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SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

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Risk of external debt distress:	Moderate[1]
Augmented by significant risks stemming from domestic public debt?	Yes

Togo's risk of external debt distress continues to be moderate with heightened overall risk of debt distress—unchanged from the previous Debt Sustainability Analysis (DSA) published in April 2017. Alternative scenarios and stress tests suggest, however, that external public debt could accumulate rapidly, pushing Togo above the external debt-distress threshold for the present value (PV) of public and publicly guaranteed (PPG) debt-to-GDP. Togo's domestic public debt burden remains high and reflects among others, persistently high deficits, materialized contingent liabilities and arrears accumulation. Baseline projections show that Togo's PV of total PPG debt (external plus domestic) -to-GDP ratio will reach the 38 percent benchmark by 2025, down from 73.1 percent in 2017 -with the bulk constituting domestic debt obligations. This analysis highlights the need for sustained fiscal consolidation, improved debt management, and macroeconomic policies to reduce the level of public debt to prudent levels over the medium term.

[1] Togo's Country Policy and Institutional Assessment (CPIA) rating averaged 3.00 over 2014-2016 and the country is classified as having weak policy performance.

BACKGROUND

1. The debt sustainability analysis (DSA) for Togo's public debt is the result of collaborative efforts of the International Monetary Fund (IMF) and the World Bank.[2] It updates the 2017 DSA (IMF Country Report No. 17/127), based on the most recent debt data from the authorities, and the macroeconomic framework derived from the 2018 discussions on the second review of the program supported by the IMF's Extended Credit Facility (ECF). It uses the template of the debt sustainability analysis for low-income countries (LIC DSA). Debt data includes external and domestic obligations of the central government, including arrears and guaranteed debt, as well as external and domestic debt of state-owned enterprises (SOEs). Domestic debt is defined as debt denominated in *franc de la Communauté Financière d'Afrique* (FCFA). The choice of coverage based on currency, rather than residency is due to the difficulty of monitoring the residency of creditors for debt traded in the WAEMU regional market.

2. The previous DSA assessed the level of Togo's risk of external debt distress to be moderate owing to the large increase in government debt to finance infrastructure projects following the HIPC completion point and to the country's vulnerability to adverse shocks. Following the debt relief under the HIPC-MDRI initiative, Togo's PPG external debt dropped from 52.6 percent of GDP in 2009 to about 32 percent by end-2010. Since then, the external debt stock has remained low, reaching 19.9 percent by end-2017 (Text Table 1). Togo's external debt remains vulnerable to adverse shocks on exports stemming from low external demand or decline in commodity prices.

Text Table 1. Togo: Composition of Public Debt, 2013 - 2017

	End-2013			End-2016			End-2017		
	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP
Total Public Debt	**1,189**	**100.0**	**55.7**	**2,157**	**100.0**	**81.6**	**2,097**	**100.0**	**75.7**
Total Central Government	1,074	90.3	50.3	2,067	95.8	78.2	2,007	95.7	72.5
Total SOEs	116	9.7	5.4	90	4.2	3.4	90	4.3	3.3
External Debt	**306**	**25.7**	**14.3**	**535**	**24.8**	**20.2**	**550**	**26.2**	**19.9**
Central Government	**295**	**24.8**	**13.8**	**519**	**24.1**	**19.6**	**538**	**25.7**	**19.4**
Multilateral	147	12.3	6.9	168	7.8	6.4	192	9.1	6.9
o/w IMF	69	5.8	3.2	42	2.0	1.6	69	3.3	2.5
Bilateral[1]	25	2.1	1.2	43	2.0	1.6	41	1.9	1.5
Paris Club	7	0.6	0.3	6	0.3	0.2	6	0.3	0.2
Non-Paris Club	19	1.6	0.9	37	1.7	1.4	35	1.7	1.3
Commercial Banks[1]	123	10.3	5.8	308	14.3	11.6	306	14.6	11.0
SOEs	**11**	**0.9**	**0.5**	**16**	**0.7**	**0.6**	**12**	**0.6**	**0.4**
Multilateral	1	0.1	0.1	3	0.1	0.1	2	0.1	0.1
Commercial	9	0.8	0.4	14	0.6	0.5	9	0.4	0.3
Domestic Debt	**883**	**74.3**	**41.4**	**1,622**	**75.2**	**61.4**	**1,547**	**73.8**	**55.9**
Central Government	**779**	**65.5**	**36.5**	**1,548**	**71.8**	**58.6**	**1,469**	**70.0**	**53.0**
T-Bills (Bons du Tresor)	111	9.4	5.2	189	8.7	7.1	148	7.0	5.3
Bonds (Emprunts Obligataires)[2]	213	17.9	10.0	574	26.6	21.7	797	38.0	28.8
Domestic Arrears	290	24.4	13.6	334	15.5	12.6	310	14.8	11.2
Pre-2006	249	21.0	11.7	173	8.0	6.6	173	8.3	6.3
Post-2006	-	0.0	0.0	122	5.6	4.6	100	4.8	3.6
Liquidated SOEs	41	3.5	1.9	39	1.8	1.5	36	1.7	1.3
Banking System	164	13.8	7.7	452	21.0	17.1	214	10.2	7.7
SOEs	**105**	**8.8**	**4.9**	**74**	**3.4**	**2.8**	**79**	**3.7**	**2.8**

Sources: Togolese authorities and Staff calculations.

[1]Figures for 2013 and 2016 differ from the previous DSA, since borrowing from some lenders that was subsequently classified as commercial was instead reported as bilateral.

[2]Includes SUKUK.

[2] 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 5, 2013 (SM/13/292).

