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To: Members of the Executive Board

From: The Secretary

Subject: **Togo—Third Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria—Debt Sustainability Analysis**

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Prepared By:	The staffs of the Fund and the International Development Association
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***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

TOGO

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

November 20, 2018

Approved By
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Prepared by the staffs of the International Monetary Fund and the International Development Association

Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	Moderate[1]
Overall risk of debt distress	High
Granularity in the risk rating	Substantial space to absorb shocks on external debt
Application of judgment	Yes: Vulnerabilities from high public domestic debt

Togo is assessed to be at high overall risk of debt distress, unchanged from the previous Public Debt Sustainability Analysis (DSA) published in June 2018. Togo's risk of external debt distress continues to be moderate; while the mechanical results point to a low risk, judgement was applied given vulnerabilities from high domestic debt. Togo's domestic public debt burden remains high and reflects, among others, high deficits, contingent liabilities, and accumulated arrears. There is very little space to absorb shocks on total public debt. Baseline projections show that Togo's PV of total PPG debt (external plus domestic)-to-GDP ratio will decline below the new benchmark of 55 percent starting in 2021, down from 71.2 percent in 2017—with the bulk constituting domestic debt obligations. This analysis highlights the need for sustained fiscal consolidation, improved debt management, and strong macroeconomic policies to reduce the level of public debt to prudent levels over the medium term.

[1] Togo's Composite Indicator (CI) is 2.89, which corresponds to a medium debt-carrying capacity under the new current LIC DSF as confirmed by the October 2018 WEO data and the 2017 Country Policy and Institutional Assessment (CPIA).

PUBLIC DEBT COVERAGE

1. Togo public debt includes obligations of the central government and public entities. Debt data includes external and domestic obligations of the central government, including arrears and guaranteed debt, as well as external and domestic debt of state-owned enterprises (SOEs). Domestic debt is defined as debt denominated in franc de la Communauté Financière d'Afrique (FCFA), while external debt is defined as debt contracted or serviced in a currency other than the CFAF. The choice of coverage based on currency, rather than residency is due to the difficulty of monitoring the residency of creditors for debt traded in the WAEMU regional market.

Text Table 1. Togo: Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	X

	The country's coverage of public debt	The central government, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	0.0	
4	PPP	35 percent of PPP stock	6.8	
5	Financial market (a minimum starting value of 5 percent of GDP)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		11.8	

1/ The default shock of 2% of GDP will be triggered for countries, whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND ON DEBT

2. Public debt increased substantially during 2010-16, reflecting public infrastructure investments financed by both domestic and external borrowing. Total public debt exceeded 80 percent of GDP in 2016, up from 47 percent of GDP in 2010. A key driver of the increase in public debt was the rise in recourse to the regional financial market and investment pre-financing. The stock of government securities in the regional market increased from 15.2 percent of GDP to 28.8 percent between 2013 and 2016, with an increasing use of both Treasury bills and bonds. In addition, the stock of domestic arrears, which is included in domestic debt, remained relatively high during this period, amounting to CFAF 334 billion (12.6 percent of GDP) by end-2016.[2]

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

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

4. Following the fiscal consolidation started with the ECF program, total public debt begun to decline in percent of GDP in 2017, which continued in the first half of 2018. The fiscal consolidation initiated in 2017 was aimed at putting the debt-to-GDP ratio on a downward trajectory. By end-2017, total public debt dropped by 5.8 percentage points of GDP from the previous year, reaching 75.3 percent, and the domestic debt stock fell by 5.5 percentage points from 2016, reaching 55.5 percent.[3] By June 2018, total public debt declined to 75 percent of GDP. However, Togo still has the highest levels of total debt-to-GDP and domestic debt-to-GDP ratios within the WAEMU.[4]

Text Table 2. Togo: Composition of Public Debt, 2013 - 2018

	End-2013			End-2016			End-2017			End-June 2018		
	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP	Billions of CFAF	Percent of public debt	Percent of GDP
Total Public Debt	**1,189**	**100.0**	**55.7**	**2,157**	**100.0**	**81.1**	**2,097**	**100.0**	**75.3**	**2,231**	**100.0**	**75.0**
Total Central Government	1,074	90.3	50.3	2,067	95.8	77.7	2,007	95.7	72.0	2,140	96.0	72.0
Total SOEs	116	9.7	5.4	90	4.2	3.4	90	4.3	3.2	90	4.0	3.0
External Debt	**306**	**25.7**	**14.3**	**535**	**24.8**	**20.1**	**550**	**26.2**	**19.7**	**583**	**26.1**	**19.6**
Central Government	**295**	**24.8**	**13.8**	**519**	**24.1**	**19.5**	**538**	**25.7**	**19.3**	**571**	**25.6**	**19.2**
Multilateral	147	12.3	6.9	168	7.8	6.3	192	9.1	6.9	224	10.0	7.5
o/w IMF	69	5.8	3.2	42	2.0	1.6	69	3.3	2.5	80	3.6	2.7
Bilateral[1]	25	2.1	1.2	43	2.0	1.6	41	1.9	1.5	41	1.8	1.4
Paris Club	7	0.6	0.3	6	0.3	0.2	6	0.3	0.2	6	0.3	0.2
Non-Paris Club	19	1.6	0.9	37	1.7	1.4	35	1.7	1.3	35	1.6	1.2
Commercial Banks[1]	123	10.3	5.8	308	14.3	11.6	306	14.6	11.0	306	13.7	10.3
SOEs	**11**	**0.9**	**0.5**	**16**	**0.7**	**0.6**	**12**	**0.6**	**0.4**	**12**	**0.5**	**0.4**
Multilateral	1	0.1	0.1	3	0.1	0.1	2	0.1	0.1	2	0.1	0.1
Commercial	9	0.8	0.4	14	0.6	0.5	9	0.4	0.3	9	0.4	0.3
Domestic Debt	**883**	**74.3**	**41.4**	**1,622**	**75.2**	**61.0**	**1,547**	**73.8**	**55.5**	**1,648**	**73.9**	**55.4**
Central Government	**779**	**65.5**	**36.5**	**1,548**	**71.8**	**58.2**	**1,469**	**70.0**	**52.7**	**1,570**	**70.4**	**52.8**
T-Bills (Bons du Tresor)	111	9.4	5.2	189	8.7	7.1	148	7.0	5.3	138	6.2	4.6
Bonds (Emprunts Obligataires)[2]	213	17.9	10.0	574	26.6	21.6	797	38.0	28.6	910	40.8	30.6
Domestic Arrears	290	24.4	13.6	334	15.5	12.6	310	14.8	11.1	310	13.9	10.4
Pre-2006	249	21.0	11.7	173	8.0	6.5	173	8.3	6.2	173	7.8	5.8
Post-2006	-	0.0	0.0	122	5.6	4.6	100	4.8	3.6	100	4.5	3.4
Liquidated SOEs	41	3.5	1.9	39	1.8	1.5	36	1.7	1.3	36	1.6	1.2
Banking System	164	13.8	7.7	452	21.0	17.0	214	10.2	7.7	212	9.5	7.1
SOEs	**105**	**8.8**	**4.9**	**74**	**3.4**	**2.8**	**79**	**3.7**	**2.8**	**79**	**3.5**	**2.6**

