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CONFIDENTIAL

November 20, 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

Attached for consideration by the Executive Directors is the staff report for the midterm review of the second annual arrangement for Togo under the enhanced structural adjustment facility. A draft decision appears on page 22.

In accordance with the understanding reached at EBM/90/156 (11/2/90) to temporarily shorten the circulation period for Board papers requesting use of Fund resources by members adversely affected by recent developments in the Middle East, this paper is tentatively scheduled for discussion on Wednesday, December 5, 1990.

Mr. Petersen (ext. 8390) or Mr. Kouwenaar (ext. 7190) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

TOGO

Staff Report for the Midterm Review of the Second Annual
Arrangement Under the Enhanced Structural Adjustment Facility

Prepared by the African Department

(In consultation with the Exchange and Trade Relations,
Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by G.E. Gondwe and Thomas Leddy

November 19, 1990

I. Introduction

The discussions for the midterm review of the second annual arrangement under the enhanced structural adjustment facility (ESAF) took place on September 3-14, 1990 in Lomé and on October 29-November 2, 1990 in Washington. ^{1/} In the attached letter dated November 19, 1990 (Appendix I), the Minister of Economy and Finance notes that economic and financial performance in 1990 has fallen slightly short of program targets, owing to somewhat-stronger-than-anticipated adverse exogenous factors, but that satisfactory progress is being made in the area of structural adjustment. The Government remains committed to pursuing the policies contained in its letter of May 17, 1990.

The three-year ESAF arrangement in support of Togo's economic and financial program covering the period 1989-91, and the first annual arrangement thereunder, were approved by the Fund on May 31, 1989. Total access under the ESAF arrangement, which replaced Togo's arrangement under the structural adjustment facility (SAF) approved in March 1988, is equivalent to SDR 46.08 million, representing 120 percent of Togo's quota in the Fund, with annual access equivalent to SDR 15.36 million, or 40 percent of quota. The first three semiannual disbursements have been effected (Appendix IV, Tables I and II). The fourth

^{1/} The Togolese representatives included Mr. Alipui, Minister of Economy and Finance; Mr. Barqué, Minister of Planning and Mines; Mr. Djondo, Minister of Industry and State Enterprises; Mr. Dogo, Minister of Rural Development; Mr. Pere, Minister of Labor and Civil Service; Mr. Klousseh, Minister of Commerce and Transport; Mr. Aho, National Director of the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO); and other senior officials concerned with economic and financial matters. The staff team consisted of Mr. Petersen (head-AFR), Mr. Kouwenaar (AFR), Mr. Harris (EP-AFR), and Ms. Guyon (staff assistant-AFR).

will become available after November 14, 1990, subject to the observance of performance criteria for end-June 1990 and the completion of the present review. Lower-than-expected payments of tax obligations by newly taxed public enterprises led to the nonobservance of three performance criteria at end-June: the structural performance criterion on the budgetary contribution by the phosphate agency (OTP); net bank credit to the Government; and the nonaccumulation of external arrears. The end-September structural performance criterion on the adoption of the new public enterprise law was also not observed, as the law was not approved by the Council of Ministers until October 16. The authorities have requested that waivers be granted for the noncompliance with these performance criteria.

The World Bank recently completed negotiations on a fourth structural adjustment credit (SAC-IV) in an amount of US\$55 million; part of the first tranche is likely to be disbursed by the end of 1990. 1/ In July 1990, the Paris Club agreed to reschedule on concessional terms debt service payments falling due to participating creditors in the period July 1, 1990-June 30, 1992, in an amount equivalent to SDR 62.6 million.

Summaries of Togo's relations with the Fund and the World Bank Group are contained in Appendices II and III, respectively. Appendix IV contains additional statistical information.

II. Background

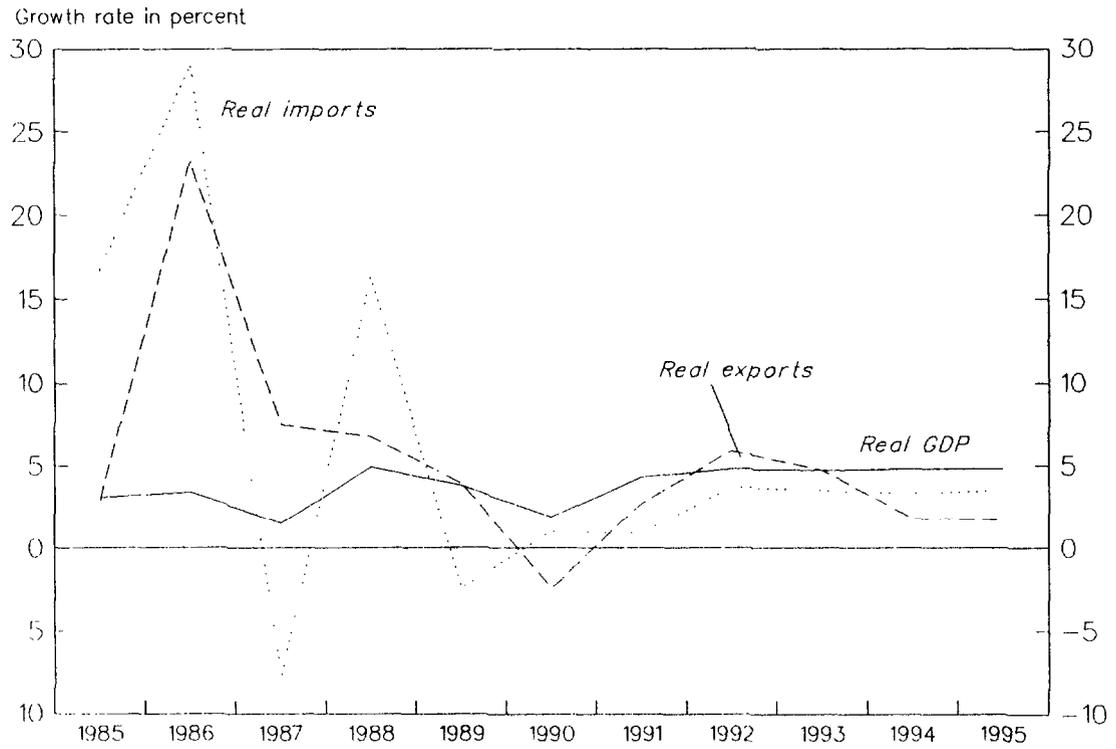
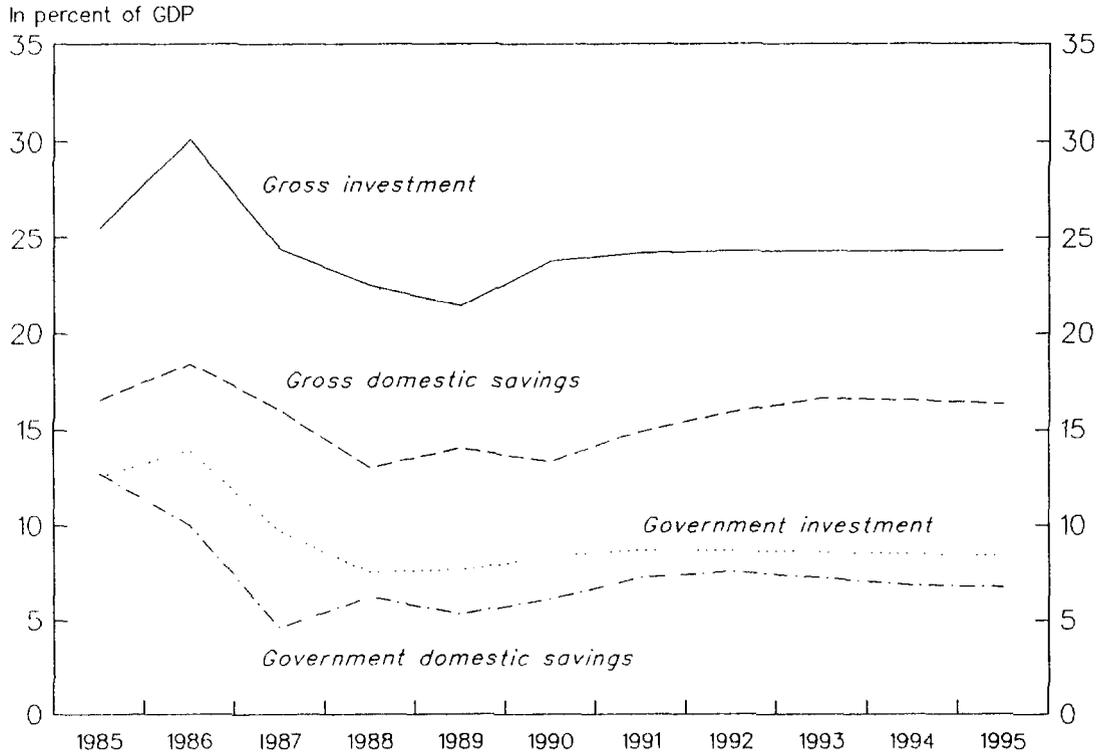
During 1989 Togo's economic and financial situation continued to improve in several respects, following the marked progress in 1988. Most of the macroeconomic objectives of the program supported by the first-year ESAF arrangement were attained. 2/ Real GDP grew by 3.8 percent, the rate of inflation remained low (1.2 percent, as measured by the GDP deflator), and the external current account deficit, excluding official transfers, declined by the equivalent of 2.7 percent of GDP, 3/ reflecting an improvement in both export volumes and export prices (Table 1 and Chart 1). However, the overall fiscal deficit increased from the equivalent of 5.3 percent of GDP in 1988 to 6.2 percent in 1989. The targeted fiscal deficit of 5.1 percent of GDP could not be attained because the tax revenue shortfalls were only partly offset by cuts in current expenditure and increased transfers from public enter

1/ The first tranche includes US\$10 million to meet financing needs associated with the liquidation of the agricultural credit bank.

2/ EBS/90/101 (5/30/90).

3/ The figures for the current account deficits, a reduction from the equivalent of 12.5 percent of GDP in 1988 to 9.8 percent in 1989, are about 2 percent of GDP higher than previously estimated because of a major upward revision of imports by the authorities, offset partly by an upward revision of exports.

CHART 1
TOGO
GROWTH INDICATORS, 1985-95



Sources: Data provided by Togolese authorities; and staff projections.

Table 1 Togo: Selected Economic and Financial Indicators, 1987-95

	1987	1988	1989	1990		1991	1992	1993	1994	1995
				Est.	Prog. Rev. prior.					
(Annual percentage changes)										
National income										
GDP at constant prices	1.5	4.9	3.8	2.6	1.9	4.3	4.8	4.7	4.8	4.8
GDP deflator	2.0	3.1	1.2	2.7	2.9	2.2	2.7	3.2	3.1	3.2
Consumer price index	—	0.2	-1.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
External sector (on the basis of CFA francs)										
Exports, f.o.b.	-3.5	11.8	10.3	-7.6	-6.7	6.8	8.5	8.2	5.4	5.6
Excluding re-exports	-1.5	11.9	8.9	11.5	-10.6	7.5	9.7	8.9	5.2	5.2
Imports, f.o.b.	-8.0	16.4	3.2	4.7	3.3	3.9	5.9	6.3	6.2	6.4
Export volume										
Including re-exports	7.5	6.8	3.9	0.4	-2.4	2.7	5.9	4.7	1.8	1.7
Excluding re-exports	13.2	6.1	2.0	-1.1	-4.2	2.6	7.1	5.1	1.5	1.1
Import volume	-6.7	13.9	-2.6	4.0	1.0	0.9	3.7	3.5	3.3	3.5
Terms of trade (deterioration -)	-9.1	2.4	0.2	-7.9	-6.5	1.1	0.4	0.6	0.7	1.0
Nominal effective exchange rate (depreciation -)	5.5	3.0	5.0	...	14.9 1/	...	...	...	...	...
Real effective exchange rate (depreciation -) 2/	-0.6	-5.7	-6.9	...	1.0 1/	...	...	...	...	...
Consolidated government operations										
Revenue and grants 3/	-19.2	8.1	2.6	15.8	13.0	1.8	7.7	3.7	4.2	6.7
Total expenditure 3/	-10.0	-3.3	4.5	5.2	4.3	2.2	4.7	5.5	4.8	5.5
(Annual changes in percent of broad money at beginning of period)										
Money and credit										
Net domestic assets 4/ 5/	-3.8	-3.5	-8.6	6.2	4.0	...	...	...	...	...
Of which: Government	(0.1)	(-3.2)	(-8.5)	(3.6)	(3.6)	(...)	(...)	(...)	(...)	(...)
private sector	(3.7)	(1.6)	(-1.9)	(3.3)	(2.2)	(...)	(...)	(...)	(...)	(...)
Money and quasi-money (M2)	4.1	-7.8 6/	3.9	8.5	7.3	...	...	...	...	...
Velocity (GDP relative to M2)	2.0	2.3	2.4	2.3	2.3	...	...	...	...	...
Interest rates on savings deposits	6.5	7.0	7.0	...	7.0	...	...	...	...	...
Normal discount rate	8.5	9.5	11.0	...	11.0	...	...	...	...	...
(In percent of GDP)										
Consolidated government deficit (-) 7/										
Including grants	-6.8	-3.3	-3.8	-1.2	-1.7	-1.7	-0.9	-1.3	-1.4	-1.1
Excluding grants	-9.0	-5.3	-6.2	-4.8	-5.3	-4.2	-3.6	-3.5	-3.4	-3.2
Foreign financing (net)	3.3	4.9	5.0	2.1	2.6	3.8	1.3	1.3	1.4	1.4
External payments arrears (end of period)	8.5	—	—	—	—	—	—	—	—	—
Current account balance										
Including all transfers	-6.3	-7.0	-3.9	-3.5	-5.2	-4.8	-3.7	-3.4	-3.7	-3.7
Excluding official transfers	-12.0	-12.5	-9.8	-10.2	-12.2	-10.6	-9.5	-8.6	-8.6	-8.6
Gross domestic investment	24.4	22.5	21.4	23.7	23.8	24.2	24.3	24.3	24.3	24.3
Gross domestic savings	16.0	13.0	14.0	15.3	13.3	14.9	15.9	16.6	16.5	16.3
External debt 8/	88.0	81.4	70.8	70.5	72.0	72.9	69.2	65.8	62.8	59.8
Debt service ratio 9/										
Accrual basis	32.3	29.3	23.3	26.1	19.6	15.6	14.2	13.1	11.9	10.0
Cash basis 10/	14.3	22.1	12.8	21.5	11.7	8.6	11.8	13.1	11.9	10.0
Interest due (in percent of exports of goods and nonfactor services)	10.2	9.3	8.8	9.9	7.4	6.6	5.8	5.0	4.3	3.8
(In millions of SFRs, unless otherwise specified)										
Overall balance of payments (deficit -)	-67.8	-23.5	3.7	-23.9	-28.4	-20.0	-11.2	-5.0	-10.5	1.3
Gross reserves (in months of imports, c.i.f.; end of period)	7.3	5.5 6/	6.3	9.0	6.5	6.9	6.4	6.1	5.7	5.3
External payments arrears (end of period)	84.0	—	—	—	—	—	—	—	—	—
GDP (nominal, in billions of CFA francs)	375.1	405.9	426.7	453.2	447.1	476.4	513.2	554.6	599.1	649.0

