INTERNATIONAL MONETARY FUND

TOGO

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

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***Togo remains at a moderate risk of debt distress based on an assessment of public external debt, but at a heightened overall risk of debt distress, reflecting significant vulnerabilities related to domestic debt**. After full HIPC assistance, MDRI and beyond debt relief, Togo's external and public debt indicators improved significantly in 2010/11. Since then, Togo has contracted significant external and domestic debt. While external debt indicators are projected to remain below the policy-relevant indicative thresholds under the baseline scenario, Togo remains vulnerable to shocks and could breach the thresholds for the present value (PV) of external debt-to-GDP, the PV of external debt-to-revenue, and the debt service-to-revenue ratios under alternative scenarios and stress tests. Togo's overall public debt dynamics also highlight heightened vulnerabilities, with the debt-to-GDP ratio remaining above the indicative benchmark for most of the projection period. The debt sustainability analysis results suggest that there is limited space for higher fiscal deficit if the moderate risk rating is to be preserved or improved. They also highlight a need to enhance the capacity of debt management.*

INTRODUCTION

1. **The debt sustainability analysis (DSA) of Togo's public debt was prepared jointly by the International Monetary Fund (IMF) and the World Bank.**[1] It updates the 2013 DSA (IMF Country Report No. 14/38), based on the most recent external debt data from the authorities and the macroeconomic framework derived from the 2015 IMF Article IV consultation. Data are composed of external and domestic debt of the central government, as well as debt and guaranteed debt of public enterprises.

2. **Togo's public and publicly guaranteed (PPG) external debt is CFAF 614 billion at end-2014 while its composition has considerably changed since 2010 (Text Table 1).** Togo reached the completion point of the HIPC Initiative in December 2010 and was granted debt relief from several multilateral and bilateral creditors. As a result, the ratio of PPG external debt to GDP dropped from 53.9 percent in 2009 to 19.9 percent in 2010. Since then, external debt stock has increased, reaching 26.9 percent of GDP at end-2014. Around 51 percent of this stock of debt is owed to multilateral creditors and the remainder to bilateral and commercial creditors. Between 2010 and 2014, central government borrowing from commercial banks has increased significantly, from around CFAF 31 billion to CFAF 201 billion. The debt from commercial banks is typically contracted at less favorable terms than from other creditors. Thus, the increase in the share of commercial bank borrowing to total borrowing from 10.1 percent in 2010 to 32.7 percent in 2014 has created additional pressure on Togo's external debt position.

3. **Public domestic debt has increased in recent years, amounting CFAF 717 billion at end-2014 from CFAF 473 billion at end-2010.** After declining in 2011 by about 1½ percentage points to 28½ percent of GDP, the level of domestic debt has gradually increased to 31½ percent in 2014. A key driver to the increase in domestic debt has been the rise in recourse to the regional financial market, which has more than offset the decrease in domestic arrears. The stock of government securities on the regional market has increased from 9.2 percent of GDP in 2010 to 18.4 percent in 2014, with an increasing use of Treasury bills. Consequently, Togo had the highest level of domestic debt-to-GDP ratio within the WAEMU region at end-2014.[2]

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[1] The DSA follows the IMF and World Bank Staff Guidance Note on the Application of the Joint IMF-World Bank Debt Sustainability Framework for Low-Income Countries, dated November 7, 2013 (SM/13/292).

[2] See the most recent IMF Staff Report on WAEMU common policies: http://www.imf.org/external/pubs/ft/scr/2015/cr15100.pdf

Togo: Composition of Public Debt, 2010–14															
	End-2010			End-2011			End-2012			End-2013			End-2014		
	(in billions of CFAF)	(in percent of public debt)	(in percent of GDP)	(in billions of CFAF)	(in percent of public debt)	(in percent of GDP)	(in billions of CFAF)	(in percent of public debt)	(in percent of GDP)	(in billions of CFAF)	(in percent of public debt)	(in percent of GDP)	(in billions of CFAF)	(in percent of public debt)	(in percent of GDP)
Total Public Debt	**785.1**	**100**	**50.0**	**788.4**	**100**	**44.5**	**922.4**	**100**	**46.1**	**1,075.9**	**100**	**50.1**	**1,330.9**	**100**	**58.5**
External Debt	**312.1**	**40**	**19.9**	**284.9**	**36**	**16.1**	**351.2**	**38**	**17.6**	**432.9**	**40**	**20.1**	**613.5**	**46**	**26.9**
Central Government	**266.2**	**34**	**16.9**	**241.9**	**31**	**13.7**	**278.8**	**30**	**13.9**	**357.4**	**33**	**16.6**	**470.5**	**35**	**20.7**
Multilateral	182.9	23	11.6	170.3	22	9.6	164.1	18	8.2	209.0	19	9.7	243.1	18	10.7
Bilateral	51.9	7	3.3	40.6	5	2.3	35.9	4	1.8	28.6	3	1.3	26.7	2	1.2
Paris Club	16.3	2	1.0	11.5	1	0.6	14.4	2	0.7	6.6	1	0.3	3.9	0	0.2
Non-Paris Club	35.6	5	2.3	29.1	4	1.6	21.4	2	1.1	21.9	2	1.0	22.7	2	1.0
Commercial Banks	31.4	4	2.0	31.1	4	1.8	78.8	9	3.9	119.8	11	5.6	200.7	15	8.8
SOEs[1]	**45.9**	**6**	**2.9**	**43.0**	**5**	**2.4**	**72.4**	**8**	**3.6**	**75.5**	**7**	**3.5**	**143.0**	**11**	**6.3**
Multilateral	...	...	...	43.0	5	2.4	32.3	4	1.6	21.7	2	1.0	71.7	5	3.1
Other	...	...	...	0.0	0	0.0	40.1	4	2.0	53.8	5	2.5	71.4	5	3.1
Domestic Debt	**472.9**	**60**	**30.1**	**503.5**	**64**	**28.4**	**571.2**	**62**	**28.6**	**643.0**	**60**	**29.9**	**717.5**	**54**	**31.5**
T-Bills + Bonds	143.9	18	9.2	175.4	22	9.9	224.5	24	11.2	326.8	30	15.2	418.4	31	18.4
Domestic Arrears	276.6	35	17.6	270.0	34	15.2	263.8	29	13.2	254.3	24	11.8	249.3	19	10.9

