bodies of the Central Bank are: The Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, the National Credit Councils, with one Council in each of the WAMU Member States.

##### How it works

The Central Bank, its bodies, any member of its bodies or staff may not seek or receive directives or instructions from Community institutions or bodies, from the governments of WAEMU Member States, from any other body or any other person. The Community institutions and bodies and the governments of the WAEMU Member States commit to respect this principle.

The main objective of the Central Bank's monetary policy is to ensure price stability. Without prejudice to this objective, the Central Bank shall support the economic policies of the West African Economic and Monetary Union (WAEMU) with a view to healthy and sustainable growth.

##### Roles

The Central Bank has the following basic missions:

- define and implement the monetary policy within WAEMU,
- ensure the stability of the WAEMU banking and financial system,

- promote the proper functioning and ensure the supervision and security of payment systems in the WAMU region,
- implement WAEMU's exchange rate policy under the conditions laid down by the Council of Ministers,
- Manage the official foreign exchange reserves of WAEMU Member States.

The Central Bank may, with due regard for monetary balance, carry out specific missions or projects that contribute to improving the monetary policy environment, diversifying and strengthening the WAEMU financial system and technical and professional capacities in the banking and financial sector.

The main objective of the Central Bank's monetary policy is to ensure price stability. As such, it defines the monetary policy that maintains the external coverage rate of the currency at a satisfactory level, and to support the economic activity of member countries without inflationary pressure.

BCEAO oversees the monetary policy of each member country by setting annual money supply and credit targets. Statutory advances to Member States' national treasuries were suspended in 2001 and abolished as from 2010.

For the conduct of the common monetary policy, BCEAO relies on market mechanisms and indirect liquidity to regulate instruments, in particular the management of interest rates and the system of minimum reserves.

#### 4.1.3. Monetary policy

BCEAO enjoys the exclusive privilege of issuing money in all Member States of the West African Monetary Union. It issues monetary signs, notes and coins, which have legal tender status and discharge power in all the Member States of the Union. The creation, issue and cancellation of monetary signs shall be decided by the Council of Ministers.

The Central Bank's management of the monetary policy of the Member States of the Union consists in adjusting the overall liquidity of the economy in line with developments in the economic situation, to ensure price stability on the one hand; and to promote economic growth on the other hand.

The current money and credit management framework is based on market mechanisms and indirect liquidity regulation instruments, including interest rates and the minimum reserve system.

The functioning of BCEAO is based on:

- Open market operations: seven-day and twenty-eight-day refinancing (respectively weekly and monthly for banks subject to minimum reserves) at variable rates; the minimum bid rate is considered by BCEAO as its prime rate (currently 2.5%). The planned auctions are generally calibrated according to BCEAO's forecast of liquidity needs over the maturity of the operations;
- Permanent loan windows: 1-7 or 90-360 day refinancing against government securities and credit applications with maturities ranging from 5 to 20 years, at the banks' request (marginal loan window). The rates at these windows are 200 basis points higher than the prime rate. As of June 2017, the use of the loan window has been capped at twice the counterpart's own funds.

The minimum interest rate bid to open market operations (call for tenders) and the interest rate applicable to the marginal loan window (pension rate), the levels of which are set by the Monetary Policy Committee, are 2.50% and 4.50% respectively, and constitute BCEAO's two main prime rates.

#### Money supply in Togo

The money supply increased at an annual rate of 12.2% over the period 2013-2018 period. In 2018, it stood at CFAF 1,726 billion against CFAF 1,578.7 billion in 2017 and CFAF 1,020.7 billion CFAF in 2013. The money supply represented 58.8% of the nominal GDP in 2018, an increase of 11 points compared to its 2013 level. This evolution is driven by the increase in domestic receivables from CFAF 922.3 billion in 2013 to CFAF 1,434.3 billion in 2018 and the increase of CFAF 178.6 billion in net external assets between 2013 and 2018.

Money in circulation amounted to CFAF 335.2 billion at the end of December 2018, compared with CFAF 158.6 billion at the end of December 2013. The public preference coefficient<sup>11</sup> for money in circulation

<sup>10</sup> BCEAO Monetary Policy Committee, at its first meeting held on 14 September 2010 in Dakar, defined the operational objective of price stability as an annual inflation rate in the Union around 2% within a margin of  $\pm$  one percentage point (1%), over a period of twenty-four (24) months.

was 0.1944 at the end of December 2018, compared with 0.1553 at the end of December 2013. Transferable deposits (sight deposits) increased from CFAF 381.6 billion in 2017 to CFAF 579.4 billion in 2018, an increase of 51.8%, mainly due to the increase in bank deposits. Other deposits (term deposits, savings accounts, etc.) included in the money supply amounted to CFAF 809.6 billion, compared with CFAF 480.5 billion in 2017.

At the end of December 2018, the net external assets (NEAs) of Togo's deposit-taking institutions were estimated at CFAF 562.2 billion, of which CFAF 68.1 billion for the Central Bank and CFAF 494.1 billion for the banks. Compared to 2013, NEAs increased

by CFAF 178.6 billion (+46.5%), in line with the CFAF 206.2 billion increase in banks' NEAs, mitigated by the CFAF 27.6 billion decline in the Central Bank's NEAs.

Outstanding domestic receivables amounted to CFAF 1,434.1 billion at the end of 2018, up 55.4% compared to the end of December 2013. This increase is driven by the increase in net receivables from the central government and receivables from the economy. Receivables from the economy amounted to CFAF 1,225.7 billion at the end of December 2018 compared to CFAF 854.1 billion CFAF in 2013.

<sup>11</sup> Currency circulation in relation to the money supply



Table 9 : Monetary aggregates

In billions of CFAF	2013	2014	2015	2016	2017	2018
<b>Broad money and its components</b>						
<b>Currency in circulation</b>	<b>158.6</b>	<b>146.3</b>	<b>240.5</b>	<b>245.2</b>	<b>298.3</b>	<b>335.2</b>
<b>Banknotes and coins put into circulation</b>	195.5	181.8	278.8	281.7	332.3	374.0
<b>Bank cash (to be deducted)</b>	35.9	34.3	37.2	35.3	32.5	38.0
<b>Cash from Treasuries (to be deducted)</b>	1.0	1.2	1.1	1.3	1.5	0.8
<b>Transferable deposits</b>	<b>381.6</b>	<b>411.7</b>	<b>446.2</b>	<b>531.3</b>	<b>558.5</b>	<b>579.4</b>
<b>BCEAO</b>	0.8	1.1	1.7	2.1	5.1	2.2
<b>Commercial Banks</b>	366.5	396.0	426.7	511.7	534.7	554.3
<b>CCP and CNE</b>	14.3	14.6	17.8	17.5	18.7	22.9
<b>M1</b>	<b>540.2</b>	<b>557.9</b>	<b>686.7</b>	<b>776.5</b>	<b>856.7</b>	<b>914.6</b>
<b>Other deposits included in the money supply (1)</b>	<b>480.5</b>	<b>499.8</b>	<b>590.8</b>	<b>659.2</b>	<b>722.0</b>	<b>809.5</b>
<b>BCEAO</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>AID /IDA</b>	480.5	499.8	590.8	659.2	721.9	809.5
<b>Money supply (M2)</b>	<b>1 020.7</b>	<b>1 057.7</b>	<b>1 277.5</b>	<b>1 435.7</b>	<b>1 578.7</b>	<b>1 724.1</b>
<b>Counterparts to the money supply</b>						
<b>Net external assets</b>	<b>383.6</b>	<b>309.6</b>	<b>455.6</b>	<b>530.7</b>	<b>546.8</b>	<b>562.2</b>
<b>BCEAO</b>	95.7	30.9	158.4	90.6	83.5	68.1
<b>Banks</b>	287.9	278.8	297.3	440.1	463.4	494.1
<b>Domestic receivables</b>	<b>922.3</b>	<b>943.4</b>	<b>1 118.4</b>	<b>1 183.4</b>	<b>1 341.8</b>	<b>1 434.1</b>
<b>Net receivables from the Central Administration</b>	68.2	81.7	59.9	30.9	164.9	208.4
<b>BCEAO</b>	35.0	36.1	51.9	-13.4	-11.8	25.8
<b>Banks</b>	33.2	45.5	8.0	44.3	176.8	182.6
<b>Receivables from the economy</b>	854.1	861.7	1 058.5	1 152.5	1 176.9	1 225.7
<b>BCEAO</b>	3.2	3.0	2.6	2.4	2.7	2.9
<b>Banks</b>	850.9	858.8	1 055.8	1 150.1	1 174.1	1 222.8
<b>Non-monetary liabilities (2)</b>	<b>183.1</b>	<b>124.8</b>	<b>144.0</b>	<b>178.1</b>	<b>196.2</b>	<b>210.5</b>
<b>Shares and other interests in IDs</b>	135.2	90.4	107.7	131.4	140.7	139.3
<b>BCEAO</b>	-1.4	-1.0	-0.4	3.6	6.1	7.8
<b>Banks</b>	136.6	91.5	108.1	127.8	134.6	131.5
<b>Non-monetary commitments of IDs</b>	47.9	34.3	36.3	46.7	55.5	71.2
<b>Deposits excluded from M2</b>	26.7	27.3	29.9	39.8	45.6	59.3
<b>Borrowings</b>	21.2	7.0	6.4	6.9	9.9	11.9
<b>Securities other than shares excluded from M2</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other net items (3)</b>	<b>102.1</b>	<b>70.6</b>	<b>152.6</b>	<b>100.3</b>	<b>113.8</b>	<b>61.7</b>
<b>of which counterpart deposits with CCPs</b>	<b>-14.3</b>	<b>-14.6</b>	<b>-17.8</b>	<b>-17.5</b>	<b>-18.7</b>	<b>-22.9</b>
<b>Total M2 counterparts (4)</b>	<b>1 020.7</b>	<b>1 057.7</b>	<b>1 277.5</b>	<b>1 435.7</b>	<b>1 578.7</b>	<b>1 724.1</b>

Source: BCEAO

## 4.2 Banking system and financial markets

### 4.2.1. The banking environment

Togo's banking system is governed by the Banking Act of the West African Economic and Monetary

Union. It is composed of thirteen (13) banks. As shown in the table below, the amount of assets and liabilities of banks has increased significantly in recent years. It rose from 1,429.4 billion in 2013 to 34,496.5 billion in 2017.

**Table 10 : Commercial bank balance sheets**

In billions of CFA francs	2013	2014	2015	2016	2017
<b>ASSETS</b>	1 429.4	1 647.6	27 606.2	32 135.1	34 496.5
<b>LIABILITIES</b>	1 429.4	1 647.6	27 606.2	32 135.1	34 496.5

Source : BCEAO

### MICROFINANCE

In 2018, the number of microfinance institutions recorded<sup>12</sup> was 76 compared to 87 in 2015 and 98 in 2013. The number of depositors or beneficiaries of DFS services has been increasing since 2013. Indeed, it rose from 1.4 million in 2013 to 2.6 million in 2018. The number of service points is 520 in 2018. Outstanding deposits increased by 20.6% over the 2013-2016 period and stood at CFAF 154.8 billion in 2016. The amount of outstanding loans increased by 22.4% over the same period to CFAF 133.8 billion in 2016. In 2018, deposits amounted to 186.7 billion and outstanding loans to 164.9 billion. The amount of outstanding receivables is 11.8 billion and the portfolio deterioration rate is 7.15%.

### 4.2.2. Financial markets (BRVM)

The Regional Stock Exchange (BRVM) is a specialized financial institution created on December 18, 1996, following a decision of the Council of Ministers of the West African Economic and Monetary Union (WAEMU) taken in December 1993.

BRVM is a public limited company with a community public service mission. This stock exchange is common to all 8 West African countries. BRVM/CC/SB started its activities on 16 September 1998 in Abidjan. Its main missions are as follows:

- o the organization of the stock market;
- o the publication of stock exchange transactions;
- o the dissemination of information on the Stock Exchange;

- o promotion and market development.

From 2016 to 2018, the WAEMU stock market (BRVM) experienced successive declines of -3.87% in 2016, -16.81% in 2017 and -29.14% in 2018. This underperformance shows that the WAEMU market did not fully resist the general downward trend that has affected the world's financial markets. The decline in 2018 in BRVM is particularly marked. The preferred values in 2015, focused towards the Food and Beverage sectors as well as the Agribusiness, Consumer, Automotive and Equipment industries and Banks sectors, declined.

The drop in prices on BRVM in 2018 could be explained, on the one hand, by the profit-taking of several large investors who had made significant capital gains on their investment, and on the other hand, by the readjustment (rectification) after four (4) years of intensive market growth (2012 to 2015) and by the poor understanding of the different segments made on the market. New investors are speculating and most listed companies have not reacted to the fall in their capitalization.

During the 2018 financial year, BRVM Composite Index went from 243.06 on 29/12/2017 to 172.24 on 31/12/2018. The market capitalization of the stock market decreased from CFAF 6,836.23 billion at the end of 2017 to CFAF 4,844.51 billion at the end of 2018. BRVM also reached the CFAF 236 billion (CFAF 236.22 billion) mark in 2018. 117.303.543 shares were traded for a value of CFAF 174,449,217,023. The market capitalization of shares amounted to

<sup>12</sup> Source: BCEAO database ([www.bceao.int](http://www.bceao.int))

CFAF 4,844.51 billion in December 2018 compared to CFAF 6,836.23 billion in December 2017, a decrease of 29.14%.

Concerning the bond segment, 6,359,442 bonds were traded for a value of CFAF 61,767,647,783 in 2018. The market capitalization of bonds amounted

to CFAF 3,444.22 billion on 31 December 2018, compared with CFAF 2,969.53 billion the previous year, an increase of 15.5%. This improvement was driven by the desire of WAEMU member states to use the regional financial market to support their respective economies.

**Table 11 : Evolution of the BRVM financial market**

	2012	2013	2014	2015	2016	2017	2018
<b>BRVM Index 10</b>	184.0	246.3	267.5	290.4	262.0	219.7	154.4
<b>BRVM Composite Index</b>	166.6	232.0	258.1	303.9	292.2	243.06	172.2
<b>Composite market capitalization ( shares and bonds) in CFAF billion</b>	4 863.2	6 706.2	7 458.7	9 078.9	10 215.5	9 805.8	8 288.7
<b>Share Market</b>	4 031.4	5 633.5	6 319.7	7 499.7	7 706.3	6 836.2	4 844.5
<b>Bond Market</b>	831.8	1 072.8	1 139.0	1 579.2	2 509.3	2 969.5	3 444.2
<b>Number of listed companies</b>	38	37	38	39	43	45	45

Source : BRVM

### Bond market

Five Togolese actors have issued bonds on BRVM: the ECOWAS Bank for Investment and Development, BOAD, the Regional Mortgage Refinancing Fund, ORAGROUP and Oragroup SA.

### Share market

Two companies based in Togo are listed on the Regional Stock Exchange (BRVM). These are Ecobank Transnational Incorporated (ETI) and ORAGROUP. ETI, a bank founded in 1985, joined BRVM on September 11, 2006. It operates in 36 African countries and is currently the second-largest bank in Africa. As for the ORAGROUP banking group, it joined BRVM on 16 April 2019. The group is present in twelve countries in West and Central Africa.

The two financial institutions are expected to represent 11.7% of BRVM market capitalization. Togo would thus occupy the fourth place in the WAEMU

stock exchange after Senegal (39.9%), Côte d'Ivoire (33.1%) and Burkina Faso (12.5%).

### 4.2.3. Debt subscription mechanisms<sup>13</sup>

The frequency of auctions is decided by the States, in consultation with the Central Bank. Treasury bill and bond auctions may not be held more than once a week. For Treasury bills, a schedule specifying the instruments and their amount and maturity is published quarterly by the Minister of Finance, in consultation with the Central Bank, and mainly based on anticipated government revenues and expenditures. For Treasury bonds, on the other hand, a provisional issuance schedule specifying the instruments, their amount and maturity is drawn up each year by the Minister of Finance, in consultation with the Central Bank.

Each issue must be published at least 7 days before the auction and describe the main features of the

<sup>13</sup> Source : [www.africanbondmarkets.org](http://www.africanbondmarkets.org)

transaction. Subscribers submit to the Central Bank a bid form specifying the amount and interest rates or the price of their bid, in a sealed envelope in a box provided for that purpose. Tenders may also be submitted electronically under the conditions defined by the Central Bank.