Sources: Data provided by the Togolese authorities; and staff estimates and projections.

1/ Estimated average for first six months of 1990.

2/ Estimated on the basis of consumer price data.

3/ From 1991, before incorporation of additional revenue and expenditure measures.

4/ Domestic credit and other items (net), excluding net long-term external liabilities.

5/ Deposits of OPAT (CFAF 9 billion) and the Petroleum Fund (CFAF 1.5 billion), transferred to the Government in November 1987 and January 1988, respectively, are included in money and quasi-money in the data before end-December 1987, but included in net domestic credit to the Government after these dates.

6/ In July 1988, the BCEAO made a statistical adjustment to the estimates for net foreign assets and currency in circulation for all member countries in the West African Monetary Union. In the case of Togo, this led to a downward correction of both items by CFAF 11.4 billion.

7/ On a payment order basis.

8/ Public and publicly guaranteed debt. Includes the accumulation of arrears on amortization in 1987-89. All stocks and flows affecting debt are based on the current or projected exchange rates. The external debt outstanding includes new financing, ESAF and gap financing, and the effect of the French debt cancellation.

9/ External debt service obligations of the Government, in percent of exports of goods and nonfactor services, including re-exports.

10/ Includes rescheduling and arrears accumulation or repayment; It reflects the impact of the 1988, 1989, and 1990 Paris Club and 1988 London Club reschedulings and, for 1989, the cancellation of certain debts by France.

prises. Credit policy was restrained, in line with program targets. All the quantitative benchmarks for September and December 1989 were met, except those for domestic treasury arrears, which were missed because of delays in the programmed disbursements of foreign aid. The Government implemented most of the structural measures envisaged in the 1989 program, although with some delays. The tax and tariff reform became effective on January 1, 1990, and seven key public enterprises assumed their debt service liabilities from that date. There was a continuation of the restructuring of public enterprises, including the crop marketing agency and certain state-owned banks, and liberalization measures further improved the economic environment for the private sector.

III. Program Implementation

1. The three-year program

The basic objectives of the 1990-92 program are to (a) accelerate real GDP growth to a rate of more than 4 percent a year by 1992, which would allow a positive real growth in per capita income; (b) limit the rate of inflation, as measured by the GDP deflator, to 3 percent or less; (c) reduce the external current account deficit, excluding official transfers, by the equivalent of over 2 percent of GDP during the program period and attain by 1992 a level that could be covered by normal external financing; and (d) improve income levels and access to social services of the most underprivileged population groups. In the context of the second-year ESAF program, the Government has renewed its commitment to prudent fiscal and monetary policies and the pursuit of structural reforms. Fiscal policies aim at increasing budgetary savings and reducing the overall deficit while maintaining a high growth rate of real investment expenditure. The programmed tax measures focus on broadening the tax base, and current and investment expenditure policies aim at increasing efficiency. The overall fiscal deficit, excluding grants, is programmed to decline from 6.2 percent of GDP in 1989 to 3.6 percent in 1992. The authorities have strengthened their efforts to increase the efficiency of public sector management (including the establishment of a well-defined employment strategy), to promote human resource development, and to integrate the social dimensions of adjustment into macroeconomic and sectoral policymaking. They also intend to further improve the incentive structure for private enterprises and to continue the restructuring of public enterprises.

2. The 1990 program

Economic developments in 1990 have been somewhat less favorable than anticipated in the program. Reflecting the adverse impact of late rains and a sharper-than-expected drop in phosphate production, the rate of growth of GDP in real terms is likely to fall slightly below 2 percent, compared with the program target of 2.6 percent for 1990. The inflation rate, as measured by the increase in consumer prices, remains

low and should not exceed 2 percent. The external current account deficit will be adversely affected by the fall in the volume and price of phosphate exports, contributing to a decline in total exports equivalent to 2.2 percent of GDP, and by the recent increase in prices of imported petroleum products. Togo's terms of trade are expected to drop by 6.5 percent in 1990. The resulting sharp deterioration in the trade balance will be partly compensated by a more favorable service balance, reflecting a reduction in interest payments due, thanks to the debt cancellation by France at end-1989. The current account deficit, excluding official transfers, should reach CFAF 54.6 billion in 1990, or 12.2 percent of GDP, an increase of 2.4 percent of GDP from 1989 rather than the programmed 2.2 percent. Given the higher-than-projected surplus in the capital account and the rescheduling of debt service payments obtained from the Paris Club creditors in July 1990, no residual financing gap is expected for 1990.

a. Fiscal policy

Fiscal performance in the first half of 1990 differed significantly from the indicative targets established in the program, reflecting partially temporary developments. Government revenues in the first six months amounted to CFAF 51 billion, or CFAF 3 billion (0.7 percent of GDP) less than expected (Table 2). This shortfall was attributable principally to delays in the receipts of profit tax payments from the public enterprises that were subjected to taxation beginning January 1, 1990. The transitional arrangements proved more difficult to establish than anticipated, and the first two provisional installments of the profit tax (impôt sur les sociétés) in January and April were based on the minimum flat rate (impôt minimum forfaitaire) and thus significantly less than the enterprises' contributions in earlier years. In particular, tax payments by the OTP at end-June were CFAF 2.3 billion below the programmed level, and the related structural performance criterion was not met. The collection of indirect tax revenue, on the other hand, was better than expected, although imports do not appear to have increased more than programmed. This was due mainly to the elimination of exonerations on imports for the newly taxed enterprises, but may also indicate a slightly positive impact of the tax and tariff reform. ^{1/} Nontax revenues were slightly better than programmed, as unexpectedly large revenues from financial investments and other nontax revenues more than offset a minor shortfall in the counterpart of external debt service payments by seven public enterprises.

Total government expenditure and net lending in the first half of 1990 amounted to CFAF 61.7 billion, or CFAF 4.5 billion more than the indicative target. The larger-than-expected expenditure was due to temporary factors, which will be reversed in the second half of the year. Expenditures under the 1990 budget commenced earlier in the year

^{1/} A full assessment of the impact of the reform is scheduled for March 1991, when data for a full year will be available.

Table 2. Togo: Consolidated Government Operations, 1990 ^{1/}

	1990				1990	
	First half Prog.	Est.	Second half Prog.	Est.	Prog.	Rev. prog.
(In billions of CFA francs)						
Revenue and grants	<u>61.1</u>	<u>60.0</u>	<u>62.1</u>	<u>65.0</u>	<u>125.1</u>	<u>122.1</u>
Revenue	54.1	51.1	54.7	54.7	108.8	105.8
Tax revenue	44.4	40.5	42.7	42.7	87.1	83.2
Of which: import duties	(17.0)	(18.6)	(18.1)	(19.8)	(35.3)	(38.4)
OTP	(3.5)	(1.2)	(2.8)	(3.1)	(6.3)	(4.3)
OPAT	(1.2)	(0.1)	(0.7)	(0.7)	(1.9)	(0.8)
Petroleum Fund	(5.1)	(5.1)	(3.9)	(2.9)	(9.0)	(8.0)
Nontax revenue	9.7	10.6	12.0	12.0	21.7	22.6
Grants (project and program)	7.0	8.9	9.3	7.4	16.3	16.3
Expenditure and net lending	<u>57.3</u>	<u>61.7</u>	<u>73.3</u>	<u>67.9</u>	<u>130.6</u>	<u>129.6</u>
Current expenditure	41.7	44.3	50.9	47.8	92.6	92.1
Personnel	(18.7)	(17.7)	(19.2)	(20.5)	(37.9)	(38.2)
Interest due on external debt ^{2/}	(7.1)	(6.8)	(7.0)	(6.9)	(14.1)	(13.7)
Materials and supplies	(6.0)	(5.2)	(13.0)	(13.3)	(19.0)	(18.5)
Transfers	(1.8)	(0.2)	(2.0)	(3.6)	(3.8)	(3.8)
Other ^{3/}	(8.1)	(10.7)	(9.7)	(7.1)	(17.8)	(17.8)
Unclassified expenditure	(--)	(3.7)	(--)	(-3.7)	(--)	(--)
Investment expenditure	15.6	16.2	22.4	21.3	38.0	37.5
Net lending	--	1.2	--	-1.2	--	--
Overall deficit (-) on payment order basis	<u>3.9</u>	<u>-1.7</u>	<u>-9.5</u>	<u>-5.8</u>	<u>-5.6</u>	<u>-7.5</u>
Payments arrears (decrease -)	<u>-6.6</u>	<u>-4.5</u>	<u>-1.0</u>	<u>-3.1</u>	<u>-7.6</u>	<u>-7.6</u>
Domestic	-6.6	-6.6	-1.0	-1.0	-7.6	-7.6
External	--	2.1	--	-2.1	--	--
Overall deficit (-) on cash basis	<u>-2.7</u>	<u>-6.2</u>	<u>-10.4</u>	<u>-8.9</u>	<u>-13.1</u>	<u>-15.1</u>
Financing	<u>2.7</u>	<u>6.2</u>	<u>10.4</u>	<u>8.9</u>	<u>13.1</u>	<u>15.1</u>
Domestic financing	<u>2.5</u>	<u>1.8</u>	<u>1.0</u>	<u>1.6</u>	<u>3.5</u>	<u>3.4</u>
Banking system	5.5	5.7	1.0	0.8	6.5	6.5
Counterpart of net use of Fund resources ^{4/}	(0.5)	(0.2)	(0.8)	(1.2)	(1.3)	(1.4)
Other	(5.0)	(5.6)	(0.2)	(-0.5)	(5.2)	(5.1)
Nonbank financing	-3.1	-3.9	0.1	0.8	-1.0	-3.1
Of which: restructuring of CNCA	(...)	(...)	(...)	(-0.6)	(...)	(-0.6)
External financing	<u>0.2</u>	<u>4.4</u>	<u>9.4</u>	<u>7.3</u>	<u>9.6</u>	<u>11.7</u>
Borrowing ^{5/}	5.7	6.7	9.1	8.7	14.8	15.4
Amortization due ^{6/}	-10.9	-11.2	-7.5	-7.1	-18.4	-18.3
Agreed rescheduling	6.5	7.4	--	7.2	6.5	14.6
Arrears on amortization (- reduction)	--	1.1	--	-1.1	--	--
Financing gap (- surplus)	<u>-1.1</u>	<u>0.4</u>	<u>7.8</u>	<u>-0.4</u>	<u>6.7</u>	<u>--</u>
(As percent of annual GDP)						
Overall deficit on payment order basis	0.9	-0.4	-2.1	-1.2	-1.2	-1.7
With grants	--	--	--	--	--	--
Without grants	-0.7	-2.4	-4.1	-3.0	-4.8	-5.3
Tax revenues	9.9	9.1	9.3	9.5	19.2	18.6
Budgetary savings ^{7/}	4.3	2.7	2.4	3.4	6.7	6.1

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

^{1/} Includes treasury operations, external government debt service and payments arrears, government operations directly financed by OTP, and expenditure financed by foreign grants and loans; excludes the Social Security Fund (CNSS).

^{2/} Interest due before rescheduling, plus moratorium and penalty interest, and interest on new and gap financing; excludes interest on French debts canceled in 1989.

^{3/} 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 those entities.

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

^{5/} Project and program loans.

^{6/} Amortization due includes the impact of the 1989 Paris Club rescheduling arrangement as well as French debt canceled in 1989.