3. **Togo's public domestic debt soared during 2013-16 from 41.4 percent of GDP to 61.4 percent.** Key drivers of the increase in domestic debt have been an extended recourse to the regional financial market and investment pre-financing. The stock of government securities on the regional market increased from 15.2 percent of GDP to 28.8 percent between 2013 and 2016, with an increasing use of both Treasury bills and bonds. In addition, the stock of domestic arrears, which is included in domestic debt, has remained relatively high during this period, amounting CFAF 334 billion (12.6 percent of GDP) by end-2016.[3] Lastly, a slight upward revision was made by the authorities, raising domestic debt by 0.8 percent of GDP compared to the April 2017 DSA.[4]

4. **The government halted investment pre-financing and replaced the related obligations with bonds at more favorable conditions.** Beginning in 2013, the government of Togo initiated a new financing tool that consisted of private sector contractors pre-financing public infrastructure development through domestic commercial bank loans to be repaid by the government. The ensuing debt obligations were not included in public debt. The pre-financing contracts were generally obtained through direct negotiations (not through competitive bids). The government has now discontinued this problematic public financial management practice and has exchanged the outstanding obligations with bonds at a lower interest rate and longer maturity.

5. **As a result of the start of the fiscal consolidation, total public debt and public domestic debt began to decline in 2017.**[5] The fiscal consolidation initiated in 2017 has started curbing the debt-to-GDP path. By end-2017, total public debt dropped 5.9 percentage points of GDP from the previous year, reaching 75.7 percent, and the domestic debt stock fell 5.5 percentage points from 2016, reaching 55.9 percent.[6] Togo, however, still has the highest levels of total debt-to-GDP and domestic debt-to-GDP ratios within the WAEMU.[7]

Text Table 2. Togo: External Debt Burden Thresholds[1]

External Debt Burden Thresholds	Without Remittances
PV of debt in percent of	
Exports	100
GDP	30
Revenue	200
Debt service in percent of	
Exports	15
Revenue	18
Total Public Debt Benchmark	
PV of total public debt in percent of GDP	38

Source: DSA template.
[1] With remittances being low in Togo, the scenario with remittances will not be considered.

[3] Based on the preliminary report and their own analysis, the authorities have reduced their estimate of the stock of total arrears at end-2016 to CFAF 316 billion (11.9 percent of GDP). By contrast, staff are continuing to use the estimate of CFAF 334 billion (12.6 percent of GDP). Staff will maintain this estimate of arrears until evaluating the findings of the final audit report.

[4] This upward revision of 0.8 percent was accompanied by a reclassification of some SOE domestic debt as external debt. Therefore, while total debt increased by 0.8 percent of GDP, domestic debt only increased by 0.3 percent of GDP.

[5] If the costs of the bank recapitalization do not materialize, currently estimated at CFAF 42 billion (1.4 percent of GDP), the debt profile will improve.

[6] About half a percent of this difference comes from methodological change in the presentation of SDR obligations.

[7] WAEMU Staff Report, April 2018 (IMF Country Report No. 18/106).

6. Togo is considered a weak policy performer for the purpose of determining the debt burden thresholds under the DSA framework. Togo's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.0 from 2014 to 2016, classifying the country as a weak policy performer for purposes of this DSA analysis. The relevant external public debt burden thresholds are as shown in Text Table 2.

UNDERLYING DSA ASSUMPTIONS

7. The baseline macroeconomic assumptions for the present DSA are as follows:

a) Real GDP growth is currently expected to be lower in the medium-term and revert slightly above the April 2017 forecast in the long-run. Growth projections for 2017-19 were lowered from 5.2 to 4.7 percent due to continuing socio-political tensions in the country. For 2020-37, growth is expected to reach 5.4 percent on average, provided that the effects of the political shock dissipate and the current structural reforms bear fruit.

b) Public investment is estimated to have dropped to 6.3 percent of GDP in 2017 and is projected to reach 10.1 percent in 2018, before stabilizing at around 7 percent by 2020-23. Compared to the 2017 DSA, projections were revised down to allow the primary fiscal balance to remain anchored on a surplus of 2 percent by the end of the program. Public investment financing is expected to tilt toward external concessional sources, as external financing remains around current levels. Public investment projects are expected to be mostly directed to infrastructure, with increasing portions dedicated to social spending.

c) Key commodity price projections (i.e., for oil, phosphates, cotton, cocoa, and coffee) through 2023 are sourced from the WEO prepared in January 2018, and are assumed to remain constant in real terms for the remainder of the forecast period.

d) Inflation projections were revised down in the medium term compared to the 2017 DSA. Average inflation declined to -0.7 percent in 2017 from 0.9 in 2016 due to a sharp decline in food and energy prices, and possibly by slowing domestic demand. It is expected to increase slightly to 0.4 percent in 2018 and reach 2 percent in the medium-term, below the WAEMU convergence criteria.

e) Total revenue projections were revised down compared to the previous DSA, in line with the new growth projections. The recent socio-political tensions in the country lowered growth projections which in turn decreased expected revenue by 2.1 percentage points of GDP to 23.2 percent of GDP for 2017-19. Provided that the tensions' effects on growth dissipate, revenue is projected to increase to 25 percent in the long term.

f) The overall primary fiscal balance (commitment basis, including grants) is expected to reach a deficit of 2.1 percent of GDP in 2018 down from a surplus of 1.5 percent in 2017, but with fiscal consolidation resuming in 2019. The overall primary balance (cash basis, including grants) remains anchored on a surplus of 2 percent by the end of the program and until 2025, when total PPG debt declines below the threshold of heightened risk of public debt distress.

g) The current account deficit remained broadly the same as the previous DSA at 8 percent of GDP in 2017. The balance will continue narrowing in the long-term, reflecting reduced imports of capital goods, reaching a deficit of about 5 percent of GDP from 2021.

h) Foreign direct investment is expected to stabilize around an inflow of 3.8 percent of GDP per year in the long run, around 3 percentage points lower than the previous DSA so as to better reflect historical trends. These flows, as well as grants, are subject to significant risks given Togo's weak track record in governance, which may consequently alter the debt dynamics assumed in the baseline.