Within one hour of the deadline for submission of bids, BCEAO national directorates transmit major bids electronically, by fax, or by any other rapid means of communication accepted by the Central Bank to the main branch of BCEAO, which organizes the auction.

Treasury bills can be refinanced by the Central Bank. Investors and the Central Bank may buy or sell Treasury bonds on the secondary market, allocated by

mutual agreement. In this context, they are required to publish the purchase and sale price they wish to see applied to the transaction.

Treasury bonds can be traded on the secondary market. As such, they can be traded on the Regional Stock Exchange (BRVM) or elsewhere.

### 4.3 Inflation rate

The rate of inflation measured by the change in the Harmonized Index of Consumer Prices (HICP) has followed a downward trend since 2011, falling from 3.6% to 0.2% in 2014 before rising to 1.8% in 2015 due to higher prices for some food products and fisheries. In 2017, it was -0.8% compared to 0.9% in 2016.

**Table 12 : Inflation rates in TOGO and WAEMU**

Evolution of the inflation rate (in %)		
Year	TOGO	WAEMU
2012	2.6	2.4
2013	1.8	1.5
2014	0.2	-0.1
2015	1.8	1.0
2016	0.9	0.3
2017	-0.8	0.8

Source: INSEED/ WAEMU Commission

Thus, since 2012, inflation has remained below the 3% threshold recommended under multilateral surveillance. This control of inflation is mainly driven by the availability of local food products, particularly food, due to the cereal surpluses recorded during the agricultural seasons.

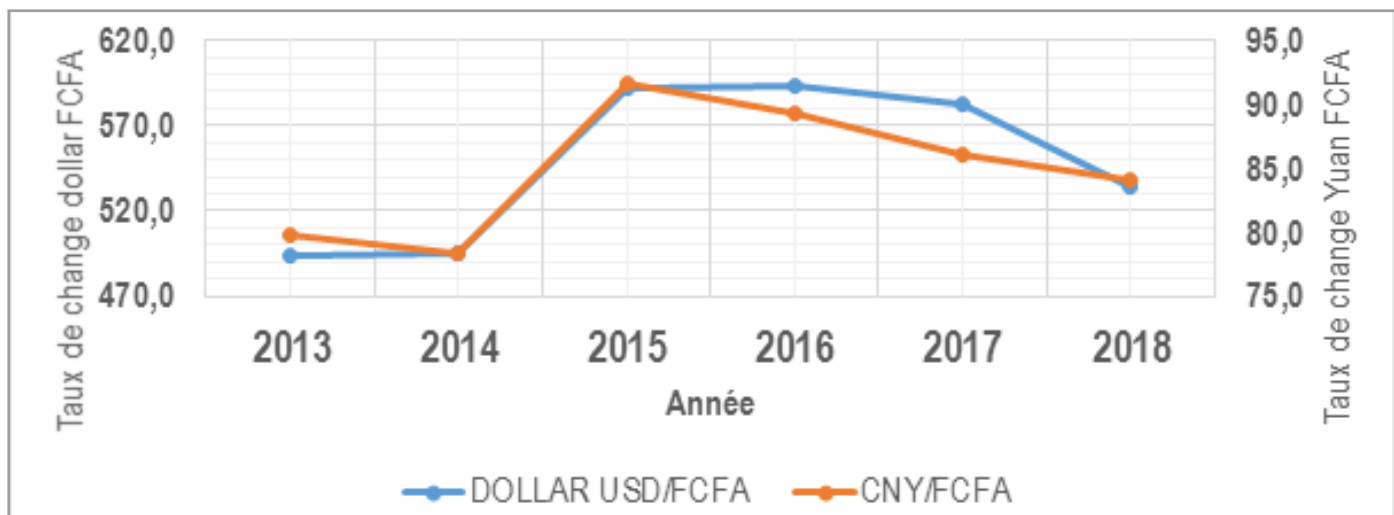
### 4.4 Exchange rates

The graph below shows the evolution of the exchange rate between the US dollar and the CFAF on the one hand and the yuan and the CFAF on the

other. Over the 2013-2018 period, the exchange rate between the dollar and the CFAF increased in favor of the dollar. In 2013, one (01) US dollar was worth CFAF 494.1 before reaching a peak of CFAF 593.1 in 2016. This has had an impact on Togo's economy. This appreciation of the dollar has led to higher import prices, particularly the oil bill and an increase in dollar-denominated debt.

Over the same period, the yuan appreciated overall. In 2013, one yuan was exchanged for CFAF 79.7. In 2015, this exchange rate reached a peak of CFAF 91.6 and reached CFAF 84.2 in 2018.

Figure 2. Evolution of the exchange rates of the dollar and yuan against the CFAF



Source: BCEAO data

#### 4.5 Foreign reserves

The table below shows the country's reserves by nature.

Table 13 : Monetary aggregates

In billions of CFAF	2012	2013	2014	2015	2016	2017
<b>BCEAO</b>						
<b>Net external assets</b>	71.8	-152.8	-207.4	-258.7	-328.0	-394.1
<b>Receivables from non-residents</b>	214.5	44.2	52.1	45.6	32.5	45.2
<b>Liabilities to non-residents</b>	142.7	197.0	259.5	304.3	360.6	439.3
<b>Other deposit-taking institutions</b>						
<b>Net external assets</b>	270.2	287.9	278.8	297.3	440.1	463.4
<b>Receivables from non-residents</b>	405.5	469.0	482.8	600.3	773.5	773.8
<b>Liabilities to non-residents</b>	- 135.2	- 181.2	- 204.0	- 303.1	- 333.3	- 310.5

Source : BCEAO



## 5. FOREIGN TRADE AND BALANCE OF PAYMENTS

### 5.1 Balance of payments

The current account of the balance of payments remains structurally in deficit as shown in the table above. Over the 2013-2018 period, the current account deficit amounted to more than CFAF 200 billion, except in 2017 when it stood at CFAF 56.1 bil-

lion following an improvement in the trade balance deficit. The current account deficit as a percentage of GDP went from 13.2% in 2013 to 2.0% in 2017 and 7.9% in 2018.

**Table 14: Main balance of payments accounts**

<b>TOGO in billions of CFA francs</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Current account</b>	-280.7	-226.4	-277.5	-258.7	-56.1	-230.8
<b>Trade balance</b>	-430.0	-438.4	-610.8	-571.7	-373.8	-576.5
<b>Capital account</b>	155.6	157.5	159.4	163.6	141.4	155.7

Source: BCEAO

Over the period under review, exports slowed due to an unfavorable macroeconomic environment. Imports followed the same trend. But the situation is expected to improve in 2018. However, the growth

in imports remains higher than that of exports. The financial account balance evolved in a contrasting manner over the period driven by direct investment and portfolio investment.

**Table 15: 2013-2018 Balance of payments**

<b>TOGO in billions of CFA francs</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Current account</b>	<b>-280.7</b>	<b>-226.4</b>	<b>-277.5</b>	<b>-258.7</b>	<b>-56.1</b>	<b>-230.8</b>
<b>Trade balance</b>	<b>-430.0</b>	<b>-438.4</b>	<b>-610.8</b>	<b>-571.7</b>	<b>-373.8</b>	<b>-576.5</b>
<b>Exports</b>	751.9	655.5	597.7	614.2	591.5	637.4
<b>Imports</b>	1182.0	1093.9	1208.5	1185.9	965.3	1213.9
<b>Capital account</b>	<b>155.6</b>	<b>157.5</b>	<b>159.4</b>	<b>163.6</b>	<b>141.4</b>	<b>155.7</b>
<b>Acquisition/sale of non-financial assets</b>	-1.3	0.0	0.0	0.0	0.0	0.0
<b>Capital transfers</b>	156.9	157.5	159.4	163.6	141.4	155.7
<b>Financial account</b>	<b>-164.2</b>	<b>9.8</b>	<b>-225.6</b>	<b>-159.8</b>	<b>77.5</b>	<b>-90.5</b>
<b>Direct investments</b>	-100.9	150.6	53.7	179.7	-70.3	87.5
<b>Portfolio investments</b>	39.3	68.4	-75.6	-160.5	176.6	-6.1
<b>Other investments</b>	-102.6	-209.1	-203.7	-179.0	-28.8	-171.9

Source: BCEAO

## 5.2 Regional trade

### 5.2.1. Regional trade policy

The regional trade policy under construction is governed by the provisions set by ECOWAS, which for the most part include those of WAEMU and extend them to all ECOWAS Member States through adjustments.

This policy aims to promote the harmonious integration of the region into the world economy, taking into account the political choices and priorities of States in their efforts to ensure sustainable development and reduce poverty.

The process of developing this common trade policy consists first of all in defining its constituent elements: the free trade area, the CET, accompanying measures (rules of origin, investment and competition legislation, safeguard measures, harmonization of customs procedures), as well as the various actions aimed at developing ECOWAS' trade relations with the rest of the world.

While there is currently no common ECOWAS trade policy as such, in the sense of a Community text adopted by the Heads of State and Government, several measures have already been implemented, which will serve as a basis for the common trade policy:

- the trade liberalization scheme (TLS);
- the introduction of a Community levy (CL) of 0.5%;
- the TRIE Convention;
- the harmonization of rules of origin with those of WAEMU;
- harmonization of standards with WAEMU;
- the adoption of a competition law;
- the harmonization of indirect domestic tax legislation;
- the adoption of the ECOWAS CET.

The ECOWAS Trade Liberalization Scheme (ETLS) is the main operational tool to promote the West African region as a Free Trade Area. ETLS pursues the Community objective of creating a common market with "the liberalization of trade through the abolition of customs duties on imports and exports and the removal of non-tariff barriers among Member States (Article 3 of the ECOWAS Treaty).

The ECOWAS Trade Liberalization Scheme covers three (3) product groups: unprocessed products, handicrafts and industrial products.

With the inclusion of industrial products, it has proved essential to define products "originating" in the TLS region:

- fully processed goods; products in which all the raw materials originate from the region;
- goods that are not fully processed but whose production requires the use of materials that will be classified under a different tariff subheading than the product;
- goods that are not fully processed but whose production requires the use of materials that have undergone an added value of at least 30% of the ex-factory price of the finished products.

It should be noted, however, that goods processed in free zones or under special economic regimes leading to the suspension or partial or total exemption from import duties cannot benefit from the quality of the originating product.

To facilitate trade and promote the private sector, ECOWAS is implementing actions to strengthen information systems and promote regional trade (ECOBIZ Global Market Information System; West African Investment Promotion Agencies (APIAO); e-commerce through the ECOBIZ platform, Community Information Centre (CIC), ALISA system (transit computerization and interconnection of ECOWAS customs IT systems).

These results mark significant developments towards the implementation of a Community trade policy.

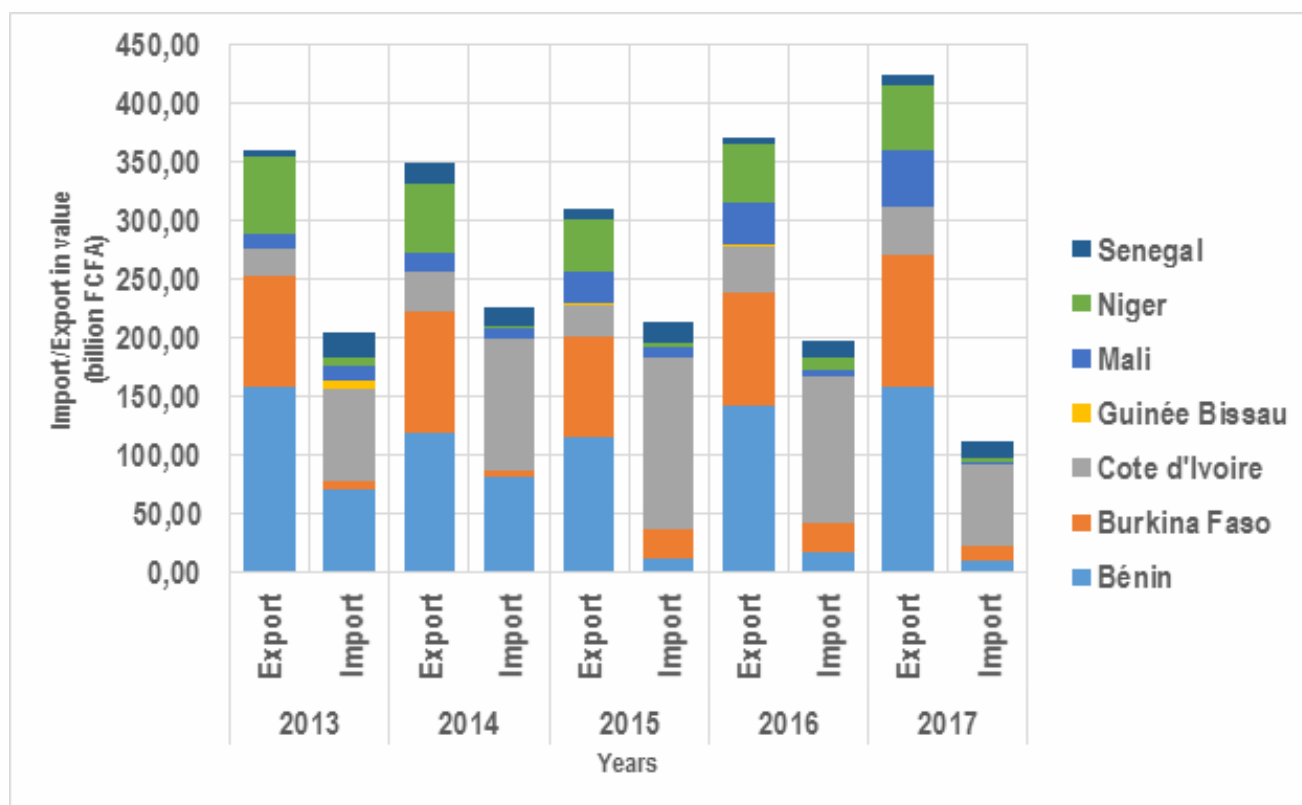
### 5.2.2. Regional trade in value terms

More than half of Togo's exports are destined for WAEMU. In 2017, exports to WAEMU Member States accounted for 53.6% of total exports in value terms.

Togo's trade balance with WAEMU member countries is in surplus over the 2013-2017 period as shown in Figure 3.

Overall, exports have been on an upward trend while imports are on a downward trend.

**Figure 3 : Value of exports and imports between Togo and the other 7 WAEMU**



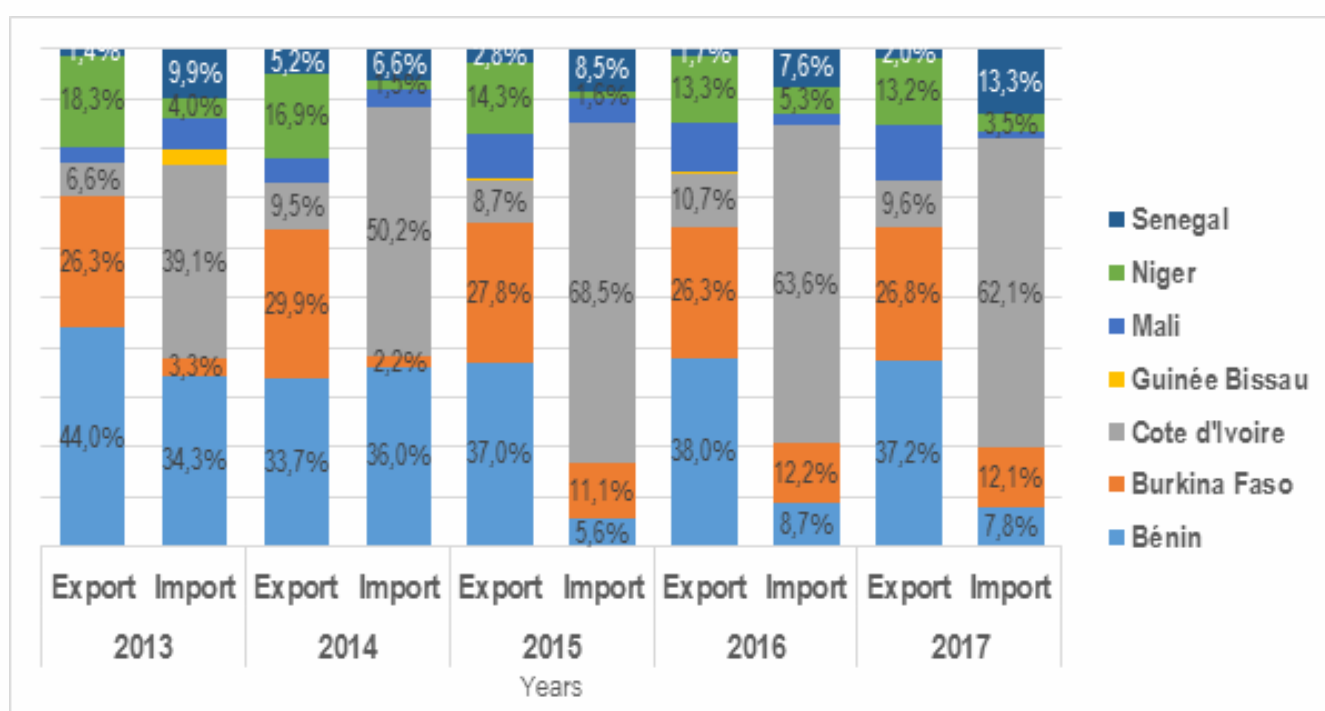
Source : BCEAO data

### 5.2.3. Regional trade by partner

Benin, Burkina Faso and Niger. Togolese imports come mainly from Côte d'Ivoire, Figure 4.