^{7/} Defined as total revenue minus current expenditure excluding foreign interest payments.

than had been the case in recent years, and the reduction in budget allocations in line with the program target was made only in early April, after the completion of the program discussions. Moreover, the indicative targets had not taken into account net lending to civil servants, equivalent to CFAF 1.2 billion at end-June, which will be repaid automatically by the end of the year through deductions in salary payments. Investment expenditures during the first six months of the year attained 43 percent of the program target of CFAF 38 billion. The somewhat higher rate of implementation of the public investment program than in the same period in 1989 stemmed primarily from larger disbursements of foreign project loans and grants.

Reflecting the above developments, the overall fiscal deficit in the first half of 1990 (excluding grants) amounted to CFAF 10.6 billion, equivalent to 2.4 percent of GDP, or CFAF 7.5 billion more than anticipated. This difference was financed partly by accelerated disbursements of external financing, but also by the accumulation of external arrears of CFAF 3.2 billion at end-June. Thus, the Government was unable to respect the related performance criterion; however, all arrears were paid off by July 9, 1990. While net government borrowing from the domestic banking system was in line with the unadjusted target, it exceeded the adjusted performance criterion, which takes into account the larger-than-anticipated external financing. ^{1/} The Government reduced the domestic treasury arrears accumulated at the end of 1989 as programmed.

For the year as a whole, government revenues are expected to fall CFAF 3 billion short of the program objective. According to a transitional scheme established for the public enterprises that have recently become subject to taxation, the 1990 tax payments are based on the estimated profits for the 1990 fiscal year. ^{2/} Given a 16 percent drop in the volume of phosphate exports in 1990, combined with a projected decline of 13 percent in export prices in terms of CFA francs, the profits of the OTP are projected to drop sharply in 1990. Accordingly, tax and dividend payments by the OTP are now estimated at CFAF 4.3 billion, compared with the budgeted amount of CFAF 6.3 billion and with the CFAF 7.5 billion that would have been the tax liability had

^{1/} External financing at end-June exceeded the program target by CFAF 3.2 billion, and the performance criterion on net credit to the Government was adjusted downward accordingly.

^{2/} Enterprises successfully argued that 1989 contributions were in lieu of taxes on the 1989 profits, whereas, according to normal tax legislation, tax payments are based on the results of the preceding year. Normal tax legislation will be followed in 1991 with tax payments in that year to be based on the 1990 results. Payments in 1990 will be considered as a special advance and will be deducted from tax liabilities over a period of ten years, starting in 1992.

taxes been assessed on the basis of the 1989 results. ^{1/} Government revenue in 1990 from the sale of petroleum products will be affected by the recent increase in oil prices, although the existence of stocks and a delay in the payment by petroleum companies to the petroleum fund (CPSPP) of the differential between domestic and world market prices will limit the loss to about CFAF 1 billion this year. Indirect tax receipts are estimated to exceed the program target by about CFAF 1.4 billion, based on the trend through September. Together with the increase in dividends owing to an advance of CFAF 1 billion from the newly taxed enterprises, this should offset shortfalls in direct taxes levied on the agricultural crop marketing agency (OPAT) and on already taxed enterprises. The latter shortfall resulted from a decline in sales in 1989 by certain of these enterprises. Nontax revenues (other than dividends) are projected to be in line with initial program estimates; in particular, minor shortfalls during the first half of the year in the contribution of certain enterprises to the servicing of their external debts are expected to be compensated in the second half, as the operation of the newly introduced system is strengthened.

On the expenditure side, the authorities implemented measures in early April to reduce budget allocations for current nonsalary expenditure by CFAF 2 billion. Faced with the recent assessment of a revenue shortfall for 1990 as a whole, the authorities have taken further steps to reduce current expenditure in the remaining two months of the year, which should yield savings of about CFAF 0.5 billion, compared with the program target. Based on the present rate of execution of the investment program, additional savings of CFAF 0.5 billion are expected in the investment budget. Thus, the overall fiscal deficit (on a payment order basis and excluding grants) is projected to be contained at CFAF 23.9 billion, or 5.3 percent of GDP, compared with the program target of 4.8 percent.

The required additional financing of the deficit for 1990 is to be secured by higher-than-projected disbursements under the first tranche of the World Bank's SAC-IV and a favorable restructuring of external debt service obtained from the eighth Paris Club in July 1990. Financial benchmarks for end-December are expected to be met.

The authorities have reinforced their commitment to reduce the consolidated deficit on government operations to the equivalent of 4.2 percent in 1991, as originally programmed (Appendix IV, Table III). Petroleum product prices in Togo are high compared with international prices, and further increases are constrained by the proximity to certain low-price countries in the region. To partially offset the impact of the recent oil price increase, the authorities intend to increase the prices of regular and super gasoline in November 1990 by

^{1/} Payments by the OTP at end-October amounted to CFAF 3.8 billion. Payments beyond CFAF 4.3 billion would result in increased indebtedness of the OTP vis-à-vis the banking system.

CFAF 15 per liter, to the equivalent of US\$3.14 per gallon for regular gasoline; if the present world market prices persist, prices will be increased further at a later stage. Nevertheless, oil-related revenues in 1991 will fall CFAF 1.6 billion short of the estimate in the previous baseline scenario. Given the present trend in phosphate exports, tax and dividend payments by the OTP are likely to decline to about CFAF 3 billion. In the circumstances, the authorities intend to freeze current expenditure in nominal terms and to take additional revenue measures in order to achieve the target. The deficit is fully financed by the two-year rescheduling agreed with the Paris Club in July 1990 and by other identified external financing.

b. Monetary policy

In the first half of 1990, both net domestic assets and broad money stayed well below the program ceilings, whereas net foreign assets exceeded the program target by CFAF 2.8 billion (Table 3). Net credit to the Government rose to CFAF 11.9 billion at end-June, or close to the unadjusted program ceiling of CFAF 12.0 billion. However, credit to the economy fell CFAF 10 billion short of the program objective. Crop credit was CFAF 6 billion lower than expected, mainly because of lower volumes of crop purchases by the OPAT, but also reflecting to some extent the impact on credit demand of increased interest costs on crop credit following the abolition of the preferential discount rate in October 1989. Demand for credit in other sectors of the economy was also lower than expected, with almost no change in credit outstanding between December 1989 and June 1990. At the same time, a reduction in other items (net) further reduced net domestic assets by CFAF 9 billion, reflecting a CFAF 1.3 billion increase in banks' equity as well as temporary increases in other transitory accounts that are likely to be reversed by the end of the year. The broad money supply fell slightly from its end-December 1989 level to CFAF 178.2 billion by end-June, or CFAF 16 billion below target.

For the year as a whole, net foreign assets are likely to exceed the programmed level somewhat, increasing by 3.3 percent of broad money. While net credit to Government is likely to be close to the original target for end-December, credit to the economy is likely to remain below the original target in spite of an anticipated pickup toward the end of the year, particularly in credit to the manufacturing and commercial sectors. Other items (net) should be close to the level originally programmed, except for the change in own capital of the banking system, which is now projected to rise by CFAF 1.9 billion by year-end. Thus, net domestic assets should grow by 4.0 percent, and broad money by 7.9 percent, reflecting a small drop in velocity.

The restructuring of the three banks in difficulty, in which the Government holds a majority share, is well under way. The recapitalization of the Togolese Development Bank (BTD) was completed at end-June, with the Government paying its share in the CFAF 2 billion equity increase (a structural benchmark for end-June). Moreover, in September,

Table 3. Togo: Monetary Survey, 1988-90
(In billions of CFA francs; end of period)

	1989			1990					
	Dec.	March	June	Sept.	Dec.	March			
	Prog.	Actual	Actual	Actual	Actual	Actual			
Foreign assets (net)	56.50 ^{1/}	66.75	66.17	70.11	78.39	80.13	79.13	82.00	84.39
Central Bank	44.44	49.67	49.56	48.04	57.23	58.93	57.93	65.10	63.23
Deposit money banks	0.07	5.08	4.61	10.07	9.16	9.20	9.20	8.08	9.16
Treasury	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Domestic assets (net)	122.23	121.29	121.83	113.41	107.27	118.58	116.29	107.27	114.57
Claims on the Government (net) ^{2/}	20.96	17.68	18.86	16.41	6.21	12.01	12.41	11.68	12.71
Claims on the economy	103.31	106.46	104.62	97.72	100.07	106.87	104.18	101.41	106.08
OPAT and OTP	(19.05)	22.16	16.93	12.70	17.76	19.34	18.63	18.63	18.92
Other	(84.26)	84.30	87.69	85.01	82.32	87.53	85.55	82.78	85.14
Long-term foreign borrowing	-2.98	-2.92	-2.83	-2.83	-1.96	-1.90	-1.90	-1.90	-1.90
Other items (net)	0.95	0.07	1.18	2.11	2.96	1.60	1.60	-3.92	1.60
Money and quasi-money	174.43 ^{1/}	183.72	193.49	179.01	181.16	194.21	190.92	184.97	196.58
Currency and demand deposits	65.24	71.77	70.42	66.55	65.46	...	...	...	...
Time deposits	109.19	111.95	113.07	112.45	115.70	...	...	...	...
STR allocation	4.31	4.31	4.51	4.50	4.28	4.50	4.50	4.30	4.50

Sources: Central Bank of West African States (BCEAO); and staff estimates and projections.

^{1/} In July 1988, the BCEAO made a statistical adjustment to the estimates for net foreign assets and currency in circulation for all member countries of the West African Monetary Union. In the case of Togo, this led to a downward correction of both items by CFAF 11.4 billion.

^{2/} Includes foreign deposits of the Treasury from December 1988.

the BCEAO approved a long-term loan of CFAF 3.0 billion to the BTB with a view to further strengthening its capital base. The decree for the liquidation of the agricultural credit bank (CNCA) was signed in mid-June (a structural benchmark for end-September) and at end-August the liquidators started the process of liquidation and reimbursement of deposits. According to an indicative draft timetable, an estimated CFAF 8.5 billion will be reimbursed to deposit holders in three phases between September 1990 and June 1991. The first phase, covering the period September-December 1990 and financed by a loan already received from the French Caisse Centrale de Coopération Economique (CCCE), involves the reimbursement of an estimated CFAF 600 million to farmer groups and small projects. ^{1/} The contribution of the BCEAO is also available, and the disbursement of the World Bank contribution under the SAC-IV is expected as part of the first tranche, which will become available by the end of the year. Discussions on a new rural credit system are continuing. The principal donors favor a strengthening of the existing cooperative savings and loans structure (COOPEC). The recapitalization and restructuring of the Libyan-Togolese external trade bank (BALTEX) was decided upon in August; the Togolese Government will pay 50 percent of the CFAF 1.5 billion increase in the bank's capital during 1991-92, with the remainder to be provided by Libya. As part of the BALTEX's reorganization, the management has been shifted to Togo and the administrative structure strengthened.

c. Structural policies

(1) Public sector reform

The reform of public administration is a key structural element of the Government's program supported by the Fund and the World Bank. It aims at redefining the roles and internal organizations of selected ministries, improving age and salary structures, and formulating recruitment and training policies, as well as assessing staffing needs in each ministry. In this context, the preparation of proposals for the reorganization of three key ministries (Ministry of Planning, Ministry of Economy and Finance, and Ministry of Commerce and Transport) is proceeding according to the timetable agreed with the World Bank. The elaboration of a medium-term civil service employment strategy is under way with the adoption of a time schedule at end-September (a structural performance criterion); this foresees the completion of a quantitative and qualitative assessment of the size and structure of Togo's civil service by June 1991 and the adoption of the new strategy by September of that year. Measures have already been taken to upgrade the monitoring of the wage bill components for each ministry and to improve the coordination between the Ministries of Economy and Finance and of Labor and Civil Service.

^{1/} In line with the implicit treatment when drawing up the original ESAF program, the exceptional cost associated with the reimbursement of CNCA deposits is shown below the line in the government finance table.

With regard to the reform of public enterprises, the first privatization program (1982-90) will be completed by year-end with the liquidation of one and the privatization of five additional enterprises. The second privatization program (1990-92) includes another 18 enterprises, for 6 of which diagnostic studies for rapid sale or liquidation have been drawn up. One of these, the agricultural credit bank, is already under liquidation, and buyers have been found for two state-owned hotels. The draft new public enterprise law laying down the principles of a greater autonomy and financial and managerial accountability was agreed upon by end-September, in consultation with the World Bank. However, its adoption by the Council of Ministers was delayed until October 16, 1990 instead of end-September as foreseen in the program (a structural performance criterion). The monitoring of public enterprises by the Ministry of Industry and State Enterprises is being reinforced with the extension of the audit program and management information system to all public enterprises; a study on the financial relationships between the Government and public enterprises will be completed by November 1990.