Text Table 3. Togo: Key Macroeconomic Assumptions (DSA 2018 vs DSA 2017)

	2014-16	2017-19	2020-37
Real GDP Growth (percent)			
DSA 2018	5.6	4.7	5.4
DSA 2017	5.2	5.2	5.2
Total Revenue (percent of GDP)[1]			
DSA 2018	21.4	23.2	25.0
DSA 2017	21.4	25.3	26.0
Exports of goods and services (percent of GDP)			
DSA 2018	36.3	31.2	30.5
DSA 2017	36.8	36.8	41.0

Sources: Togolese authorities and Staff calculations.

[1]Total revenue, including grants.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

Baseline

8. **Under the baseline scenario, all Togo's external debt indicators continue to remain below their indicative policy-relevant thresholds (Table 1a, Figure 1).** The present value of external PPG debt is projected at 18.2 percent of GDP in 2018 and should decrease to 13.1 percent by 2038. Aided by an absence of non-concessional financing for an extended period, the ratio will remain below the 30 percent threshold under the baseline throughout the projection period.[8] Both ratios of the PV of PPG external debt relative to revenues and to exports remain relatively stable and below their respective indicative thresholds through the end of the projection period. Similarly, debt service measures remain well below thresholds and on a broadly downward trend. Improvements in debt-management practices envisaged in the authorities' ECF-supported program will give further resilience to shocks affecting debt service needs (Figure 1).

[8] Commercial debt is assumed to resume after the conclusion of the ECF program, in line with the historical average.

Alternative Scenarios and Stress Tests

9. Alternative scenarios reveal multiple breaches of relevant thresholds (Figure 1). Under the most extreme shock scenario, the present value of PPG debt-to-GDP ratio and the PV of debt-to-exports ratio breach relevant thresholds - the former by an average of 2 percentage points over 2020-23, the latter by 14 percentage points during 2020-26. However other debt indicators remain well below their relevant thresholds. Under the historical scenario, which sets key macroeconomic parameters to their 10-year historical averages, the three solvency indicators and debt service-to-revenue ratio breach their relevant policy dependent thresholds, while debt service-to-exports remains broadly below the relevant policy dependent threshold. This highlights the importance for Togo to improve macroeconomic policies. On the stress tests, the results are the following:

- The most extreme shock that affects the PV of PPG external debt-to-GDP ratio (Figure 1, Table 1b) is a combination shock of low growth and a large reduction in exports and non-debt creating flows; GDP and exports growth, FDI and current transfers, are set at historical average minus one standard deviation for 2019-20. In this case the ratio will breach the threshold in 2020 and remain above until 2023. This indicator is mostly vulnerable to non-debt creating flows, and highlights the importance of FDI and the need for stability in such flows to maintain a stable profile for Togo's debt;

- The most extreme shock that affects the PV of PPG external debt-to-exports ratio (Figure 1, Table 1b) is an export shock. This ratio is also vulnerable to a combined growth and non-debt creating flow shock;

- Finally, under the most extreme shock, the PV of debt-to-revenue ratio and the debt service ratios remain well below their respective policy relevant thresholds.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

10. The inclusion of Togo's domestic public debt in the analysis emphasizes the vulnerability of the baseline scenario, and yields an assessment of heightened risk of overall debt distress (Table 2a, Figure 2). Togo's domestic debt burden reflects persistently high deficits, recognition as government debt of accumulated liabilities from liquidated loss-making SOEs and old arrears accumulation, as well as ongoing arrears accumulation. Weak public financial management, including limited debt management capacity has played a role in these developments. Domestic debt is projected to keep declining gradually from a record high of 61.4 percent of GDP in 2016. By the end of the projection period, repayment of arrears coupled with significant fiscal consolidation is expected to substantially have reduce domestic debt and total PPG debt.

Baseline Scenario

11. Under the baseline and alternative scenarios, indicators of overall public debt burden (external plus domestic) show significant vulnerabilities. The PV of public debt–to-GDP in 2017 stands at about twice the benchmark level of 38 percent. The authorities' ECF-supported program is leading to a substantial fiscal adjustment due to a combination of spending restraint and strengthened revenue. The overall fiscal primary balance will reach 2 percent of GDP by 2019 and, if maintained, will allow Togo's PV of total public debt-to-GDP to reach the 38 percent benchmark by 2025, and to decline gradually below thereafter (Figure 2). However, under the historical scenario and the scenario that keeps the primary balance unchanged from 2018, the PV of public debt-to-GDP stays above the benchmark throughout the projection period as the country accumulates more debt to finance larger fiscal deficits. Such scenarios (essentially positing little change from historic and present performance) highlight risks to debt sustainability facing authorities in the absence of needed policy reforms. A significant shock to SOEs, such as a bankruptcy, could also result in the realization of contingent liabilities that could increase debt levels notably, though such risks are difficult to quantify.

Authorities' Views

12. The authorities broadly agreed with staff's assessment of Togo's debt situation and recommendations on debt management policy, but continued to prefer a narrower coverage of public debt. They concurred with staff that significant progress has been made in reducing debt levels since the inception of the ECF-supported program. Nonetheless, they recognized that Togo's current level of debt still poses risks to the country and that fiscal consolidation must continue to bring public debt down to sustainable levels. The authorities highlighted the progress they have made on debt management. However, they recognized that more improvements are called for, and they intend to make full use of IMF and World Bank technical assistance and training resources to strengthen their capacity in this area. The authorities reiterated their views expressed at the beginning of the ECF-supported program that they prefer to exclude public institutions from public sector debt, as they think that this debt does not represent a fiscal risk to the central government.