Sources: Country authorities and Staff calculations

[1] Details for SOEs' 2010 external debt have not been communicated by the authorities.

BASELINE ASSUMPTIONS

4. The baseline macroeconomic assumptions for the present DSA are the following:

a. Real GDP growth is estimated at 5.4 percent in 2014 and would average about 5½ percent over 2015–18, supported by agricultural production, transportation services linked to international trade, and the impact of investments in transport infrastructure. In the long run, real GDP growth is estimated to settle down at 4.5 percent. The estimated potential growth rate exceeds historical rates, which were depressed by the dislocations caused by the protracted social, political, and economic crisis that the country experienced up to the mid-2000s. The main downside risks to growth projections are related to the country's weak public financial management capacity and resistance to reform by entrenched groups. These may lower the efficiency of the planned public investments, which, together with private sector growth and investment, would be one of the drivers of growth over the medium term. Additionally, a binding constraint is the availability of reliable electricity supply, given that the growth of demand outstrips that of supply and that there are no obvious economical short-term solutions.

b. Public investment is projected to increase to 9.7 percent of GDP in 2015, continuing the upward trend of the recent past (8.3 percent in 2013 and 9.1 percent in 2014). Public investment is expected to stabilize in the medium term, at around 9.1 percent of GDP. About 50 percent of public investments will be financed domestically while the remaining will be via external financing. Public investment projects are expected to be mostly directed to infrastructure, with increasing portions dedicated to social spending, and, together with prudent fiscal policy and structural reforms, would lead GDP growth to increase above its long-term trend for these years.

c. The projections for key commodity prices (oil, cotton, cocoa, and coffee) through 2020 are based on WEO projections of August 2015 and are assumed constant in real terms afterwards.

d. Inflation was low in 2014 (0.2 percent) and is projected to increase in the medium term, reaching 2.5 percent in 2017 remaining stable afterwards, reflecting sound monetary policy at the regional level.

e. The current account balance has strongly deteriorated in 2013 and 2014 (respectively -13.0 and -12.8 percent of GDP). The deficit is expected to remain at levels around 11 percent in the medium term, before converging back to below 10 percent in the long run. The underlying reasons for the recent deterioration of the current account balance are the large increase of imports in 2013, in particular intermediary goods and oil imports, and the relative underperformance of exports.

f. The domestic primary fiscal balance is projected to improve marginally to -1.7 percent of GDP in 2015 compared to -1.8 percent in 2013. The projections for the long term point to a steady improvement of the domestic primary fiscal balance as it reaches -0.3 percent in 2020.[3]

g. The overall fiscal balance is programmed to decline from -6.4 in 2014 to -5.4 percent in 2015 and to gradually revert back to around -5 percent, reflecting lower infrastructure investment needs in the medium to long term.

h. FDI flows are expected to stay stable over the medium-term at around 5 percent of GDP. However, given Togo's weak track record in governance, these flows, as well as grants, are subject to significant risks, which may, as a result, hinder the favorable debt dynamics.

i. Initially, all new external financing is expected to be received at concessional terms. As Togo develops, concessional financing will become more scarce leading to a decrease in the grant element of new financing after 2018 (as shown in Figure 1). It is assumed that non-concessional

[3] The domestic primary fiscal balance is the authorities' primary tool for short term fiscal policy, given interest payments and multi-year infrastructure investment plans.

new borrowing will amount to 1.5 percent of GDP in 2018 and gradually increase to 2.5 percent of GDP in 2035. The sources of concessional external financing are expected to consist of Togo's traditional multilateral donors, as well as the recently-increased financing from non-Paris Club creditors (especially China and India), which are generally less concessional in nature.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

Baseline

5. Under the baseline scenario, Togo's external debt indicators remain below their indicative policy-relevant thresholds (Table 1a, Figure 1).[4] The present value (PV) of public and publicly guaranteed (PPG) debt is projected at 19 percent of GDP in 2015 and remains below the 30 percent threshold until the end of the projection period. Furthermore, both the PV of external debt relative to revenues and exports stay relatively stable and below their respective indicative threshold until 2035. The share of concessional loans in new financing is projected to decline, which results in the concessionality of new loans to decrease from nearly 50 percent to around 23 percent over the period 2015 to 2035. The rate of debt accumulation is projected to increase from 0.9 to 1.8 percent in the same period.