Sources: Togolese authorities and Staff calculations.

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

[2]Includes SUKUK.

5. Togo's external debt sustainability has been assessed as moderate in recent past with high overall risk of debt distress. While the external debt burden indicators have been below the thresholds in

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

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

the baseline scenario, stress tests have indicated that thresholds could be breached if there are external shocks or abrupt changes in macroeconomic policies. The risk of overall public debt distress has been high because of Togo's large public domestic debt.

BACKGROUND ON MACRO FORECASTS

6. **The baseline macroeconomic assumptions for the present DSA rely on sustainable real GDP growth, price stability with inflation below the WAEMU criterion of 3 percent, improvement in external current account balance, and continuing fiscal discipline.** The short-term growth projections have been lowered due to socio-political tensions putting the economy on an annual average growth rate of 4.7 percent over 2017-19. However, the recent public infrastructure investments are expected to enhance competitiveness and support growth, notably by helping increase productivity and fostering stronger private sector activity. This would drive potential growth over 2020-38 to reach an annual average of 5.4 percent. The overall primary balance (commitment basis, including grants) is anchored on a surplus of 1 percent of GDP over 2019-28, after which it would decrease and approach a deficit of 2 percent of GDP by 2038. Total PPG debt declines below the new benchmark (NPV of debt-to-GDP ratio of 55 percent) in 2021.[5] The current account deficit is projected to converge at around 5 percent of GDP over the medium term, reflecting reduced imports related to public investments, and increase again to over 6 percent of GDP over the long term in line with growing public investment. Inflation is projected to remain well below the WAEMU regional convergence criterion of 3 percent.[6]

7. **Togo's debt is financed through a mix of domestic, regional and external markets.** The authorities aim to deepen and diversify the domestic and regional creditor base, including through working with the regional institutions to develop the secondary bond market. In the regional market, the government has extended the range of debt instruments by placing Sukuk bonds. In 2017, for instance, budget financing needs were covered through recourse to regional money and financial markets, particularly through bond borrowing and Sukuk bonds, and to assistance from international development partners. The ECF program sets a zero ceiling on the contracting or guaranteeing of new non-concessional external debt. As of June 2018, given the 'moderate' risk of external debt distress, and to alleviate the heavy debt service burden, the program conditionality on non-concessional borrowing was modified on the basis that Togo can accommodate non-zero non-concessional borrowing limits if they are related to debt management operations and do not lead to an external risk rating downgrade. Even assuming a debt reprofiling operation in 2019, the program still aims at keeping Togo's external debt burden indicators comfortably below 40 percent of GDP at end-December 2019. Nonetheless, despite any debt management operation, the ongoing fiscal consolidation needs to be preserved to fundamentally address the debt burden.

[5] The originally programmed threshold of NPV of debt-to-GDP ratio of 38 percent under the previous LIC Debt Sustainability Framework (DSF) was expected to be reached by 2026. Under the new LIC DSF and following the upward adjustment of Togo's debt carrying capacity, the threshold has been increased from 35 percent of GDP to 55 percent currently.

[6] Comparing to the June 2018 DSA, the fiscal balance in the current DSA is loosened by 1 percent of GDP during 2019-28; the other key macroeconomic assumptions remain broadly unchanged.

Box 1. Main Assumptions in the Macroeconomic Framework

- Real GDP growth is currently expected to be lower in the medium term while reverting gradually to its potential. Growth projections for 2017-19 were lowered to 4.7 percent due to continuing socio-political tensions in the country. For 2020-37, growth is expected to reach 5.4 percent on average, provided that the effects of the political shock dissipate and the current structural reforms bear fruit.

- Public investment is estimated to have dropped to 6.3 percent of GDP in 2017 and is projected to reach 8 to 10 percent of GDP in the medium and long terms. External financing is expected to remain around current levels.

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

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

- Projections of total revenue including grants are broadly the same compared to the previous DSA and expected to be 23.2 percent of GDP for 2017-19. Provided that the effect of recent socio-political tensions on growth dissipate, revenue is projected to increase to 25 percent in the long term.

- The overall primary fiscal balance (commitment basis, including grants) is expected to reach a deficit of 0.7 percent of GDP in 2018 down from a surplus of 1.5 percent in 2017, but with fiscal consolidation resuming in 2019. Over 2019-28, the overall primary fiscal balance (commitment basis, including grants) is anchored on a surplus of 1 percent of GDP, after which it would decrease and approach a deficit of 2 percent of GDP by 2038.

- The current account deficit remains broadly the same as in the previous DSA at 8 percent of GDP in 2018. The balance will continue narrowing over the medium term, reflecting reduced imports of capital goods, reaching a deficit of about 5 percent of GDP in 2021.

  Foreign direct investment, which has been very volatile, is expected to stabilize around an inflow of 1.5 percent of GDP per year in the long run. However, these flows, as well as grants, are subject to significant risks, which may consequently alter the debt dynamics assumed in the baseline.