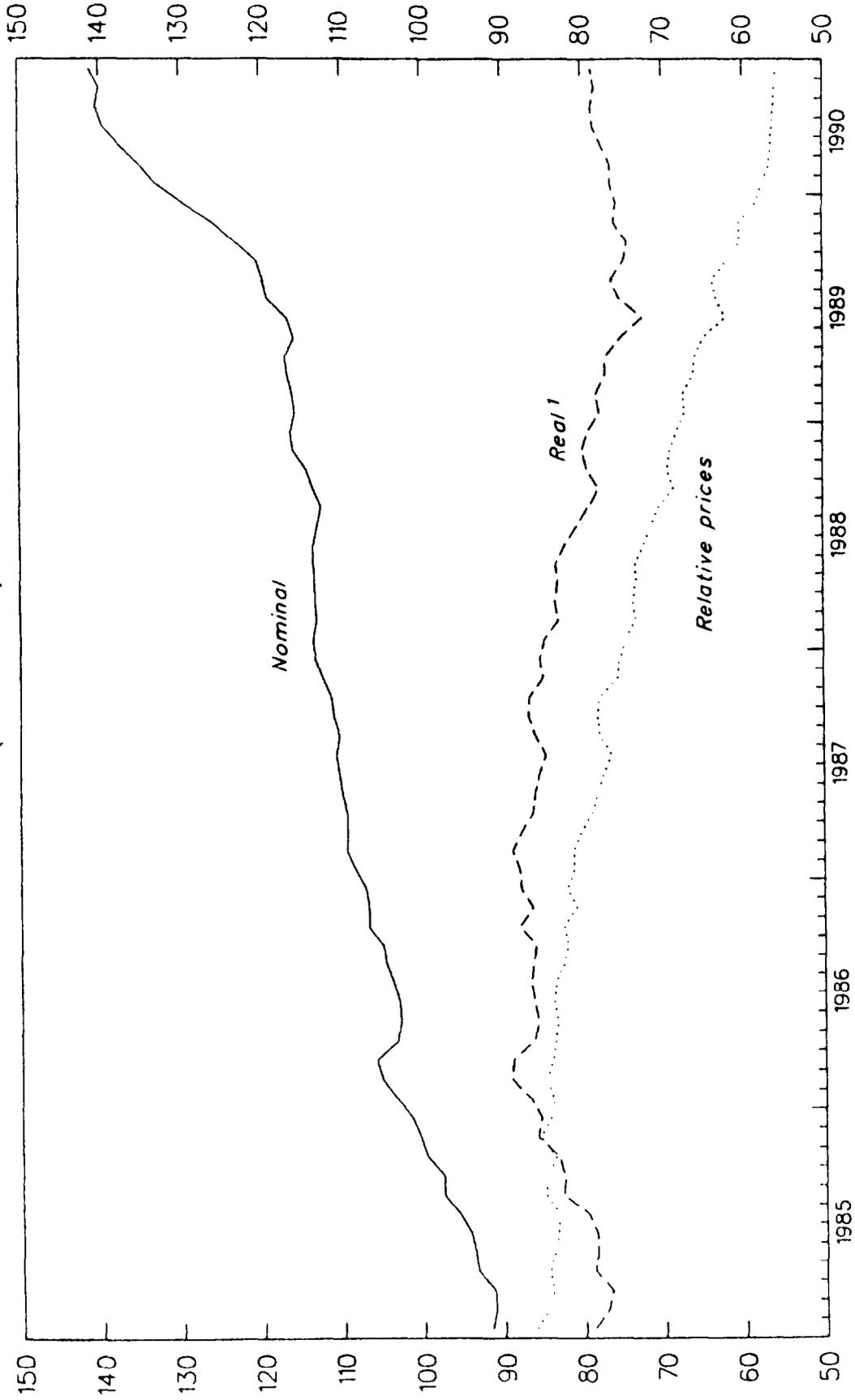
(2) Social dimensions of adjustment (SDA)

The Government has established new institutional mechanisms to better incorporate social considerations into macroeconomic and sectoral policymaking. It has broadened the mandate and membership of the interministerial committee for monitoring the structural adjustment program, set up a special SDA committee within the planning ministry, and created various working groups on employment and incomes, nutrition, education, and health. Related seminars have been organized in the ministries concerned. The preparation of target support programs for vulnerable population groups continues and the 1991 budget will include, within the overall fiscal target, the related expenditure. The newly created modeling group in the Ministry of Planning is incorporating the social impact of development policies into its macroeconomic forecasting model for completion in September 1991.

(3) Competitiveness

A favorable movement in relative prices has to a large extent offset the recent appreciation of the nominal effective exchange rate index, and the real exchange rate index has remained relatively stable over the recent five-year period, appreciating by 1 percent in the first six months of 1990 (Chart 2). The exchange rate, however, has appreciated against certain currencies in the region. Several studies regarding export promotion and external competitiveness have been prepared and specific actions will be included in next year's program. At the end of July, the committee for promoting exports of foodstuffs and other non-traditional agricultural products submitted its recommendations to the Government, which will start implementing specific measures in March 1991. The Government established the floor prices for traditional agricultural export products in early October, as follows: CFAF 175 per kilogram for coffee, CFAF 250 per kilogram for cocoa, and CFAF 100 per

CHART 2
TOGO
EFFECTIVE EXCHANGE RATES, JANUARY 1985-JULY 1990
(Index 1980=100)



Source: Staff estimates.
1 Based on consumer price index.

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	1994	1995
			Prev. est.	Rev. est.	Prog.	Rev. prog.					
(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	9.2	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	39.9	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. 1/	-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 2/	(-16.3)	(-16.5)	(-16.9)	(-16.9)	(-14.0)	(-13.7)	(-13.0)	(-12.2)	(-11.3)	(-10.7)	(-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 3/	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 4/	-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 5/	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 6/	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 7/	14.6	13.7 7/	5.1 7/	—	—	—
London Club	...	7.4	—	—	—	—	—	—	—	—	—
Debt cancellation	—	—	5.3	5.3 8/	—	—	—	—	—	—	—
Arrears (- reduction)	28.9	-31.8	—	—	6.7	—	—	—	—	—	—
Financing gap	—	—	—	—	—	—	—	—	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 9/	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	(In billions of CFA francs)										
Of which: amortization					5.3	7.3 8/	7.5	6.5	5.6	6.2	5.7
					(2.7)	(4.4)	(4.7)	(4.1)	(3.7)	(4.5)	(4.3)

Sources: BCEAO; and staff estimates and projections.

1/ Including imports related to the Nangheto project on account of Benin.

2/ Includes moratorium and penalty interest, and interest on new and gap financing; from 1990 interest on the canceled French debt has been excluded.

3/ 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.

4/ 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.

5/ Includes changes in medium- and long-term liabilities of deposit money banks.

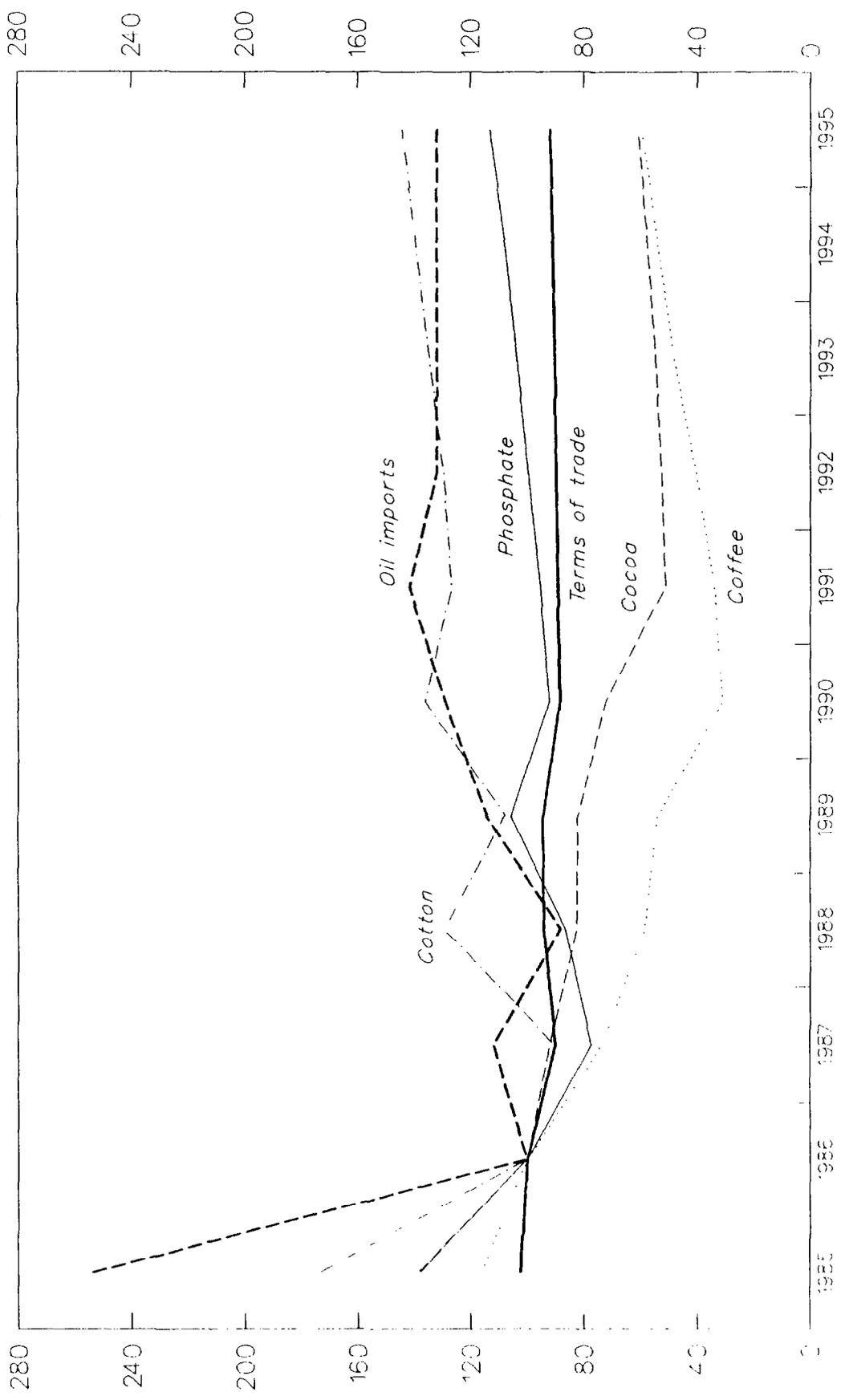
6/ Also includes a correction for the Trust Fund repayments included in net foreign assets according to BCEAO definition.

7/ Includes a small amount of debt canceled under the 1990 rescheduling arrangement.

8/ 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.

9/ Based on the most recent WEO assumption of no change in real effective exchange rates.

CHART 3
TOGO
PRICES OF MAJOR COMMODITIES, 1985-95
(in CFA francs; index 1986=100)



Source: SOEAD and staff projections

of 12.2 percent of GDP, a deterioration from the 1989 level equivalent to 2.4 percent of GDP compared with the initially projected deterioration of 2.2 percent. 1/ Including official transfers, the current account deficit is likely to amount to CFAF 23.0 billion, equivalent to 5.2 percent of GDP.

The surplus in the capital account is expected to decline to CFAF 12.6 billion from the CFAF 19.5 billion registered in 1989, reflecting a lower level of public borrowing and a decline in the inflows of short-term capital. However, as the presently projected inflows of private short-term capital (based on the most recent estimates of the Central Bank) considerably exceed the levels originally projected in the program, the capital account surplus will surpass by CFAF 5.8 billion the level anticipated in the program. Although the deficit in the overall balance, at CFAF 10.5 billion, will be some CFAF 1.2 billion above the original program level, the targeted increase in net foreign assets is expected to be achieved since the Paris Club rescheduling in July provided more debt relief than expected (CFAF 7.2 billion) for the second half of 1990, and because valuation changes will have a positive impact on net foreign asset holdings. 2/

1/ Both import and export figures have recently undergone substantial revisions to reflect the availability of official trade statistics for the period 1980-87. The new data indicate much higher levels of non-traditional exports and unclassified imports than in previous customs estimates; the latter were corrected to incorporate unofficial trade with neighboring countries of the franc zone on the basis of BCEAO data on the movement of currency notes between Togo and its neighbors. The BCEAO ascribes certain proportions of the value of currency notes repatriated by Togo to the countries of issue to short-term capital inflows and private transfers, and considers the remainder as the counterpart of unofficial exports and re-exports. A similar partition is made for Togolese currency notes repatriated to Togo. The statistics on re-exports and imports are then revised to reflect these transactions, after adjustment for trade flows already accounted for in the official customs data. Since the upward revision is higher for imports than for exports, the trade and current account deficits are now about 2 percent of GDP higher than previously estimated. The statistics on short-term capital flows have also been adjusted to reflect the portion of the movement of currency notes ascribed to short-term capital flows and to equilibrate the balance of payments.

2/ The eighth Paris Club agreement of July 1990 granted Togo a multiyear rescheduling covering the remaining period of the ESAF arrangement. The debt relief of CFAF 7.2 billion is additional to the rescheduling of CFAF 7.4 billion in interest and maturities due during the first half of 1990 under the seventh Paris Club agreement (granted in 1989).