Alternative Scenarios and Stress Tests

6. Togo's external debt outlook remains vulnerable to shocks especially toward the end of the projection period (Table 1b, Figure 1). The policy thresholds for four key ratios are breached under alternative scenarios and stress tests. First, the PV of external debt to GDP ratio deteriorates under the scenario in which new loans are obtained on less favorable terms. In this case, the threshold is breached in 2022. Second, under the same scenario of less favorable terms, the PV of debt-to-revenue ratio breaches the 200 percent threshold in 2028. Further, the PV of debt service-to-revenue ratio surpasses the indicative thresholds at the end of the period under a combination of shocks on growth, exports, value of currency and non-debt creating flows. Finally, under the historical scenario, the three ratios above and the PV of debt-to-exports ratio breach their thresholds, although the latter is less relevant for Togo, which is a member of a currency union.

[4] Togo's quality of policies and institutions, as measured by the average World Bank's Country Policy and Institutional Assessment (CPIA) for the period 2011–13 (2.98), places it as a "weak performer". The corresponding indicative thresholds for the external debt indicators are 30 percent for the NPV of debt-to-GDP ratio, 100 percent of the debt-to-exports ratio, 200 percent for NPV of debt-to-revenue ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. The corresponding indicative benchmark for total public debt to GDP ratio is 38 percent.

7. In light of the results from the baseline and alternative scenarios as well as the stress tests, staff concludes that Togo remains at moderate risk of external debt distress.

PUBLIC SECTOR DEBT SUSTAINABILITY

8. The inclusion of Togo's domestic public debt in the analysis emphasizes the vulnerability of the baseline scenario (Table 2a, Figure 2). Togo's domestic debt burden reflects persistently high deficits, recognition as debt of accumulated liabilities, and weak public financial management, including very limited debt management capacity. The increase in domestic debt stemmed in particular from the government's recognition of liabilities arising from liquidated loss-making SOEs and increasing use of domestic borrowing to finance the budget.

Baseline scenario

9. Under the baseline scenario, indicators of overall public debt burden (external plus domestic) show significant vulnerabilities. The PV of public debt to GDP breaches the benchmark level of 38 percent—above which the risk of debt distress is assumed to be heightened for countries with a low CPIA score—for most of the forecast period (Figure 2).[5] The PV of debt-to-revenue ratio is projected to decline gradually into the long term, although its values are higher than in the previous DSA. The PV of debt service-to revenue ratio tends to increase over time. While the trend is similar to the previous DSA, the level is higher, reflecting increasing debt service vulnerabilities to variations in fiscal revenues.

Alternative Scenarios and Stress Tests

10. The evolution of the debt indicators would be highly sensitive to non-debt flows shocks and real depreciation shocks, which would increase the debt level and debt service over the long run. Total public debt dynamics are particularly vulnerable to both non-debt flows and real depreciation shocks[6], highlighting the need to strengthen Togo's external public debt (Table 2b, Figure 2). In addition, under the assumption of constant primary balance (i.e., assuming no fiscal adjustment), public debt ratios would increase steadily during the projection period, stressing the need for the authorities to improve the

[5] The public debt benchmark was introduced in the DSA framework in the 2013 review of the Debt Sustainability Framework. Similar to the thresholds for PPG external debt, this benchmark varies depending on a country's CPIA score and designates levels above which the risk of public debt distress is heightened.

[6] The non-debt-creating flows shock is a one-time increase in other debt-creating flows amounting to 10 percent of GDP in the second year of the projection period. The real depreciation shock is a one-time 30 percent nominal depreciation of the domestic currency in the first year of the projection period.

balance in the near future. For debt ratios to remain at a reasonable level over the long-run, an improvement in the macroeconomic outlook, a decrease of fiscal deficits, and a more cautious debt strategy are critical factors.

CONCLUSION

11. **Togo remains at a moderate risk of external public debt distress but has a heightened risk of overall public debt distress, reflecting vulnerabilities in domestic debt.** Under the baseline scenario, all external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2015–35). However, four out of the five indicators breach their threshold under alternative scenarios and stress tests. Togo's overall public debt dynamics present heightened vulnerabilities, with the debt-to-GDP ratio remaining above the indicative benchmark for most of the projection period. These dynamics highlight the vulnerability of the Togolese economy to macroeconomic and financing shocks (in particular less favorable terms on new financing and lower revenue performance), and stress the need for a prudent approach to new borrowing. This also underlines the importance of improving debt management capacity in Togo to have a realistic assessment of the risks posed by various sectors.

12. **Maintaining a robust external and public debt outlook will depend on a sustained improvement in macroeconomic performance, as well as prudent debt management and solid fiscal performance.** While public investment is expected to lead to sustained growth if coupled with reforms facilitating private sector investment and growth, Togo's weak public investment management capacity may impose risks on the underlying public investment-growth nexus. In this context, it is essential that the Togolese authorities ensure efforts to strengthen public financial management and debt management, restructure the banking system and promote financial development, reform state-owned enterprises, and improve the investment climate, hence laying the foundation for accelerating growth prospects.

