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The Acting Chairman's Summing Up at the Conclusion
of the 1995 Article IV Consultation with Togo
Executive Board Meeting 95/121 - December 20, 1995

Executive Directors were in broad agreement with the thrust of the staff appraisal. They noted that Togo's adjustment strategy, designed to buttress the effects of the January 1994 devaluation of the CFA franc, had produced positive results in 1994 and 1995, leading to a substantial economic recovery and a sharp fall in inflation. They commended the Togolese authorities for implementing prudent macroeconomic policies, and for introducing comprehensive structural reforms, including widening the scope for private sector participation in the export sectors. Directors also welcomed the sizeable reductions in financial imbalances in the first year of the program. However, in view of the fragility of economic conditions, they observed that there was little room for slippage in policies, and urged the authorities to make further determined efforts toward external financial stability over the medium term.

Directors observed that inflation appeared to have been brought under control, following the post-devaluation price corrections, and stressed the importance of continued prudent policies to maintain price stability. Accordingly, in the fiscal area, they welcomed the recent move to unify the current operating budget and the investment budget; they also welcomed the reforms implemented to broaden the tax base and reinforce tax collection and audit procedures; and they stressed the importance of further progress to strengthen the revenue-GDP ratio.

Directors called on the authorities to continue to pursue prudent expenditure policies, while improving the composition and efficiency of public spending with appropriate emphasis on basic social services, including social safety nets. In this regard, they emphasized the need to maintain an appropriately prudent wage policy and a reduction in the size of the civil service, so as to provide scope for increased outlays on education, health, and key infrastructure. Noting the authorities' recent efforts to tighten budgetary management and treasury procedures, Directors underscored the importance of continued improvements in this area, including actions to reduce delays in domestic payments and improve the coordination between the current and the investment budgets. They also stressed the importance of rapidly eliminating domestic and external payments arrears.

Directors observed that the success of the program also required the pursuit of an appropriately prudent monetary policy, in close collaboration with the other members of the regional monetary union.

To encourage private sector initiative, Directors urged the authorities to implement rigorously the envisaged structural reforms to liberalize the economy, and foster the diversification of the productive base and exports. They noted with satisfaction that important steps had been taken to open up the capital of the phosphate company and the agricultural crop marketing agency to private participation. These measures could be expected to enhance overall efficiency, and to attract domestic and foreign private investment. A number of speakers suggested that the authorities should plan to go further in their privatization and structural reforms. More generally, Directors urged the authorities to implement with determination and speed the divestiture program.

Commenting on Togo's fragile external position, Directors observed that the economy would remain in need of donor assistance and external debt relief for the foreseeable future, which should be supported by Togo's own prudent macroeconomic policies and structural adjustments. Directors encouraged the authorities to pursue their efforts to strengthen the statistical base in key areas.

It is expected that the next Article IV consultation with Togo will be held on the standard 12-month cycle.