3. Medium-term outlook

The medium-term outlook has deteriorated somewhat compared with that presented at the time of program approval (EBS/90/101) in part because of the upward shift in the base year current account that was due to the revision of import statistics. In addition, exports will grow less rapidly than previously projected. Given the appreciation of the CFA franc vis-à-vis the U.S. dollar and the slow recovery of world commodity prices after 1990, the projected CFA franc prices for three of Togo's four main exports are now substantially below the levels originally foreseen for the 1991-95 period; only for cocoa are prospects slightly more favorable. ^{1/}

Volume projections for phosphate exports have been revised downward by some 10 percent from their previous levels, given Togo's present marketing difficulties. Cotton is still expected to perform strongly over the 1991-95 period and achieve an average volume growth of more than 13 percent a year, as investments in grain production and ginning capacity take effect. The negative impact of the deteriorating quality of cocoa trees is offset by somewhat better prospects for coffee output. Nontraditional exports, after taking into account the newly available trade statistics, are projected to grow at about 5.4 percent a year. On the whole, the value of exports is now projected to grow by an average of 6.9 percent during the 1991-95 period, compared with 8 percent in the original program.

The increase in world oil prices, to US\$26.14 per barrel in 1991 (in line with present WEO assumptions), will add an average of CFAF 3 billion to Togo's yearly import bill during 1991-95. The growth rates of import volumes are in line with those of the underlying consumption and investment demand components. On the whole, import values will grow at an average annual rate of 5.7 percent during the period, or slightly less than previously projected. The services account is very close to original projections, and shows an improvement over time owing to a decline in interest payments.

Reflecting these developments, the current account deficit, excluding official transfers, is projected to decline from 12.2 percent in 1990 to 9.5 percent in 1992 and to 8.6 percent in 1995. The current account improvement is matched by higher national savings (excluding official transfers), which are projected to increase by about 4 percentage points of GDP over the 1991-95 period, mainly because of higher private savings and lower interest payments; gross investment is projected to remain stable at the equivalent of 24 percent of GDP (about 8.5 percent of which is government investment).

Disbursements of public foreign loans are expected to be broadly in line with originally projected levels, except for an upward revision in

^{1/} In view of the premium above world market prices realized by Togo.

1991 to include the external financing of the restructuring of the agricultural credit bank (CFAF 5.3 billion). Amortization due on external debt will on average be about CFAF 1.5 billion lower each year, owing to an upward revision of the amounts forgiven under the French debt initiative in 1989. The projections for private short-term capital inflows have been revised upward (by about CFAF 3 billion each year), in line with the recent results of the official method of correcting both trade and short-term capital inflows on the basis of the movement of currency notes.

The medium-term outlook for the overall deficit of the balance of payments is broadly in line with that of the original program. Taking into account the debt relief obtained from the 1990 Paris Club rescheduling covering the period up to July 1992 and the targeted stabilization of gross official reserves, there will be no residual financing gaps for 1991 and 1992, and only minor gaps in 1993 and 1994. It is expected that the residual balance of payments gaps after 1992 can be financed through the second Special Program of Assistance (SPA), partly in the form of cofinancing with the World Bank. Thus, no further rescheduling is anticipated beyond the ESAF arrangement period. Togo is expected to remain current in its obligations to commercial banks. The external debt-to-GDP ratio is projected to decline from 72.0 percent in 1990 to 59.8 percent by 1995 (Chart 4 and Appendix IV, Table IV). The debt service ratio is expected to decline from 20 percent in 1990 to 10 percent in 1995.

The medium-term outlook for the external and fiscal positions is very sensitive to assumptions about export and import prices, in particular phosphates and oil (Appendix IV, Table V). The baseline scenario for 1991 incorporates an average world oil price of US\$26.14 per barrel ^{1/} and an average exchange rate of CFAF 260 per U.S. dollar, with an estimated impact on imports of CFAF 3.0 billion, compared with the original program. Assuming that the present high levels of oil prices persist into 1991, an average of US\$30 per barrel or 15 percent above the presently projected price, Togo's current account deficit would worsen by an additional CFAF 1.7 billion, or 0.4 percent of GDP (Scenario A). The impact on government revenue from petroleum taxation would be of the same magnitude, assuming no further change in domestic prices for petroleum products, which are already very high in Togo.

As to phosphates, a 5 percent change in export prices (or volumes) would affect the current account deficit by CFAF 1.8 billion in 1991, equivalent to 0.4 percent of GDP, and would affect government revenue from profit taxation by about 40 percent of that amount (Scenario B). The effect of 5 percent lower agricultural exports is more moderate, with the current account changing by 0.3 percent of GDP in 1991 (Scenario C).

^{1/} Based on the September 1990 average forward prices for 1991.

4. Repayment of obligations to the Fund

As noted in EBS/90/101 (5/30/90), Togo has consistently been current in its obligations to the Fund. Overall, the indicators of Fund credit are close to the levels projected earlier. Total repurchases and charges, including those resulting from the ESAF arrangements, will decline fairly rapidly from the relatively high level of CFAF 9.5 billion (11.3 percent of fiscal receipts) in 1989 to CFAF 2.2 billion in 1994 (2.0 percent of fiscal receipts). After a gradual increase to CFAF 4.5 billion in 1997 (3.4 percent of fiscal receipts), debt service to the Fund will again decline rapidly. Debt service to the Fund, in relation to exports of goods and nonfactor services, exhibits the same pattern; after declining rapidly from 4.9 percent in 1989 to 0.9 percent in 1994, the ratio increases to 1.4 percent in 1997 but again declines in the period thereafter. In view of these magnitudes, and on the basis of the revised long-term fiscal and balance of payments projections, the Government is expected to generate sufficient resources to meet its obligations to the Fund.

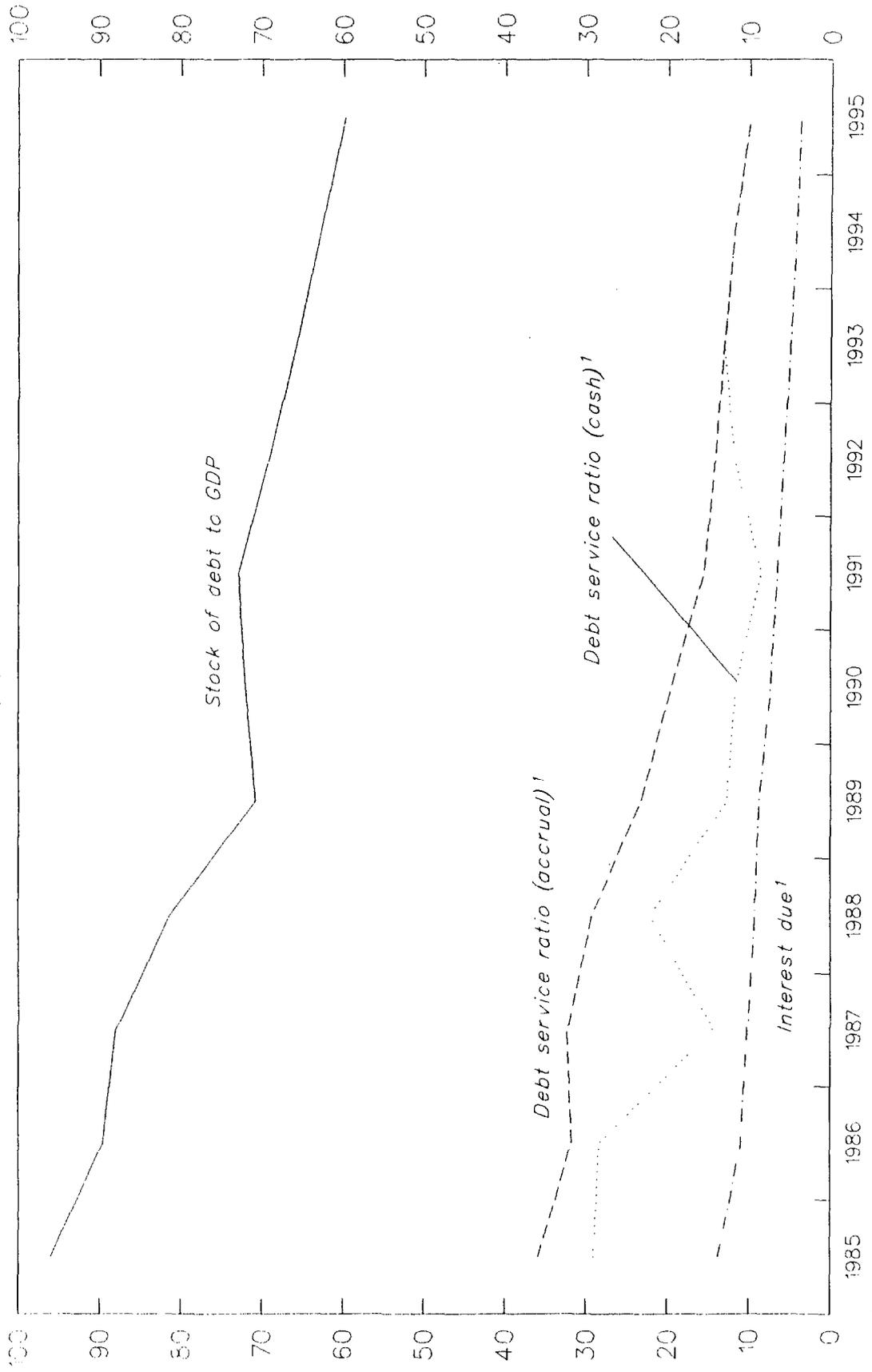
IV. Performance Criteria

The second-year ESAF arrangement contains a number of quantitative performance criteria for end-June and three structural performance criteria for end-June and end-September 1990, as well as benchmarks throughout the period covered by the second annual arrangement. The actual performance in relation to these is shown in Table 5. As noted above, largely because of lower-than-anticipated tax payments by newly taxed public enterprises, the end-June 1990 performance criteria on the nonaccumulation of external arrears, net bank credit to the Government, and the contribution by OTP at end-June were not met. The structural performance criterion related to the new public enterprise law was also not met because of a delay in its approval by the Council of Ministers from end-September to October 16. The external arrears were eliminated by July 9. The remaining performance criteria and benchmarks for end-June have been observed on schedule and those for end-September and end-December are expected to be observed.

V. Staff Appraisal

After two years of broadly satisfactory performance, economic and financial developments in 1990 in Togo have been adversely affected by exogenous developments. Late rains, a drop in phosphate exports, and the recent increase in oil prices will lead to a lower rate of growth of real GDP and a larger deterioration in the external current account than anticipated in the program. The adverse impact on government revenues can only be partly offset by additional expenditure restraint; accordingly, although the overall fiscal deficit will decline by the equivalent of 1 percent of GDP, the improvement will be less than targeted. Credit

CHART 4
TOGO
DEBT INDICATORS, 1985-95
(in percent)



Sources: Data provided by Togolese authorities, and staff estimates.
1. Percentage of exports of goods and nonfactor services.

Table 5. Togo: Performance Criteria and Quantitative and Structural Benchmarks Under the Second Annual Arrangement Under the Enhanced Structural Adjustment Facility, 1990

(In billions of CFA francs)

	1989		1990				
	December 31 Actual	April 30 Quantitative benchmarks	Actual	June 30 Performance criteria	Actual	September 30 Quantitative benchmarks	December 31 Quantitative benchmarks
(Ceilings on the outstanding amounts at the end of each period)							
<u>Quantitative performance criteria and benchmarks</u>							
Net domestic assets of the banking system <u>1/</u>	107.27	123.28	107.72	115.42 <u>2/</u>	99.31	116.29	118.49
Net credit to the Government <u>3/</u>	6.21	11.61	13.51	8.85 <u>2/</u>	11.92	12.41	12.71
Credit to OTP and OPAT <u>4/</u>	17.76	20.05	15.09	19.34	14.50	18.63	18.92
New nonconcessional external loans contracted, endorsed, or guaranteed by the Government in the 1- to 12-year maturity range	--	--	--	--	--	--	--
New short-term external loans, excluding normal import financing	--	--	--	--	--	--	--
External payments arrears	--	--	--	--	3.18	--	--
Treasury domestic payments arrears <u>5/</u>	10.56	4.00	4.58	4.00	4.00	4.00	4.00
Nontreasury domestic payments arrears <u>6/</u>	3.78	3.78	3.78	3.78 <u>7/</u>	3.78	2.78	2.78
<u>Structural performance criteria</u>							
				<u>Target dates</u>			<u>Status</u>
Contributions by OTP and the Petroleum Fund to the Treasury, as indicated in Table 2 of the letter of intent of May 17, 1990.				June 30, 1990			CFSPF: observed; OTP: not observed.
Adoption by the Council of Ministers of the new public enterprise law.				September 30, 1990			Delayed until October 16, 1990.
Formulation of a plan of action to define a medium-term civil service employment strategy.				September 30, 1990			Observed.
<u>Structural benchmarks</u>							
Completion of the review of the labor market.				June 30, 1990			Study submitted to Government; concrete measures before end-1990.
Payment by the Government of its share in the recapitalization of the BTM.				June 30, 1990			Observed.
Announcement of the liquidation of the CNCA.				September 30, 1990			Observed.
Establishment of producer floor prices for agricultural products for the 1990/91 crop year.				September 30, 1990			Observed.
Adoption of public investment program for 1991 approved by the World Bank and compatible with the macroeconomic program targets.				December 31, 1990			

Sources: Letter of intent; and data provided by Togolese authorities.

1/ Domestic credit and other items (net), less long-term external liabilities of the banks.

2/ If the Government receives external financing, including debt rescheduling, in excess of the programmed level of CFAF 19.3 billion for the year as a whole, the ceilings will be reduced accordingly. The downward adjustment of the ceilings at end-June amounts to CFAF 3.2 billion.