Exports are mainly to the following countries:

**Figure 4: Trade share of each WAEMU country in trade with Togo (%)**



Source: BCEAO

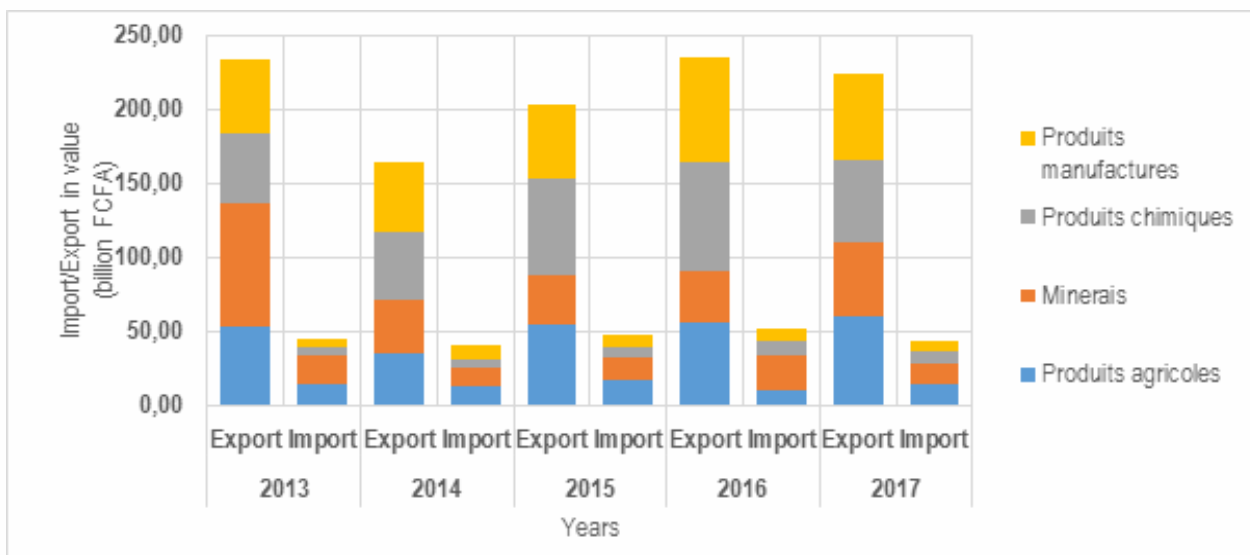
## 5.2.4. Regional trade by type

Togo's exports to WAEMU member countries are dominated by manufactured and industrial products. These products represent 26.5% of exports to the WAEMU in 2017 and are mainly composed of "cast iron and steel", aluminum and aluminum products as

well as textile articles.

Togo imports agricultural products (primary) and minerals from WAEMU countries, which accounted for 33.2% and 31.3% of imports from WAEMU countries respectively. Primary products include fish and seafood.

**Figure 5. Value of exports and imports between Togo and the other 7 WAEMU countries (in billions of CFAF)**



Source: BCEAO

## 5.3 International trade

### 5.3.1. Trade policy

With regard to customs measures, Togo applies the WAEMU rules of origin, most of which are harmonized with those of ECOWAS. In 2015, 51 Togolese companies and 439 products were approved for preferential intra-Community trade arrangements, compared with 37 companies and 229 products in 2009. In addition, Togo has been applying the ECOWAS Common External Tariff (CET) since January 2015, as well as other Community duties and taxes (excise duties, value-added tax). The rate also complies with the commitments made to the World Trade Organization (WTO), of which it has been a member since 31 May 1995.

### 5.3.2. International trade by value and by destination<sup>14</sup>

Togo's exports<sup>15</sup> evolved in two phases over the

2009-2016 period. Between 2009 and 2013, they almost doubled to CFAF 566.4 billion in 2013, driven mainly by re-exports of transport machinery and equipment, mainly drilling platforms used in oil exploration work. Exports then declined to CFAF 423.9 billion in 2016. Over the period under review, Togolese imports fluctuated between CFAF 553 billion and CFAF 1049.5 billion.

Togo's merchandise exports are estimated at CFAF 485.4 billion in 2017, down 0.7% from its 2016 level. Compared to 2013, they are down by 14.1% in line with a less favorable economic environment in partner countries.

At the continental level, Africa is the leading destination for Togolese exports, accounting for 71.7% of total exports in 2017 compared to 75.7% in 2013. It is followed by Asia (14.6%) and Europe (8.8%). India and France are Togo's main partners in Asia and Europe respectively.

<sup>14</sup> Data for 2018 are not available, nor are projections for 2019 and 2020

<sup>15</sup> Source: WTO 2018, Trade Policy Review, Secretariat Report

Table 16. Exports and imports of goods in value (millions of CFAF) and by destination

Merchandise exports					
DESTINATION COUNTRY	2013	2014	2015	2016	2017
<b>EUROPE</b>	74 662	33 479	48 037	40 668	42 853
Germany	3 527	1 803	1 917	1 104	535
Belgium	2 650	3 107	12 578	5 914	3 951
Spain	4 067	960	2214	2 673	2 664
France	45 811	12 944	15 753	17415	25 441
Italy	2 249	611	2 676	2613	2 747
The Netherlands	3 697	8 900	6 861	4 081	4 294
United Kingdom	986	755	1 945	1 094	316
<b>AFRICA</b>	427 693	262 027	300 029	362 042	348 083
<b>WAEMU</b>	234 591	148 872	204 309	272 331	259 945
Benin	59 321	41 758	59 069	74 600	62 545
Burkina	94 346	38 421	64 334	76 902	78 241
Cote d'Ivoire	10 588	13 538	15 814	37 394	38 778
Guinea-Bissau	24	-	1 277	413	151
Mali	11 984	15 435	21 664	32 940	27 513
Niger	53 352	37 513	38 856	44 821	44 666
Senegal	4 976	2 208	3 294	5 261	8 051
<b>ECOWAS (excluding WAEMU)</b>	137 809	82 407	59 914	69 925	72 295
Ghana	78 137	35 781	32 264	41 635	33 515
Guinea	840	457	1 300	3 578	3 447
Nigeria	58 426	44 748	25 248	23 511	34 131
<b>CEMAC</b>	45 389	27 479	24 220	13 081	5 262
Cameroon	2 030	4 869	3 459	1 391	1 456
Congo (Brazzaville)	1 633	1 450	2 043	5116	314
Gabon	39 993	19 354	17 528	5 329	1 804
Equatorial Guinea	854	557	444	442	507
Central African Republic	214	776	335	206	314
Chad	665	473	411	597	867
<b>AMERICA</b>	16 375	1783	16 692	13 679	9 712
Canada	353	85	9 224	10 806	5 883
USA	2 441	1 662	3 038	2 859	3 638
<b>ASIA</b>	43 136	39 048	87 821	68 948	70 941
China	8 087	7 112	4 527	5 538	8 630
India	16 096	10 004	38 870	32 540	26 708
Indonesia	6 429	5 405	9 545	4 000	5 765
Malaysia	1 151	2 510	9 907	9 981	3 994
<b>OCEANIA</b>	3 062	0	642	3 665	13 812
<b>TOTAL</b>	564 928	336 336	453 222	489 002	485 401
<b>Imports of goods</b>					
<b>COUNTRIES OF ORIGIN</b>	2013	2014	2015	2016	2017
<b>EUROPE</b>	384 154	382 904	365 549	378 616	324 889
Germany	24 225	32 987	37 646	39 948	29 418
Belgium	38 911	44 217	38 969	41 150	30 251
Spain	43 572	40 771	39 481	18 444	16 770
France	75 916	79 510	95 915	94 908	101 347
Italy	14 971	16 429	15 206	13 207	11 518
The Netherlands	72 806	41 660	20 721	45 068	46 590
Latvia	2 575	15 171	17 633	7 757	17 377
United Kingdom	5 263	5 638	9 012	8 263	5 595



<b>AFRICA</b>	133 018	109 149	181 360	146 495	161 460
<b>WAEMU</b>	45 298	39 924	47 889	57 993	43 830
<b>Benin</b>	5 342	6 775	4 876	8 356	5 597
<b>Burkina Faso</b>	384	579	3 020	2 569	4 291
<b>Côte d'Ivoire</b>	25 273	20 085	23 670	31 739	21 044
<b>Guinea-Bissau</b>	7 429	6 774	8 242	6 334	4 471
<b>Mali</b>	499	54	545	119	322
<b>Niger</b>	588	68	56	29	55
<b>Senegal</b>	5 782	5 590	7 480	8 848	8 050
<b>ECOWAS (excluding WAEMU)</b>	55 204	37 417	42 397	54 115	67 008
<b>Ghana</b>	46 775	31 095	34 528	36 036	38 782
<b>Nigeria</b>	7 948	6317	7 840	17 844	28 166
<b>CEMAC</b>	4 536	290	839	1 419	323
<b>AMERICA</b>	110 545	49 261	52 410	51 496	43 448
<b>Canada</b>	12 885	5 543	7 430	9 004	5 422
<b>USA</b>	49 898	25 951	25 279	20 335	18 854
<b>ASIA</b>	337 846	317 188	426 627	510 012	407 906
<b>Saudi Arabia</b>	14 135	19 309	25 061	30 514	29 662
<b>China</b>	154 706	151 984	205 805	299 902	184 195
<b>South Korea</b>	11 390	11 914	11 637	13 524	10 702
<b>United Arab Emirates</b>	7 686	8 102	14 945	16 786	13 166
<b>India</b>	27 640	27 766	39 378	34 696	33 426
<b>Japan</b>	34 828	33 302	41 780	46 213	47 561
<b>OCEANIA</b>	538	637	88	380	474
<b>Australia</b>	426	557	55	379	474
<b>TOTAL</b>	966 101	859 139	1 026 033	1 086 999	938177

Source : BCEAO

Merchandise imports are estimated at 938.2 billion CFAF in 2017, decreasing by 13.7% and 2.9% respectively compared to 2016 and 2013. Asia is the first continent of origin of Togo's imports in 2017, with 43.5%, followed by Europe with 34.6%. Africa's share of imports is 17.2%. China is Togo's main partner. It is followed by France. In the WAEMU zone, Côte d'Ivoire is Togo's main supplier country.

### 5.3.3. International trade by value and product

In terms of structure, exports have diversified, with the decline in the relative share of traditional products such as cements and phosphates, and a re-valuation in the importance of cotton and gold. There has also been an increase in the share of agricultural products, and a decline in manufactured and extractive industries products.

Industrial products are Togo's main export item (47.2%) in 2017. They consist mainly of machinery and transport equipment, food products, chemicals and other manufactured products. The second item relates to mining products (18.7%) including phosphates and clinker. Togo also exports agricultural products, which accounted for 18.2% of total exports in 2017.

Table 17. Exports and imports by product in millions of CFA francs

Exports					
Goods	2013	2014	2015	2016	2017
<b>Agricultural products</b>	83 123	62 273	92 829	68 173	88 579
<b>Cacao</b>	7 442	14 443	14 551	8 128	3 125
<b>Coffee</b>	5 346	7 844	11 540	4 638	1 482
<b>Cotton fiber</b>	29 751	28 615	37 393	30 224	42 281
<b>Other agricultural raw materials</b>	2 560	1 551	1 396	1 641	4 711
<b>Food products of plant origin</b>	38 024	9 820	27 949	23 541	36 980
<b>Mining products</b>	114 152	86 355	98 781	100 119	90 707
<b>Phosphates</b>	68 187	55 056	59 249	46 869	39 603
<b>Clinker</b>	43 450	28 371	38 237	53 250	51 104
<b>Iron ores</b>	2 514	2 928	1 295	–	–
<b>Petroleum products</b>	58 136	35 299	21 737	25 210	41 897
<b>Industrial products</b>	270 983	146 166	207 935	270 335	229 191
<b>Cement</b>	38 530	19 105	7 860	6 773	4 000
<b>Steel products</b>	19 719	19 191	16 162	13 607	12 413
<b>Food products</b>	34 301	24 862	43 131	57 969	42 659
<b>Textiles and clothing items</b>	45 063	27 316	27 426	21 393	22 901
<b>Chemical products</b>	44 326	22 113	41 087	46 917	38 435
<b>Machinery and transport equipment</b>	51 368	14 097	35 003	61 108	50 873
<b>Other manufactured products</b>	37 676	19 483	37 266	62 968	57 909
<b>Other products</b>	38 534	5 303	31 939	25 165	35 028
<b>Total</b>	564 928	335 396	453 221	489 002	485 402
Imports					
Goods	2013	2014	2015	2016	2017
<b>Consumer goods</b>	257 950	258 169	315 041	349 043	342 444
<b>Foods-Beverages-Tobacco</b>	117 110	113 037	130 067	130 491	139 180
<b>Pharmaceutical products</b>	42 819	44 097	59 171	60 276	65 005
<b>Chemical products</b>	29 543	30 606	35 948	37 332	36 029
<b>Other manufactured products</b>	68 478	70 429	89 856	120 944	102 230
<b>Energy and lubricants</b>	213 679	160 178	145 522	142 260	145 716
<b>Lamp oil</b>	6 162	5 978	4 830	2 623	2 727
<b>Gasoline</b>	70 140	44 789	36 909	42 836	40 375
<b>Gas-oil and fuel-oil</b>	79 019	68 614	60 132	63 366	62 735
<b>Lubricating oils</b>	11 380	10 707	9 337	11 928	10 737
<b>Butane and other gases</b>	5 881	6 175	6 068	6 346	6 452
<b>Bitumen and bitumen products</b>	36 831	19 671	26 296	13 223	20 433
<b>Other manufactured products</b>	4 267	4 244	1 949	1 938	2 257
<b>Raw materials and semi-finished products</b>	276 106	213 856	287 701	272 361	247 555
<b>Raw materials</b>	61 794	59 270	45 123	36 034	47 757
<b>of which wheat</b>	19 078	16 565	17 072	21 790	21 028
<b>Semi-finished products</b>	214 312	154 587	242 579	236 327	199 798
<b>of which steel products</b>	149 956	124 146	177 303	163 486	158 648
<b>other building materials</b>	12 383	11 368	22 437	13 974	9 151
<b>Capital goods</b>	218 367	226 937	277 769	323 336	202 462
<b>Finished products for agriculture</b>	2 051	2 065	6 868	3 474	2 138
<b>Finished products for industry</b>	216 316	224 871	270 901	319 862	200 324
<b>Total</b>	966 102	859 140	1 026 033	1 087 000	938 177

Source : BCEAO

On the other hand, the import structure remained relatively stable. They are composed of approximately two-thirds manufactured products and one-third primary products.