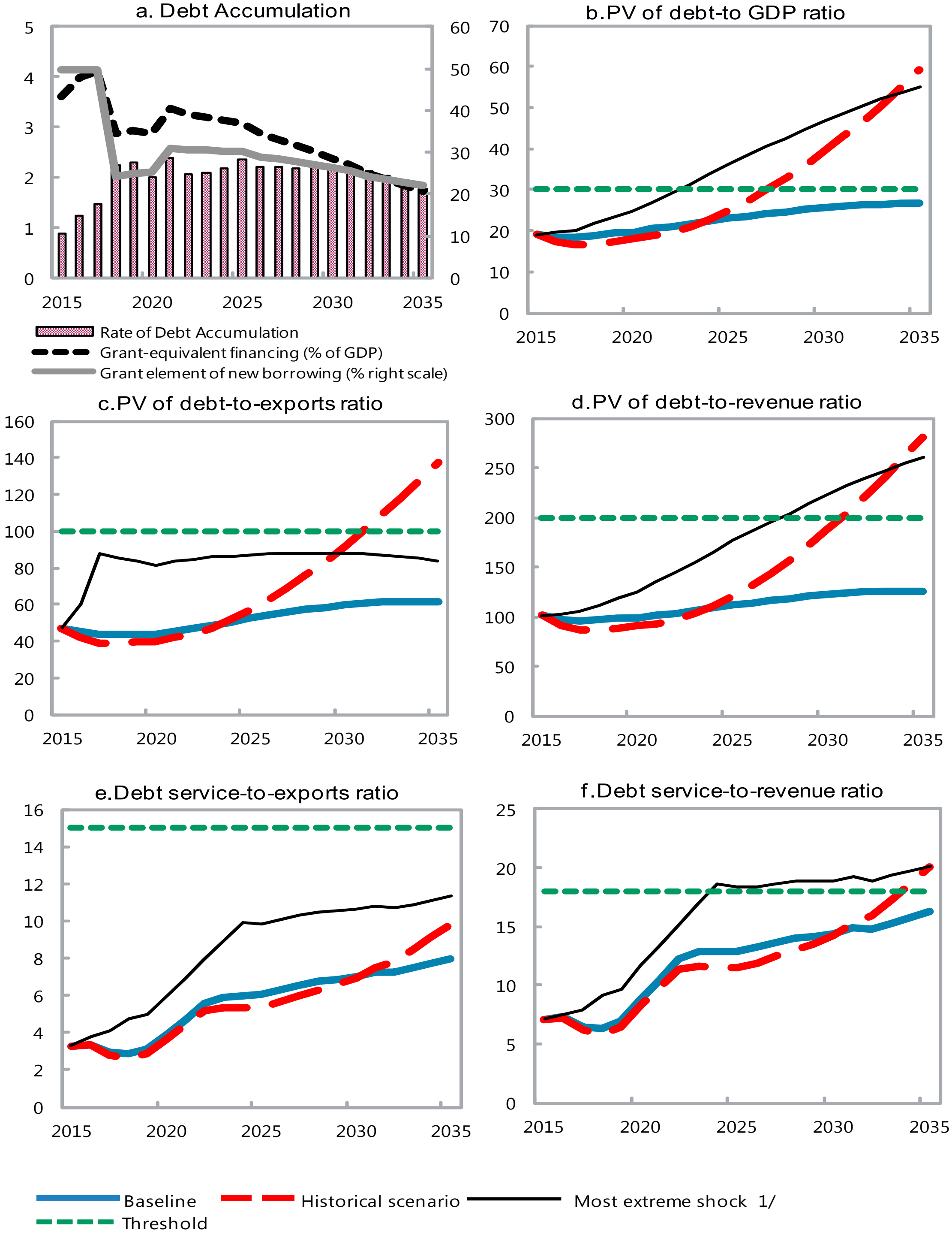
13. **There are downside risks and a caveat to this conclusion**. First, given that growth projections are predicated on high public investment and good fiscal and debt management, delays in structural reforms to enhance expenditure efficiency and the monitoring of debt, and limited fiscal consolidation could dampen these prospects. Second, given Togo's exposure international economic developments, uncertainty in the availability of external financing, especially from non-traditional donors, could hamper the country's financing strategies. Lastly, a caveat to this analysis is the availability and quality of data, an area in which Togo could benefit from enhanced capacity development.

Authorities' views

14. The authorities have a different perspective on Togo's debt sustainability risks. In particular, they do not see any risks associated with rising debt levels as long as they are below the WAEMU threshold of 70 percent (compared to 58 percent as at end-2014).[7] Furthermore, the authorities do not consider the levels and dynamics of domestic debt as posing any liquidity or rollover risks, given the high demand for Togolese government securities so far shown by the regional financial market players. The authorities also consider that the baseline macroeconomic assumptions underlying this DSA are too conservative, particularly those related to growth and external current account developments. They, however, agreed on the need to restructure and enhance the capacity of debt management to enable it to effectively carry out its functions.

[7] Staff and the authorities discussed the differences between the WAEMU convergence criterion of debt-to-GDP ratio and the sustainability indicators under the LIC-DSA framework. Specifically, the 70 percent debt-to-GDP ratio criterion for WAEMU convergence is not directly comparable to the debt-to-GDP ratio debt burden indicator in the LIC-DSA. The former is measured in nominal terms, while the latter is measured in present value terms. Also, apart from the debt-to-GDP ratio, assessment of debt sustainability under the LIC-DSA takes into account other debt burden indicators, such as debt-to-revenue and debt-to-exports ratios, a country's specific policy and institutional environment, and country-specific risks.

