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EBS/90/195  
Correction 1

CONFIDENTIAL

November 30, 1990

To: Members of the Executive Board

From: The Secretary

Subject: Togo - Midterm Review of the Second Annual Arrangement Under  
the Enhanced Structural Adjustment Facility

The following corrections have been made in EBS/90/195 (11/20/90):

Page 14, Table 4, column 5, Arrears (-reduction): for "6.7" read "--"

Financing gap: for "--" read "6.7"

Page 38, Table III, column 5, line 4: for "(30.4)" read "(38.4)"

Corrected pages are attached.

Att: (2)

kilogram for cotton. These prices, largely unchanged from last year, are set so as to avoid any losses to the OPAT. After having established the institutional framework for export production with the adoption of the new investment code and the free trade zone law in the fall of 1989, the Government has been taking further steps to attract foreign investors, including a promotion seminar in September 1990, sponsored by the Overseas Private Investment Corporation for interested foreign companies. So far, almost 20 enterprises have received provisional permits for installation in the export processing zone; nevertheless, it is too early to assess the impact on value added and exports.

The Government has initiated a study of the factors influencing the competitiveness of Togo's manufactured exports, with the assistance of a United Nations Industrial Development Organization (UNIDO) appraisal mission in April 1990. The study, to be conducted during the period October 1990-April 1991, will examine the existing industrial network and the legal and economic environment, and will identify any remaining bottlenecks. A study on the labor market recently submitted to the Government by the World Bank will provide the basis for eliminating any constraints on employment creation; in particular, the Government will begin revising existing labor regulations before the end of this year.

d. External sector developments

The recovery of Togo's balance of payments, which began in 1988 and continued through 1989, is likely to suffer a temporary reversal in 1990 as a result of unfavorable developments in the price and volume of phosphate exports, the depreciation of the U.S. dollar vis-à-vis the CFA franc, and the increase in petroleum prices (Table 4). Both the average price in CFA francs and the volume of phosphate exports are expected to decline by just over 10 percent, reflecting developments in the world phosphate market following the normalization of relations between two of the largest market participants. Similarly, the unit prices in CFA francs of coffee and cocoa have fallen further; the unit price of cotton, on the other hand, is expected to recover from its low level in 1989 (Chart 3). In volume terms, exports of coffee and cocoa are projected to increase somewhat from their 1989 levels, reflecting in part sales from stocks; however, cotton export volumes will fall by almost 9 percent. In all, export revenue from the four major export commodities is projected to decline by CFAF 12.6 billion (or 18.5 percent) in 1990. Other exports and re-exports continue to grow slowly, reflecting the slowdown of economic activity in Togo's main markets in the subregion. The overall level of imports will grow moderately, despite the effects of the increase in the world market prices for petroleum products, which is in part counteracted by the appreciation of the CFA franc vis-à-vis the U.S. dollar. The deterioration in the trade balance will be partly offset by an improvement in the services account, as projected in the program, primarily because of the reduction of interest liabilities following the cancellation by France of part of the outstanding ODA debt. Thus, the current account deficit (excluding official transfers) will widen to CFAF 54.6 billion, or the equivalent