With the 2018-2022 National Development Plan currently being implemented, imports of capital goods are expected to increase as a result of the establishment of production units in the manufacturing sector, particularly for the processing of agricultural (agri-food) products. In the long term, Togo will see an increase in food exports.

In terms of imports, consumer goods are the main item with 36.5% of total imports. Togo also imports raw materials and semi-finished products (26.4%), capital goods (21.6%) and energy and lubricants (15.5%)

## 5.4 Foreign direct investment

FDI in Togo is only allowed in certain sectors. Foreign ownership of land is restricted and capital transactions are subject to government control or approval. FDI flows to Togo have been particularly low and unstable in recent years. The improvement of the business environment and the launch of power stations construction projects should facilitate an increase in FDI in the coming years.

FDI outflows from Togo have been higher since 2013 (Table 14). Thus, outgoing FDI increased significantly over the 2013-2017 period. It rose from CFAF 795.9 billion in 2013 to CFAF 1,581.0 billion in 2017, an average annual increase of 19.0%. The incoming stock, for its part, increased from CFAF 795.4 billion in 2013 to CFAF 1,066.4 billion and mainly finances financial activities and services.

**Table 18 : FDI flow and stock**

	2013	2014	2015	2016	2017
<b>incoming flow</b>	90.9	26.7	152.6	-27.3	85.0
<b>outgoing flow</b>	-10.4	177.0	205.8	152.4	183.9
<b>incoming stock</b>	795.4	725.3	927.4	874.1	1066.4
<b>outgoing stock</b>	795.9	863.2	1128.5	1240.6	1581.0

Source: CNUCED

### 5.4.1. FDI by country of origin

France, the United States, Canada, Brazil and China are the main FDI providers in Togo.

### 5.4.2. FDI by sector

The main sectors of the economy benefiting from foreign direct investment in Togo are cotton, infrastructure, coffee and cocoa, manufacturing and extractive industries (phosphates), trade, telecommunications and the financial sector. Investment projects focused mainly on: i) the construction of a third quay by Bolloré for 72.0 million euros, ii) the construction of a container terminal and a new dock at the Autonomous Port of Lomé by Lomé Container Terminal for 250.0 million euros, iii) the construction of a 100 MW power plant by Contour Global for a cost of 195.0 million dollars and iv) the extension of the Lomé International Airport as well as the construction and renovation of hotel facilities.

The cost of the airport extension is 131.0 million euros financed by Eximbank China. With regard to hotels, two major investments have been made since 2012 and have to offset the deficit in world-class hotels in Lomé. These are the renovation of the hotel on February 2 at an estimated cost of 37.0 billion CFAF and the construction of a 120-room hotel by the Onomo Group.

In the mining sector, Scan Togo-mines, a subsidiary of the German company HeidelbergCement, invested USD 258 millions in the construction of two factories, one for clinker production and the other for cement production in the northern part of Togo.

## 5.5 Regional integration

### 5.5.1. WAEMU convergence criteria

The WAEMU Convergence, Stability, Growth and Solidarity Pact contains five (05) criteria divided into

primary and secondary criteria.<sup>16</sup>

### The primary criteria

- The ratio of the budget balance including grants to nominal GDP (key criterion) should be greater than or equal to -3%
- The average annual inflation rate should be maintained at a maximum of 3% per year.
- The ratio of outstanding domestic and External debt to nominal GDP should not exceed 70%.

Compliance with the primary criteria makes it possible to move on to the stability phase.

### Secondary Criteria

- The ratio of payroll to tax revenue should not exceed 35%.

- The tax burden rate should be greater than or equal to 20%.

Togo's performance in meeting the convergence criteria is not consistent. From 2013 to 2017, Togo met the criteria for inflation rate and payroll as a percentage of tax revenue. From 2014, thanks to the performance achieved in the collection of tax revenues, Togo achieved a tax burden that complies with Community standards. However, the key criterion for the budgetary balance has not been met except in 2017. As a result, the debt ratio increased to above 70.0% in 2015 due to the deficit financing with borrowing. Nevertheless, Togo is one of the best students in terms of meeting the convergence criteria in WAE-MU. In 2017, only the public debt criterion was not met.

**Table 19. Convergence performance**

<b>TOGO</b>	<b>Norme</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Primary</b>						
<b>Budget balance including grants/nominal GDP</b>	≤ 3%	-5.0	-4.4	-5.0	-4.9	-2.1
<b>Average annual inflation rate</b>	≤ 3%	1.8	0.2	1.8	0.9	-0.8
<b>Total public debt outstanding as a percentage of GDP</b>	≤ 70%	53.8	60.8	71.8	78.4	73.3
<b>Secondary</b>						
<b>Payroll/tax revenues</b>	≤ 35%	32.4	31.3	33.2	32.1	34.2
<b>Tax burden</b>	≥ 20%	18.9	20.3	20.9	21.7	20.6

Source : DGEAE

### 5.5.2. Regional Integration review

In December 1999, an additional act to the WAEMU Treaty was adopted on the convergence of Member States. It is the birth of the Convergence, Stability, Growth and Solidarity Pact (PCSC). It is composed of four primary and four secondary criteria. Failure to comply with the primary criteria leads to the explicit formulation of guidelines by the Council of Ministers requesting the member country concerned to draw up and implement a program of corrective measures. The secondary criteria, on the other hand, are treated as indicative structural benchmarks that are closely monitored because of their crucial role in

achieving the objective of internal and external sustainability of the economies. However, there are no explicit recommendations for non-compliance.

The deadline for meeting the various criteria defined in the PCSC was first set for 31 December 2002. In the long term, the convergence objective has not been achieved. This leads to a postponement of the deadline once to 2005, then to 2008, then to 2013. In 2013, almost fifteen years after the adoption of the convergence pact, the assessment revealed unsatisfactory results leading to the revision of the PCSC (see Table 15 above) and the definition of a new pact in 2015 by Additional Act No. 01/2015/CCEG/WAE-

<sup>16</sup> In accordance with the Additional Act No. 01/2015/CCEG/UEMOA establishing a Convergence, Stability, Growth and Solidarity Pact among the Member States of UEMOA.

MU with a deadline on 31 December 2019.

The analysis of achievements over the 2013-2017 period in terms of convergence shows that for each year Togo has not met all the criteria. Two criteria were met throughout the period under review. These are the criteria for inflation rates, compliance with which is linked to the good performance of the agricultural sector and the ratio of payroll to tax reve-

nue. In 2015, Togo's debt ratio exceeded the 70% standard set by the CSGSP in connection with huge investments made that led to the deterioration of the budget deficit. Since 2017, Togo has concluded a program with the IMF aimed at stabilizing the macroeconomic framework, consolidating public finances and thereby reducing the debt ratio. The successful execution of this program would ensure that all convergence criteria are met by the 2019 deadline.



### 6.1 Business climate

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The business environment in Togo is improving as a result of the various reforms undertaken in recent years. Togo ranks 137th out of 190 countries in the 2019 World Bank's Doing Business Index.

It is one of the economies that most improves the ease of doing business in West Africa. The Doing Business Index survey identified in particular improvements in credit availability, tax payments, cross-border trade (the one-stop-shop) and insolvency resolution.

Indeed, Togo has continued its initiatives to improve the business climate. Since September 2017, the Business Climate Unit has been created to establish the optimal conditions for the effective implementation of reforms. Thanks to it, Togo has accelerated the implementation of important reforms. These include, among others:

- the abolition of registration and stamp duties for all types of companies and the introduction of tax incentives for business owners and the possibility of setting up online businesses;
- reducing the cost of granting building permits and automating procedures for issuing urban planning acts;
- reducing by 30% the cost of connecting medium voltage to the public utility distribution network (electrical equipment and metering equipment);
- improving the transfer of ownership through the digitization of land titles and reducing the total

transfer time;

- creating special commercial chambers for small claims to speed up the processing of commercial disputes. There is also a separation of the enrolment of commercial records from civil records.

In addition to these measures, Togo continues to promote a better business environment through the establishment of an investment facilitation service.

To this end, the State created Togo Invest Corporation to promote the country's attractiveness and encourage the inflows of foreign direct investment (FDI). Several major investments in partnership with Togo Invest Corporation are planned. These include the construction of a mineral port, the development of a road and rail axis and the construction of a 200 MW thermal power station.

To further promote a more attractive business environment, it is planned to strengthen dialogue with the private sector and civil society, through clear communication of the government's medium-term strategy and improvement of the Doing Business indicators on which Togo is lagging, accompanied by an action plan that can be monitored and that is widely disseminated. Key sectors with a strong government presence and intervention (energy, telecommunications and mining) will be more open to competition from the private sector.

**Table 20. Business Climate Indicators**

INDICATOR	REGULATION	MEASUREMENT
<b>Starting a business</b>	<b>2018 Finance Act:</b> abolition of registration fees and stamps, exemption from the Single Business Tax for companies registered at the Business Formality Center Creation of a company under private signature Decree n°2014-119/PR of 19 May 2014: for limited liability companies, the social capital and share are freely determined by the articles of association	The time limit for issuing the single business creation card is 24 hours
<b>Building permits</b>	Memorandum n°001/LNBTP/DG/2018 dated 10 January 2018 relating to the reduction of the costs of the soil study for the construction of a warehouse (1-2 level)	The cost goes from CFAF 900,000 to CFAF 350.000 For households, the cost is CFAF 250.000
<b>Access to electricity</b>	Decision n°001/DG/CEET/2017 of 07 December 2017 of the Electric Power Company of Togo reducing the costs of Medium Voltage connection works to the public distribution grid	The connection costs are reduced by 30% with the possibility of paying on a schedule of 6 months at most.
<b>Property registration</b>	Reduction of registration fees (art. 598 LF 2018)  Land Titles Digitization Project  Memorandum No. 400/MEF/SG/DADA of 14 December 2017 establishing a Property Transfer Office.	The total cost of transferring ownership went from 9.3% of the land value in 2017 to 6.3% in 2018.  As of April 3, 2018, 98% of land titles have been digitized.  Reduction of the time for issuing descriptive statements (copies of land titles) from 07 to 02 days  Reduction of the total transfer time from 30 to 20 days
<b>Access to credit</b>		
<b>Average time to be paid</b>		
<b>Protection of minority investors</b>		
<b>Level of taxes</b>		
<b>Ease of paying taxes</b>	Launch of the electronic tax reporting for large companies in 2016 and for SMEs in January 2017.  Instruction 174 of the Tax Commission of 28 December 2017 requesting the services to issue tax-free certificates within 08 hours at the latest, upon receipt of the request.	
<b>Ease of export</b>		
<b>Enforcing contract law</b>	Lomé Court of First Instance by Order No. 2699/2017 of 22 December 2017 establishing special commercial chambers for small claims, with a disputed interest rate of between CFAF 0 and 1.000.000.  Lomé Court of Appeal, by order n°1294/2017 of 26 December 2017, recomposing the chambers of the Lomé Court of Appeal: it sets up specialized commercial chambers with magistrates assigned for this purpose to accelerate the processing of commercial disputes.	The average file processing time is 100 days.

Source : Business Climate Unit-TOGO / National Services

In terms of governance, the Ibrahim Index of Governance in Africa (IIGA) shows that Togo has made progress. Thus, according to the 2018 IIGA, Togo ranks 30th out of 54 countries with a score of 49.1 out of 100 in global governance. The trend over the last decade (2008-2017) is +5.2, an improvement driven in particular by the accelerated progress made in sustainable economic development.

Togo, aware that corruption is a real obstacle to good governance and economic development, has ratified the international instruments on the fight against corruption. These are the United Nations Convention against Corruption, the African Union Convention on Preventing and Combating Corruption and the ECOWAS Protocol on Combating Corruption. With a Corruption Perception Index (CPI) of 32 (compared to 30 in 2012), Togo is ranked 117th out of 180 countries by Transparency International.

## 6.2 Financial governance

On May 5, 2017, the Executive Board of the International Monetary Fund (IMF) approved a new three-year agreement (2017-2019) for Togo under the Extended Fund Facility (EFF) for an amount of SDR 176.16 million (120% of Togo's quota, or about USD 241.5 million) in support of a program of economic and financial reforms undertaken by the country.

The objective of this program is to consolidate macroeconomic stability and promote sustainable and inclusive growth. It aims to reduce the overall budget deficit significantly at the beginning of the period to ensure the long-term sustainability of debt and the external position; to refocus economic policy on sustainable and inclusive growth by targeting social spending and infrastructure spending in a financially sustainable manner; and to address existing weaknesses in the financial sector, especially in the two public banks.

On 10 December 2018, the Executive Board of the

International Monetary Fund (IMF) completed the third review of Togo's performance under the program supported by an Extended Credit Facility (ECF) arrangement. The results obtained under the program are considered satisfactory. All quantitative performance criteria and three of the five structural benchmarks were met. The completion of the review resulted in the disbursement of SDR 25.17 million (approximately \$ 34.9 million), bringing the total disbursements since the beginning of the agreement to SDR 100.68 million (approximately \$ 139.5 million).

## 6.3 Financial rating

On 3 June 2019, the American financial rating agency, Standard & Poor's, assigned Togo its first long-term and short-term sovereign credit ratings in foreign and local currencies. Togo is credited with "B/B" ratings with stable prospects. According to the agency, economic growth is expected to remain resilient in the medium term thanks to recent economic reforms and infrastructure investments. Indeed, economic activity will benefit from the modernization of economic infrastructures such as the Port of Lomé, the only deep-water port in West Africa and the opening of the new terminal at Gnassingbé Eyadéma International Airport.

However, there are some socio-political risks. In addition, Togo's low per capita income, its high external and fiscal needs and its rapidly increasing debt history are factors.

These are all factors that can downgrade Togo's rating. To this end, to improve its political, social and economic environment, Togo has embarked on a process of constitutional and institutional reforms on the one hand, and on economic and fiscal reforms supported by a program with the IMF on the other hand with a view to a peaceful socio-political climate and sustained economic growth. This could lead Standard & Poor's to improve Togo's ratings.

### 7.1 Budget

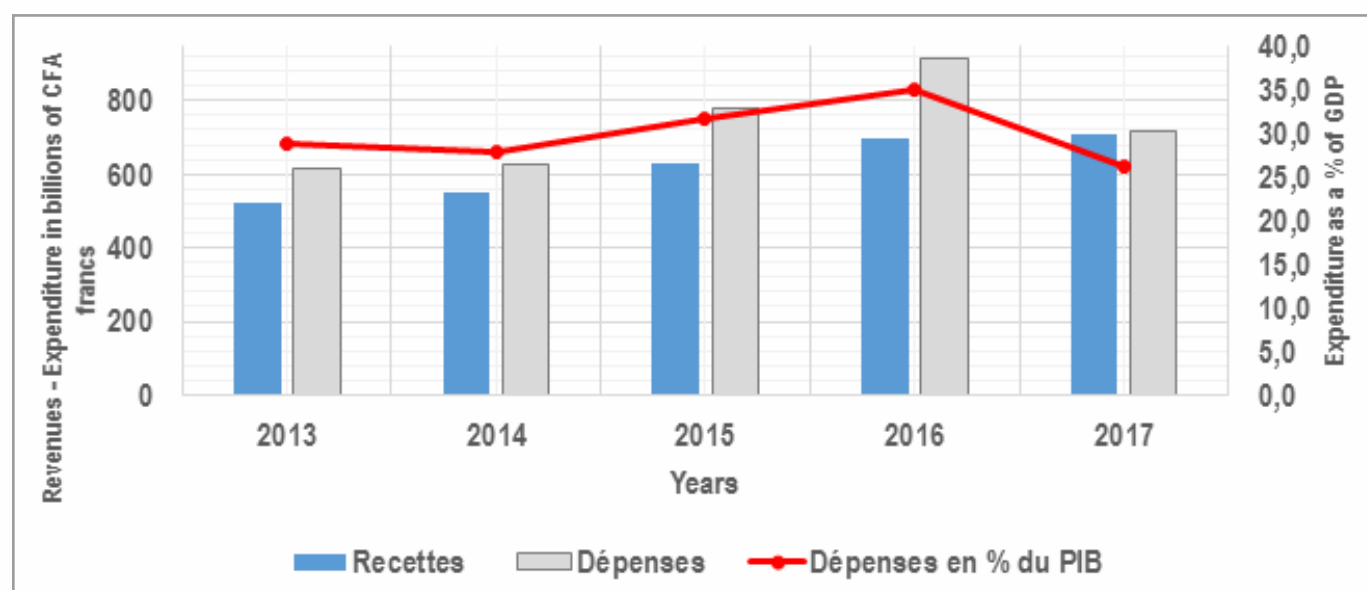
#### 7.1.1. Expenditure and revenue

The state revenues have been increasing since 2010. From CFAF 359.9 billion in 2010, they were valued at CFAF 709.9 billion in 2017, an average increase of 10.0% per year over the period, mainly driven by higher tax revenues. In 2010, revenues (including grants) represented 21.2% of GDP. This relative share, therefore, remained the lowest revenue share in GDP. Indeed, it has continued to increase since 2010, reaching a peak of 26.6% in 2016.