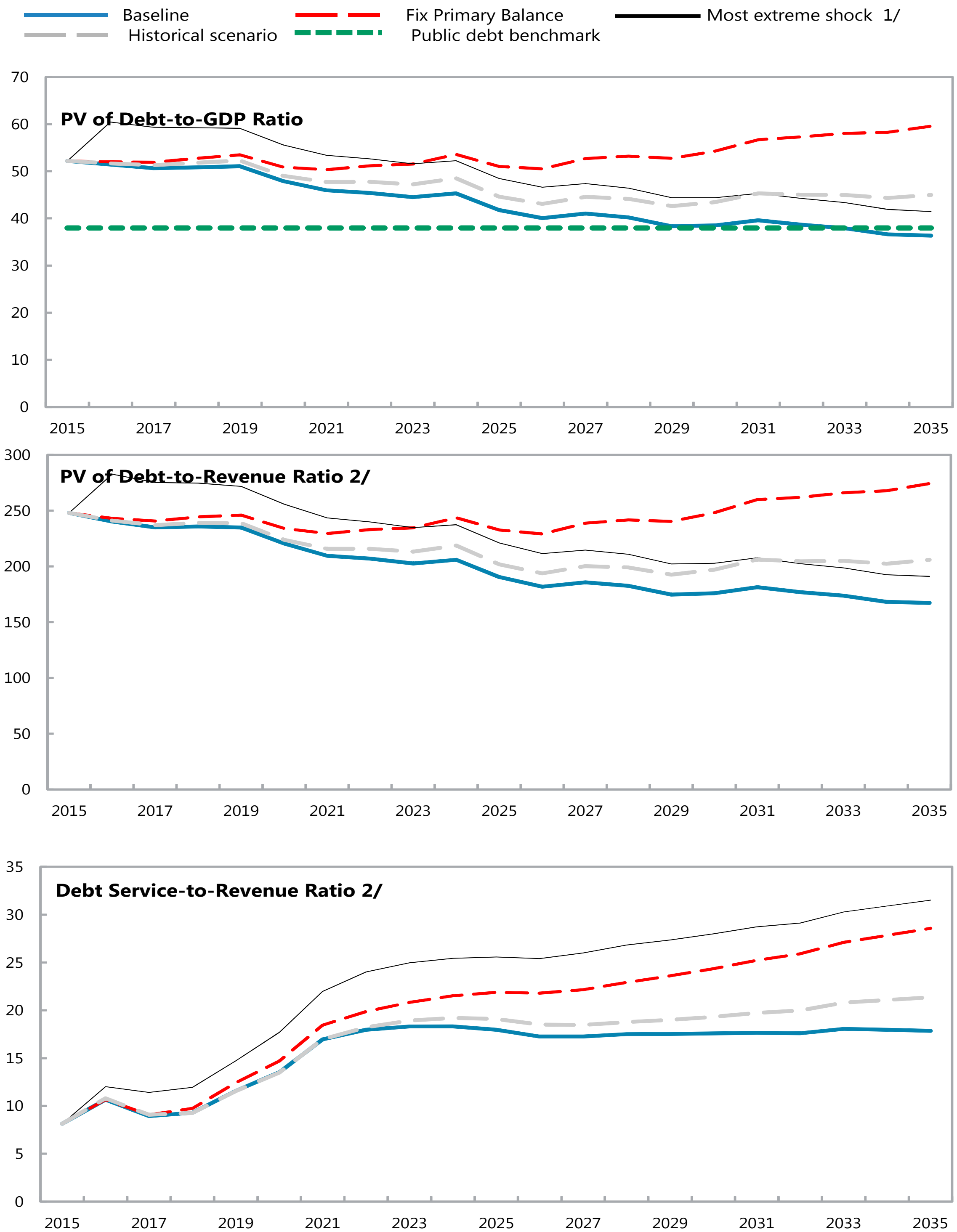
Figure 1. Togo: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2015-2035 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a Less Favorable Terms shock; in c. to a Exports shock; in d. to a Less Favorable Terms shock; in e. to a Exports shock and in figure f. to a Combination shock

Figure 2.Togo: Indicators of Public Debt Under Alternative Scenarios, 2015-2035 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.
2/ Revenues are defined inclusive of grants.