3/ Figures adjusted to adapt their coverage to that of the data for consolidated government operations; certain public agencies, including the Caisse Nationale de Sécurité Sociale, have been reclassified in the private sector.

4/ These ceilings are based on the following revised assumptions regarding the volumes of exports and purchases in 1990: cocoa, 7,800 tons and 8,000 tons; coffee, 14,600 tons and 12,600 tons; cotton, 30,800 tons and 30,800 tons; and phosphates, exports of 2.9 million tons.

5/ The normal average amount of expenditure for which payment is pending is CFAF 4.0 billion, excluding the nontreasury domestic arrears for which the Government has assumed responsibility.

6/ Mainly arrears of autonomous public agencies and public enterprises to the electricity company and to the postal and telecommunications service.

7/ Quantitative benchmark only.

and monetary policy has remained tight, and the rate of inflation will again be modest. Satisfactory progress has been made in implementing structural policy elements.

The overall stance of fiscal policy in 1990 has been as programmed; however, the reaction to the revenue shortfall resulting from the adverse exogenous developments came somewhat late in the year, as the implications of the transition to the new system of tax payments by certain public enterprises, combined with the slowdown in phosphate exports, proved difficult to assess. The authorities have now put in place an appropriate transitional arrangement for the newly taxed public enterprises. Given the downturn in phosphate exports, the arrangement entails a revenue shortfall of CFAF 2 billion. An additional shortfall of CFAF 1 billion results from the increase in international petroleum prices. In response, the authorities have taken steps to reduce expenditures in the remaining two months of the year. The authorities are urged to closely monitor expenditure and revenue developments and to take early corrective action to any deviation from program assumptions. The undershooting of the targeted revenue levels for the second consecutive year underlines the continuing fragility of the fiscal situation and the need to broaden the tax base.

A sustained increase in government savings is an essential element in the medium-term strategy of assigning a greater role to the private sector while gradually reducing external and internal imbalances. Accordingly, the authorities have renewed their commitment to achieving the original fiscal target for 1991. Despite the relatively high domestic price of petroleum products, particularly compared with other countries in the region, the authorities have decided to pass on to the consumers part of the recent increase in petroleum prices. Strict expenditure restraint and additional revenue measures will be required to achieve the fiscal target for 1991.

Monetary policy has been kept appropriately tight. Significant reforms have been put in place at the level of the West African Monetary Union (WAMU), aimed at increasing the role of the market mechanism and enhancing banking supervision. The Togolese banking system remains basically sound and the authorities have made substantial progress in 1990 in addressing the problems facing the three banks with majority government ownership.

Satisfactory progress is being achieved in other areas of structural reforms. The reform of the public administration has been initiated on the basis of an agreed timetable, focusing on the three key economic ministries. Similarly, work has started on drawing up a medium-term civil service strategy encompassing both quantitative and qualitative aspects. Noticeable progress has been achieved in the reform of public enterprises.

In view of the institutional arrangements of the WAMU, greater emphasis must be placed on fiscal policy as well as on other structural policies to safeguard the competitiveness of the Togolese economy. The authorities have been successful in keeping the rate of price increases below that experienced by trading partners and in reducing marketing costs for key agricultural export products. The recent sale of the two textile companies to a foreign business group and recent preliminary indications of interest in the export processing zone are hopeful signs that direct foreign investment can contribute importantly to Togo's economic development. The authorities rightly stress the need to examine all aspects of the economic environment to facilitate the intended role of the private sector. They are currently undertaking a study of the competitiveness of Togolese industry with foreign technical assistance. An interministerial group has been drawing up recommendations for improving the conditions for exports of nontraditional agricultural products. Finally, in the context of a labor market study, the authorities are examining how to promote the efficient utilization of labor. While bearing in mind the time needed to build consensus, the authorities should react swiftly to eliminate any impediments identified in the above-mentioned studies.

The authorities have requested that waivers be granted for the nonobservance of certain performance criteria at end-June and end-September. As significant progress is being made in implementing the policies of the program, and as the authorities have reaffirmed their commitment to take additional actions to achieve key objectives in 1991, the staff recommends that the waivers be granted and that the present review be completed.

VI. Proposed Decision

The following decision is proposed for adoption by the Executive Board:

Review of Second Annual Arrangement Under ESAF

1. Togo has consulted with the Fund in accordance with paragraph 2(d) of the second annual arrangement under the enhanced structural adjustment facility for Togo (EBS/90/101, Sup. 1, June 28, 1990), and paragraph 26 of the letter of the Minister of Economy and Finance dated May 17, 1990, attached thereto.
2. The letter of the Minister of Economy and Finance of Togo dated November 19, 1990 shall be attached to the second annual arrangement under the enhanced structural adjustment facility for Togo, and the letter dated May 17, 1990 shall be read as supplemented by the letter dated November 19, 1990.
3. The Fund determines that the review contemplated in paragraph 2(d) of the second annual arrangement under the enhanced structural adjustment facility for Togo has been completed, and that notwithstanding paragraphs 2(a)(ii), 2(a)(iv), 2(a)(vii), and 2(b)(i), Togo may proceed to request the disbursement of the second loan under the arrangement.

Lomé, November 19, 1990

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Camdessus:

1. In connection with the arrangement under the enhanced structural adjustment facility for Togo, which was approved by the Fund's Executive Board on May 31, 1989, we recently held discussions with a Fund mission on the midterm review of the economic and financial program for 1990. The discussions focused on the progress made during the first half of 1990 and on the outlook for the program during the remainder of the year and 1991. In terms of economic growth and the balance of payments, performance during the first six months of 1990 deviated slightly from the program targets, as a result of the adverse impact of exogenous factors. In the area of tax revenue, budgetary performance differed from the program owing to a shortfall in profit taxes from public enterprises recently subjected to taxation. This shortfall, combined with the increase in petroleum prices that will affect revenue toward the end of year, should lead to a slightly higher-than-projected overall budget deficit for 1990. Appropriate financing is available to permit the Government to respect the financial benchmarks for the end of the year. Measures will be taken to ensure that the 1991 budget is in line with the original program target. Furthermore, the preparation and implementation of the structural measures included in the program are continuing. The Government of Togo remains determined to pursue the policies set forth in its letter No. 045/CAB/MEF of May 17, 1990.

2. In 1990 real GDP growth will be adversely affected by the low rainfall at the beginning of the year and a decline in phosphate production. The annual rate of growth is estimated at 2 percent, below the projected rate of 2.6 percent. The inflation rate, as measured by the increase in consumer prices, remains low, averaging 1.3 percent for the first seven months of the year. By contrast, the external current account balance in 1990 will be seriously affected by the declines in the volumes and prices of phosphate exports, as well as by the recent increase in prices of imported petroleum products. In addition, the slow growth of economic activity in the subregion continues to exert a negative impact on Togo's nontraditional exports. Imports should remain relatively stable. On the other hand, the deficit in the services account reflects the reduction in interest obligations on the external debt following France's forgiveness of the outstanding ODA debt in late 1989. The current account deficit, excluding official transfers, could reach CFAF 54.6 billion in 1990, equivalent to 12.2 percent of GDP,

compared with the programmed 10.2 percent. This reflects a shortfall of CFAF 3.4 billion in phosphate exports and an increase of CFAF 1.6 billion over program estimates for oil imports. The deficit also reflects the sizable upward revision of the statistics on imports beginning in 1988. However, the capital account should show an improvement over program projections, with a surplus of CFAF 12.6 billion following an increase in inflows of short-term capital. The financing gap is covered in its entirety by debt service relief in the amount of CFAF 7.2 billion obtained from Paris Club creditors in July 1990.

3. The Government's overall budget deficit for the first half of 1990 (on a payment order basis and excluding grants) amounted to CFAF 10.6 billion, compared with the program target of CFAF 3.2 billion. A shortfall of CFAF 3.9 billion in tax revenue was largely due to the fact that certain public enterprises recently subjected to taxation do not yet pay taxes on the basis of declared profits of the previous year. In 1990, the first year of the new tax regime, these enterprises paid a lump-sum contribution (contribution forfaitaire). Certain legal and technical problems encountered during the transition to the new system had not been foreseen in the program. As a result of these problems and of a considerable drop in sales during 1990, profit tax payments by the phosphate agency (OTP) were CFAF 2.3 billion lower than expected, so that the pertinent structural performance criterion was not met. Overall, other revenue collections were in line with the program projections, as larger-than-expected customs revenue largely offset the shortfall in taxes on the profits of the other enterprises subject to taxation. Collection of nontax revenue met program targets, although the contributions of some public enterprises to their external debt service fell somewhat short of the expected level of CFAF 2.7 billion as a result of cash-flow problems.

4. The time pattern of government outlays also deviated from the program target. Total expenditure for the first half year exceeded the indicative program target by CFAF 4.4 billion owing to larger-than-expected expenditure on supplies, services, and net lending early in the year. The wage bill was slightly below the expected level, which had been determined on the basis of a 5 percent increase in base wages granted at the beginning of the year. In accordance with the public investment program, investment expenditure increased during the first half of the year, compared with the same period in 1989.

5. The higher-than-programmed budget deficit recorded in the first half of the year resulted in an accumulation of external arrears at the end of this period, despite an accelerated disbursement of certain external loans and grants. The Government was therefore unable to observe the related performance criterion for end-June, but all arrears were eliminated by July 9. The criterion on net bank credit to the Government, when adjusted to take into account the larger-than-projected external financing, was also not observed; the reduction in treasury arrears was in line with the program.

6. For 1990 as a whole, total government revenue should show a shortfall of CFAF 3 billion, mainly on account of lower-than-programmed contributions by the OTP and the petroleum fund (CPSSP). Given that 1990 is a period of transition to a new tax system and that volumes and prices of phosphate exports dropped, the OTP will contribute CFAF 4.3 billion to the budget as an advance on future tax and dividend payments. In 1991, the OTP will effect the quarterly installments and final payment on account of taxes and dividends on the basis of its 1990 profits, to be declared at the beginning of 1991. The advance paid in 1990 will be deducted from OTP's future obligations from 1992 onward. The same treatment will apply on a case-by-case basis to the other enterprises recently subjected to taxation. In the course of 1991, the OTP will undergo a complete audit with a view to establishing its tax obligations. The rise in prices of petroleum products since August will only affect the revenue of the petroleum fund at the end of the year, given the existence of stocks and the time lag in revenue collection. The estimated effect for 1990 is a loss of CFAF 1 billion, bringing the budgetary contribution by the CPSPP to CFAF 8 billion this year. With respect to other tax revenues, larger-than-expected customs receipts will offset the shortfalls in other revenue categories. Moreover, efforts will be stepped up during the remainder of the year to improve tax collection. The relevant measures will focus on improving taxation of the informal sector and property income, as well as on decentralization of tax offices. Collection of the amounts owed by public enterprises for external debt service and taxes on profits will be vigorously pursued.

7. By early April the Government had already decided to reduce budget appropriations for current, nonwage expenditure by CFAF 2 billion. Moreover, the authorities reacted to the drop in certain tax revenues by taking additional measures to restrain total expenditure, which should allow savings of CFAF 1 billion with respect to the program. Current and investment expenditures should reach CFAF 92.1 billion and CFAF 37.5 billion, respectively, compared with program figures of CFAF 92.6 billion and CFAF 38 billion. The overall budget deficit, on a payment order basis and excluding grants, should therefore amount to CFAF 23.9 billion, equivalent to 5.3 percent of GDP, instead of the program target of 4.8 percent.

8. Financing of the budget deficit should slightly exceed the initially projected level. As regards external financing, the first disbursement by the World Bank under the fourth Structural Adjustment Credit is expected for end-1990, and a very favorable restructuring of external debt service was obtained from the Paris Club. As regards domestic financing, net bank credit to the Government and nonbank financing--both in line with the program at end-September--will also be in conformity with the program ceilings for end-December. The Government fully intends to observe the financial benchmarks for end-December.

9. Tax revenue in 1991 will reflect the adverse effects of the rise in petroleum prices and the unfavorable evolution of OTP's profits in 1990, to which the authorities intend to respond by increasing the retail price for super and regular gasoline with a view to limiting the shortfall in petroleum fund receipts. They also took measures to maintain current expenditure (excluding interest payments) in 1991 at its 1990 program level. Strict expenditure controls and additional revenue measures in an amount of CFAF 4 billion should enable the Government to reduce the budget deficit to CFAF 20.1 billion in 1991, equivalent to 4.2 percent of GDP, in line with the initial program.

10. Net bank credit to the Government amounted to CFAF 11.92 billion at end-June 1990, and is estimated at CFAF 11.68 billion at end-September, slightly below the programmed levels (excluding the adjustment for the additional foreign financing). However, net domestic assets, at CFAF 99.31 billion at end-June, were substantially below the programmed ceiling of CFAF 118.58 billion owing to the continuing slack demand for credit in the rest of the economy. Crop credit fell short of the projected level on account of a smaller-than-expected volume of crop purchases, along with the impact of higher interest rates on crop credit. Net foreign assets marginally exceeded the program target for end-June. In conjunction with the evolution of net domestic assets, the broad money supply of CFAF 178.20 billion was well below the targeted level for end-June. The financial benchmarks set forth in the letter of May 17, 1990 remain valid for the rest of the year.