The improvement in tax revenue mobilization is due

to the various reforms undertaken by the Togolese Revenue Office (TRO). These reforms relate to strengthening the fight against fraud, corruption and smuggling, revenue collection by banks, strengthening risk analysis, computerization of services and increased awareness-raising efforts. Thus, the tax burden rate, which was 16.5% between 2010 and 2013, rose to 20.9% between 2014 and 2017. Tax revenues, estimated at CFAF 246.7 billion in 2010, more than doubled over the period to CFAF 563.2 billion in 2017 compared to CFAF 568.5 billion in 2016 and CFAF 516.3 billion in 2015.

**Figure 6. Evolution of expenditure and revenue over the 2013-2017 period**



Source: DGEAE data

At the same time, as revenues increased, budgetary expenditures also increased, generally at a faster pace than revenues, driven by increasing social demand. Budgetary expenditure increased from CFAF 354.5 billion in 2010 to CFAF 420.8 billion in 2011 and CFAF 535.0 billion in 2012, representing 20.9%, 23.1% and 27.1% of GDP respectively. Between 2013 and 2016, due to the intensification of the construction and rehabilitation of basic infrastructure, budgetary expenditures increased sharply to

CFAF 912.7 billion in 2016, representing 34.9% of GDP against CFAF 614.4 billion in 2013 (28.8%). In 2017, Togo concluded a program with the IMF, the implementation of which made it possible to start improving the budget deficit. Budgetary expenditures thus fell by 21.4% compared to 2016 to CFAF 717.7 billion, or 26.2% of GDP.

Expenditure represented 28.8% of GDP in 2013. They rose to a peak of 34.9% of GDP in 2016 and fell

to 26.2% in 2017. Between 2013 and 2017, public expenditures increased faster than revenue growth due to higher capital expenditures on infrastructure and the satisfaction of social demand. In 2017, Togo began implementing a program with the IMF to consolidate public finances. Thus, in the same year, the budget deficit improved, with expenditures amounting to CFAF 718 billion compared to CFAF 710 billion for budget revenues.

### 7.1.2. Detailed presentation of expenditure and revenue

The budget execution over the 2010-2016 period gives a budget balance, including grants, which has gone from -2.4% of GDP in 2010 to -4.9% in 2016. The budget deficit deteriorated from 2012 onwards when it stood at 6.4% of GDP. Apart from 2010 and 2011, the budget deficit as a percentage of GDP is still above the 3.0% threshold. In 2017, the deficit fell below this threshold, to 2.1%, thanks to the government's measures to improve the macroeconomic environment.

*Table 21: State revenue and expenditure in billions of CFA francs*

In billions of CFAF	2013	2014	2015	2016	2017	2018 Est.
<b>REVENUES AND GRANTS</b>	523.3	562.0	628.2	695.0	709.9	835.1
<b>REVENUES</b>	449.8	516.3	571.0	619.4	621.4	704.5
<b>Tax revenues</b>	403.6	458.2	516.3	568.5	563.2	616.6
<b>Direct taxes</b>	88.8	109.6	109.7	151.3	114.2	137.0
<b>Indirect taxes</b>	314.8	348.6	406.6	417.2	449.0	479.6
<b>Non-tax revenues</b>	46.2	58.0	54.7	50.9	58.2	87.9
<b>GRANTS</b>	73.5	45.8	57.2	75.6	88.5	130.6
<b>Projects</b>	62.8	45.8	47.5	64.3	40.2	95.7
<b>Programs</b>	10.7	0.0	9.7	11.3	48.3	34.9
<b>TOTAL EXPENDITURES</b>	605.5	627.9	780.5	912.7	717.7	923.7
<b>CURRENT EXPENDITURES</b>	428.4	420.2	501.4	580.5	543.2	602.8
<b>Staff</b>	130.6	143.4	171.7	182.7	192.8	205.3
<b>Goods and services</b>	130.9	128.5	169.1	218.7	195.8	203.7
<b>Transfers and Grants</b>	138.1	115.7	115.4	110.8	103.3	119.6
<b>Special accounts</b>	3.2	3.8	1.9	5.4	2.7	3.1
<b>Interest due on public debt</b>	25.7	29.7	45.4	62.9	48.6	71.0
<b>Interest on domestic debt</b>	19.0	20.9	31.2	54.1	38.7	56.5
<b>Interest on External debt</b>	6.7	8.8	14.2	8.8	9.9	14.5
<b>CAPITAL EXPENDITURES</b>	177.5	207.3	277.7	332.4	174.5	320.9
<b>Domestic contribution</b>	76.9	104.1	139.2	185.8	104.4	101.3
<b>Foreign financing</b>	100.6	103.2	138.5	146.5	70.0	219.6
<b>NET LOANS</b>	-0.4	0.4	1.4	-0.1	0.1	0.0
<b>PRIMARY BALANCE<sup>17</sup></b>	-181.8	-140.9	-253.5	-356.4	-144.9	-290.2

Source: DGEAE

<sup>17</sup> Primary balance = Total revenue excluding grants - current expenditure excluding interest - capital expenditure



### 7.1.3. General presentation of the budget

State budget expenditures have increased rapidly over the last five years in line with the increase in social demand and the need for investment in infrastructure. Of the ten (10) budget items listed in

the table below, education is the largest in terms of the relative share of the total budget (structure). It represents an annual average of nearly 10.0% of the budget over the 2013–2018 period. Health and agriculture each account for 5.0% of expenditure.

**Table 22. Major items of the State budget in terms of value and structure from 2013 to 2018**

TOGO	2013		2014		2015		2016		2017		2018	
Postes	Valeur en Mds de FCFA	Structure en %	Valeur en Mds de FCFA	Structure en %	Valeur en Mds de FCFA	Structure en %	Valeur en Mds de FCFA	Structure en %	Valeur en Mds de FCFA	Structure en %	Valeur en Mds de FCFA	Structure en %
Education	80,5	10,3	90,9	10,9	88,4	10,7	102,8	10,3	102,9	7,2	113,3	8,7
Santé	46,2	5,9	45,8	5,5	44,8	5,4	56,0	5,6	55,6	3,9	56,7	4,3
Logement	11,0	1,4	7,8	0,9	8,9	1,1	2,5	0,3	1,7	0,1	2,1	0,2
Social	2,3	0,3	3,3	0,4	2,9	0,3	3,4	0,3	3,3	0,2	3,0	0,2
Agriculture	34,5	4,4	36,6	4,4	55,4	6,7	70,7	7,1	45,7	3,2	45,5	3,5
Energie	4,9	0,6	4,3	0,5	11,7	1,4	12,3	1,2	13,9	1,0	14,7	1,1
Intérieur	9,5	1,2	10,0	1,2	11,8	1,4	13,3	1,3	13,4	0,9	12,5	1,0
Justice	5,2	0,7	6,4	0,8	7,0	0,9	6,2	0,6	5,2	0,4	5,7	0,4
Armée	35,5	4,5	42,5	5,1	41,4	5,0	48,6	4,9	51,8	3,6	58,0	4,4
Environnement	6,0	0,8	8,8	1,1	3,8	0,5	6,5	0,6	11,9	0,8	5,0	0,4
Total	784,0		830,4		827,2		1 002,2		1 433,4		1 307,6	

Source: Directorate-General for Budget and Finance

### 7.1.4. Detailed presentation of the budget by item of expenditure

The expenditure provided for in the State budget, 2018 management, amounts to CFAF 1,307.6 billion. They are down by 8.8% compared to 2017. This reduction aimed to control expenditure to limit the budget deficit to 2.5% of GDP within the framework of meeting the quantitative benchmarks of the IMF Program.

However, some expenditures, particularly social ones, have increased. These increases are justified by the need for the Government of Togo to improve the well-being of the population. Thus, expenditure on education, health and energy increased by 10.2%, 2.1% and 5.8% respectively compared to their 2017 value.

In total, the 2018 management finances Act allocates 44.5% of resources to social expenditures. Social demand is satisfied through the Emergency Community Development Program (PUDC) and the Support Program for Vulnerable Populations (PAPV).

These programs aim to build socio-economic infrastructures in rural and semi-urban areas and cover the sectors of education, health and grassroots development.

In concrete terms, this means building schools, agro-pastoral training institutes, health centers, drinking water points, rural roads and electrifying rural areas. To do so, operating expenditures were rationalized in favor of capital expenditures through a 5.0% allowance.

In June 2018, the government made a budgetary adjustment due to an economic environment less favorable to the achievement of the initial resource mobilization objectives. The amending finance Act reduced the budget by CFA 11.0 billion. The amended budget takes into account new social needs linked in particular to teachers' demands, the increase in subsidies to public universities and the revision of the magistrates' index scale.

In the education sector, the 2018 budget increased by 8.7% compared to 2017. This increase was driven by staff and transfer expenses and subsidies, which increased by 11.3% and 7.5% respectively.

Equipment and capital expenditure fell by 9.3% and 11.7%.

In the health sector, the budget has increased from CFAF 55.6 billion in 2017 to CFAF 56.7 billion in 2018. Staff costs increased by 18.9% and represent 35.8% of the total health budget compared to 29.7% in 2017.

## 7.2 Tax policy

Since 2012, Togo has undertaken a series of reforms aimed at restructuring its tax policy and financial management. In 2014, they led to the operationalization of the Togolese Revenue Office (TRO). The TRO has a dual function: to collect tax resources and to ensure the country's future by creating an environment favorable to sustaining the taxable material. After four years of existence, TRO has improved resource

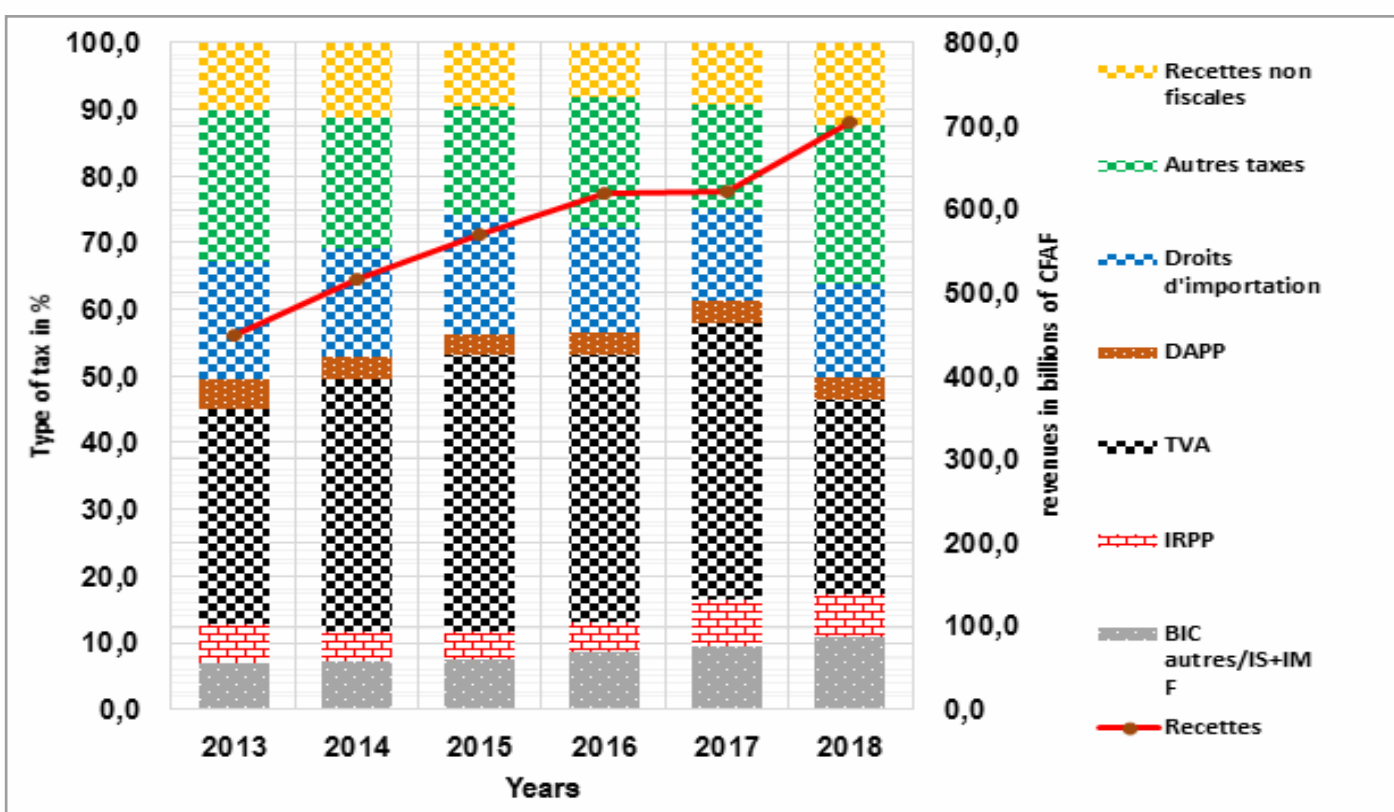
mobilization.

Reforms are ongoing and focus on establishing the fundamentals of a modern tax system geared towards promoting the economy and taking into account social parameters. Tax policy now aims to remove the constraints faced by economic operators in the payment of taxes.

### 7.2.1. General budget revenue broken down by source

The graph 6 below shows the different sources of revenue for the general State budget. Over the 2014-2018 period, general budget revenues increased by an average of 9.5%, driven by an average increase in tax revenues of 9.0% per year.

Figure 7. General budget revenue broken down by item<sup>18</sup>



Source : DGESA data

In terms of tax revenues, it was mainly value-added tax (VAT) and import duties that contributed to this performance. Their relative shares were 41.6% and 13.9% of total revenues respectively in 2017. Other taxes and duties are: profit, industrial and commercial/ corporation income tax and flat-rate minimum

tax (BIC/IS+IMF; 9.6%), personal income tax (PIT; 6.8%), excise duties on petroleum products (EDPP; 3.3%) and other taxes (15.5%). Their increase (in percentage points) over the 2014-2018 period is presented in the table below.

<sup>18</sup> The data for 2018 are an estimate based on the Finance Act

**Table 23. Level and progression of revenue items from 2013 to 2018 in CFAF billion**

		2013	2014	2015	2016	2017	2018
<b>REVENUES</b>	level	<b>449.8</b>	<b>516.3</b>	<b>571.0</b>	<b>619.4</b>	<b>621.4</b>	<b>704.5</b>
	progression		14.8%	10.6%	8.5%	0.3%	13.4%
<b>Tax revenues</b>	level	<b>403.6</b>	<b>458.2</b>	<b>516.3</b>	<b>568.5</b>	<b>563.2</b>	<b>616.6</b>
	progression		13.5%	12.7%	10.1%	-0.9%	9.5%
<b>BIC others/IS+IMF</b>	level	31.5	37.0	42.5	52.6	59.4	75.5
	progression		17.4%	15.0%	23.7%	12.8%	27.1%
<b>Personal Income Tax (PIT)</b>	level	25.9	23.1	24.5	29.1	42.1	46.5
	progression		-10.9%	6.0%	18.9%	44.5%	10.4%
<b>value added tax (VAT)</b>	level	145.3	196.3	236.7	247.1	258.8	204.5
	progression		35.0%	20.6%	4.4%	4.7%	-21.0%
<b>Excise duty on petroleum products (EDPP)</b>	level	19.7	16.9	18.0	20.9	20.3	24.3
	progression		-14.6%	6.5%	16.6%	-2.9%	19.2%
<b>Import duties</b>	level	80.1	83.2	101.7	98.0	86.4	99.1
	progression		3.9%	22.2%	-3.6%	-11.9%	14.7%
<b>Non-tax revenues</b>	level	<b>46.2</b>	<b>58.0</b>	<b>54.7</b>	<b>50.9</b>	<b>58.2</b>	<b>87,9</b>
	progression		25.7%	-5.8%	-6.9%	14.4%	50.9%

Source : DGEAE

The VAT rate is a single rate of 18% applicable to all activities and products except those exempted. In addition to VAT, there is a tax on financial activities (TFA). The TFA is based on and liquidated on the gross amount of profits made from transactions related to banking, financial activities, and, in general, the trade in securities and money. The rate of this tax is set at 10%.

