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FOR
AGENDA

EBS/85/94
Correction 1

CONFIDENTIAL

April 22, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Togo - Staff Report for the 1985 Article IV Consultation
and Request for Stand-By Arrangement

The following corrections have been made in EBS/85/94 (4/15/85):

Page 38, 2nd Draft decision, line 2: for "SDR 15.4 million"
read "SDR 15.36 million"

Page 39, para. No. 1, lines 2 and 3: for "SDR 15.4 million"
read "SDR 15.36 million"

line 3: for "SDR 13.31 million,"
read "SDR 13,308,128,"

Page 41: paras. 8, 9, 10 and 11 have been renumbered 9, 10, 11, and 12,
respectively, and a new para. 8 and subpara. 10(c) added

Page 53, under "II. General Department,"
lines 2, 4, 6, and 8: figures corrected

Corrected pages are attached.

Att: (4)

The staff believes that the policies set forth in the attached letter of intent, requesting a stand-by arrangement in an amount equivalent to SDR 15.4 million, or 40 percent of quota, will contribute importantly to consolidating the adjustment effort launched by the Togolese Government in 1983 and sustained through 1984. The staff feels that the Government, having demonstrated its seriousness in bringing about the needed adjustment by fully implementing two successive annual stabilization programs, merits the continued support of the Fund under the proposed arrangement.

TOGO - Stand-By Arrangement

Attached hereto is a letter dated February 26, 1985 from the Minister of Economy and Finance of Togo requesting a stand-by arrangement and setting forth: (a) the policies and objectives that the authorities of Togo intend to pursue for the period of this stand-by arrangement; and (b) understandings of Togo with the Fund regarding a review that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Togo will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies, the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For a period of 12 months from May --, 1985, Togo will have the right to make purchases from the Fund in an amount equivalent to SDR 15.36 million, subject to paragraphs 2, 3, 4, 5, and 6 below, without further review by the Fund.

2. (a) Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 4.00 million until September 14, 1985, SDR 8.00 million until December 14, 1985, and SDR 12.00 million until March 14, 1986.

(b) None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Togo's currency in the credit tranches beyond 25 percent of quota.

3. Purchases under this stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 1:1 until purchases reach the equivalent of SDR 13,308,128, and thereafter entirely from borrowed resources, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. Togo will not make purchases under this stand-by arrangement that would increase the Fund's holdings of Togo's currency in the credit tranches beyond 25 percent of quota:

(a) During any period of the stand-by arrangement in which

(i) the target for reduction or elimination through cash payments in payments arrears as described in paragraphs 15 and 21 of the attached letter, or

(ii) the limit on total net domestic assets described in paragraph 29 and Table 1 of the attached letter, or

(iii) the limit on net credit to the Government described in paragraph 29 and Table 1 of the attached letter

is not observed, or

(b) if Togo fails to observe the limits on the contracting of new public and publicly guaranteed foreign indebtedness, on short-term external borrowing by the Government, and on accumulation of payments arrears as described in paragraphs 15 and 27 of the attached letter, or

(c) after September 13, 1985, until the Fund review mentioned in paragraph 33 of the attached letter is completed and understandings on any necessary changes in performance criteria are reached with the Fund; or

(d) during the entire period of this stand-by arrangement, if Togo

(i) imposes or intensifies restrictions on payments and transfers for current international transactions, or

(ii) introduces or modifies multiple currency practices, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When Togo is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Togo, and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Togo will not make purchases under this stand-by arrangement during any period of the arrangement in which the member has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respect of a non-complying purchase.

6. Togo's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Togo. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 6, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and Togo and understandings have been reached regarding the circumstances in which such purchases can be resumed.

7. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of Togo, the Fund agrees to provide them at the time of the purchase.

8. The value date of a purchase under this stand-by arrangement involving borrowed resources will be determined in accordance with Rule G-4(b) of the Fund's Rules and Regulations. Togo will consult the Fund on the timing of purchases involving borrowed resources in accordance with Rule G-4(d).

9. Togo shall pay a charge for this arrangement in accordance with the decisions of the Fund.

10. (a) Togo shall repurchase the outstanding amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchases as Togo's balance of payments and reserve position improves.

(b) Any reductions in Togo's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

(c) The value date of a repurchase in respect of a purchase financed with borrowed resources under this stand-by arrangement will be normally either the 6th day or the 22nd day of the month, or the next business day if the selected day is not a business day, provided that repurchase will be completed not later than seven years from the date of purchase.

11. During the period of the stand-by arrangement Togo shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to Togo or of representatives of Togo to the Fund. Togo shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of Togo in achieving the objectives and policies set forth in the attached letter.

12. In accordance with paragraph 33 of the attached letter, Togo will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because any of the criteria in paragraph 4 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the arrangement and while Togo has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Togo's balance of payments policies.