Table 4. Togo: Balance of Payments, 1987-95

	1987	1988	1989		1990		1991	1992	1993-1995		
			Prev. est.	Rev. est.	Prog.	Rev. prog.			Projections		
(In billions of CFA francs)											
Exports, f.o.b.	121.0	135.3	105.6	149.2	97.5	139.3	148.8	161.5	174.9	184.3	194.7
Coffee	8.2	6.7	7.1	7.1	4.9	4.6	3.6	5.8	8.2	9.5	10.8
Cocoa	8.8	6.5	3.9	3.9	3.1	4.1	2.9	3.1	3.4	4.0	4.2
Cotton	9.2	12.5	12.3	12.3	14.6	14.1	18.3	22.5	26.3	27.2	28.1
Phosphates	26.2	36.5	44.9	44.9	36.2	32.8	36.4	38.0	39.5	41.1	43.1
Other	38.1	38.9	9.6	41.9	10.1	42.8	44.5	46.6	48.7	51.2	53.8
Re-exports	30.6	34.1	27.7	39.1	28.6	40.8	43.0	45.4	48.4	51.3	54.7
Imports, f.o.b. <sup>1/</sup>	-133.4	-155.3	-109.7	-160.2	-114.9	-165.5	-171.9	-182.0	-193.6	-205.5	-218.6
Of which: petroleum	(-9.1)	(-7.8)	(-8.6)	(-9.0)	(-8.4)	(-10.0)	(-11.4)	(-11.2)	(-11.7)	(-12.2)	(-12.8)
Trade balance	-12.4	-20.0	-4.2	-11.0	-17.4	-26.2	-23.1	-20.5	-18.7	-21.2	-24.0
Services (net)	-33.4	-33.1	-34.1	-34.6	-32.3	-32.2	-32.5	-33.4	-34.5	-35.7	-37.8
Of which: interest due <sup>2/</sup>	(-16.3)	(-16.5)	(-16.9)	(-16.9)	(-14.0)	(-13.7)	(-13.0)	(-12.2)	(-11.3)	(-10.3)	(-9.6)
Unrequited transfers (net)	22.1	24.9	27.2	28.9	33.6	35.3	32.7	35.1	34.1	34.7	37.4
Private	0.9	2.5	3.8	3.8	3.7	3.7	5.0	5.1	5.4	5.6	5.9
Public	21.2	22.4	23.4	25.1	29.9	31.6	27.7	30.0	28.8	29.1	31.6
Current account balance	-23.7	-28.2	-11.1	-16.7	-16.1	-23.0	-22.9	-18.8	-19.1	-22.2	-24.3
Capital account	-2.7	18.8	14.1	19.5	6.8	12.6	15.8	14.8	17.3	18.5	24.8
Public external borrowing	26.7	28.5	27.1	27.3	21.0	21.8	24.1 <sup>3/</sup>	20.5	23.5	24.3	26.4
Of which:											
public enterprises	(7.6)	(1.7)	(4.6)	(4.6)	(6.0)	(6.0)	(4.1)	(3.9)	(4.2)	(4.5)	(4.9)
Amortization due <sup>4/</sup>	-31.3	-28.6	-21.1	-21.1	-18.6	-18.4	-15.5	-15.3	-16.3	-16.5	-12.8
Net long-term private capital	3.7	1.7	3.0	3.0	2.1	2.1	3.3	3.5	3.8	4.1	4.4
Short-term capital and errors and omissions <sup>5/</sup>	0.8	17.2	4.9	10.5	2.3	7.0	3.9	6.1	6.3	6.4	6.7
Overall balance	-26.3	-9.4	3.0	2.8	-9.3	-10.5	-7.1	-4.0	-1.8	-3.7	0.5
Financing	26.3	9.4	-3.0	-2.8	9.3	10.5	7.1	4.0	-2.6	-1.5	-0.6
Net foreign assets (- increase)	-4.9	-3.3	-21.9	-21.9	-4.2	-6.0	-6.5	-1.1	-2.6	-1.5	-0.6
Of which: net use of Fund resources	(-4.2)	(0.2)	(0.5)	(0.5)	(1.6)	(1.5)	(3.4)	(-2.6)	(-2.1)	(-1.7)	(-2.6)
Counterpart of revaluation <sup>6/</sup>	2.3	--	-1.2	-1.1	0.2	2.0	--	--	--	--	--
Agreed rescheduling	--	44.5	14.8	14.8	6.5	14.6	13.7	5.1	--	--	--
Paris Club	...	37.1	14.8	14.8	6.5 <sup>7/</sup>	14.6	13.7 <sup>7/</sup>	5.1 <sup>7/</sup>	--	--	--
London Club	...	7.4	--	--	--	--	--	--	--	--	--
Debt cancellation	--	--	5.3	5.3 <sup>8/</sup>	--	--	--	--	--	--	--
Arrears (- reduction)	28.9	-31.8	--	--	--	--	--	--	--	--	--
Financing gap	--	--	--	--	6.7	--	--	--	4.4	5.2	--
Memorandum items:	(As percent of GDP, unless otherwise specified)										
Current account deficit (-)											
Including all transfers	-6.3	-7.0	-2.6	-3.9	-3.5	-5.1	-4.8	-3.7	-3.4	-3.7	-3.7
Excluding official transfers	-12.0	-12.5	-8.0	-9.8	-10.2	-12.2	-10.6	-9.5	-8.6	-8.6	-8.6
Exchange rate, period average, CFAF/U.S. dollar <sup>9/</sup>	300.5	297.9	318.6	319.0	294.1	275.5	259.5	259.5	259.5	259.5	259.5
Originally scheduled service on debt canceled by France					5.3	7.3 <sup>8/</sup>	7.5	6.5	5.6	6.2	5.7
Of which: amortization					(2.7)	(4.4)	(4.7)	(4.1)	(3.7)	(4.5)	(4.3)

Sources: BOEAO; and staff estimates and projections.