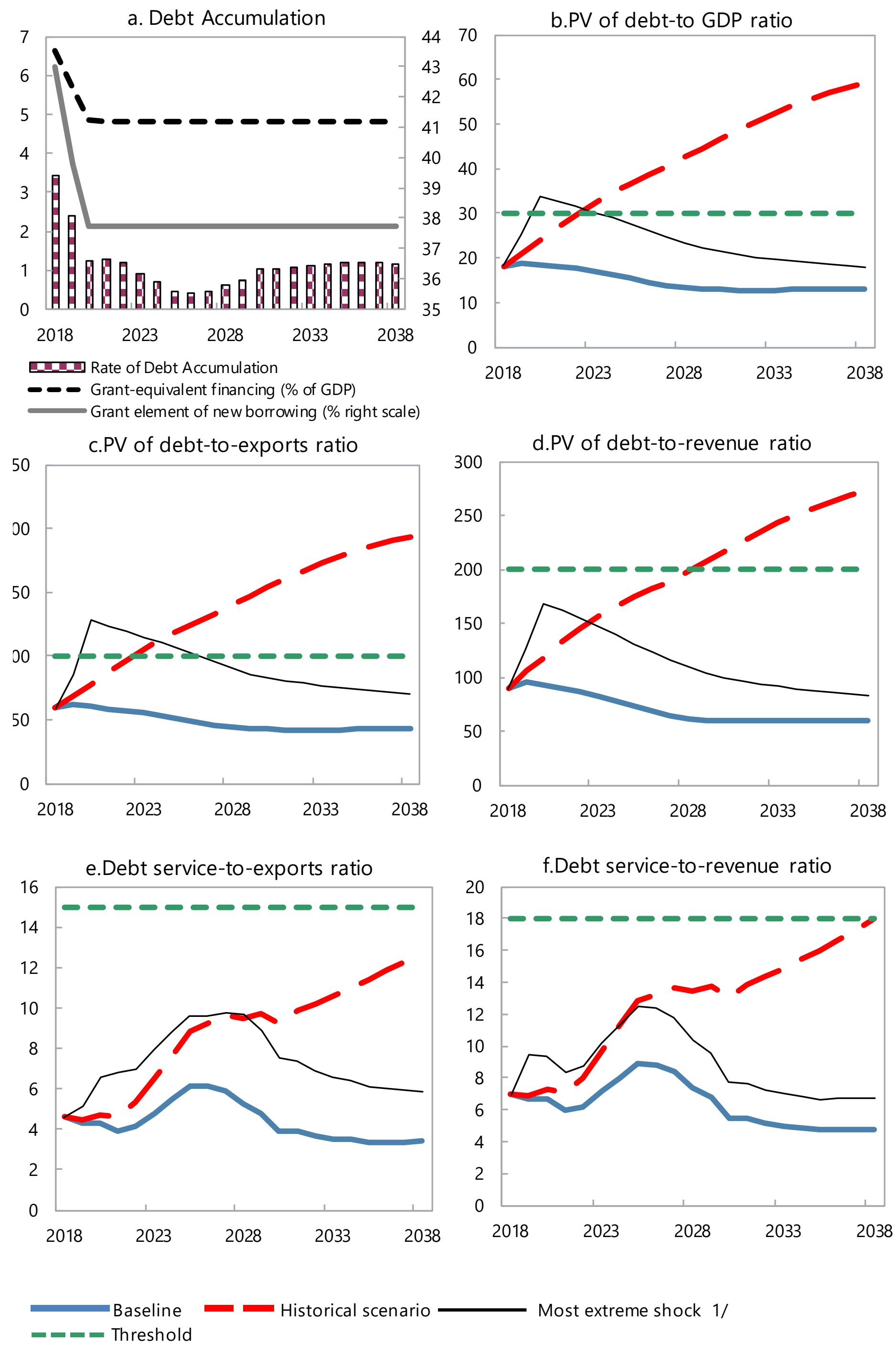
CONCLUSION

13. Togo remains at moderate risk of external public debt distress. Under the baseline scenario, all external debt sustainability indicators are expected to remain well below their indicative thresholds throughout the projection period (2018–38). However, under the historical scenario and several stress tests, some solvency indicators (i.e., PV debt-to-GDP and PV debt-to-exports) breach their respective thresholds. As shown by the deterioration of the debt indicators, Togo's public external debt remains vulnerable to adverse shocks: on exports stemming from low external demand or decline in commodity prices, and on non-debt creating flows (particularly, FDI flows).

14. The country is assessed at heightened risk of overall (external plus domestic) public debt distress, reflecting vulnerabilities in domestic debt. Togo had the largest debt-to-GDP ratio in WAEMU in 2017, at 75.7 percent of GDP (72.5 percent excluding SOEs' debt), composed largely of non-concessional loans. In addition, the ratio stands at about twice the prudential levels, remaining above such indicative benchmark through 2024—but on a steep declining trend, on the assumption of a continued fiscal consolidation path and substantial reduction in the domestic debt.

15. Togo's debt burden calls for the authorities' commitment to continue fiscal consolidation, and improve public financial and debt management, supported by solid macroeconomic policies. Togo should persevere in the strong fiscal consolidation initiated in 2017. Bolstering cash management practice will aid in containing new domestic arrears accumulation. Debt management should be strengthened through the creation of good information systems capable of feeding a comprehensive borrowing plan. The latter should include well-defined development objectives for investment projects and their financing options so that sound financing decisions can be undertaken. The zero ceiling on external non-concessional borrowing, with the exception of debt management operations, should help improve the financing mix. Moreover, efforts should be made to strengthen revenue mobilization and to improve the efficiency of public spending, especially capital investment, to identify saving and foster growth.