11. As regards the structural aspects of the program, the preparation of proposals for the reorganization of three key ministries is proceeding according to the timetable agreed with the World Bank. In addition, in late September the Government drew up a schedule for developing a medium-term civil service employment strategy, which is a performance criterion of the 1990 program. The strategy will devote particular attention to the evolution of the civil service wage bill and to qualitative issues concerning improvements in the age and salary structures, the preparation of job descriptions, and recruitment and promotion policies.

12. As to the integration of the Social Dimensions of Adjustment (SDA) into the macroeconomic policy-making process, considerable progress was made in (1) introducing institutional mechanisms; (2) increasing the awareness of this issue in the departments concerned; and (3) setting up SDA working groups. The ministerial order, which broadens the terms of reference and membership of the Restricted Interministerial Committee for Monitoring the Structural Adjustment Program so as to take the social dimensions of adjustment into account, and which creates the SDA Committee of the Ministry of Planning and Mines as well as the SDA working groups, was signed on September 13, 1990. Informational meetings were organized to make all ministries concerned more aware of the SDA, and SDA working groups on employment and income as well as on nutrition were set up and began working. Finally, the process of incorporating the social impact of development

policies into the macroeconomic model developed at the Ministry of Planning and Mines was launched by setting up a study group on modeling and by adopting a work program and timetable for incorporating the SDA into the model by September 1991 at the latest.

13. The reform of public enterprises will continue with the privatization or liquidation of six public enterprises within the framework of the first privatization program, scheduled for completion by the end of the year. Significant progress was made in the plans to sell or liquidate six other public enterprises. These enterprises are covered by the second program for the privatization of 18 public enterprises during 1990-92. The draft of the new public enterprise law, which sets forth the principles of increased autonomy and accountability in financial and administrative matters, was completed. However, owing to scheduling difficulties, it was adopted by the Council of Ministers on October 16, instead of end-September. Adoption of this law was a performance criterion of the 1990 program.

14. As regards the reorganization of the three banks in difficulty, the Government paid on schedule its share of the capital increase of the Togolese development bank (BTD), which is a structural benchmark for end-June. In addition, the ordinance on the liquidation of the Caisse Nationale de Crédit Agricole (CNCA) was signed on June 13, 1990, a structural benchmark for end-September. The CNCA liquidators were appointed and the Government discussed with the Fund staff the indicative draft timetable for reimbursement of deposits and their financing. Preparation of the balance sheet for end-July, on which this reimbursement will be based, was completed. In August, it was decided to recapitalize the Banque Arabe-Libyenne-Togolaise du Commerce Extérieur (BALTEX) and to reorganize its management. This will require transfers from the Government amounting to CFAF 0.75 billion, which will be made during the period 1991-92.

15. The Committee set up to make recommendations for promoting exports of foodstuffs and nontraditional agricultural products submitted its report to the Government in late July. A timetable of activities is being prepared and the specific measures to be implemented beginning in March 1991 will be established by the end of this year. The Government introduced the institutional framework for export-oriented production with the adoption of the law on the free trade zone and the new investment code in September and October 1989, respectively, and it intends to continue its efforts to attract foreign investors. With the assistance of the UNDP, it will also study the factors influencing the competitiveness of Togo's manufactured exports and will draw up appropriate measures on the basis of studies scheduled to be completed in early 1991. The Government recently received a study of the labor market prepared by the World Bank (a structural benchmark for end-June), and it will prepare employment promotion measures and initiate the revision of the labor code before the end of the year.

16. The Government of Togo will continue to take all necessary steps to achieve the overall objectives of the program and to meet the structural and financial benchmarks for end-December 1990. Given that external payments arrears accumulated at end-June were eliminated on July 9, that the new public enterprise law was adopted by the Council of Ministers on October 16, that agreement was reached on the contributions by the OTP during the transition period, and that net bank credit to the Government at end-December will be in line with the program, the Government of Togo requests that the Fund grant waivers for the noncompliance with these performance criteria and complete the midterm review of the program.

Very truly yours,

/s/

Komla Alipui
Minister of Economy and Finance

TOGO - Relations with the Fund
(As of September 30, 1990)

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 63.81 million (166.16 percent of quota)
(c) Fund credit	SDR 25.63 million (66.74 percent of quota)
(1) General Resources Account under credit tranche	SDR 6.60 million (17.20 percent of quota)
Supplementary financing -- Enlarged access	SDR 19.03 million (49.54 percent of quota)
(2) Special disbursement account	
Structural adjustment facility	SDR 7.68 million
Enhanced structural adjustment facility <u>1/</u>	SDR 15.36 million
(d) Reserve tranche position	SDR 0.22 million (0.57 percent of quota)

III. Stand-By Arrangements and Special Facilities

(a) *Previous stand-by arrangements*

(1) Approved March 16, 1988	
Duration	From March 16, 1988 to April 15, 1989
Amount	SDR 13.00 million
Utilization to date	SDR 13.00 million

1/ In addition to the amount reported here, utilization of the ESAF arrangement included SDR 7.68 million from the ESAF Trust Account, which is reported below under Administered Accounts (Item IV).

TOGO - Relations with the Fund (continued)

- (2) Approved June 9, 1986
 - Duration From June 9, 1986 to March 8, 1988
 - Amount SDR 23.04 million
 - Utilization SDR 8.64 million

- (3) Approved May 17, 1985
 - Duration From May 17, 1985 to May 16, 1986
 - Amount SDR 15.36 million
 - Utilization SDR 15.36 million

- (4) Approved May 7, 1984
 - Duration From May 7, 1984 to May 6, 1985
 - Amount SDR 19.0 million
 - Utilization SDR 19.0 million

- (5) Approved March 4, 1983
 - Duration From March 4, 1983 to April 3, 1984
 - Amount SDR 21.38 million
 - Utilization SDR 21.38 million

- (6) Approved February 13, 1981
 - Duration Feb. 13, 1981 to Feb. 12, 1983
 - Amount SDR 47.50 million
 - Utilization SDR 7.25 million

- (7) Approved June 11, 1979
 - Duration June 11, 1979 to December 31, 1980
 - Amount SDR 15.00 million
 - Utilization SDR 13.25 million

(b) Special Facilities: no use in the past 10 years.

IV. Administred Accounts

- (a) Trust Fund Loans
 - Disbursed SDR 14.66 million
 - Outstanding SDR 0.06 million
- (b) SFF Subsidy Account
 - Payments by Fund SDR 1.08 million
- (c) ESAF Trust Account SDR 7.68 million

V. SDR Department

- (a) Net cumulative allocation SDR 10.98 million
- (b) Holdings SDR 0.35 million
- (c) Current Designation Plan --

TOGO - Relations with the Fund (continued)

VI. Projected Payments to the Fund

(In millions of SDRs)

	1990 Nov-Dec	1991	1992	1993	1994	1995	1996	1997	1998	1999	Remaining period	Total
Obligations from outstanding use of resources												
Principal												
Repurchases	2.0	5.7	7.2	5.8	2.4	2.0	0.2					25.3
FSAF/SAF repayments				0.8	2.3	5.4	6.1	6.1	5.4	3.8	0.8	30.7
Trust Fund repayments		0.1										0.1
Charges and interest 1/	0.5	3.2	2.7	2.0	1.5	1.3	1.1	1.0	0.9	0.9	0.5	15.6
Total	2.5	9.0	9.9	8.6	6.2	8.7	7.4	7.1	6.3	4.7	1.3	71.7
Percent of quota	6.5	23.4	25.8	22.4	16.1	22.7	19.3	18.5	16.4	12.2	3.4	186.7
Obligations from prospective use of resources												
Principal												
Repurchases												
FSAF/SAF repayments							2.3	4.6	4.6	4.6	6.9	23.0
Charges and interest 1/		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1		0.9
Total		0.1	0.1	0.1	0.1	0.1	2.4	4.7	4.7	4.7	6.9	23.9
Percent of quota		0.3	0.3	0.3	0.3	0.3	6.3	12.2	12.2	12.2	18.0	62.2
Cumulative (outstanding and prospective)												
Principal												
Repurchases	2.0	5.8	7.2	5.2	2.4	1.9	0.2					24.7
FSAF/SAF repayments				0.8	2.3	5.4	8.4	10.7	10.0	8.4	7.7	53.7
Trust Fund repayments		0.1										0.1
Charges and interest 1/	0.5	3.3	2.8	2.1	1.6	1.4	1.2	1.1	1.0	1.0	0.5	16.5
Total	2.5	9.2	10.0	8.1	6.3	8.7	9.8	11.8	11.0	9.4	8.2	95.0
Percent of quota	6.5	24.0	26.0	21.1	16.4	22.7	25.5	30.7	28.6	24.5	21.4	247.4

1/ Projections are based on current rates of charge, including burden-sharing adjustments where applicable, for purchases in the General Resources Account; current interest rates for FSAF/SAF and Trust Fund; and current SDR interest rate for net use of SDRs.

TOGO - Relations with the Fund (continued)

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. Last Article IV Consultation

The report on the 1989 Article IV consultation discussions (EBS/90/101) was discussed by the Executive Board on June 25, 1990. No decision was required.

IX. Enhanced Structural Adjustment Facility

The Executive Board discussion of Togo's request for a second annual ESAF arrangement (EBS/90/101) was held on June 25, 1990. The decision was as follows:

1. The Government of Togo has requested the second annual arrangement under the enhanced structural adjustment facility.
2. The Fund has appraised the progress of Togo in implementing economic policies and achieving objectives under the program supported by the first annual arrangement, and notes the updated Policy Framework Paper (EBD/90/163).
3. The Fund approves the arrangement set forth in EBS/90/101.

X. Technical Assistance

- | | |
|---|------------------------------|
| (a) Assistance by two staff members and one fiscal panel expert | February 6-26, 1989 |
| (b) Assistance by one staff member and two fiscal panel experts | June 27-July 15, 1988 |
| (c) Assistance by staff member and two fiscal panel experts | November 11-December 4, 1987 |
| (d) Assistance by staff member and fiscal panel expert | June 3-19, 1986 |
| (e) Assistance by staff member general economic data | October 22-November 2, 1985 |

TOGO - Relations with the Fund (concluded)

- (f) Assistance by staff member,
public finance statistics June 25-July 6, 1984
- (g) Assistance by fiscal panel
expert January 25-June 25, 1983
- (h) Assistance by staff member,
public investment and finance January 25-February 19, 1982
- (i) Assistance by staff member,
public finance statistics November 3-27, 1981

XI. Fund Resident Representative

On July 31, 1988, the office was closed.

TOGO - Relations with the World Bank Group

(In millions of U.S. dollars, as of September 30, 1990) 1/

	Original principal 2/			Disbursed and outstanding		
	IDA	IBRD	TOTAL	IDA	IBRD	TOTAL
Fully disbursed dollar loans and credits	82.47	3.50	85.97	79.52	0.26	79.78
Fully disbursed SDR credits	182.21	—	182.21	186.00	—	186.00
All disbursing credits	<u>196.90</u>	<u>—</u>	<u>196.90</u>	<u>70.22</u>	<u>—</u>	<u>70.22</u>
Second Rural Development (I302-1)	6.90	—	6.90	—	—	—
Education improvement	12.40	—	12.40	12.71	—	12.71
Lomé water supply	12.00	—	12.00	8.31	—	8.31
Nangbéto hydroelectric	15.00	—	15.00	14.19	—	14.19
Technical assistance III	6.20	—	6.20	5.93	—	5.93
Coffee and cocoa development III	17.90	—	17.90	13.12	—	13.12
Agricultural extension	9.70	—	9.70	2.21	—	2.21
Private enterprises development	11.50	—	11.50	1.45	—	1.45
Transport rehabilitation	40.00	—	40.00	8.39	—	8.39
Cotton sector development	15.10	—	15.10	2.54	—	2.54
Grassroots development initiatives	5.00	—	5.00	0.70	—	0.70
Preinvestment	5.00	—	5.00	0.07	—	0.07
Telecommunications	16.00	—	16.00	0.60	—	0.60
Power rehabilitation and extension 3/	15.00	—	15.00	—	—	—
Technical and vocational education 3/	9.20	—	9.20	—	—	—
Grand total for all loans	<u>—</u>	<u>3.50</u>	<u>3.50</u>	<u>—</u>	<u>0.26</u>	<u>0.26</u>
Grand total for all credits	<u>461.58</u>	<u>—</u>	<u>461.85</u>	<u>335.74</u>	<u>—</u>	<u>335.74</u>
Grand total for all loans and credits	<u>461.58</u>	<u>3.50</u>	<u>465.08</u>	<u>335.74</u>	<u>0.26</u>	<u>336.00</u>

Sources: IBRD and IDA statements of loans and development credits, September 30, 1990.

1/ Discrepancies between original and disbursed amounts may also be due to fluctuations in US\$/SDR exchange rate in period of disbursement. Credits denominated in SDRs are shown in U.S. dollar equivalent based on the exchange rates in effect at time of negotiations.

2/ Original amounts net of any cancellations.

3/ Not yet effective as of September 30, 1990.