APPENDIX II

Togolese Republic
Ministry of Economy and Finance
No. 007/MEF

Lomé, February 26, 1985

Ministry of Economy and Finance

Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. de Larosière:

1. During the past two years the Togolese Government has undertaken a comprehensive adjustment effort under two successive economic and financial programs supported by stand-by arrangements from the International Monetary Fund and by debt relief granted by Togo's major official and private external creditors, as well as under a structural adjustment program approved by the IBRD in May 1983.

2. Under the 1983 economic and financial program we adopted stringent fiscal measures, cutting back both current and capital expenditure and strengthening the tax administration while preparing a revised tax code. These actions were accompanied by important structural measures, including reforms in the public enterprise sector, improvements in public investment programming, and substantial increases in agricultural producer prices. The fiscal deficit was reduced considerably and external payments arrears were eliminated through a combination of cash payments and consolidation. However, largely because of adverse exogenous developments, especially a severe drought, real GDP declined by 5 percent.

3. Under the 1984 program we pursued policies aimed at consolidating the financial stabilization achieved in the previous year. At the same time we continued and intensified our structural adjustment efforts, also with the support of the IBRD.

4. Our economy was strongly affected by adverse exogenous factors in 1984. A major result of the closure of the Nigerian borders was a sharp drop in trade activity in the subregion and, consequently, lower tax revenue. The cutback in electricity supplied by the Akosombo dam in Ghana that followed the 1983 drought resulted in sharply increased energy costs.

TOGO--Relations with the Fund
(As of March 31, 1985)

I. Membership Status

Date of membership	August 1, 1962
Status	Article XIV

A. Financial Relations

II. General Department

(a) Quota	SDR 38.40 million
(b) Total Fund holdings of local currency	SDR 88.97 million (231.70 percent of quota)
(c) Fund credit	SDR 50.77 million (132.22 percent of quota)
Under credit tranches	SDR 33.40 million (86.98 percent of quota)
Supplementary financing	SDR 5.44 million (14.16 percent of quota)
Enlarged access	SDR 11.93 million (31.07 percent of quota)
(d) Reserve tranche position	SDR 0.21 million (0.55 percent of quota)

III. Current Stand-By Arrangement and Special Facilities

(a) Current stand-by arrangement	
Duration	From May 7, 1984 to May 6, 1985
Amount	SDR 19.0 million
Utilization	SDR 19.0 million
(b) Previous stand-by arrangements	
(1) SBA approved March 4, 1983	
Duration	From March 4, 1983 to April 3, 1984
Amount	SDR 21.38 million
Utilization	SDR 21.38 million
(2) SBA approved February 13, 1981	
Duration	Feb. 13, 1981 to Feb. 12, 1983
Amount	SDR 47.50 million
Utilization	SDR 7.25 million
(3) SBA approved June 11, 1979	
Duration	June 11, 1979 to December 31, 1980
Amount	SDR 15.00 million
Utilization	SDR 13.25 million

TOGO--Relations with the Fund (continued)

IV. SDR Department

(a) Net cumulative allocation	SDR 10.98 million
(b) Holdings	SDR 3.24 million (29.5 percent of net cumulative allocation)
(c) Current Designation Plan	--

V. Administrative Accounts

(a) Trust Fund Loans	
(i) Disbursed	SDR 14.66 million
(ii) Outstanding	SDR 12.18 million
(b) SFF Subsidy Account	
(i) Payments by Fund	SDR 0.77 million

VI. Overdue Obligations to the Fund None

B. Nonfinancial Relations

VII. Exchange rate arrangement

Togo is a member of the West African Monetary Union (WAMU), the common currency of which is the CFA franc. The CFA franc is pegged to the French franc, the intervention currency, at the fixed rate of CFAF 1 = F 0.02. Like other WAMU members, Togo maintains an exchange system that is free of restrictions on payments and transfers for current international transactions.

VIII. Recent Staff Missions and Related Executive Board Decisions

(a) Review of 1984 Program and of Draft 1985 Budget (not subject to Board discussion)	Nov. 26-Dec. 8, 1984
(b) Mid-term Review of 1984 Program	June 10-20, 1984

Executive Board Decision of September 10, 1984 (EBM/84/139)

1. Togo has consulted with the Fund in accordance with paragraph 4(b) of the stand-by arrangement for Togo (EBS/84/80, Supplement 3, May 8, 1984) and paragraph 37 of the letter dated March 28, 1984 in order to review financial policies and to reach understandings on performance criteria subject to which purchases may be made by Togo during the remaining period of the arrangement.

2. The letter dated June 20, 1984 from the Minister of Mining, Energy, Water Resources and Public Works, acting for the Minister of Economy and Finance, setting forth the policies and measures that the