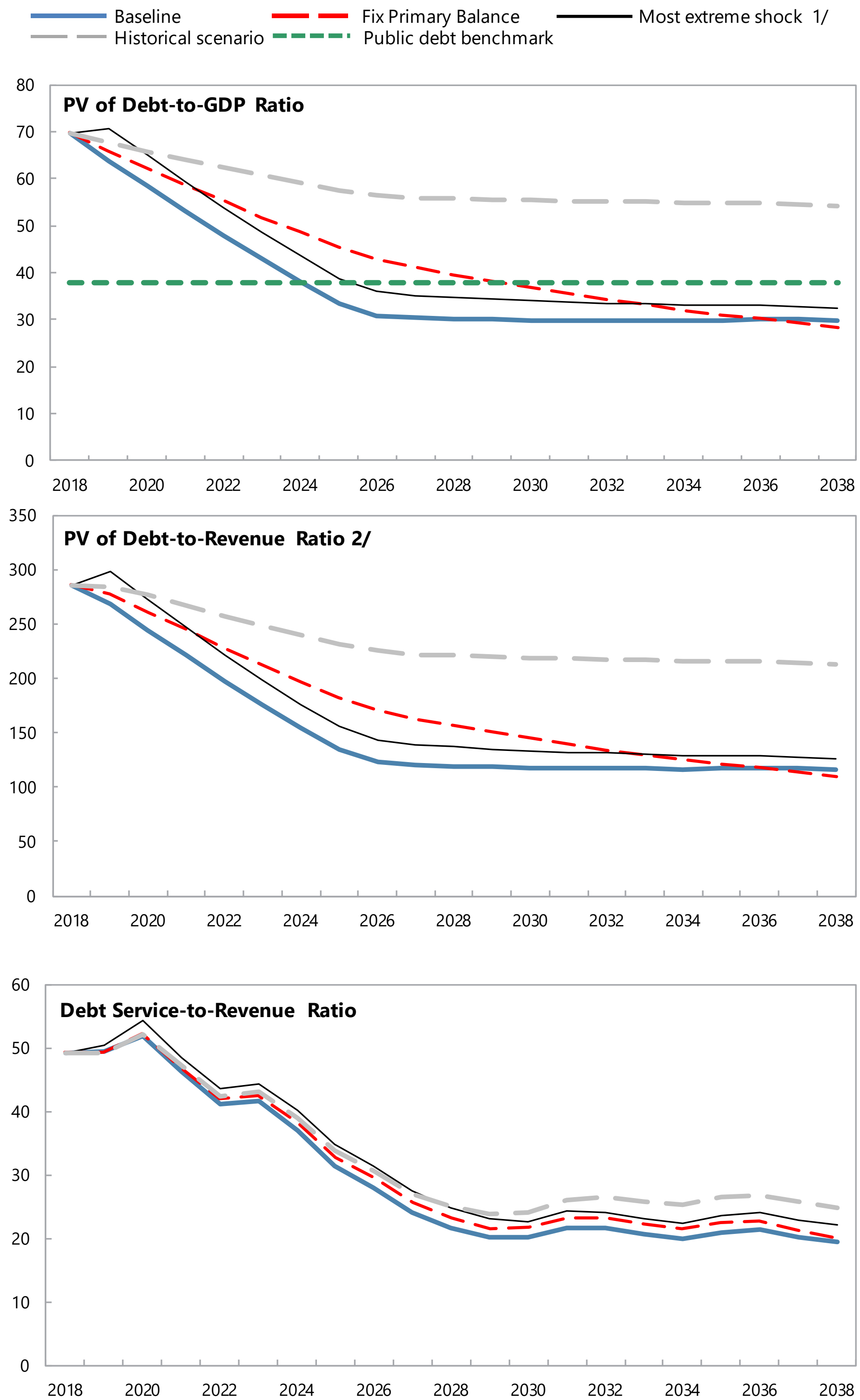
Figure 1. Togo: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2018-2038 1/



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 2028. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2. Togo: Indicators of Public Debt Under Alternative Scenarios, 2018-2038 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 2028.
2/ Revenues are defined inclusive of grants.