TOGO - Relations with the World Bank Group (concluded)

Commentary on World Bank Lending Operations

1. As of September 30, 1990, IDA lending to Togo totaled 35 credits amounting to US\$461.58 million, of which US\$335.74 million was disbursed, and IBRD lending amounted to US\$3.50 million. In addition to the structural adjustment programs, IDA lending has financed agriculture (cocoa, coffee, cotton, and foodcrops), transport, water supply, power, education, and private enterprise development as well as technical assistance to the Ministries of Planning, Rural Development and State Enterprises. Togo has also benefited from Bank Group support to regional operations, including two credits to the West African Development Bank (BOAD), two credits for the feasibility study and construction, respectively, of the Nangbéto regional hydroelectric project, and, finally, a Bank loan and an IDA credit, together totaling US\$55.20 million, to CIMAO (a regional clinker plant now closed) which are jointly and severally guaranteed by Côte d'Ivoire, Ghana, and Togo, plus a further IDA credit of US\$5.70 million for CIMAO.

2. Recent and proposed lending is designed to provide an appropriate mix of policy-based operations and investment operations in the respective sectors. The most recent of the Bank Group's policy-based operations in Togo is an IDA credit of US\$45 million, supplemented by US\$38 million in cofinancing from the Government of Japan and the African Development Bank, which was approved by the Bank's Executive Board in March 1988 to support the third phase of the Government's structural adjustment program. Work is now under way on the preparation of a Fourth Structural Adjustment Credit which will be submitted to the Bank's Executive Board in December 1990. Complementary to structural adjustment lending, operations approved in FY90 or envisaged for the next two years, FY91-92, include sector-wide programs in agriculture, forestry and the environment, power, telecommunications, transport, education, and health, as well as support for the activities of nongovernmental organizations (NGOs) in Togo through the Grassroots Development Initiative approved in March 1989.

Table I. Togo: Schedule of Disbursements Under ESAF Arrangements

Amount	Availability date	Conditions necessary for disbursement <u>1/</u>
SDR 7.68 million	June 15, 1989 <u>2/</u>	Executive Board approval of the three-year ESAF arrangement and the first annual arrangement thereunder.
SDR 7.68 million	December 15, 1989 <u>2/</u>	Observance of the performance criteria for June 30, 1989, and completion of the semiannual review under the arrangement.
SDR 7.68 million	June 29, 1990 <u>2/</u>	Executive Board approval of the second annual arrangement.
SDR 7.68 million	After November 14, 1990	Observance of the performance criteria for June 30, 1990, and completion of the semiannual review under the arrangement.
SDR 7.68 million	After March 30, 1991	Executive Board approval of the third annual arrangement.
SDR 7.68 million	After November 14, 1991	Observance of the performance criteria for June 30, 1991, and completion of the semiannual review under the arrangement.

Source: IMF.

1/ Other than the generally applicable conditions under the ESAF arrangement, including the performance clause on the exchange and trade system.

2/ Actual date of disbursement.

Table II. Togo: Fund Position During 1987-91

	1987			1988			1989			1990					1991		
	Jan.- March	April- June	July- Sept.	Oct.- Dec.													
(In millions of SDRs)																	
Transactions under tranche policies (net)	-10.77	-7.25	-14.19	-2.90	-3.21	-2.09	-2.96	-0.80	-2.18	-0.63	-2.17	-0.80	-2.18	-0.63	-2.17		
Purchases		<u>10.36</u>	<u>2.64</u>														
Ordinary resources	(--)	(3.44)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	
Enlarged access resources	(--)	(6.92)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	
Repurchases	10.77	17.51	16.83	2.90	3.21	2.09	2.96	0.80	2.18	0.63	2.17	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)	(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)	(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	--	7.68	--	7.68		
Total Fund credit outstanding (end of period)	<u>55.28</u>	<u>55.28</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>	<u>60.27</u>	<u>65.77</u>	<u>65.14</u>	<u>70.65</u>		
Tranche policies		<u>48.02</u>	<u>33.83</u>	<u>30.93</u>	<u>27.72</u>	<u>25.63</u>	<u>22.67</u>	<u>21.87</u>	<u>19.69</u>	<u>19.06</u>	<u>16.89</u>	<u>21.87</u>	<u>19.69</u>	<u>19.06</u>	<u>16.89</u>		
SAF	--	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68	7.68		
ESAF <u>I</u>	--	--	15.36	15.36	23.04	23.04	30.72	30.72	38.40	38.40	46.08	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>	<u>156.95</u>	<u>171.28</u>	<u>169.64</u>	<u>183.98</u>		
Tranche policies	<u>143.96</u>	<u>125.04</u>	<u>88.10</u>	<u>80.55</u>	<u>72.19</u>	<u>66.74</u>	<u>59.04</u>	<u>56.95</u>	<u>51.28</u>	<u>49.64</u>	<u>43.98</u>	<u>56.95</u>	<u>51.28</u>	<u>49.64</u>	<u>43.98</u>		
SAF	--	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00		
ESAF <u>I</u>	--	--	40.00	40.00	60.00	60.00	80.00	80.00	100.00	100.00	120.00	80.00	100.00	100.00	120.00		

Source: IMF, Treasurer's Department.

I Including ESAF Trust Account.

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

	1987	1988	1989	1990		1991	1992	1993		1994	1995
			Est. Prog.	Prog.	Rev.			Projections			
(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	108.8	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)	(30.4)	(39.8)	(42.4)	(45.3)	(48.5)	(51.9)	
OTP	(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 2/	(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 3/	(12.4)	(14.7)	(15.2)	(16.2)	(16.2)	(16.0)	(16.7)	(17.6)	(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	
Nangbeto 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	-7.6	-8.6	-7.4	
Payments arrears (decrease -)	9.6	-10.4	2.5	-7.6	-7.6	--	--	--	--	--	
Domestic	3.3	-3.3	2.5	-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	-7.6	-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 4/	(-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	
Borrowing 5/	19.3	27.5	22.6	14.8	15.4	20.0 6/	16.6	19.3	19.8	21.5	
Amortization due 7/	-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 8/	14.6	13.6 8/	5.1 8/	--	--	--	
Arrears on amortization (- reduction)	22.6	-24.7	--	--	--	--	--	--	--	--	
Debt cancellation	--	--	5.3 9/	--	--	--	--	--	--	--	
Financing gap (- surplus)	--	--	--	6.7 10/	-- 10/	-- 10/	-- 10/	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	
Without grants	4.6	6.2	5.3	6.7	6.1	7.2	7.5	7.2	6.8	6.7	
Budgetary savings 11/											
(In billions of CFA francs)											
Memorandum items:											
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)	(4.1)	

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

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

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

3/ 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 those entities.

4/ 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.

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

6/ 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.

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

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

9/ 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 41.9 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.

10/ After the 1990 Paris Club rescheduling.

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

Table IV. Togo: External Public Debt and Debt Service, 1987-95 ^{1/}

	1987	1988	1989	1990		1991	1992	1993	1994	1995
				Prog.	Rev. Proj.					
(In billions of CFA francs)										
Interest due ^{2/ 3/}	16.3	16.5	16.9	14.0	13.7	13.0	12.2	11.3	10.2	9.6
Of which: Paris Club	(-)	(10.2)	(10.7)	(7.0)	(7.7)	(5.8)	(4.8)	(4.2)	(3.2)	(2.2)
London Club	(-)	(1.0)	(1.6)	(1.3)	(1.3)	(1.1)	(1.0)	(0.8)	(0.5)	(0.3)
Amortization due ^{3/}	35.5	35.6	28.0	22.9	22.5	17.6	17.8	18.4	18.1	15.4
Of which: Paris Club	(-)	(19.1)	(16.1)	(14.4)	(14.5)	(11.6)	(10.3)	(10.2)	(10.1)	(6.1)
London Club	(-)	(4.2)	(-)	(-)	(-)	(-)	(2.3)	(3.1)	(3.1)	(3.1)
Rescheduling	-	44.5	14.9	6.6	14.6	13.6	5.1	-	-	-
Paris Club	-	37.1	14.9 ^{4/}	6.6 ^{4/}	14.6	13.6	5.1	-	-	-
London Club	-	7.4	-	-	-	-	-	-	-	-
Debt cancellation	-	-	5.3	-	-	-	-	-	-	-
Arrears (- reduction)	28.9	-31.8	-	-	-	-	-	-	-	-
Total debt service (scheduled)	51.8	52.0	44.9	37.0	36.3	30.5	30.0	29.7	28.4	25.0
Principal	35.5	35.6	28.0	22.9	22.5	17.6	17.8	18.4	18.1	15.4
Interest	16.3	16.5	16.9	14.0	13.7	13.0	12.2	11.3	10.3	9.6
Total debt service (actual)	22.9	39.3	24.7	30.4	21.7	16.9	24.9	29.7	28.4	25.0
(In percent of exports of goods and nonfactor services)										
Debt service ratio										
Before rescheduling ^{5/}	32.3	29.3	23.3	26.1	19.6	15.6	14.3	13.2	12.1	10.1
After rescheduling	14.3	22.1	12.8 ^{6/}	21.5	11.7	8.6	11.8	13.2	12.1	10.1
Interest payments ratio ^{5/ 7/}	10.2	9.3	8.8	9.9	7.4	6.6	5.8	5.0	4.4	3.9
<u>Memorandum Items:</u>										
External debt outstanding as percent of GDP	88.0	81.4	70.8	70.5	72.0	72.9	69.2	65.8	62.8	59.8
Debt service to IMF ^{8/} (in billions of CFA francs)										
Repurchases	5.3	8.0	7.6	4.5	4.3	2.1	2.6	2.1	1.7	2.6
Charges	1.6	1.4	1.9	1.5	1.4	1.1	1.0	0.7	0.6	0.5

Sources: Société Nationale d'Investissement (SNI); IMF, Treasurer's Department; and staff projections.

^{1/} Includes the Fund.

^{2/} Includes projected interest on new and gap financing, and moratorium interest.

^{3/} For 1990-95, debt service on the debt cancelled by France has been excluded.

^{4/} Excluding debt canceled by France at Paris Club VII (June 1989).

^{5/} The ratios have been calculated with respect to the new official export statistics, and are substantially lower than in previous estimates.

^{6/} After debt service canceled by France in 1989.

^{7/} Interest due before rescheduling.

^{8/} Including the Trust Fund.

Table V. Togo: Medium-Term Balance of Payments and Fiscal Scenarios, 1990-95

	1990 Rev. prog.	1991	1992	1993	1994	1995
		Projections				
(Baseline scenario)						
Current account deficit (CFAF billions)	-23.04	-22.94	-18.78	-19.08	-22.19	-24.24
Current account as percent of GDP						
excluding official transfers	-12.22	-10.62	-9.50	-8.63	-8.57	-8.62
Overall balance (CFAF billions)	-10.48	-7.14	-3.98	-1.79	-3.74	0.56
Fiscal deficit (CFAF billions), excluding grants	-23.85	-20.02	-18.47	-19.41	-20.37	-20.97
Fiscal deficit (in percentage of GDP; excluding grants)	-5.33	-4.20	-3.60	-3.50	-3.40	-3.24
Baseline oil price (US\$ per barrel)	22.40	26.14	24.29	24.29	24.29	24.29
(Scenario A) ^{1/} (15 percent higher oil prices)						
Change vis-à-vis baseline scenario						
Current account deficit (CFAF billions)	1.50	1.72	1.67	1.75	1.84	1.92
Current account as percent of GDP						
excluding official transfers	0.33	0.36	0.33	0.32	0.31	0.30
Overall balance (CFAF billions) ^{2/}	1.50	1.72	1.67	1.75	1.84	1.92
Effect on fiscal receipts	1.50	1.72	1.67	1.75	1.84	1.92
Fiscal deficit (in percentage of GDP; excluding grants)	0.33	0.36	0.33	0.32	0.31	0.30
Scenario oil price (US\$ per barrel)	23.67	30.00	27.88	27.88	27.88	27.88
(Scenario B) ^{3/} (5 percent lower prices of phosphate exports)						
Change vis-à-vis baseline scenario						
Current account deficit (CFAF billions)	1.64	1.82	1.90	1.98	2.06	2.15
Current account as percent of GDP						
excluding official transfers	0.37	0.38	0.37	0.36	0.34	0.33
Overall balance (CFAF billions)	1.64	1.82	1.90	1.98	2.06	2.15
Effect on fiscal receipts	0.66	0.73	0.76	0.79	0.82	0.86
Fiscal deficit (in percentage of GDP; excluding grants)	0.15	0.15	0.15	0.14	0.14	0.13
(Scenario C) ^{4/} (5 percent lower volumes of three major agricultural exports)						
Change vis-à-vis baseline scenario						
Current account deficit (CFAF billions)	1.15	1.24	1.57	1.90	2.03	2.16
Current account as percent of GDP						
excluding official transfers	0.26	0.26	0.31	0.34	0.34	0.33
Overall balance (CFAF billions)	1.15	1.24	1.57	1.90	2.03	2.16
Effect on fiscal receipts	0.46	0.50	0.63	0.76	0.81	0.86
Fiscal deficit (in percentage of GDP; excluding grants)	0.10	0.10	0.12	0.14	0.14	0.13

Source: Staff projections.

^{1/} Fifteen percent increase in the CFA franc price of oil imports at constant import volumes; unchanged domestic retail prices.

^{2/} Owing to the assumption of the accumulation of foreign reserves as constant in terms of months of imports, the residual financing gap would be higher.

^{3/} Five percent lower CFA franc price of phosphates.

^{4/} Five percent lower export volumes of coffee, cotton, and cocoa.