<sup>1/</sup> Including imports related to the Mangheto project on account of Benin.<sup>2/</sup> Includes moratorium and penalty interest, and interest on new and gap financing; from 1990 interest on the canceled French debt has been excluded.<sup>3/</sup> Includes CFAF 5.3 billion of external financing from bilateral and multilateral creditors to cover the cash liabilities of the agricultural credit bank (ONCA) in the context of its restructuring during 1991.<sup>4/</sup> Amortization due after 1989 includes the impact of the 1989 and 1990 Paris Club rescheduling arrangements. Includes Trust Fund. After 1989, amounts incorporate the projected impact of the cancellation of the French bilateral debt.<sup>5/</sup> Includes changes in medium- and long-term liabilities of deposit money banks.<sup>6/</sup> Also includes a correction for the Trust Fund repayments included in net foreign assets according to BOEAO definition.<sup>7/</sup> Includes a small amount of debt canceled under the 1990 rescheduling arrangement.<sup>8/</sup> From 1990, the canceled debt has been excluded from amortization due. The cancellation of 1989 debt service by France is considered as exceptional financing in that year. The cancellation of principal due after 1989, CFAF 43.9 billion, can be considered as an amortization payment during 1989 with a counterpart unrequited public transfer of the same amount. If these flows were shown in the balance of payments, the current account including transfers would improve and the capital account deteriorate by CFAF 43.9 billion with no effect on the overall balance.<sup>9/</sup> Based on the most recent WEO assumption of no change in real effective exchange rates.

Table II. Togo: Fund Position During 1987-91

	1987	1988	1989	1990				1991			
				Jan.- March	April- June	July- Sept.	Oct.- Dec.	Jan.- March	April- June	July- Sept.	Oct.- Dec.
(In millions of SDRs)											
Transactions under tranche policies (net)	<u>-10.77</u>	<u>-7.25</u>	<u>-14.19</u>	<u>-2.90</u>	<u>-3.21</u>	<u>-2.09</u>	<u>-2.96</u>	<u>-0.80</u>	<u>-2.18</u>	<u>-0.63</u>	<u>-2.17</u>
Purchases	—	10.36	2.64	—	—	—	—	—	—	—	—
Ordinary resources	(—)	(3.44)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Enlarged access resources	(—)	(6.92)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Repurchases	10.77	17.61	16.83	2.90	3.21	2.09	2.96	0.80	2.18	0.63	2.17
Ordinary resources	(7.91)	(13.49)	(11.84)	(1.62)	(1.24)	(0.99)	(0.99)	(0.50)	(0.60)	(0.45)	(0.38)
Borrowed resources	(2.86)	(4.12)	(4.99)	(1.28)	(1.97)	(1.10)	(1.97)	(0.30)	(1.58)	(0.18)	(1.79)
Structural adjustment facility (SAF) loans	—	7.68	—	—	—	—	—	—	—	—	—
Enhanced structural adjustment facility (ESAF) loans	—	—	15.36	—	7.68	—	7.68	—	7.68	—	7.68
Total Fund credit outstanding (end of period)	<u>55.28</u>	<u>55.70</u>	<u>56.87</u>	<u>53.97</u>	<u>58.44</u>	<u>56.35</u>	<u>61.07</u>	<u>60.27</u>	<u>65.77</u>	<u>65.14</u>	<u>70.65</u>
Tranche policies	55.28	48.02	33.83	30.93	27.72	25.63	22.67	21.87	19.69	19.06	16.89
SAF	—	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68
ESAF <u>1/</u>	—	—	15.36	15.36	23.04	23.04	30.72	30.72	38.40	38.40	46.08
(As percent of quota)											
Total Fund credit outstanding (end of period)	<u>143.96</u>	<u>145.04</u>	<u>148.10</u>	<u>140.55</u>	<u>152.19</u>	<u>146.74</u>	<u>159.04</u>	<u>156.95</u>	<u>171.28</u>	<u>169.64</u>	<u>183.98</u>
Tranche policies	143.96	125.04	88.10	80.55	72.19	66.74	59.04	56.95	51.28	49.64	43.98
SAF	—	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
ESAF <u>1/</u>	—	—	40.00	40.00	60.00	60.00	80.00	80.00	100.00	100.00	120.00

Source: IMF, Treasurer's Department.