Table 1a. Togo: External Debt Sustainability Framework, Baseline Scenario, 2015-2038 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/	Standard 6/	Projections									
				Average	Deviation							2018-2023			2024-2038
	2015	2016	2017			2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	**21.7**	**20.2**	**19.9**			**23.1**	**24.7**	**24.8**	**24.3**	**24.5**	**24.3**		**22.0**	**23.8**	
of which: public and publicly guaranteed (PPG)	21.7	20.2	19.9			22.7	24.3	23.8	23.4	23.0	22.4		19.5	20.6	
Change in external debt	3.6	-1.4	-0.4			3.2	1.7	0.1	-0.5	0.2	-0.2		-0.3	0.2	
Identified net debt-creating flows	10.6	5.2	3.3			3.8	2.1	0.7	0.0	-0.1	0.0		-0.1	-0.2	
Non-interest current account deficit	**10.7**	**9.0**	**7.7**	**8.2**	**2.4**	**7.6**	**6.5**	**5.2**	**4.6**	**4.5**	**4.6**		**4.4**	**4.4**	4.4
Deficit in balance of goods and services	22.0	19.8	18.1			17.6	15.9	14.6	13.9	13.7	13.7		13.8	13.8	
Exports	35.8	33.4	31.9			31.0	30.8	30.7	30.8	30.8	30.7		30.4	30.7	
Imports	57.8	53.2	50.0			48.5	46.7	45.3	44.6	44.4	44.4		44.2	44.5	
Net current transfers (negative = inflow)	-7.6	-7.3	-7.0	-7.8	1.6	-6.8	-6.4	-6.4	-6.3	-6.1	-6.1		-6.3	-6.3	-6.3
of which: official	-1.8	-1.8	-1.6			-2.0	-1.9	-1.9	-1.9	-1.9	-1.9		-1.9	-1.9	
Other current account flows (negative = net inflow)	-3.7	-3.5	-3.4			-3.2	-3.0	-3.0	-3.0	-3.0	-3.0		-3.0	-3.1	
Net FDI (negative = inflow)	**-2.2**	**-2.7**	**-3.5**	**-2.9**	**5.4**	**-3.3**	**-3.7**	**-3.7**	**-3.7**	**-3.8**	**-3.8**		**-3.8**	**-3.8**	-3.8
Endogenous debt dynamics 2/	**2.1**	**-1.0**	**-0.9**			**-0.5**	**-0.7**	**-0.9**	**-0.9**	**-0.8**	**-0.8**		**-0.7**	**-0.8**	
Contribution from nominal interest rate	0.4	0.4	0.4			0.3	0.3	0.3	0.4	0.4	0.4		0.4	0.3	
Contribution from real GDP growth	-1.1	-1.0	-0.8			-0.8	-1.1	-1.2	-1.2	-1.2	-1.2		-1.1	-1.2	
Contribution from price and exchange rate changes	2.8	-0.3	-0.5			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-7.0**	**-6.7**	**-3.7**			**-0.6**	**-0.4**	**-0.6**	**-0.5**	**0.3**	**-0.2**		**-0.2**	**0.4**	
of which: exceptional financing	-0.4	-1.2	-0.7			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	17.2			18.6	19.4	19.4	18.9	19.1	18.8		15.8	16.3	
In percent of exports	...	...	53.9			60.0	62.8	63.4	61.5	62.0	61.2		52.0	53.0	
PV of PPG external debt	**...**	**...**	**17.2**			**18.2**	**18.9**	**18.4**	**18.0**	**17.6**	**17.0**		**13.3**	**13.1**	
In percent of exports	**...**	**...**	**53.9**			**58.8**	**61.4**	**60.1**	**58.5**	**57.2**	**55.2**		**43.7**	**42.6**	
In percent of government revenues	**...**	**...**	**94.1**			**88.8**	**95.3**	**92.3**	**89.4**	**86.2**	**82.4**		**61.9**	**60.1**	
Debt service-to-exports ratio (in percent)	**4.1**	**5.2**	**6.1**			**4.6**	**4.3**	**4.3**	**3.9**	**4.1**	**4.8**		**5.2**	**3.4**	
PPG debt service-to-exports ratio (in percent)	**4.1**	**5.2**	**6.1**			**4.6**	**4.3**	**4.3**	**3.9**	**4.1**	**4.8**		**5.2**	**3.4**	
PPG debt service-to-revenue ratio (in percent)	**7.5**	**9.3**	**10.7**			**7.0**	**6.7**	**6.6**	**5.9**	**6.2**	**7.2**		**7.4**	**4.8**	
Total gross financing need (Billions of U.S. dollars)	0.4	0.4	0.3			0.3	0.3	0.2	0.2	0.2	0.2		0.3	0.5	
Non-interest current account deficit that stabilizes debt ratio	7.1	10.4	8.0			4.4	4.8	5.2	5.1	4.3	4.8		4.7	4.2	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.7	5.1	4.4	5.6	0.8	4.7	5.0	5.3	5.4	5.4	5.4	5.2	5.4	5.4	5.4
GDP deflator in US dollar terms (change in percent)	-13.6	1.5	2.4	0.7	8.9	11.9	3.5	4.2	3.7	3.7	3.4	5.1	3.0	3.0	3.0
Effective interest rate (percent) 5/	1.9	1.8	2.1	1.4	0.7	1.7	1.5	1.5	1.6	1.8	1.8	1.7	1.8	1.6	1.7
Growth of exports of G&S (US dollar terms, in percent)	-17.5	-0.5	2.1	6.1	14.4	13.6	8.3	9.1	9.7	9.3	8.9	9.8	8.5	9.0	8.6
Growth of imports of G&S (US dollar terms, in percent)	-8.5	-1.8	0.5	6.6	15.7	13.7	4.7	6.3	7.8	8.8	9.1	8.4	8.1	8.9	8.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	43.0	39.8	37.7	37.7	37.7	37.7	39.0	37.7	37.7	37.7
Government revenues (excluding grants, in percent of GDP)	19.5	18.8	18.3			20.5	19.9	20.0	20.2	20.4	20.6		21.5	21.8	21.5
Aid flows (in Billions of US dollars) 7/	0.1	0.1	0.2			0.4	0.4	0.4	0.4	0.5	0.5		0.7	1.7	
of which: Grants	0.1	0.1	0.2			0.2	0.2	0.3	0.3	0.3	0.3		0.5	1.2	
of which: Concessional loans	0.0	0.0	0.0			0.2	0.1	0.1	0.1	0.1	0.2		0.2	0.5	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			6.6	5.7	4.8	4.8	4.8	4.8		4.8	4.8	4.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			65.2	67.8	75.4	76.0	76.0	76.0		76.0	76.0	76.0
Memorandum items:															
Nominal GDP (Billions of US dollars)	4.2	4.5	4.8			5.6	6.1	6.7	7.3	8.0	8.7		13.1	29.8	
Nominal dollar GDP growth	-8.6	6.7	6.9			17.2	8.7	9.7	9.3	9.3	9.0	10.6	8.6	8.6	8.6
PV of PPG external debt (in Billions of US dollars)			0.9			1.0	1.2	1.2	1.3	1.4	1.5		1.7	3.9	
(PVt-PVt-1)/GDPt-1 (in percent)						3.4	2.4	1.2	1.3	1.2	0.9	1.7	0.6	1.2	0.9
Gross workers' remittances (Billions of US dollars)	0.2	0.3	0.2			0.3	0.3	0.3	0.3	0.4	0.3		0.6	1.4	
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.4			17.3	18.2	17.6	17.3	16.8	16.3		12.7	12.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	46.5			50.5	54.1	52.1	51.7	49.9	49.0		37.9	37.0	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	5.3			4.0	3.8	3.7	3.4	3.6	4.3		4.5	2.9	