Box 1. Main Assumptions in the Macroeconomic Framework (concluded)

Togo: Key Macroeconomic Assumptions
(DSA December vs DSA June 2018)

	2017-19	2020-28
Real GDP Growth (percent)		
DSA December 2018	4.7	5.4
DSA June 2018	4.7	5.4
Total Revenue (percent of GDP)[1]		
DSA December 2018	23.2	24.7
DSA June 2018	23.2	24.7
Exports of goods and services (percent of GDP)		
DSA December 2018	32.8	33.1
DSA June 2018	31.2	30.6

Sources: Togolese authorities and Staff calculations.
[1] Total revenue, including grants.

8. **The realism of baseline scenarios for external and public debt do not indicate any peculiarity compared to cross-country distributions or Togo's historical experience.**

i. **Drivers of debt dynamics.** The evolution of projection of external and public debt to GDP ratios are consistent for the current and previous DSA vintages, while they reflect major deviations from the DSA from 5 years past. This is due to the fact that public debt ratio increased significantly post-2013 and reached the highest level by 2016 which raised sustainability concerns. In terms of projections, the ECF program which aims at putting debt on a sustainable path is the main driver of divergence between the current and previous DSA vintages, and the DSA prepared in 2013. The debt creating flows for external debt is mostly comparable with respect to projections and historical change, as well as distribution across LICs. However, the debt creating flows and unexpected change in debt stands out for Togo due to the structural changes required as part of the program which aims at significant fiscal adjustment, improvement in potential growth and major debt reduction. Going forward, primary balance and real GDP growth are key contributing factors for the change in the debt ratio (Figure 3).

ii. **Planned fiscal adjustment.** In comparison to the LICs that have requested Fund-supported programs, as these countries generally have faced a need to adjust their fiscal positions, Togo's planned primary fiscal adjustment during 2018-20 is around the median of distribution implying that this realism do not flag any potential optimism (Figure 4).[7]

[7] The fiscal stance in the PN refers to the program period (end-2016 to end-2019), with a very strong consolidation during 2017. The fiscal stance in this DSA realism check refers to the period of end-2017 to end-2020, which excludes the strong fiscal consolidation during 2017.

iii. Fiscal adjustment and possible growth path. While the ongoing program conditionality includes ambitious fiscal consolidation, both economic activities and the fiscal balance are projected to be weaker in 2018 than initially envisaged. In 2019, despite fiscal consolidation, growth performance is expected to slightly improve supported by the recent infrastructure upgrade that may boost productivity and encourage private investment. Therefore, the current-year fiscal expansion and projected consolidation do not lead to a significant deviation of the growth rate from its potential under a range of plausible fiscal multipliers (Figure 4).

iv. Public investment and growth. Public and private investment projections under the previous DSA and the current DSA do not deviate while projected contribution of public investment to growth is slightly lower than the historical average. The ongoing program aims at streamlining public investment while growth-enhancing structural reforms, including opening up some key sectors to foreign investors and improvement of the business environment, are expected to enhance domestic and foreign private investments (Figure 4).

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

9. Togo's debt carrying capacity is medium. The introduction of a composite indicator (CI), which captures the impact of various factors through a weighted average of an institutional indicator[8], real GDP growth, remittances, international reserves, and world growth, shows that the debt carrying capacity has improved from 'weak' to 'medium' from the previous to the current DSA vintages. Following two consecutive designations in the new category, Togo's debt carrying capacity is now reclassified to 'medium' in this DSA. The debt carrying capacity, in turn, determines the PPG external debt thresholds and total public debt benchmarks.

10. Standardized stress tests indicate that external debt is resilient while public debt is under distress. Under standardized stress tests, all PPG external debt indicators remain below the policy relevant thresholds in the external DSA (Table 3 and Figure 1). However, using the benchmark of 55 percent, PV of public debt to GDP only falls below the threshold in 2021 in the public DSA (Table 4 and Figure 2). Togo does not have prominent economic features such as natural disasters, significant reliance on commodity exports, market financing, etc. that require additional tailored stress tests or other modules. Regarding the contingent liability stress test, we use a default value of 5 percent for financial markets, but we tailor private-public partnership (PPP) debt at 6.8 percent of GDP and SOE debt at 0 percent of GDP given that it is already included in public debt (Text Table 1).

[8] The World Bank's Country Policy and Institutional Assessment (CPIA).

Text Table 3. Togo: Debt Carrying Capacity and Applicable Thresholds

Debt Carrying Capacity and Thresholds

Country	Togo
Country Code	742

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium	Medium	Weak
	2.89	2.86	3.00

Applicable Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

Baseline

11. **Under the baseline scenario, all Togo's external debt indicators continue to remain below their indicative policy-relevant thresholds (Table 1, Figure 1).** The present value of PPG external debt is projected at 17.2 percent of GDP in 2018 and should decrease to 12.9 percent by 2038. The ratio will remain below the 40 percent threshold under the baseline throughout the projection period.[9] Similarly, debt service measures remain well below their respective thresholds and on a broadly downward trend. Improvements in debt-management practices envisaged in the authorities' ECF-supported program will give further resilience to shocks affecting debt service needs (Figure 1).[10]

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

[10] The large historical and projected residual in figure 1 is partly the result of an inconsistency in the definition used by the debt sustainability framework (DSF) and the balance of payment (BOP) statistics. The definition of external debt is based on the currency of the debt in the DSF, while all BOP data is based on the residency of the agents involved. As a result, net external debt creating flows identified from BOP statistics will not be reported as external debt in the DSF when such flows are financed by borrowing in CFA francs from creditors in other WAEMU countries.