Table 1a. Togo: External Debt Sustainability Framework, Baseline Scenario, 2012–2035 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2012	2013	2014			2015	2016	2017	2018	2019	2020	2015-2020 Average	2025	2035	2021-2035 Average
External debt (nominal) 1/	**19.1**	**22.0**	**32.2**			**36.0**	**35.6**	**35.5**	**35.2**	**35.0**	**34.4**		**40.4**	**43.7**	
of which: public and publicly guaranteed (PPG)	17.6	20.1	26.9			29.3	28.9	29.0	28.9	28.9	28.5		35.1	39.8	
Change in external debt	2.0	2.9	10.2			3.9	-0.5	-0.1	-0.2	-0.2	-0.6		1.3	-0.3	
Identified net debt-creating flows	-0.8	6.4	15.3			5.4	4.5	4.0	3.6	3.2	2.8		1.8	-4.0	
Non-interest current account deficit	**7.2**	**12.7**	**12.3**	**8.4**	**2.5**	**12.2**	**11.1**	**10.5**	**10.1**	**9.7**	**9.3**		**6.7**	**1.1**	5.1
Deficit in balance of goods and services	13.8	20.1	19.2			19.0	18.1	17.6	16.9	16.6	16.1		13.5	7.1	
Exports	44.7	45.7	40.3			40.3	41.1	42.0	43.1	44.1	45.0		43.7	43.2	
Imports	58.6	65.8	59.5			59.2	59.2	59.6	60.0	60.7	61.1		57.2	50.3	
Net current transfers (negative = inflow)	-6.2	-6.0	-5.9	-8.8	2.3	-6.1	-6.2	-6.3	-6.0	-6.1	-6.0		-5.5	-4.7	-5.3
of which: official	-1.8	-2.1	-2.0			-2.3	-2.4	-2.4	-2.1	-2.1	-2.0		-1.4	-0.6	
Other current account flows (negative = net inflow)	-0.5	-1.4	-1.0			-0.7	-0.7	-0.8	-0.8	-0.8	-0.8		-1.3	-1.4	
Net FDI (negative = inflow)	**-7.6**	**-4.7**	**3.7**	**-3.6**	**4.8**	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-5.0**		**-4.0**	**-4.0**	-4.0
Endogenous debt dynamics 2/	**-0.3**	**-1.6**	**-0.8**			**-1.8**	**-1.7**	**-1.5**	**-1.5**	**-1.5**	**-1.4**		**-0.9**	**-1.0**	
Contribution from nominal interest rate	0.3	0.3	0.5			0.2	0.2	0.3	0.3	0.3	0.3		0.7	0.9	
Contribution from real GDP growth	-1.0	-0.9	-1.1			-1.9	-1.9	-1.8	-1.8	-1.8	-1.8		-1.7	-1.9	
Contribution from price and exchange rate changes	0.3	-1.0	-0.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**2.8**	**-3.5**	**-5.1**			**-1.5**	**-4.9**	**-4.1**	**-3.8**	**-3.4**	**-3.4**		**-0.5**	**3.6**	
of which: exceptional financing	-0.8	-0.4	-0.3			-0.4	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	22.7			25.7	25.2	24.8	25.2	25.5	25.4		28.3	30.4	
In percent of exports	...	...	56.4			63.9	61.3	59.0	58.4	58.0	56.6		64.7	70.5	
PV of PPG external debt	**...**	**...**	**17.5**			**19.0**	**18.6**	**18.3**	**18.9**	**19.4**	**19.5**		**23.0**	**26.5**	
In percent of exports	**...**	**...**	**43.5**			**47.2**	**45.2**	**43.6**	**43.8**	**44.0**	**43.4**		**52.5**	**61.4**	
In percent of government revenues	**...**	**...**	**99.2**			**101.3**	**97.7**	**95.7**	**97.0**	**98.5**	**98.7**		**112.2**	**125.8**	
Debt service-to-exports ratio (in percent)	**3.2**	**3.5**	**4.6**			**3.3**	**3.4**	**2.9**	**2.8**	**3.1**	**3.9**		**6.0**	**8.0**	
PPG debt service-to-exports ratio (in percent)	**3.2**	**3.5**	**4.6**			**3.3**	**3.4**	**2.9**	**2.8**	**3.1**	**3.9**		**6.0**	**8.0**	
PPG debt service-to-revenue ratio (in percent)	**8.0**	**8.8**	**10.4**			**7.1**	**7.3**	**6.4**	**6.3**	**6.9**	**8.8**		**12.9**	**16.3**	
Total gross financing need (Billions of U.S. dollars)	0.1	0.4	0.9			0.5	0.5	0.5	0.5	0.5	0.6		0.7	0.4	
Non-interest current account deficit that stabilizes debt ratio	5.2	9.8	2.1			8.3	11.6	10.6	10.3	9.9	9.9		5.5	1.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.9	5.4	5.4	3.9	1.6	5.4	5.6	5.6	5.6	5.5	5.5	5.5	4.5	4.5	4.6
GDP deflator in US dollar terms (change in percent)	-1.6	5.4	0.6	5.3	8.5	-14.3	2.6	3.5	3.3	3.1	3.8	0.4	2.2	2.2	2.2
Effective interest rate (percent) 5/	2.1	2.0	2.2	1.0	0.9	0.5	0.6	1.0	0.9	1.0	1.0	0.8	2.0	2.1	2.0
Growth of exports of G&S (US dollar terms, in percent)	3.7	13.5	-6.5	9.9	10.7	-9.7	10.6	11.8	12.0	11.1	11.9	7.9	6.1	7.2	6.6
Growth of imports of G&S (US dollar terms, in percent)	-8.1	24.8	-4.2	10.4	13.8	-10.0	8.3	10.0	9.9	10.0	10.3	6.4	5.3	5.5	5.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	49.6	49.6	49.6	24.4	25.1	25.2	37.2	30.3	22.2	27.3
Government revenues (excluding grants, in percent of GDP)	17.6	18.0	17.7			18.8	19.0	19.1	19.5	19.7	19.8		20.5	21.1	20.7
Aid flows (in Billions of US dollars) 7/	0.3	0.3	0.3			0.2	0.3	0.3	0.2	0.2	0.3		0.4	0.5	
of which: Grants	0.1	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.1	
of which: Concessional loans	0.3	0.2	0.2			0.1	0.1	0.2	0.1	0.1	0.1		0.3	0.4	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.6	4.0	4.1	2.9	2.9	2.9		3.1	1.7	2.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			72.3	70.8	70.4	54.1	53.1	51.5		44.9	30.9	40.6
Memorandum items:															
Nominal GDP (Billions of US dollars)	3.9	4.4	4.6			4.2	4.5	4.9	5.4	5.9	6.4		9.0	17.4	
Nominal dollar GDP growth	4.2	11.1	6.0			-9.6	8.4	9.3	9.1	8.7	9.6	5.9	6.8	6.8	6.9
PV of PPG external debt (in Billions of US dollars)			0.8			0.8	0.8	0.9	1.0	1.1	1.3		2.1	4.6	
(PVt-PVt-1)/GDPt-1 (in percent)						0.9	1.2	1.5	2.3	2.3	2.0	1.7	2.4	1.8	2.1
Gross workers' remittances (Billions of US dollars)	0.1	0.2	0.2			0.2	0.2	0.2	0.2	0.2	0.3		0.4	0.7	
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.9			18.3	17.9	17.6	18.2	18.6	18.8		22.1	25.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	39.7			43.1	41.3	39.9	40.2	40.3	39.8		48.1	56.2	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	4.2			3.0	3.1	2.7	2.6	2.8	3.6		5.5	7.3	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Togo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–2035