1/ Including ESAF Trust Account.

Table III. Togo: Consolidated Government Operations, 1987-95 <sup>1/</sup>

	1987	1988	1989 Est. Prog.	1990		1991	1992	1993	1994	1995
				Prog.	Rev.					
(In billions of CFA francs)										
Revenue and grants	97.4	105.3	108.0	125.1	122.1	124.3	133.9	138.8	144.7	154.3
Revenue	89.2	97.2	97.7	109.8	105.8	112.4	120.2	126.8	132.8	140.7
Tax revenue	73.5	79.6	83.8	87.1	83.2	89.3	97.5	103.7	110.1	117.4
Of which:										
Import duties	(32.7)	(34.7)	(33.8)	(35.1)	(38.4)	(39.8)	(42.4)	(45.3)	(48.5)	(51.9)
OTF	(3.5)	(4.6)	(7.0)	(6.3)	(4.3)	(3.0)	(4.1)	(4.6)	(5.0)	(5.5)
OPAT	(2.5)	(0.6)	(1.0)	(1.9)	(0.8)	(1.2)	(1.0)	(1.9)	(1.9)	(1.9)
Other public enterprises	(3.4)	(1.7)	(2.4)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Petroleum Fund	(3.5)	(7.5)	(9.6)	(9.0)	(8.0)	(8.0)	(10.4)	(10.9)	(11.4)	(11.9)
Nontax revenue	15.7	17.7	13.9	21.7	22.6	23.1	22.7	23.1	22.7	23.3
Grants (project and program)	8.2	8.1	10.4	16.3	16.3	11.9	13.7	12.0	11.8	13.6
Expenditure and net lending	123.0	118.9	124.2	130.6	129.6	132.5	138.7	146.2	153.2	161.7
Current expenditure	86.7	88.5	91.9	92.6	92.1	91.2	94.0	98.5	102.1	107.0
Personnel	(34.2)	(35.4)	(35.8)	(37.9)	(38.2)	(38.2)	(39.0)	(40.1)	(41.3)	(42.6)
Interest on general debt	(15.4)	(17.4)	(18.2)	(15.6)	(15.2)	(14.2)	(13.5)	(12.8)	(12.0)	(11.5)
Of which: interest due on external debt <sup>2/</sup>	(14.7)	(16.5)	(16.9)	(14.1)	(13.7)	(13.0)	(12.2)	(11.3)	(10.3)	(9.6)
Materials and supplies	(21.0)	(17.4)	(18.3)	(19.0)	(18.5)	(19.0)	(20.9)	(23.6)	(26.1)	(28.8)
Transfers	(3.7)	(3.7)	(3.7)	(3.8)	(3.8)	(3.8)	(3.9)	(4.0)	(4.2)	(4.3)
Other <sup>3/</sup>	(12.4)	(14.7)	(16.2)	(16.2)	(16.2)	(16.0)	(16.7)	(17.8)	(18.6)	(19.7)
Investment expenditure	36.3	30.3	32.2	38.0	37.5	41.3	44.7	47.8	51.1	54.7
Nangbéto Dam	(5.3)	(2.5)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Other investment	(31.0)	(27.8)	(32.2)	(38.0)	(37.5)	(41.3)	(44.7)	(47.8)	(51.1)	(54.7)
Unclassified expenditure and net lending	-	0.1	-	-	-	-	-	-	-	-
Overall deficit (-), payment order basis	-25.6	-13.6	-16.2	-5.6	-7.5	-8.2	-4.8	-7.4	-8.6	-7.4
Payments arrears (decrease -)	9.6	-10.4	2.5	-7.6	-7.6	-	-	-	-	-
Domestic	3.3	-3.3	2.3	-7.6	-7.6	-	-	-	-	-
External	6.3	-7.1	-	-	-	-	-	-	-	-
Overall deficit (-), cash basis	-16.0	-24.0	-13.8	-13.1	-15.1	-8.2	-4.8	-7.4	-8.6	-7.4
Financing	16.0	24.0	-13.8	13.1	15.1	8.2	4.8	7.4	8.6	7.4
Domestic financing	3.7	4.1	-8.4	3.5	3.4	-10.0	-1.7	-	-	-1.3
Banking system	-10.0	-6.1	-14.7	6.5	6.5	-3.0	-1.5	-	-	-1.3
Counterpart of net use of Fund resources <sup>4/</sup>	(-6.6)	(-0.9)	(-0.3)	(1.3)	(1.4)	(2.7)	(-3.0)	(-2.1)	(-1.7)	(-2.6)
Other	(-3.4)	(-5.2)	(-14.4)	(5.2)	(5.1)	(-5.7)	(1.5)	(2.1)	(1.7)	(1.3)
Nonbank financing	13.7	10.2	6.3	-3.0	-3.1	-6.9	-0.1	-	-	-
Of which: restructuring of CNCA and BALTEX	-	-	-	(-0.6)	(-6.9)	(-0.1)	(-)	(-)	(-)	(-)
External financing	12.3	19.8	22.2	9.6	11.7	18.1	6.4	3.0	3.4	8.7
Banking <sup>5/</sup>	19.3	27.5	22.6	14.8	15.4	20.0 <sup>6/</sup>	16.6	19.3	19.8	21.5
Amortization due <sup>7/</sup>	-29.6	-27.5	-20.4	-18.4	-18.3	-15.5	-15.3	-16.3	-16.5	-12.8
Agreed rescheduling Paris Club	-	44.5	14.7	6.5	14.6 <sup>8/</sup>	13.6 <sup>8/</sup>	5.1 <sup>8/</sup>	-	-	-
Arrears on amortization (- reduction)	22.6	-24.7	-	-	-	-	-	-	-	-
Debt cancellation	-	-	5.3 <sup>9/</sup>	-	-	-	-	-	-	-
Financing gap (- surplus)	-	-	-	6.7	- <sup>10/</sup>	- <sup>10/</sup>	- <sup>10/</sup>	4.4	5.2	-
(As percent of GDP)										
Overall deficit (-), payment order basis	-6.8	-3.3	-3.8	-1.2	-1.7	-1.7	-0.9	-1.3	-1.4	-1.1
With grants	-9.0	-5.3	-6.2	-4.8	-5.3	-4.2	-3.6	-3.5	-3.4	-3.2
Budgetary savings <sup>11/</sup>	4.6	6.2	5.3	6.7	6.1	7.2	7.5	7.2	6.8	6.7
Memorandum Items: (In billions of CFA francs)										
Originally scheduled service on debts canceled by France in 1989	-	-	5.3	5.3	7.3	7.5	6.5	5.6	6.2	5.7
Of which: amortization	-	-	(3.3)	(2.7)	(4.4)	(4.7)	(4.1)	(3.7)	(4.5)	(4.3)