Alternative Scenarios and Stress Tests

12. **Alternative scenarios do not reveal any breaches of relevant thresholds (Figure 1).** Under the most extreme shock scenario, the present value of PPG external debt-to-GDP as well as PPG external debt-to-exports ratio remain below the relevant thresholds over the projected period. This is also the case for debt service-to-export and to-revenue ratios. A tailored stress test for the combined contingent liability shock also does not cause breach of relevant thresholds. Under the historical scenario, which sets key macroeconomic parameters to their 10-year historical averages, all indicators remain below their relevant policy dependent thresholds. except that the present value of debt-to-GDP breaches the threshold after 2024. These outcomes highlight the importance of sound macroeconomic policies.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

13. **The inclusion of Togo's domestic public debt in the analysis emphasizes the vulnerability of the baseline scenario and leads to an assessment of high overall risk of debt distress for total public debt (Table 2, Figure 2).** Togo's domestic debt burden reflects persistent high deficits in recent years, recognition of government debt of accumulated liabilities from liquidated loss-making SOEs and arrears accumulation. Weak public fiscal management, including limited debt management capacity, has played a role in these developments. Domestic debt is projected to keep declining gradually from a record high of 61 percent of GDP in 2016. By the end of the projection period, repayment of arrears coupled with significant fiscal consolidation is expected to substantially reduce domestic debt and total PPG debt.

Baseline Scenario

14. **Under the baseline and alternative scenarios, indicators of the overall public debt burden (external plus domestic) show significant vulnerabilities.** The PV of public debt–to-GDP in 2017 stands above the benchmark level of 55 percent. The authorities' ECF-supported program includes a substantial fiscal adjustment with a combination of spending restraint and revenue mobilization. The overall fiscal primary balance will reach 1 percent of GDP by 2019 and, if maintained, would allow Togo's PV of total public debt-to-GDP to reach the new 55 percent benchmark by 2021 and to decline gradually below this benchmark thereafter (Figure 2). However, under the historical scenario and several standardized stress tests, the PV of public debt-to-GDP stays above the benchmark throughout all or most of the projection period as the country accumulates more debt to finance larger fiscal deficits. Such scenarios (essentially positing minor change from historic and present performance) highlight the risks to debt sustainability facing the authorities in the absence of needed policy reforms. A significant shock to SOEs could also result in the realization of contingent liabilities that could increase debt levels notably, though such risks are difficult to quantify.

RISK RATING AND VULNARABILITIES

15. Togo is assessed to remain at moderate risk of external public debt distress and high risk of overall public debt distress. Togo had the largest overall debt-to-GDP ratio in WAEMU in 2017, at 75.3 percent of GDP (72.1 percent excluding SOEs' debt). The ratio of NPV of overall public debt-to-GDP stands above the prudential levels, remaining above such indicative benchmark through 2021—but on a steady declining trend, on the assumption of a continued fiscal consolidation path and substantial reduction in the domestic debt. For the external debt, under the baseline scenario, all PPG external debt sustainability indicators are expected to remain well below their indicative thresholds throughout the projection period (2018–28). However, the final rating of external debt distress is also influenced by the risk of overall public debt distress, which is judged to be high, and the external debt distress rating is therefore assessed to be moderate. The reason is that public debt distress and high overall debt service costs could lead to situations when the payment of external debt service is crowded out by priority primary spending and payment of domestic debt service.

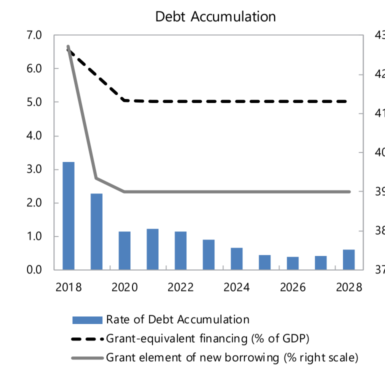
AUTHORITIES' VIEWS

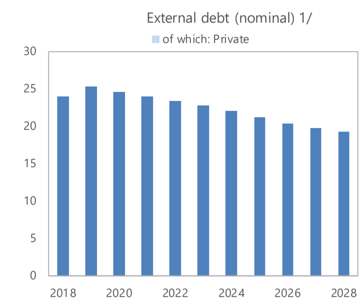
16. The authorities broadly agreed with staff's assessment of Togo's public debt situation and recommendations on debt management policy. They concurred with staff that progress has been made in reducing the total public debt (as a share of GDP) since the inception of the ECF-supported program. Nonetheless, they recognized that Togo's current level of debt is still the highest among WAEMU members and the overall risk of debt distress continues to be high, and hence, the fiscal consolidation must continue to bring public debt down to sustainable level. While the authorities highlighted the progress on debt management, they recognized that more improvements are called for. They intend to make full use of IMF technical assistance and training resources to strengthen their capacity in this area. The authorities reiterated that they would prefer to exclude public institutions from public sector debt considering that this debt does not represent a fiscal risk to the central government. Staff will review the definition of Togo's public debt to ensure that the classifications used are in line with Fund guidelines.

Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2015–38
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028	2038	Historical	Projections
External debt (nominal) 1/	21.7	20.1	19.7	24.0	25.3	24.6	24.0	23.4	22.7	19.3	20.0	24.4	22.4
of which: public and publicly guaranteed (PPG)	21.7	20.1	19.7	24.0	25.3	24.6	24.0	23.4	22.7	19.3	20.0	24.4	22.4
Change in external debt	3.6	-1.5	-0.4	4.2	1.3	-0.7	-0.6	-0.6	-0.7	-0.4	0.1		
Identified net debt-creating flows	14.9	15.0	9.7	9.8	7.5	4.8	3.6	2.9	2.7	2.5	2.7	9.5	4.0
Non-interest current account deficit	10.7	9.4	7.5	7.7	6.7	5.6	4.8	4.6	4.7	4.7	4.9	8.2	5.3
Deficit in balance of goods and services	22.0	18.3	17.0	16.5	15.1	14.0	13.2	12.9	13.0	12.9	12.1	17.6	13.6
Exports	35.8	35.2	33.3	32.5	32.8	32.6	32.6	33.1	33.3	33.4	33.9		
Imports	57.8	53.5	50.3	49.0	47.8	46.6	45.8	46.0	46.2	46.3	46.0		
Net current transfers (negative = inflow)	-7.6	-7.6	-7.5	-7.3	-7.0	-7.0	-7.0	-6.8	-6.8	-6.8	-5.7	-7.9	-6.9
of which: official	-1.8	-1.6	-1.7	-2.1	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-1.0		
Other current account flows (negative = net inflow)	-3.7	-1.3	-2.0	-1.5	-1.3	-1.4	-1.4	-1.4	-1.4	-1.4	-1.5	-1.5	-1.4
Net FDI (negative = inflow)	2.2	6.8	3.1	2.6	1.6	0.2	-0.3	-0.9	-1.2	-1.5	-1.5	3.3	-0.5
Endogenous debt dynamics 2/	2.1	-1.1	-0.9	-0.6	-0.8	-0.9	-0.9	-0.8	-0.8	-0.7	-0.7		
Contribution from nominal interest rate	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3		
Contribution from real GDP growth	-1.1	-1.1	-0.8	-0.8	-1.1	-1.2	-1.2	-1.2	-1.2	-1.0	-1.0		
Contribution from price and exchange rate changes	2.8	-0.3	-0.5	...	...	...	...	...	...	...	...		
Residual 3/	-11.3	-16.6	-10.1	-5.6	-6.1	-5.6	-4.2	-3.5	-3.4	-2.9	-2.6	-15.3	-4.0
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	16.1	17.2	18.4	17.8	17.4	16.9	16.4	12.8	12.9		
PV of PPG external debt-to-exports ratio	...	...	48.5	53.1	56.1	54.5	53.4	51.1	49.2	38.4	37.9		
PPG debt service-to-exports ratio	4.1	4.9	5.8	4.2	4.0	3.9	3.5	3.6	4.2	4.6	2.9		
PPG debt service-to-revenue ratio	7.5	9.3	10.7	6.8	6.5	6.4	5.7	5.9	6.9	7.2	4.4		
Gross external financing need (Billion of U.S. dollars)	0.6	0.8	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.6	1.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.7	5.6	4.4	4.7	5.0	5.3	5.4	5.4	5.4	5.4	5.4	5.6	5.3
GDP deflator in US dollar terms (change in percent)	-13.6	1.6	2.4	7.1	1.0	4.4	3.6	3.9	3.5	3.0	3.0	0.7	3.5
Effective interest rate (percent) 4/	1.7	1.8	2.0	1.5	1.3	1.3	1.4	1.5	1.6	1.8	1.7	1.4	1.6
Growth of exports of G&S (US dollar terms, in percent)	-17.5	5.3	1.1	9.5	7.1	9.2	9.2	11.4	9.5	8.7	8.7	6.6	9.0
Growth of imports of G&S (US dollar terms, in percent)	-8.5	-0.7	0.5	9.4	3.5	7.1	7.2	10.1	9.5	8.5	8.9	6.7	8.2
Grant element of new public sector borrowing (in percent)	...	...	...	42.7	39.3	39.0	39.0	39.0	39.0	39.0	39.0	...	39.4
Government revenues (excluding grants, in percent of GDP)	19.5	18.6	18.2	20.4	19.9	19.9	20.0	20.2	20.4	21.1	22.1	17.3	20.5
Aid flows (in Billion of US dollars) 5/	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	6.6	5.8	5.0	5.0	5.0	5.0	5.0	2.7	...	5.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	65.1	68.8	77.4	77.9	77.9	77.9	77.9	65.6	...	75.8
Nominal GDP (Billion of US dollars)	4	4	5	5	6	6	7	7	8	12	28		
Nominal dollar GDP growth	-8.6	7.3	6.9	12.2	6.1	9.9	9.2	9.5	9.0	8.6	8.6	6.4	9.0
Memorandum items:													
PV of external debt 7/	...	...	16.1	17.2	18.4	17.8	17.4	16.9	16.4	12.8	12.9		
In percent of exports	...	...	48.5	53.1	56.1	54.5	53.4	51.1	49.2	38.4	37.9		
Total external debt service-to-exports ratio	4.1	4.9	5.8	4.2	4.0	3.9	3.5	3.6	4.2	4.6	2.9		
PV of PPG external debt (in Billion of US dollars)			0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.6	3.6		
(PVt-PVt-1)/GDPt-1 (in percent)				3.2	2.3	1.1	1.2	1.1	0.9	0.6	1.2		
Non-interest current account deficit that stabilizes debt ratio	7.1	10.9	7.9	3.5	5.3	6.3	5.4	5.2	5.4	5.1	4.8		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

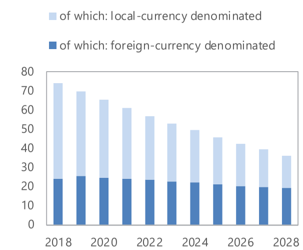
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