With regard to excise duties (EDPP), they are levied on petroleum products upon entry into the country. Their amount is included in the selling price of petroleum products at the pump. The EDPP tariffs are as follows: CFAF 57.76 per liter of unleaded premium fuel, CFAF 48.06 per liter of diesel fuel, CFAF 59.99 per liter of oil, aviation fuel and jet fuel, CFAF 15 per liter of fuel oil, CFAF 50 per liter of lubricating oil and CFAF 60 per kilogram of fat.

In the case of the PIT, a single annual personal income tax, known as an income tax, is levied on the taxpayer's overall net income. It mainly affects salaries, wages, allowances, emoluments, pensions and life annuities; industrial, commercial and craft profits and agricultural holdings profits. Tax rates are progressive. They range from 7.0% (for a total net income between CFAF 900.001 and 4.000.000) to 35.0% for a total net income exceeding CFAF 15.000.000. Individuals liable to income tax due to their industrial, commercial or non-commercial activities are subject, regardless of the operating results, to the payment of the flat-rate minimum tax. The annual amount of the said tax is set at CFAF 50.000 for companies<sup>19</sup> with a turnover of less than CFAF 5.000.000. It is capped at CFAF 500.000.000 for any company with an annual turnover of more than CFAF 50.000.000.000 billion. For the corporate tax, it is based on all profits or in-

<sup>19</sup> The total number of companies registered by the Togolese Revenue Office is 22,042 in 2015.

come earned by companies and other legal entities. The corporate income tax rate is set at 29.0% of taxable profit.

### 7.2.2. Presentations of new tax developments

On 09 November 2018, Togo adopted a new tax code and a new code of criminal procedure. The innovations introduced in these codes are based on guiding principles such as the rationalization of the tax system by merging or abolishing certain taxes; the modernization of tax base rules by integrating best practices; the broadening of the tax base to ensure substantial financing for both the State budget and local authorities; the consideration of the improvement of the business climate and support for SMEs. According to the new code, companies regularly registered at the Business Formalities Center (BFC) benefit from an exemption from the single business tax (SBT) during the first 2 years of their creation. The corporate income tax rate was reduced from 28.0% to 27.0%. In addition, all products and services subjected to VAT are taxed at a single rate of 18% and a tax incentive scheme for SME/SMLs investment has been introduced.

In addition to that, the new tax code abolishes certain taxes, in particular the payroll tax, the tax on company cars, the complementary tax to the income tax, the payroll complementary tax and the special tax on beverage manufacture and trade. However, some taxes have been increased. The tobacco levy rate is increased from 45.0% to 50.0%, the excise duty rate on beer up from 15.0% to 18.0% and the rate on other alcoholic beverages went from 45.0 to 50.0%.

All these measures should reduce tax procedures for economic operators and improve the business climate. This will allow for speed, transparency and fairness in tax procedures and, in turn, an increase in the resources mobilized by the Togolese Revenue Office (TRO).

In an effort to modernize services for taxpayers and improve tax collection, the TRO launched an online reporting platform, online filing, in May 2016. This platform currently only offers the possibility to declare taxes such as VAT, VAT on behalf of third par-

ties, down payments, income tax and other types of taxes. It is intended for all taxpayers registered in the registration register of the Tax Office, i.e. with a Tax Identification Number (TIN) and subject to various taxes.

It is also planned to put the Annual Wage Statement (DAS) and the Financial Statements (GUDEF) online.

### 7.3 Finances bill of law

The 2019 Finance Bill was adopted in November 2018. The fiscal forecasts are based on the government's economic and social policy guidelines and the macroeconomic and fiscal framework consistent with the three-year program supported by the Extended Credit Facility (ECF), concluded in 2017 with the International Monetary Fund (IMF).

The budget is expected to be balanced in terms of resources and expenditure at CFAF1.461 billion against CFAF 923.7 billion in 2018. Tax revenues increased by 8.6%, from CFAF 616.6 billion in 2018 to CFAF 669.5 billion in 2019, while non-tax revenues are expected to decline by 5.2% to CFAF 80.4 billion from 87.9 billion in 2018.

In total, budget revenues are expected to increase by CFAF 49.1 billion compared to 2018, reaching CFAF 881.1 billion. Budgetary expenditure amounted to CFAF 895 billion, compared with CFAF 923.7 billion in 2018. The result is a budget deficit of CFAF 13.8 billion financed by the surplus balance of treasury operations.

Togo is committed to creating an enabling environment to accelerate economic growth. New tax provisions are being introduced to streamline the tax system and gradually broaden the tax base to loosen the grip on companies and thus allow the private sector to create more wealth.

On the expenditure side, the budget is primarily intended to be social. It gives an important place to the structuring projects of the National Development Plan, to those relating to youth employment through planned recruitments in different sectors of the public administration, and to poverty reduction. The social component represents about 45.0% of the budget allocations in 2019.



## 8- RISK FACTORS

### 8.1 Political and security risks

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Peace is an important factor in attracting foreign investors and ensuring the successful implementation of the development strategy. Even if Togo has a more peaceful political climate, there are still differences between political actors that should be definitively resolved. These differences often arise from electoral processes contested by certain political actors. This leads to demonstrations that have negative effects on economic activity in the short term.

Togo is located in a region characterized in recent years by acts of war and terrorist attacks in neighboring countries such as Nigeria, Mali and Burkina Faso. As they are Togo's partners, these facts have repercussions on the national economy.

### 8.2 Social risks

The labor market is characterized by a high rate of underemployment, which is explained by an education system geared towards less professional training. Under these conditions, the much sought-after economic dynamism could face a skills deficit in some areas.

### 8.3 Macroeconomic risks

Togo's economy remains fragile because it is highly dependent on the international economic environment, particularly in partner countries. Any shock to their economies could lead to an increase in prices for imported products, a widening trade deficit thus jeopardizing the achievement of macroeconomic performance and, in turn, economic policy objectives.

Togo is a small country due to its size and population. It exports a significant part of its goods to ECOWAS member countries. Togolese exports to West Africa remain concentrated in three countries: Nigeria, Ghana and Burkina Faso. Nigeria, and Ghana to a lesser extent, are suffering the effects of the drastic drop in crude oil prices per barrel that are affecting domestic demand in these countries and could, with a lag, affect demand for Togo's exports

to these countries.

Burkina Faso is emerging from a major political crisis and is gradually restarting its economic machine. In the short term, Togo's exports to these countries could stagnate or even decline. On average, Togolese exports to Nigeria, Ghana and Burkina Faso have represented the equivalent of 6% of the nominal GDP over the last five years (2011-2015). This is a high risk, especially for Nigeria.

### 8.4 Risks relating to the mobilization of public and private financial resources

The mobilization of domestic resources depends on the evolution of economic activity. The latter takes place in a social, political, legal, regional and international environment that significantly influences it, and consequently the induced mobilization of internal resources.

At the socio-political level, the main risk for the mobilization of internal resources is the low level of tax compliance of most economic operators and the possibilities of corruption within financial authorities. This situation would result in continued tax evasion and fraud, and smuggling despite the implementation of reforms.

Socio-political movements can also undermine consumer and investor confidence and, consequently, have an impact on macroeconomic performance. In addition, electoral deadlines also represent risks that could affect economic activity and, consequently, the mobilization of internal resources.

In addition, the structure of the Togolese economy is relatively stable and dominated by the under-taxed primary sector.

Projects on foreign financing may not be executed normally if the various sectors have little control over the disbursement procedures of the Technical and Financial Partners (TFPs). In addition, the reluctance of TFPs to implement the principles of the Paris De-



claration on aid effectiveness is a major hindrance to the proper implementation of programmed projects. This situation can therefore impact the level of absorption of external resources.

### **8.5 Health risks**

Togo, like other countries in the world, remains exposed to health threats, including epidemics (Ebola virus diseases, Lassa...). In addition, Togo receives many grants from the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria and the GAVI Fund for immunization. This financing is not sustainable. The absence of such funding could compromise the various programs for the prevention and control of certain diseases.

### **8.6 Environmental risks**

Like other countries, Togo is not immune to the devastating effects of global warming that caused floods. In addition, the agricultural sector, which employs the vast majority of the working population, is highly dependent on climatic fluctuations and the proposed adaptation programs receive very little funding. Water management, therefore, remains a concern. The prevention and reduction of these risks are taken into account in the national development plan. They mainly involve the identification and development of risk areas for better management of natural disasters.

## 9- DEBT SITUATION

### 9.1 General description of the public debt

In five years, Togo's public debt has increased rapidly, from CFAF 1,084.8 billion in 2013 to CFAF 2,093.8 billion. It is mainly driven by domestic debt, which more than tripled over the period under re-

view. In sum, public debt as a percentage of GDP increased by more than 20 percentage points from 50.8% in 2013 to 71.3% in 2018.

#### 9.1.1. Overall picture

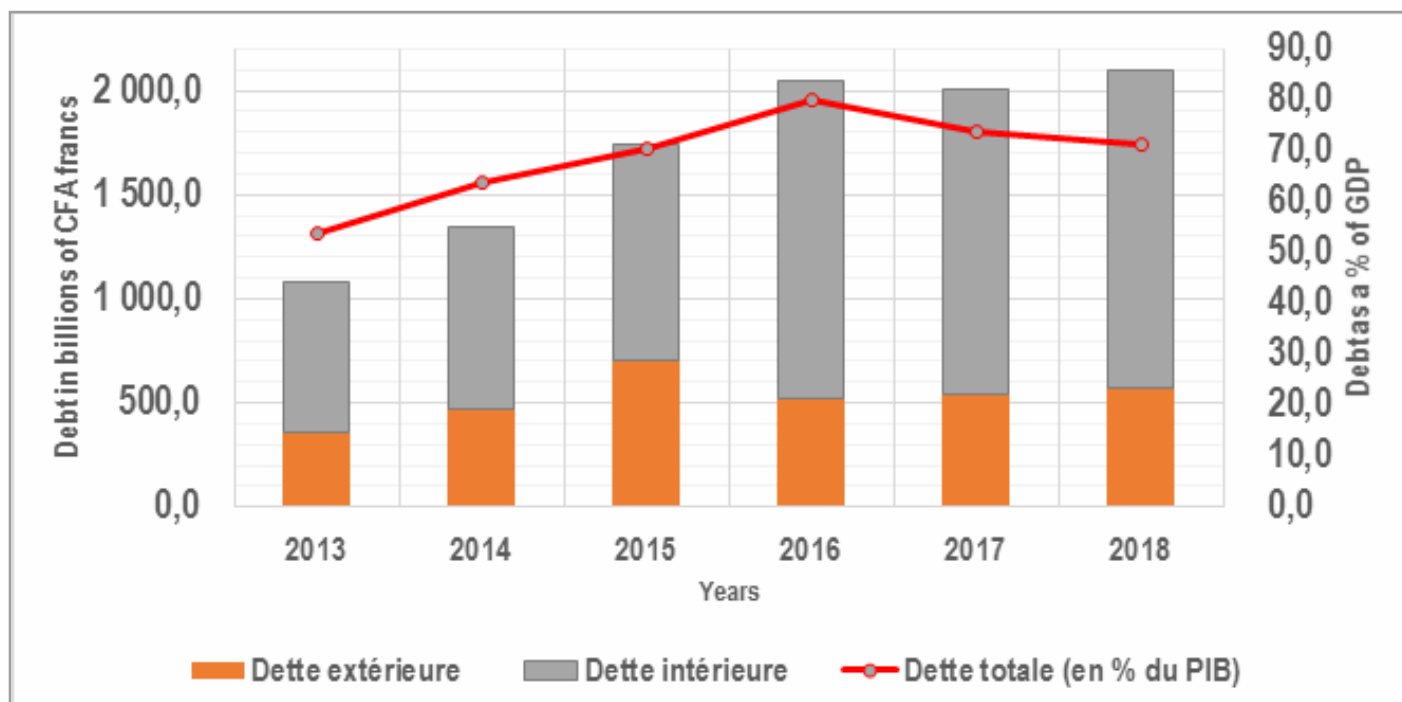
Table 24. Public debt

TOGO	2013	2014	2015	2016	2017	2018
<b>Total debt (as a % of GDP)</b>	53.7	63.8	70.6	80.0	73.8	74.6
<b>Total debt</b>	1 146.60	1 441.24	1 745.89	2 092.67	2 022.38	2 191.04
<b>Total External debt</b>	319.085	422.758	527.188	564.12	552.287	600.759
<b>Total domestic debt</b>	827.515	1018.48	1 218.70	1 528.55	1 470.10	1 590.28
<b>Nominal GDP</b>	2 134.50	2 258.90	2 471.80	2 614.50	2 739.60	2 935.10

Source: Public Debt and Financing Directorate / DGEAE

The graph 7 below shows the importance of domestic debt and its evolution in the total public debt.

Figure 8. Distribution of public debt from 2013 to 2018



Source: Public Debt and Financing Directorate / DGEAE

## 9.1.2. Time profile of the debt to be repaid

Expressed in %.	Allocation initially planned	2013 Allocation	2018 Allocations (estimates)
Short term (< 1 year)	-	26.4	16.1
Medium term (1 to 5 year)	-	-	-
Long term (> 5 year)	-	73.6	83.9
<b>Total</b>	100.0	100.0	100.0

Source : DDPF

## 9.1.3. Amount of short-term debt to be repaid

The following table shows the amount of total short-term debt to be repaid in millions of CFA francs. It tends to decrease over the 2013-2017 period.

*Table 25. Amount of debt to be repaid in the short term*

	2013	2014	2015	2016	2017	2018
<b>Central Government Debt</b>	1 146 600.62	1 439 316.80	1 743 166.28	2 088 481.14	2 017 948.83	2 191 036.03
<b>By maturity and type of debt instrument</b>						
<i>Short-term according to initial maturity</i>	415 940.92	379 653.31	343 377.70	345 587.72	343 530.75	352 103.18
<b>Debt securities</b>	111 350.00	130 600.00	96 000.00	30 000.00	52 310.00	126 610.00
<b>Credits</b>	2 889.51	0	0	0	0	0
<b>Other accounts due</b>	301 701.41	249 053.31	247 377.70	315 587.72	291 220.75	225 493.18

Source: Ministry of Economy and Finance

## 9.2. debt strategy and debt sustainability

### 9.2.1. Description of the strategy

The indebtedness and public debt management in Togo are governed by international, Community, and national texts.

Since 2017, the Togolese government has been committed to reducing the refinancing risk and the debt servicing burden in the budget by gradually extending the maturity of debt instruments. This commitment was renewed in the program with the IMF for the 2017-2019 period. To this end, the indebtedness

strategy for the 2019-2023 period aims to mobilize resources from foreign concessional creditors and on the regional government securities market with an average maturity of 8.5 years, up from 5 years. By 2023, the public debt portfolio is expected to consist of 43.0% external debt and 57.0% domestic debt, compared to the 26.0% and 74.0% projected at the end of 2018 respectively.

Thus, to finance its public investment program (PIP), Togo will rely on multilateral creditors such as IDA, the ADB/ADF Group, AFD, IFAD, IDB and BADEA as well as China and the Saudi Fund.

## 9.2.2. Debt sustainability (as defined by the IMF)

Togo's Public Debt Sustainability Analysis (DSA) was prepared in May 2018 jointly by the IMF and the World Bank. It is based on data provided by the Togolese authorities and the macroeconomic framework resulting from the second review of the program supported by the IMF's Extended Credit Facility. In addition, it is based on the most recent DSA model for low-income countries.