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, 2018-2038
(In percent)

	Projections							
	2018	2019	2020	2021	2022	2023	**2028**	2038
PV of debt-to GDP ratio								
Baseline	18	19	18	18	18	17	**13**	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	18	21	24	27	30	32	**43**	59
A2. New public sector loans on less favorable terms in 2018-2038 2	18	20	20	20	21	21	**20**	25
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	18	19	19	18	18	17	**13**	13
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	18	22	28	27	26	25	**19**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	18	21	24	23	23	22	**17**	17
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	18	24	27	26	25	25	**19**	15
B5. Combination of B1-B4 using one-half standard deviation shocks	18	25	34	33	31	30	**23**	18
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	18	27	26	25	25	24	**19**	18
PV of debt-to-exports ratio								
Baseline	59	61	60	59	57	55	**44**	43
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	59	68	77	87	96	105	**140**	193
A2. New public sector loans on less favorable terms in 2018-2038 2	59	65	66	67	67	68	**67**	81
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	59	62	60	59	57	55	**44**	43
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	59	86	128	123	119	115	**90**	70
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	59	62	60	59	57	55	**44**	43
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	59	76	89	86	83	80	**62**	49
B5. Combination of B1-B4 using one-half standard deviation shocks	59	83	114	110	106	102	**80**	61
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	59	62	60	59	57	55	**44**	43
PV of debt-to-revenue ratio								
Baseline	89	95	92	89	86	82	**62**	60
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	89	106	119	132	145	157	**198**	273
A2. New public sector loans on less favorable terms in 2018-2038 2	89	100	101	102	102	101	**95**	114
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	89	96	93	90	87	83	**63**	61
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	89	113	140	134	128	122	**91**	70
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	89	108	119	115	111	106	**79**	77
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	89	118	136	131	125	119	**88**	69
B5. Combination of B1-B4 using one-half standard deviation shocks	89	126	169	162	154	147	**109**	83
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	89	135	130	126	122	116	**87**	85

Table 1b. Togo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018-2038 (concluded)
(In percent)

	Projections							
	2018	2019	2020	2021	2022	2023	**2028**	2038
Debt service-to-exports ratio								
Baseline	5	4	4	4	4	5	**5**	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	5	4	5	5	5	7	**9**	13
A2. New public sector loans on less favorable terms in 2018-2038 2	5	4	4	4	4	5	**5**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	5	4	4	4	4	5	**5**	3
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	5	5	7	7	7	8	**10**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	5	4	4	4	4	5	**5**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	5	4	5	5	5	6	**7**	4
B5. Combination of B1-B4 using one-half standard deviation shocks	5	5	6	6	6	7	**9**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	5	4	4	4	4	5	**5**	3
Debt service-to-revenue ratio								
Baseline	7	7	7	6	6	7	**7**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	7	7	7	7	8	10	**13**	18
A2. New public sector loans on less favorable terms in 2018-2038 2	7	7	7	6	6	7	**7**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	7	7	7	6	6	7	**7**	5
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	7	7	7	7	8	8	**10**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	7	8	8	8	8	9	**9**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	7	7	7	7	7	8	**10**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	7	7	8	9	9	10	**12**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	7	9	9	8	9	10	**10**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	30	30	30	30	30	30	**30**	30