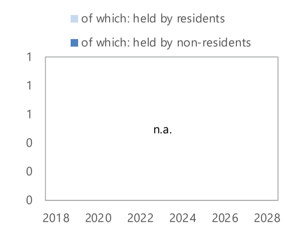
Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2015–38
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028	2038	Historical	Projections
Public sector debt 1/	72.1	81.1	75.6	74.1	69.9	65.3	60.9	56.8	52.9	36.3	36.0	66.3	53.9
of which: external debt	21.7	20.1	19.7	24.0	25.3	24.6	24.0	23.4	22.7	19.3	20.0	24.4	22.4
Change in public sector debt	9.3	9.0	-5.5	-1.5	-4.2	-4.6	-4.4	-4.1	-3.9	-3.0	0.4		
Identified debt-creating flows	5.5	5.2	-5.3	-1.3	-3.6	-4.3	-4.1	-3.8	-3.6	-2.9	0.4	-7.2	-3.3
Primary deficit	6.5	7.1	-1.5	0.7	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	2.0	3.5	-0.9
Revenue and grants	21.8	21.5	21.4	24.3	24.0	24.0	24.1	24.3	24.5	25.3	23.9	19.7	24.6
of which: grants	2.3	2.8	3.2	3.9	4.1	4.1	4.1	4.1	4.1	4.1	1.8		
Primary (noninterest) expenditure	28.3	28.6	19.9	25.0	23.0	23.0	23.1	23.3	23.5	24.2	25.9	23.2	23.7
Automatic debt dynamics	-1.0	-1.9	-3.8	-2.0	-2.6	-3.3	-3.1	-2.8	-2.7	-1.9	-1.7		
Contribution from interest rate/growth differential	-2.9	-2.4	-2.0	-2.4	-2.3	-2.8	-2.7	-2.5	-2.4	-1.3	-1.1		
of which: contribution from average real interest rate	0.6	1.4	1.4	1.0	1.3	0.7	0.7	0.7	0.6	0.7	0.7		
of which: contribution from real GDP growth	-3.4	-3.8	-3.4	-3.4	-3.6	-3.5	-3.3	-3.1	-2.9	-2.0	-1.8		
Contribution from real exchange rate depreciation	1.9	0.5	-1.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-7.4	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.8	3.7	-0.2	0.2	-1.0	-0.8	-0.7	-0.6	-0.5	-0.7	-0.6	4.5	-0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	71.2	67.7	62.9	58.5	54.2	50.3	46.5	29.7	28.8		
PV of public debt-to-revenue and grants ratio	...	...	333.1	278.6	262.2	243.5	225.0	206.8	190.2	117.7	120.7		
Debt service-to-revenue and grants ratio 3/	58.3	55.5	95.4	39.0	37.6	36.7	35.5	30.1	30.5	20.2	16.3		
Gross financing need 4/	19.2	19.1	18.9	10.2	8.0	7.8	7.6	6.3	6.5	4.1	5.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.7	5.6	4.4	4.7	5.0	5.3	5.4	5.4	5.4	5.4	5.4	5.6	5.3
Average nominal interest rate on external debt (in percent)	1.9	1.8	2.1	1.5	1.4	1.3	1.4	1.5	1.6	1.8	1.7	1.4	1.6
Average real interest rate on domestic debt (in percent)	1.0	2.6	2.4	2.2	3.2	2.0	2.0	2.1	2.0	1.8	2.5	0.4	2.1
Real exchange rate depreciation (in percent, + indicates depreciation)	10.7	2.3	-9.5	...	...	...	...	...	...	...	...	1.6	...
Inflation rate (GDP deflator, in percent)	3.5	1.9	0.4	1.9	2.3	3.0	3.0	3.0	3.0	3.0	3.0	2.4	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	15.1	6.7	-27.3	31.6	-3.4	5.2	5.9	6.4	6.1	5.8	5.6	8.2	7.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.8	-1.8	4.0	2.2	3.2	3.6	3.4	3.1	2.9	2.0	1.7	-0.2	2.7
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Currency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Togo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018-2028

(In percent)

	Projections 1/										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PV of debt-to GDP ratio											
Baseline	17	18	18	17	17	16	16	15	14	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	17	21	24	29	34	39	**44**	**48**	**52**	**57**	**61**
B. Bound Tests											
B1. Real GDP growth	17	19	18	18	17	17	16	15	14	14	13
B2. Primary balance	17	21	22	22	21	21	21	21	20	19	18
B3. Exports	17	22	28	27	26	25	24	23	22	21	19
B4. Other flows 3/	17	24	31	30	29	27	26	25	24	22	21
B5. One-time 30 percent nominal depreciation	17	23	18	18	17	17	16	15	14	13	13
B6. Combination of B1-B5	17	25	27	26	26	25	24	22	21	20	19
C. Tailored Tests											
C1. Combined contingent liabilities	17	22	21	21	20	20	20	19	18	18	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	53	56	55	53	51	49	47	45	42	40	38
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	53	63	75	89	103	117	131	144	157	170	**182**
B. Bound Tests											
B1. Real GDP growth	53	56	55	53	51	49	47	45	42	40	38
B2. Primary balance	53	63	69	67	64	64	64	62	59	57	55
B3. Exports	53	76	113	110	104	100	96	91	86	81	77
B4. Other flows 3/	53	75	94	91	86	82	79	75	71	67	63
B5. One-time 30 percent nominal depreciation	53	56	43	43	41	40	38	36	34	32	31
B6. Combination of B1-B5	53	78	79	91	86	83	79	75	71	67	64
C. Tailored Tests											
C1. Combined contingent liabilities	53	67	66	64	61	61	61	58	55	53	52
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	4	4	4	3	4	4	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	4	4	4	4	5	6	7	9	9	10	10
B. Bound Tests											
B1. Real GDP growth	4	4	4	3	4	4	5	5	5	5	5
B2. Primary balance	4	4	4	4	4	5	5	6	6	6	6
B3. Exports	4	5	6	6	6	7	8	8	8	8	8
B4. Other flows 3/	4	4	4	5	5	5	6	6	6	7	7
B5. One-time 30 percent nominal depreciation	4	4	4	3	3	4	5	5	5	5	4
B6. Combination of B1-B5	4	4	5	5	5	6	6	7	7	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	4	4	4	5	5	6	6	6	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	7	7	6	6	6	7	8	9	9	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	7	7	7	7	8	10	12	14	14	15	16
B. Bound Tests											
B1. Real GDP growth	7	7	7	6	6	7	8	9	9	8	7
B2. Primary balance	7	7	7	6	7	8	8	9	9	9	9
B3. Exports	7	7	7	7	7	8	9	10	10	10	10
B4. Other flows 3/	7	7	7	8	8	9	9	10	10	10	11
B5. One-time 30 percent nominal depreciation	7	8	8	7	7	8	9	10	10	10	8
B6. Combination of B1-B5	7	7	8	7	7	8	9	10	10	10	10
C. Tailored Tests											
C1. Combined contingent liabilities	7	7	7	6	6	7	8	9	9	9	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Togo: Sensitivity Analysis for Key Indicators of Public Debt 2018-2028