According to this analysis, Togo remains exposed to a moderate risk of foreign public debt over-indebtedness but to an increased risk of overall public over-indebtedness, given the vulnerabilities of its

domestic debt.

In the baseline scenario, all External debt sustainability indicators remain below their indicative thresholds throughout the projection period (2018-2038). However, in the historical scenario and other shock scenarios, several debt indicators exceed their respective thresholds.

Togo remains vulnerable to adverse shocks such as external demand shocks or the fall in commodity prices (oil products, phosphate, cotton) and shocks on non-debt generating flows. In addition, it received an average CPIA score of 3.0 for the 2014-2016 period, placing it in the category of "poor performing" countries.

**Table 26. Results of debt shocks**

	VA of External debt as a % of		External debt servicing as a % of		VA of total public debt as a % of
	GDP	Exports	Exports	Revenues	GDP
<b>Low</b>	22	52	5	7	30
<b>Medium</b>	84	199	9	13	70
<b>High</b>	23	52	5	7	41

Source: IMF

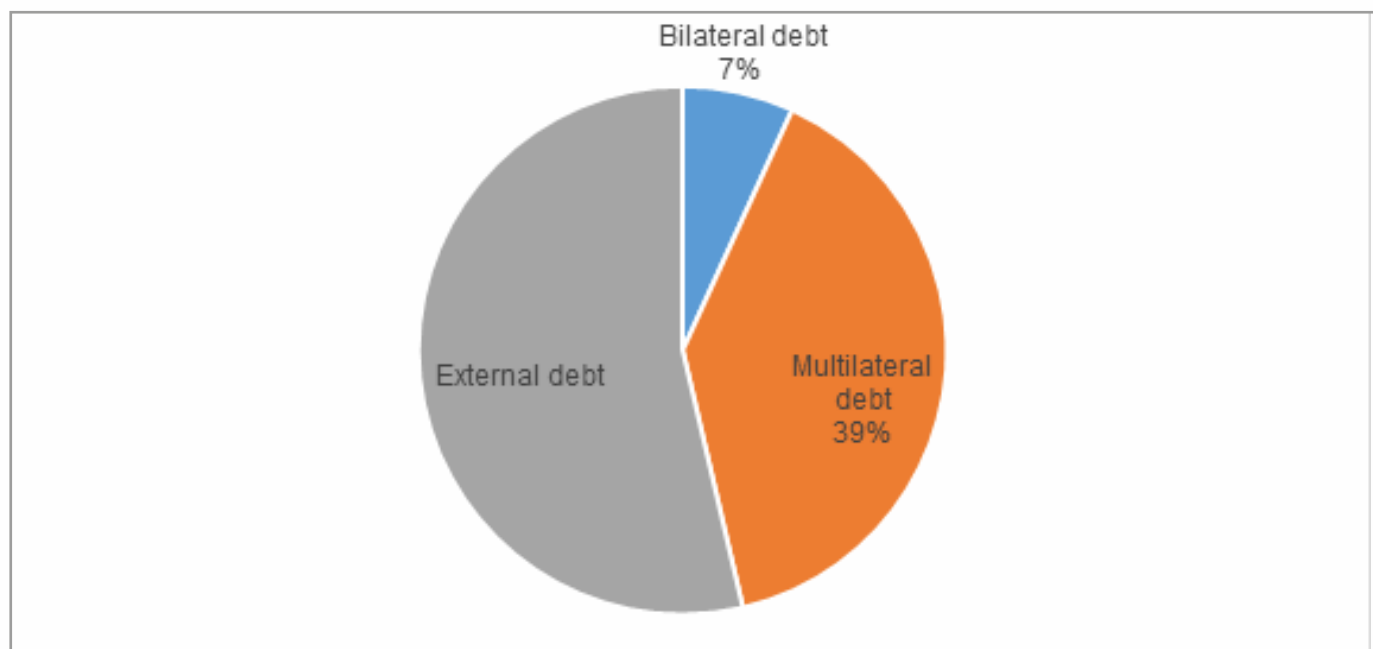
## 9.3. External debt

The distribution of the total public debt into foreign and domestic debt has changed over time. Before 2010, External debt accounted for more than 50.0% of the total debt. As a result of the cancellation of part of its debt after reaching the HIPC completion point, the share of External debt fell to 35.0% of total debt from 61.0% in 2009. It stood at 27.4% in 2018. The development of the regional securities market explains this reversal of the trend in recent years.

### 9.3.1 Holders

External debt is estimated at CFAF 600.8 billion in 2018, representing 27.4% of the total public debt. It is composed of 54.0% of trade debt, 39.0% of multi-lateral debt and 7.0% of bilateral debt. These shares were respectively 46.6%, 40.3% and 13.1% in 2014.

**Figure 9. External debt holders in 2018**



Source: DDPF

Expressed as a percentage of the nominal GDP, External debt represents 20.0% with 11.0% for trade debt, 8.0% for multilateral debt and 1.0% for bilateral debt.

**Table 27: Breakdown of external debt in 2018**

	Total debt (expressed in value, CFAF billion)	Expressed as a % of the total external debt	Expressed as a % of the nominal GDP
<b>Total External debt</b>	600.8	100	20
<b>Trade debt</b>	322.4	54	11
<b>Bilateral</b>	40.8	7	1
<b>Multilateral</b>	237.5	40	8

Source : DDPF

The evolution of the distribution of External debt by type of creditor is presented in the table below.



**Table 28: Outstanding External debt by creditor**

XOF, Million. Taux de change au 31/12

	2013	2014	2015	2016	2017	% du total en 2017
<b>Créanciers officiels bilatéraux</b>	<b>52 224,79</b>	<b>53 710,96</b>	<b>56 097,15</b>	<b>49 189,07</b>	<b>40 842,52</b>	<b>7%</b>
APD	45 614,18	49 771,97	54 237,10	49 189,07	40 842,52	7%
Non APD	6 610,61	3 938,99	1 860,04	0,00	0,00	0%
<b>Créanciers multilatéraux</b>	<b>158 330,29</b>	<b>170 137,33</b>	<b>183 962,50</b>	<b>184 170,09</b>	<b>201 285,60</b>	<b>37%</b>
Concessionnels	153 174,90	165 209,41	177 668,29	176 996,45	154 565,93	28%
Non concessionnels	5 155,39	4 927,92	6 294,21	7 173,64	46 719,67	9%
Sociétés de Dépôts à l'exception de la Banque Centrale	0,00	0,00	0,00	0,00	0,00	0%
Porteur de titres de créance	0,00	0,00	0,00	0,00	0,00	0%
Banques commerciales	108 530,28	197 000,01	284 420,04	326 583,30	305 740,79	56%
<b>TOTAL</b>	<b>319 085,37</b>	<b>420 848,30</b>	<b>524 479,68</b>	<b>559 942,45</b>	<b>547 868,91</b>	<b>100%</b>

Source: Ministry of Economy and Finance

### 9.3.2 External debt payment situation

The table below describes the external debt servicing actual service payments, including prepayments. operations over the last five years. These are

**Table 29. Payment of external debt servicing by type of creditor (P: principal, I/C: interest and commission)**

	2013			2014			2015			2016			2017		
	P	I/C	Total	P	I/C	Total	P	I/C	Total	P	I/C	Total	P	I/C	Total
Créanciers bilatéraux officiels	15 100,16	1 637,58	16 737,74	10 145,66	650,46	10 796,11	9 726,21	621,11	10 347,32	9 726,05	539,05	10 265,10	9 314,31	1 675,01	10 989,31
Créanciers multilatéraux	4 224,90	1 242,42	5 467,32	10 628,77	1 985,92	12 614,69	2 096,46	13 579,71	18 035,00	2 134,85	20 169,85	20 643,46	1 814,01	22 457,47	
Banque commerciale ou autre institution financière	6,00	1 776,93	1 782,93	0,00	2 939,78	2 939,78	520,45	4 994,73	5 515,18	3 722,15	6 230,08	9 952,23	10 376,96	6 402,32	16 779,28
Titres Créance	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
<b>TOTAL</b>	<b>19 331,06</b>	<b>4 656,92</b>	<b>23 987,99</b>	<b>20 774,43</b>	<b>5 576,16</b>	<b>26 350,59</b>	<b>21 729,92</b>	<b>7 712,29</b>	<b>29 442,21</b>	<b>31 483,20</b>	<b>8 903,98</b>	<b>40 387,18</b>	<b>40 334,72</b>	<b>9 891,34</b>	<b>50 226,06</b>

Source : Ministry of Economy and Finance

The table below shows the debt servicing projections by type of creditor.

**Table 30. Projection of external debt servicing by type of creditor**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	>2032
<b>Créanciers Officiels bilatéraux</b>	<b>3 998,40</b>	<b>4 423,43</b>	<b>4 396,78</b>	<b>4 317,29</b>	<b>4 574,10</b>	<b>5 315,36</b>	<b>6 034,59</b>	<b>3 794,93</b>	<b>3 756,43</b>	<b>3 717,93</b>	<b>3 998,61</b>	<b>3 956,91</b>	<b>3 854,87</b>	<b>3 754,64</b>	<b>3 715,36</b>	<b>27 085,96</b>
Principal	3 190,61	3 383,97	3 383,97	3 383,97	3 721,36	4 546,98	5 365,02	3 207,48	3 207,48	3 207,48	3 527,45	3 527,45	3 467,12	3 406,79	3 406,79	25 791,27
Intérêt / Comm	807,80	1 039,46	1 012,81	933,31	852,74	768,38	669,57	587,46	548,96	510,45	471,15	429,45	387,75	347,86	308,57	1 294,68
<b>Créanciers multilatéraux</b>	<b>21 299,12</b>	<b>17 643,25</b>	<b>15 745,47</b>	<b>11 781,51</b>	<b>12 900,12</b>	<b>20 722,24</b>	<b>22 945,97</b>	<b>23 123,93</b>	<b>23 018,07</b>	<b>21 098,53</b>	<b>14 243,90</b>	<b>13 703,93</b>	<b>12 422,86</b>	<b>11 784,55</b>	<b>9 985,62</b>	<b>144 128,78</b>
Principal	19 397,88	15 208,89	13 413,56	9 667,32	10 894,00	18 791,32	21 119,90	21 423,24	21 449,27	19 661,97	12 925,13	12 479,90	11 287,04	10 738,56	9 017,78	135 556,59
Intérêt / Comm	1 901,24	2 434,36	2 331,91	2 114,19	2 016,12	1 930,92	1 826,08	1 700,68	1 568,80	1 436,56	1 318,77	1 224,03	1 135,82	1 045,99	967,84	8 572,19
Porteur de titres de créance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
<b>Banques commerciales</b>	<b>16 657,14</b>	<b>19 898,20</b>	<b>24 106,04</b>	<b>27 709,49</b>	<b>32 908,27</b>	<b>33 753,87</b>	<b>36 165,44</b>	<b>35 591,44</b>	<b>35 031,62</b>	<b>34 471,80</b>	<b>33 920,02</b>	<b>33 352,16</b>	<b>26 426,62</b>	<b>25 550,18</b>	<b>21 239,54</b>	<b>43 410,13</b>
Principal	10 369,14	13 814,87	17 940,59	21 562,53	26 888,40	28 071,88	30 984,90	30 984,90	30 984,90	30 984,90	30 984,90	30 984,90	24 587,02	24 140,66	20 291,38	42 136,74
Intérêt / Comm	6 288,01	6 083,33	6 165,45	6 146,96	6 019,87	5 681,99	5 180,54	4 606,53	4 046,71	3 486,90	2 935,12	2 367,26	1 839,61	1 409,52	948,16	1 273,39
<b>TOTAL</b>	<b>41 954,67</b>	<b>41 964,88</b>	<b>44 248,28</b>	<b>43 808,29</b>	<b>50 382,49</b>	<b>59 791,47</b>	<b>65 146,00</b>	<b>62 510,30</b>	<b>61 806,12</b>	<b>59 288,26</b>	<b>52 162,53</b>	<b>51 013,00</b>	<b>42 704,35</b>	<b>41 089,37</b>	<b>34 940,52</b>	<b>214 624,87</b>

Source : Ministry of Economy and Finance

### 9.3.3 Debt currencies

The total external debt is estimated at CFAF 552.3 billion as of 31 December 2017, or 842 million euros. It is denominated in several currencies. The US

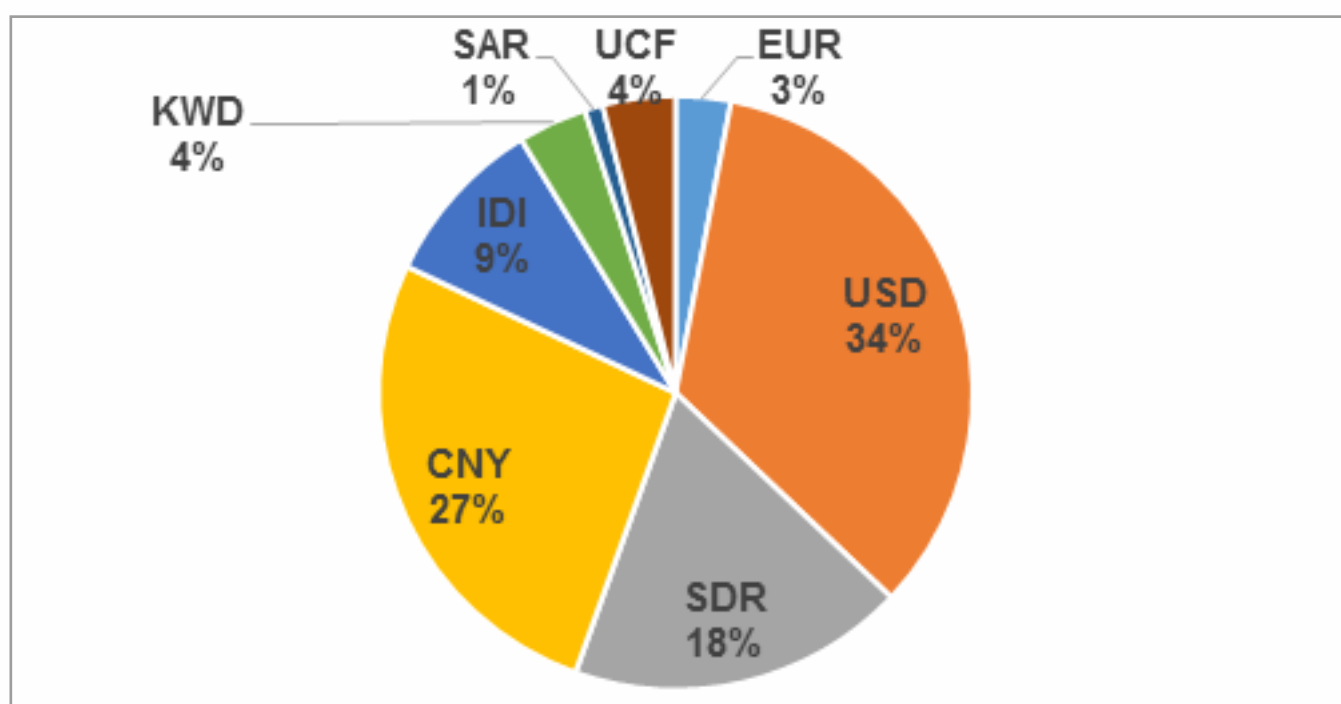
dollar is the primary currency in External debt is denominated. It represents 34.1% of the external debt, followed by the yuan renminbi (CNY 26.5%) and the Special Drawing Right (SDR 18.4%).

**Table 31: Detailed view of debt in currencies**

Currencies	Total debt originally denominated in this currency	CFAF exchange rate as of December 31, 2017	Total debt expressed in CFAF	Exchange rate in EUR as of December 31, 2017	Total debt expressed in EUR	Share of debt by currency
EUR	0.025175019	655.96	16.5	0.83	0.025175	3.0
USD	0.343805841	547.52	188.2	1.00	0.2869734	34.1
SDR	0.130422334	779.73	101.7	0.70	0.1550313	18.4
CNY	1.741098197	84.08	146.4	6.51	0.2231844	26.5
IDI	0.065768958	779.73	51.3	0.70	0.0781787	9.3
KWD	0.011461615	1814.20	20.8	0.30	0.0316997	3.8
SAR	0.037468515	146.01	5.5	3.75	0.00834	1.0
UCF	0.028076345	779.73	21.9	0.70	0.033374	4.0
<b>TOTAL</b>			552.3		0.842	100.0

Source: Ministry of Economy and Finance

**Figure 10. Breakdown of external debt by currency in 2017**



Source : DDPF

## 9.4. Domestic Debt

Domestic debt has more than tripled since 2010. It rose from CFAF 480.2 billion in 2010 to CFAF 1.470.1 billion in 2017, representing 73.0% of the total public debt. Expressed as a percentage of the nominal GDP, it represents 53.7%. The financing of the budget deficit through the use of treasury bills and bonds has increased over the past five years.