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 baseline.
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 the 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 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2015-2038
(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2015	2016	2017	Average 5/	Standard Deviation 5/	2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	72.2	81.6	75.7			74.3	69.2	63.7	58.4	53.3	48.3		36.4	37.3	
of which: foreign-currency denominated	21.7	20.2	19.9			22.7	24.3	23.8	23.4	23.0	22.4		19.5	20.6	
Change in public sector debt	11.8	9.4	-5.9			-1.5	-5.1	-5.5	-5.3	-5.1	-4.9		0.0	-0.2	
Identified debt-creating flows	5.8	5.5	-5.6			-2.6	-4.9	-5.3	-5.2	-4.9	-4.8		0.1	-0.2	
Primary deficit	6.7	7.0	-1.7	3.7	2.9	0.7	-2.2	-2.1	-2.2	-2.1	-2.1	-1.6	2.0	1.9	1.3
Revenue and grants	21.8	21.6	21.5			24.5	23.8	23.8	24.0	24.3	24.5		25.4	25.6	
of which: grants	2.3	2.9	3.2			4.0	3.9	3.9	3.9	3.9	3.9		3.9	3.9	
Primary (noninterest) expenditure	28.5	28.6	19.8			25.2	21.6	21.7	21.9	22.2	22.4		27.3	27.6	
Automatic debt dynamics	-0.8	-1.5	-3.9			-3.4	-2.8	-3.1	-3.0	-2.9	-2.7		-1.9	-2.1	
Contribution from interest rate/growth differential	-2.8	-2.0	-1.9			-2.4	-2.4	-2.8	-2.7	-2.6	-2.4		-1.3	-1.5	
of which: contribution from average real interest rate	0.5	1.5	1.5			1.1	1.2	0.7	0.6	0.4	0.3		0.5	0.4	
of which: contribution from real GDP growth	-3.3	-3.5	-3.4			-3.4	-3.6	-3.5	-3.3	-3.0	-2.7		-1.9	-1.9	
Contribution from real exchange rate depreciation	2.0	0.5	-2.0			-1.0	-0.3	-0.4	-0.4	-0.3	-0.3		...	...	
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	5.9	3.8	-0.3			1.2	-0.2	-0.2	-0.2	-0.2	-0.1		-0.1	0.0	
Other Sustainability Indicators															
PV of public sector debt	...	...	73.1			69.8	63.8	58.4	53.0	47.9	42.9		30.2	29.8	
of which: foreign-currency denominated	...	...	17.2			18.2	18.9	18.4	18.0	17.6	17.0		13.3	13.1	
of which: external	...	...	17.2			18.2	18.9	18.4	18.0	17.6	17.0		13.3	13.1	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	19.4	19.5	9.3			12.7	9.6	10.2	9.0	7.9	8.1		7.5	6.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	339.8			285.3	268.4	244.7	220.6	197.2	175.1		119.0	116.2	
PV of public sector debt-to-revenue ratio (in percent)	...	...	399.2			340.3	320.9	292.4	263.2	234.9	208.2		140.6	137.0	
of which: external 3/	...	...	94.1			88.8	95.3	92.3	89.4	86.2	82.4		61.9	60.1	
Debt service-to-revenue and grants ratio (in percent) 4/	58.3	57.8	50.9			49.2	49.3	51.9	46.3	41.1	41.5		21.7	19.3	
Debt service-to-revenue ratio (in percent) 4/	65.2	66.6	59.8			58.7	59.0	62.1	55.3	49.0	49.3		25.6	22.8	
Primary deficit that stabilizes the debt-to-GDP ratio	-5.1	-2.3	4.2			2.2	2.9	3.3	3.2	3.0	2.9		2.0	2.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.7	5.1	4.4	5.6	0.8	4.7	5.0	5.3	5.4	5.4	5.4	5.2	5.4	5.4	5.4
Average nominal interest rate on forex debt (in percent)	1.9	1.8	2.1	1.4	0.7	1.7	1.6	1.5	1.7	1.8	1.9	1.7	2.0	1.8	1.9
Average real interest rate on domestic debt (in percent)	1.2	2.8	2.4	0.4	3.5	2.0	2.5	2.0	1.9	1.5	1.1	1.8	0.9	0.2	1.2
Real exchange rate depreciation (in percent, + indicates depreciation	11.5	2.5	-10.1	1.7	7.9	-5.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.5	1.8	0.4	2.4	3.4	1.9	2.3	3.0	3.0	3.0	3.0	2.7	3.0	3.0	3.0
Growth of real primary spending (deflated by GDP deflator, in percer	15.3	5.7	-27.8	-0.6	10.7	33.1	-9.8	5.8	6.3	7.0	6.3	8.1	6.0	5.4	6.9
Grant element of new external borrowing (in percent)	...	...	...	...	...	43.0	39.8	37.7	37.7	37.7	37.7	39.0	37.7	37.7	...

Sources: Country authorities; and staff estimates and projections.

1/ Includes gross debt from Non-Financial Public Sector, including state-owned enterprises and arrears.

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 3. Togo: Sensitivity Analysis for Key Indicators of Public Debt, 2018-2038

		Projections						
	2018	2019	2020	2021	2022	2023	2028	2038
PV of Debt-to-GDP Ratio								
Baseline	70	64	58	53	48	43	30	30
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	70	68	66	64	62	61	56	54
A2. Primary balance is unchanged from 2018	70	66	62	59	55	52	40	28
A3. Permanently lower GDP growth 1/	70	64	59	53	48	44	32	35
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-20	70	64	59	54	49	44	31	32
B2. Primary balance is at historical average minus one standard deviations in 2019-202	70	70	70	64	59	53	38	34
B3. Combination of B1-B2 using one half standard deviation shocks	70	69	68	62	57	51	37	34
B4. One-time 30 percent real depreciation in 2019	70	70	64	58	52	47	32	30
B5. 10 percent of GDP increase in other debt-creating flows in 2019	70	71	65	59	54	49	35	32
PV of Debt-to-Revenue Ratio 2/								
Baseline	285	268	245	221	197	175	119	116
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	285	284	276	267	257	248	221	213
A2. Primary balance is unchanged from 2018	285	277	261	244	228	212	156	110
A3. Permanently lower GDP growth 1/	285	269	246	222	199	178	126	136
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-20	285	269	247	223	200	178	123	123
B2. Primary balance is at historical average minus one standard deviations in 2019-202	285	294	295	268	242	217	151	134
B3. Combination of B1-B2 using one half standard deviation shocks	285	290	286	260	234	210	146	131
B4. One-time 30 percent real depreciation in 2019	285	296	269	242	216	191	126	115
B5. 10 percent of GDP increase in other debt-creating flows in 2019	285	298	272	247	222	198	137	126
Debt Service-to-Revenue Ratio 2/								
Baseline	49	49	52	46	41	42	22	19
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	49	49	52	47	42	43	25	25
A2. Primary balance is unchanged from 2018	49	49	52	47	42	43	23	20
A3. Permanently lower GDP growth 1/	49	49	52	47	41	42	22	21
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-20	49	49	52	47	41	42	22	20
B2. Primary balance is at historical average minus one standard deviations in 2019-202	49	49	53	48	43	43	23	21
B3. Combination of B1-B2 using one half standard deviation shocks	49	49	53	48	43	43	23	21
B4. One-time 30 percent real depreciation in 2019	49	50	54	49	43	44	25	22
B5. 10 percent of GDP increase in other debt-creating flows in 2019	49	49	53	48	42	42	23	20

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.