	Projections 1/										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
						PV of Debt-to-GDP Ratio					
Baseline	**68**	**63**	**58**	**54**	**50**	**47**	**43**	**39**	**36**	**33**	**30**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	**68**	**66**	**65**	**64**	**62**	**61**	**60**	**59**	**58**	**58**	**57**
B. Bound Tests											
B1. Real GDP growth	**68**	**64**	**61**	**57**	53	50	46	43	40	37	34
B2. Primary balance	**68**	**69**	**71**	**66**	**62**	**58**	54	50	46	42	39
B3. Exports	**68**	**66**	**68**	**63**	**58**	54	50	47	43	39	36
B4. Other flows 3/	**68**	**69**	**71**	**66**	**62**	**58**	53	50	46	42	38
B5. One-time 30 percent nominal depreciation	**68**	**63**	**57**	52	47	42	37	33	28	24	20
B6. Combination of B1-B5	**68**	**66**	**62**	53	49	45	42	38	34	31	28
C. Tailored Tests											
C1. Combined contingent liabilities	**68**	**73**	**68**	**64**	**59**	**55**	51	47	43	40	36
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
						PV of Debt-to-Revenue Ratio					
Baseline	279	262	243	225	207	190	174	159	144	130	118
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	279	275	270	263	257	250	244	238	232	228	223
B. Bound Tests											
B1. Real GDP growth	279	266	251	234	217	202	187	172	159	146	134
B2. Primary balance	279	288	295	275	255	237	217	199	183	168	153
B3. Exports	279	275	281	261	241	222	204	188	171	156	141
B4. Other flows 3/	279	287	297	275	254	235	217	199	183	167	150
B5. One-time 30 percent nominal depreciation	279	267	241	218	195	173	153	133	115	97	81
B6. Combination of B1-B5	279	278	261	222	204	187	171	153	137	125	113
C. Tailored Tests											
C1. Combined contingent liabilities	279	304	284	264	244	225	206	189	173	158	144
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
						Debt Service-to-Revenue Ratio					
Baseline	39	38	37	36	30	30	28	27	25	22	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	39	37	37	36	31	34	32	30	27	25	24
B. Bound Tests											
B1. Real GDP growth	39	38	37	36	31	32	30	29	27	24	22
B2. Primary balance	39	38	38	39	33	39	42	35	27	26	27
B3. Exports	39	38	37	37	31	31	29	28	25	24	22
B4. Other flows 3/	39	38	37	37	32	32	29	28	26	24	23
B5. One-time 30 percent nominal depreciation	39	36	36	35	30	30	27	27	25	23	20
B6. Combination of B1-B5	39	36	36	35	30	30	30	29	24	23	21
C. Tailored Tests											
C1. Combined contingent liabilities	39	38	39	38	32	42	39	29	27	26	25
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

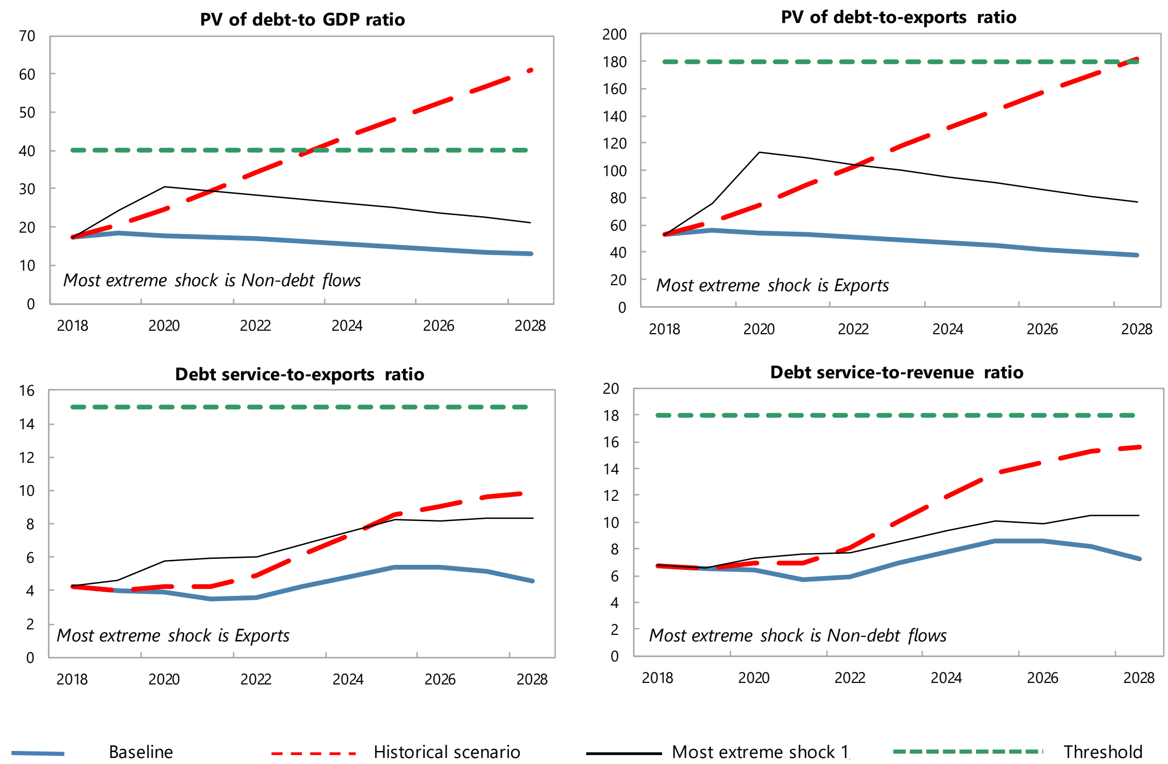
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