### 9.4.1 Presentation of the situation as of 31 December 2017

The domestic debt composition as of 31 December 2017 was as follows: Treasury bills (10.1%), bond issues (54.9%), bank loans (15.2%) and arrears (19.8%). Its relative share in the nominal GDP was estimated at 53.7%. Treasury bills and bonds accounted for 34.9% of the nominal GDP.

**Table 32. Detailed view of local currency debt**

HEADING	OUTSTANDING as of 31-12-2017 (in millions of CFA francs)	Domestic debt expressed as a % of the total domestic debt	Domestic debt expressed as a % of the 2017 nominal GDP	REPAYMENT UNDER THE PRINCIPAL (in millions of CFA francs)	DRAWINGS (in billions of CFA francs)	OUTSTANDING AS OF 31-12-2018 (in millions of CFAF)
<b>I-DEBT SECURITIES</b>	954 813.6	64.9	34.9	252 926.83	372 162.14	1 084 637.85
<b>BOND ISSUES</b>	807 003.63	54.9	29.5	105 116.83	245 552.14	958 027.85
<b>TREASURY BILLS</b>	147 810.00	10.1	5.4	147 810.00	126 610.00	126 610.00
<b>II-LOANS</b>	224 045.54	15.2	8.2	16 375.95	72 476.76	280 146.36
<b>SDR ALLOCATION</b>	10 874.27	0.7	0.4	6 480.35	0.00	4 393.92
<b>BOAD and ECOBANK</b>	213 171.27	14.5	7.8	9 895.59	72 476.76	275 752.44
<b>III-OTHER ACCOUNTS PAYABLE (ARREARS)</b>	291 220.75	19.8	10.6	65 742.65	0.00	225 493.18
<b>TOTAL</b>	1 470 079.92	100.0	53.7	335 045.43	444 638.90	1 590 277.38

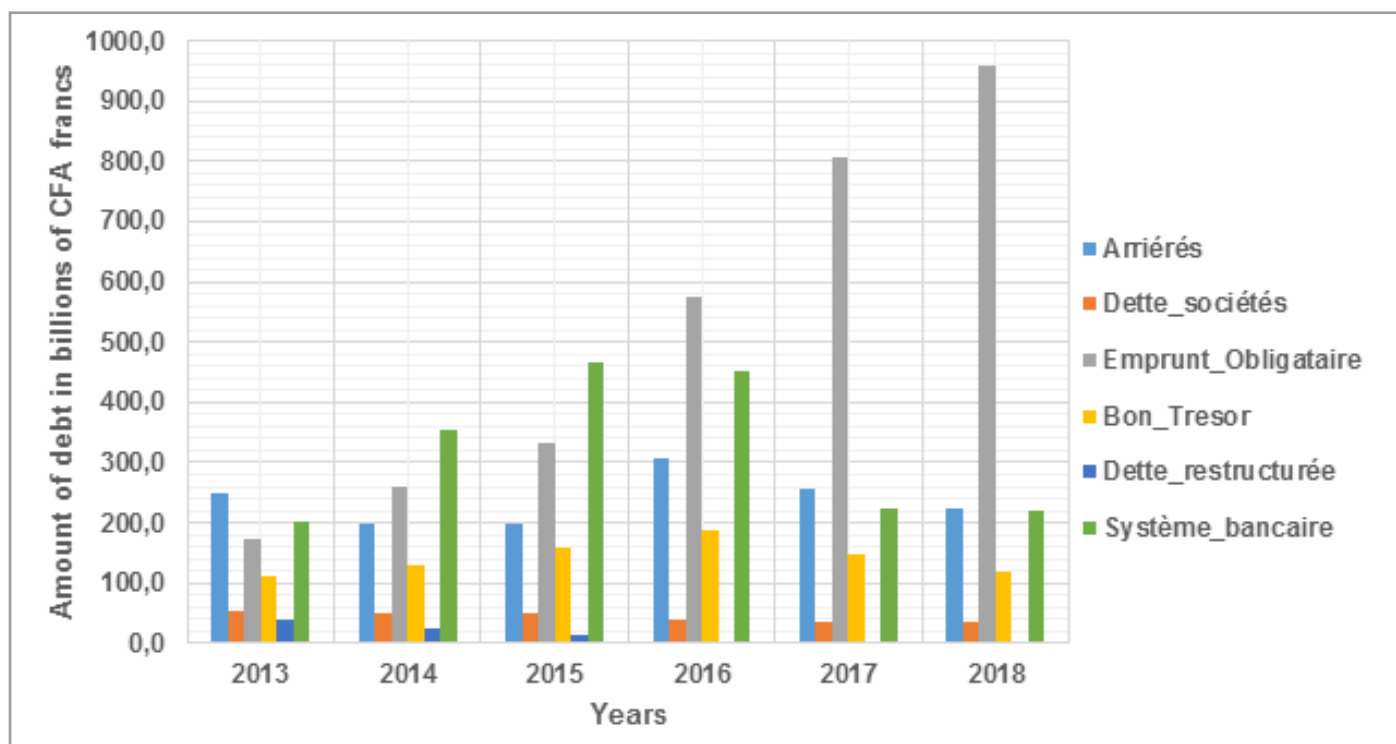
Source : DDPF

### 9.4.2 Evolution of domestic debt composition over the past 5 years

Domestic debt can be divided into two main debt categories. Arrears and so-called "conventional" debt. Arrears are estimated at CFAF 291.2 billion at the end of September 2018 compared to CFAF 301.7 billion in 2013. These are commercial debt, financial debt, social debt and the debt of companies liquidated by the State. With the support of the IMF, a

program to clear these arrears is being implemented. Conventional debt consists of treasury bills, bonds, restructured debt and debt to the banking system. The latter category grew very rapidly in 2014 and 2015 due to the use of pre-financing from the banking system in the construction of road infrastructure. This practice was abandoned in 2016 in favor of the use of bonds. This explains their upward trend between 2016 and 2018.

Figure 11. Evolution of outstanding domestic debt from 2013 to 2018



Source: DDPF

### 9.4.3 Domestic Debt Payment Situation

The table below shows the amounts of domestic debt to be paid in the short term and their evolution

between 2013 and 2017. We can see that they are tending to decline.

Table 33. Domestic debt to be repaid in the short term

	2013	2014	2015	2016	2017	2018
<b>SHORT TERM</b>	415 940.92	379 668.39	343 392.78	345 602.80	343 545.83	352 103.18
<b>3 months or less</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>between 3 months and 6 months</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>between 6 months and 1 year</b>	111 350.00	130 600.00	96 000.00	30 000.00	33 892.00	126 610.00
<b>Immediately</b>	304 590.92	249 068.39	247 392.78	315 602.80	291 235.83	225 493.18

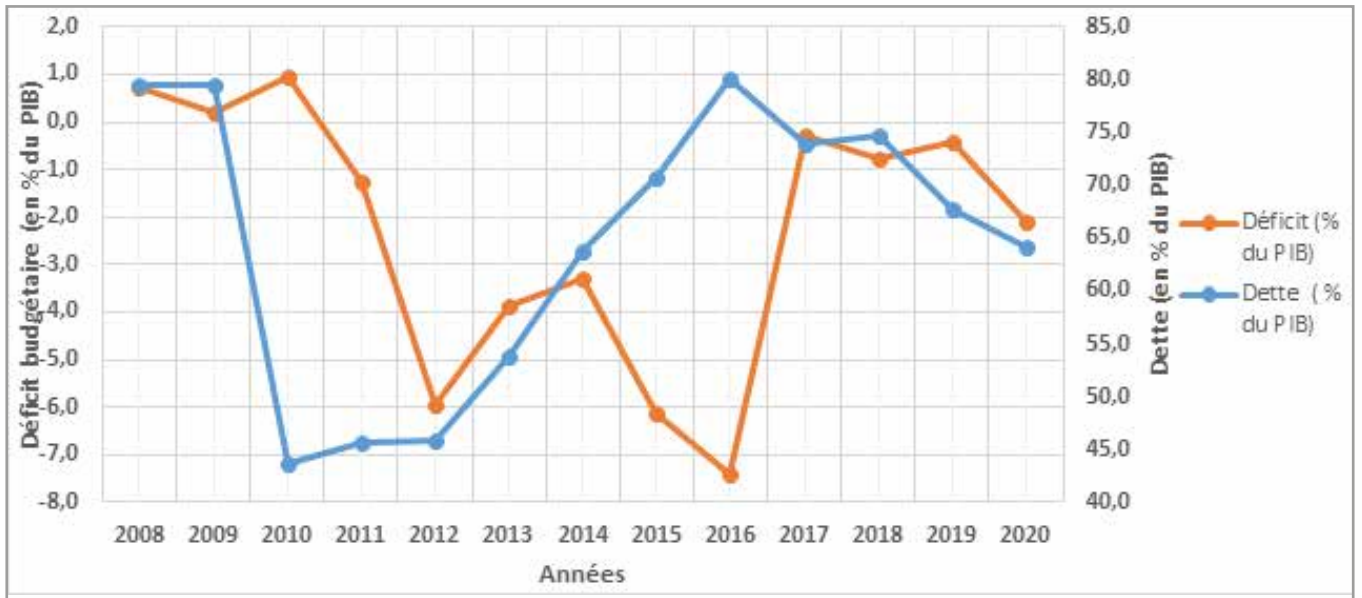
Source: Ministry of Economy and Finance

## 9.5. Viability and sustainability

Togo's budget balance deteriorated after 2010 when it emerged in surplus at 1.0% of GDP. From 2012 to 2016, the deficit remained above the Community standard of 3.0% set by the Convergence Pact. In

2016, the deficit reached 7.4% of GDP. The years of deficit deterioration correspond to the period of a rapid increase in the debt ratio, which stood at 80.0% in 2016. From 2017 onwards, the trend has been reversed and the debt ratio is projected to reach 64.2% in 2020.

Figure 12 . Evolution of the fiscal deficit and outstanding debt to GDP



Source : DDPF



**Auction (for government securities):** the auction of securities issued by the central government. In the WAEMU region, it is organized by the BCEAO and only banks and other regional financial institutions with accounts with the BCEAO may participate. Other entities can only subscribe to auctions through WAEMU banks.

**Depreciation or maturity:** the period between the disbursement of a loan and its final repayment, consisting of the grace period and the repayment period.

**Public offering:** competitive bidding on the financial market for public securities through an SGI. It is open to all investors.

**Net external assets (NEA):** net external claims or liabilities of monetary institutions (Central Bank and banks) on the outside world. It corresponds to all items in the balance sheets of the central bank and banks relating to their external operations. It is calculated by deducting from gross foreign assets all foreign liabilities, including medium- and long-term liabilities.

**State financing requirement:** overall amount needed to cover the primary budget deficit and the interest and depreciation charges related to the debt.

**Treasury bills:** short-term public securities with a maturity of between 7 days and 2 years, issued by a WAEMU member state.

**Paris Club:** informal group of creditor countries (usually OECD countries) that meet in Paris to negotiate debt restructuring agreements with debtor countries experiencing debt service problems.

**Bilateral creditors:** governments, central banks, export credit agencies and agencies that lend to a debtor government on an intergovernmental basis.

**Multilateral creditors:** international institutions that lend funds on concessional and/or non-concessio-

nal terms, such as the IMF, World Bank and regional development banks.

**Credit to the economy (CE):** all loans granted to the economy by banks (refinanced or not), financial institutions (partly refinanced by the Central Bank) and the Treasury (through the acceptance of customs drafts).

**Domestic credit:** Credit to the economy + Government Net position (see GNP).

**Disbursement:** payment of all or part of the amount contracted under the terms of a loan.

Budget deficit: difference between total revenue, total expenditure and net lending.

**Current account deficit:** current account deficit balance of the balance of payments.

**Primary deficit:** negative difference between revenue and expenditure, excluding interest payments.

**External public debt:** central government loans from non-residents.

**Domestic public debt:** central government loans from residents.

**Non-concessional debt:** debt issued on market terms.

**Public debt:** sum of all central government debt (external and domestic).

**Economic data:**

- Achievements: economic data for past years, calculated based on comprehensive economic information collected on the economic activity by national governments. They should correspond more or less to the final accounts data for last three years;
- Estimates: correspond to semi-final or provisional accounts, drawn up based on economic information for a given year. They are generally non-ex-

haustive and/or not fully validated;

- Economic projections or forecasts: correspond to economic data calculated based on hypotheses formulated on the future development of the [economic activity]. These projections may partially cover certain accounts for which only provisional and/or partial data are available.

**Donation component:** difference between the nominal value (NV) and the present value (PV) of debt servicing expressed as a percentage of the nominal value of the loan  $((NV-PV)/NV)$ .

**Concessional loan:** Loans and credits that have a long depreciation period and/or below-market interest rates, such that they have a grant element of at least 35%.

**Eurobond:** a bond denominated in a foreign currency on the London financial market.

**Inflation:** generalized increase in consumer prices. This results in a loss of purchasing power of money.

**Multilateral Debt Relief Initiative (MDRI):** initiative launched in June 2005 to accelerate progress towards the Millennium Development Goals (MDGs).

**HIPC Initiative:** framework adopted by the World Bank and the IMF in 1996 to address the external debt problems of the Heavily Indebted Poor Countries (HIPC), which aims to provide comprehensive debt relief sufficient to achieve debt sustainability.

**Money supply (MS):** All claims held by the rest of the economy on monetary institutions. It comprises monetary (currency in circulation + overnight deposits) and quasi-monetary (savings accounts and term deposits) balances.

**Treasury bonds:** medium- and long-term government securities issued through auctions or public offerings.

**Conditional liabilities:** debts contracted by other public entities except for central government (local authorities and the quasi-public sector).

**Government Net Position (GNP):** net claims or net

liabilities of the Treasury vis-à-vis the rest of the economy.

The Government's net position is made up of the difference between the Treasury's debts and its claims on the Central Bank, banks and individuals and companies.

By convention, a crediting GNP is preceded by the sign (-) while a debtor GNP is preceded by the sign (+).

**Tax burden:** the ratio of tax revenue to GDP.

**Refinancing risk:** the risk associated with the rollover of maturing debt. It may relate to the cost of refinancing or the inability to obtain the desired amounts.

**Interest rate risk:** Interest rate risk refers to the vulnerability of the debt portfolio and the cost of the Government's debt to high market interest rates, at the point where maturing fixed-rate and floating-rate debt are revalued.

**Foreign exchange risks:** Risks associated with fluctuations in exchange rates.

**Debt service:** Any payment required to be made on the principal, interest and fees of a loan.

Primary balance: (see primary deficit).

Stock of government debt: the amount at a given date of disbursements of debt that has not yet been repaid.

**Exchange rate:** the price of one currency in terms of another.

**Debt ratio:** the ratio of the stock of public debt to GDP.

**Investment rate of a country's economy:** a ratio that indicates the gross fixed capital formation of all economic agents (government, businesses, households) expressed as a percentage of the GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country.

The terms of trade: expresses for a country the ratio

between the price of exports and the price of imports. They are generally calculated from price indexes and indicate a change with respect to a reference year ( $T = [\text{export price index} / \text{import price index}] \times 100$ ).

The terms of trade improve over time ( $T > 100$ ) if an economy exports a smaller quantity of goods to purchase the same quantity of imported goods (in other words, the same quantities exported purchase more

imported goods): export revenues improve in this case. In contrast, the terms of trade deteriorate ( $T < 100$ ).

This price ratio thus reflects the evolution of the purchasing power of exports into imports, for a given volume of trade (the structure of trade is fixed): it reflects the price competitiveness of a country (independently of the quantity effect).





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