Sources: Data provided by the Togolese authorities, the BCEAO, and the World Bank; and staff estimates and projections.

<sup>1/</sup> Includes treasury operations, external government debt service and payments arrears, government operations directly financed by OTF, and expenditure financed by foreign grants and loans; excludes the Social Security Fund (OSES).

<sup>2/</sup> Interest due before rescheduling, plus moratorium, penalty interest, and interest on new and gap financing; from 1990 excludes interest on canceled French debt.

<sup>3/</sup> Includes revenue/expenditure of the University of Benin, the University Hospital Center, the School of Administration (ENA), the Retirement Fund (Caisse de Retraite), and local authorities, net of budgetary transfers to these entities.

<sup>4/</sup> Net purchases from the Fund, excluding Trust Fund, but including ESAP purchases of CFAF 6 billion each year for 1989-91. Repurchases are according to BCEAO valuation of government purchases in the past.

<sup>5/</sup> Project and program loans, excluding future exceptional financing.

<sup>6/</sup> Includes CFAF 5.3 billion external financing from bilateral and multilateral creditors to cover the cash liabilities of the agricultural credit bank (CNCA) in the context of its restructuring during 1991.

<sup>7/</sup> Amortization due after 1989 includes the impact of the 1989 and 1990 Paris Club rescheduling arrangements; from 1990 excludes canceled French debt in 1989.

<sup>8/</sup> Includes a small amount of debt canceled under the 1990 rescheduling arrangement.

<sup>9/</sup> The cancellation of 1989 debt service by the French is considered as exceptional financing in that year. The cancellation of principal due after 1989, CFAF 43.9 billion, can be considered as an amortization payment during 1989 with a counterpart unrequited public transfer of the same amount. If these flows were shown in the government operations, the fiscal deficit including grants would improve and the foreign financing would deteriorate by CFAF 43.9 billion, with no impact on the deficit without grants or on the financing gap.

<sup>10/</sup> After the 1990 Paris Club rescheduling.

<sup>11/</sup> Defined as total revenue minus current expenditure excluding foreign interest payments.