(In percent)

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
PV of debt-to GDP ratio								
Baseline	19	19	18	19	19	20	**23**	27
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	19	17	16	17	17	18	**25**	59
A2. New public sector loans on less favorable terms in 2015-2035 2/	19	19	20	22	23	25	**36**	55
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	19	19	20	20	21	21	**25**	29
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	19	22	29	29	29	29	**30**	29
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	19	20	21	21	22	22	**26**	30
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	19	24	28	28	29	28	**30**	28
B5. Combination of B1-B4 using one-half standard deviation shocks	19	24	32	32	32	32	**33**	31
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	19	26	26	27	28	28	**33**	38
PV of debt-to-exports ratio								
Baseline	47	45	44	44	44	43	**53**	61
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	47	42	39	39	39	40	**57**	137
A2. New public sector loans on less favorable terms in 2015-2035 2/	47	47	48	50	53	55	**83**	127
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	47	45	44	44	44	44	**53**	62
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	47	60	87	85	84	81	**87**	83
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	47	45	44	44	44	44	**53**	62
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	47	58	67	66	65	63	**68**	66
B5. Combination of B1-B4 using one-half standard deviation shocks	47	59	79	77	76	73	**78**	75
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	47	45	44	44	44	44	**53**	62
PV of debt-to-revenue ratio								
Baseline	101	98	96	97	98	99	**112**	126
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	101	91	86	86	88	91	**121**	281
A2. New public sector loans on less favorable terms in 2015-2035 2/	101	103	105	111	119	124	**176**	260
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	101	101	102	104	106	106	**120**	135
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	101	117	153	150	150	147	**148**	136
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	101	104	109	110	112	113	**128**	144
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	101	125	148	146	145	143	**145**	135
B5. Combination of B1-B4 using one-half standard deviation shocks	101	125	167	164	163	161	**162**	148
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	101	139	136	137	140	141	**160**	179

Table 1b. Togo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–2035 (continued)

(In percent)

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
Debt service-to-exports ratio								
Baseline	3	3	3	3	3	4	**6**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	3	3	3	3	3	4	**5**	10
A2. New public sector loans on less favorable terms in 2015-2035 2/	3	3	3	3	3	3	**6**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	3	3	3	3	3	4	**6**	8
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	3	4	4	5	5	6	**10**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	3	3	3	3	3	4	**6**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	3	3	3	4	4	5	**8**	9
B5. Combination of B1-B4 using one-half standard deviation shocks	3	4	4	4	4	5	**9**	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	3	3	3	3	3	4	**6**	8
Debt service-to-revenue ratio								
Baseline	7	7	6	6	7	9	**13**	16
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	7	7	6	6	6	8	**11**	20
A2. New public sector loans on less favorable terms in 2015-2035 2/	7	7	7	6	7	7	**12**	23
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	7	7	7	7	7	9	**14**	17
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	7	7	7	8	9	11	**17**	18
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	7	8	7	7	8	10	**15**	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	7	7	7	8	9	11	**16**	18
B5. Combination of B1-B4 using one-half standard deviation shocks	7	8	8	9	10	12	**18**	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	7	10	9	9	10	13	**18**	23
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	14	14	14	14	14	14	**14**	14

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the b
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after th
shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2012–2035

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate					Projections			
	2012	2013	2014	Average 5/	Standard Deviation 5/	2015	2016	2017	2018	2019	2020	2015-20 Average	2025	2035
Public sector debt 1/	46.1	50.1	58.4			62.5	61.8	61.3	60.9	60.6	56.9		53.9	49.6
of which: foreign-currency denominated	17.6	20.1	26.9			29.3	28.9	29.0	28.9	28.9	28.5		35.1	39.8
Change in public sector debt	1.7	3.9	8.3			4.1	-0.7	-0.5	-0.4	-0.3	-3.6		-3.0	-0.4
Identified debt-creating flows	2.2	0.7	4.6			3.7	-0.3	-0.3	-0.1	0.0	0.0		1.2	-0.2
Primary deficit	6.3	3.5	3.9	2.8	1.6	4.0	3.4	3.2	3.3	3.3	3.4	3.4	2.7	1.7
Revenue and grants	19.2	20.9	19.7			21.0	21.4	21.6	21.6	21.8	21.7		21.9	21.7
of which: grants	1.6	2.9	2.0			2.3	2.4	2.4	2.1	2.1	2.0		1.4	0.6
Primary (noninterest) expenditure	25.4	24.4	23.6			25.1	24.8	24.8	24.9	25.1	25.1		24.7	23.4
Automatic debt dynamics	-4.0	-2.8	0.8			-0.3	-3.7	-3.5	-3.3	-3.3	-3.3		-1.6	-1.9
Contribution from interest rate/growth differential	-4.1	-2.1	-1.4			-3.1	-3.4	-3.2	-3.1	-3.0	-2.9		-1.6	-1.9
of which: contribution from average real interest rate	-1.6	0.3	1.1			-0.1	-0.1	0.1	0.1	0.2	0.3		0.9	0.2
of which: contribution from real GDP growth	-2.5	-2.4	-2.6			-3.0	-3.3	-3.3	-3.3	-3.2	-3.2		-2.4	-2.2
Contribution from real exchange rate depreciation	0.1	-0.7	2.2			2.8	-0.3	-0.3	-0.2	-0.3	-0.4		...	...
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Residual, including asset changes	-0.6	3.2	3.7			0.4	-0.4	-0.2	-0.4	-0.3	-3.7		-4.1	-0.2
Other Sustainability Indicators														
PV of public sector debt	...	...	49.0			52.2	51.4	50.7	50.9	51.1	47.9		41.8	36.3
of which: foreign-currency denominated	...	...	17.5			19.0	18.6	18.3	18.9	19.4	19.5		23.0	26.5
of which: external	...	...	17.5			19.0	18.6	18.3	18.9	19.4	19.5		23.0	26.5
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	10.2	8.4	8.4			5.7	5.7	5.2	5.3	5.8	6.3		6.7	5.5
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	249.0			248.1	240.4	235.0	235.8	234.8	220.5		190.5	167.4
PV of public sector debt-to-revenue ratio (in percent)	...	...	277.3			277.9	270.6	264.6	261.1	259.5	242.4		204.0	172.3
of which: external 3/	...	...	99.2			101.3	97.7	95.7	97.0	98.5	98.7		112.2	125.8
Debt service-to-revenue and grants ratio (in percent) 4/	20.6	23.2	22.7			8.2	10.7	8.9	9.3	11.6	13.5		18.0	17.9
Debt service-to-revenue ratio (in percent) 4/	22.5	27.0	25.3			9.1	12.0	10.1	10.3	12.8	14.9		19.2	18.4
Primary deficit that stabilizes the debt-to-GDP ratio	4.6	-0.4	-4.5			0.0	4.1	3.7	3.7	3.6	7.0		5.7	2.1
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	5.9	5.4	5.4	3.9	1.6	5.4	5.6	5.6	5.6	5.5	5.5	5.5	4.5	4.5
Average nominal interest rate on forex debt (in percent)	2.3	2.2	2.4	1.0	1.0	0.5	0.7	1.2	1.1	1.2	1.2	1.0	2.3	2.3
Average real interest rate on domestic debt (in percent)	-3.7	0.9	2.7	-2.2	4.5	1.1	1.1	1.2	1.4	1.6	1.8	1.4	3.7	2.2
Real exchange rate depreciation (in percent, + indicates depreciation)	0.5	-4.3	11.1	1.2	8.8	11.2	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.5	2.0	0.5	4.4	4.5	2.5	2.4	2.4	2.3	2.3	2.2	2.3	2.2	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	17.1	1.2	1.8	2.1	5.3	12.1	4.5	5.5	5.8	6.5	5.5	6.7	5.3	3.7
Grant element of new external borrowing (in percent)	...	...	...	...	...	49.6	49.6	49.6	24.4	25.1	25.2	37.2	30.3	22.2

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b. Togo: Sensitivity Analysis for Key Indicators of Public Debt 2015–2035

	Projections							
	2015	2016	2017	2018	2019	2020	2025	2035
PV of Debt-to-GDP Ratio								
Baseline	52	51	51	51	51	48	42	36
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	52	52	51	52	52	49	45	45
A2. Primary balance is unchanged from 2015	52	52	52	53	54	51	51	60
A3. Permanently lower GDP growth 1/	52	52	51	52	52	50	46	50
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	52	54	56	57	58	56	55	58
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	52	52	53	53	53	50	43	38
B3. Combination of B1-B2 using one half standard deviation shocks	52	53	53	55	56	53	51	52
B4. One-time 30 percent real depreciation in 2016	52	59	57	56	56	52	44	40
B5. 10 percent of GDP increase in other debt-creating flows in 2016	52	60	59	59	59	56	48	41
PV of Debt-to-Revenue Ratio 2/								
Baseline	248	240	235	236	235	221	191	167
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	248	241	237	239	239	224	202	206
A2. Primary balance is unchanged from 2015	248	243	241	244	246	234	233	274
A3. Permanently lower GDP growth 1/	248	241	237	239	240	228	210	232
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	248	250	256	262	266	256	248	265
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	248	245	244	245	243	229	197	173
B3. Combination of B1-B2 using one half standard deviation shocks	248	246	247	252	254	243	230	238
B4. One-time 30 percent real depreciation in 2016	248	274	263	262	258	241	201	182
B5. 10 percent of GDP increase in other debt-creating flows in 2016	248	283	275	275	272	256	221	191
Debt Service-to-Revenue Ratio 2/								
Baseline	8	11	9	9	12	14	18	18
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	11	9	9	12	13	19	21
A2. Primary balance is unchanged from 2015	8	11	9	10	12	15	22	29
A3. Permanently lower GDP growth 1/	8	11	9	9	12	14	20	24
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	8	11	10	10	13	16	23	28
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	8	11	9	10	13	15	19	19
B3. Combination of B1-B2 using one half standard deviation shocks	8	11	9	10	12	15	22	25
B4. One-time 30 percent real depreciation in 2016	8	12	11	12	15	18	26	32
B5. 10 percent of GDP increase in other debt-creating flows in 2016	8	11	11	14	16	18	21	21

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.