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



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	7	7

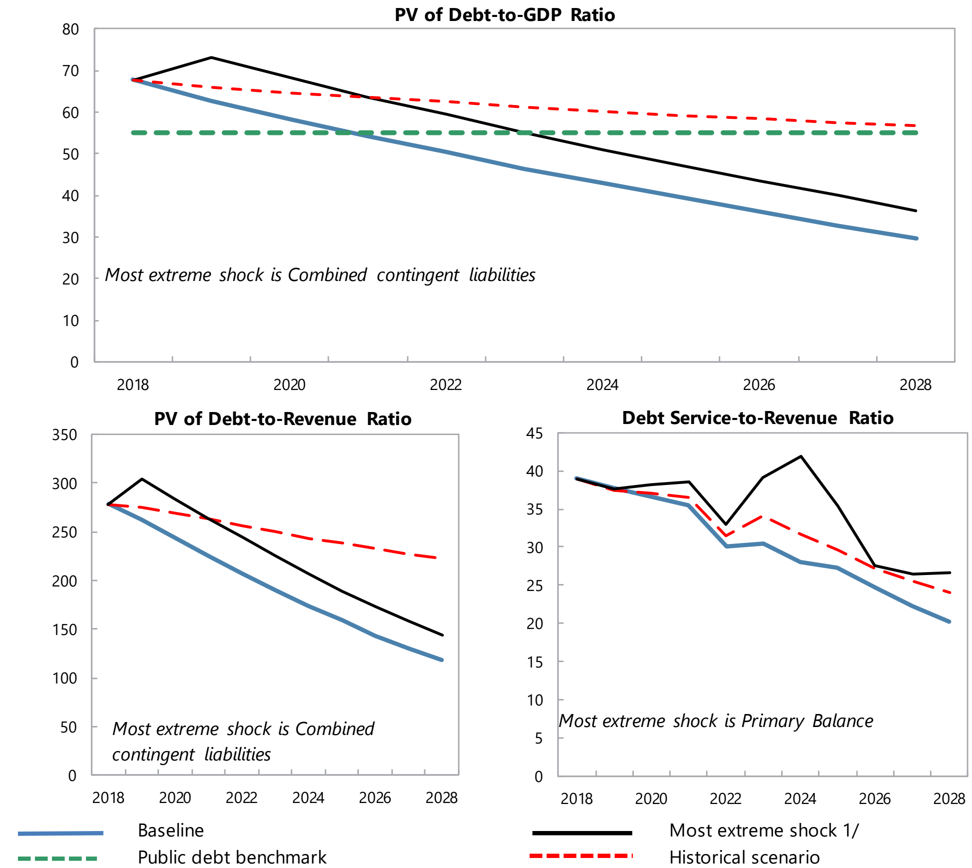
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Togo: Indicators of Public Debt Under Alternative Scenarios, 2018-2028



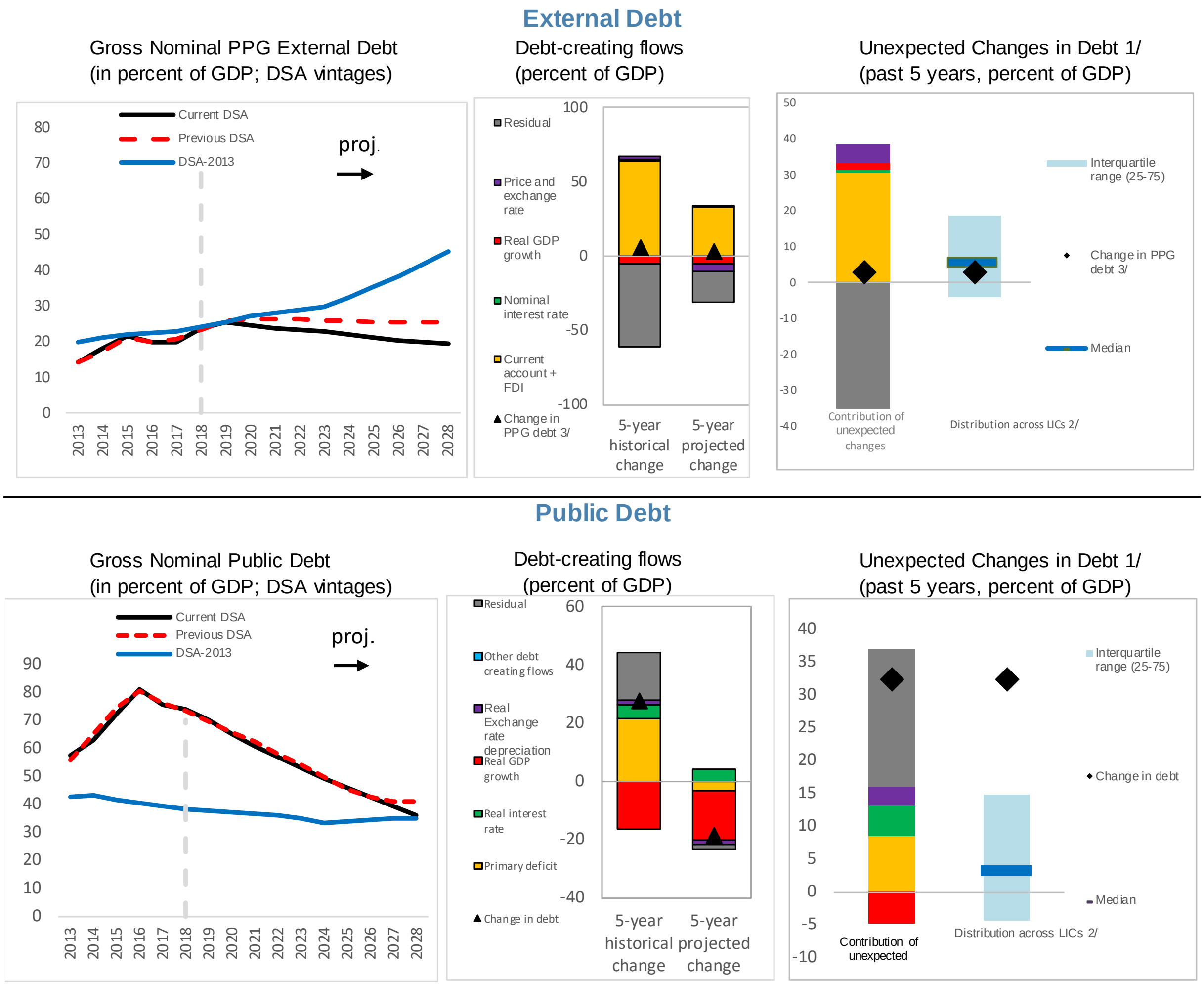
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	46%	46%
Domestic medium and long-term	54%	54%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.7%	3.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Togo: Drivers of Debt Dynamics – Baseline Scenario

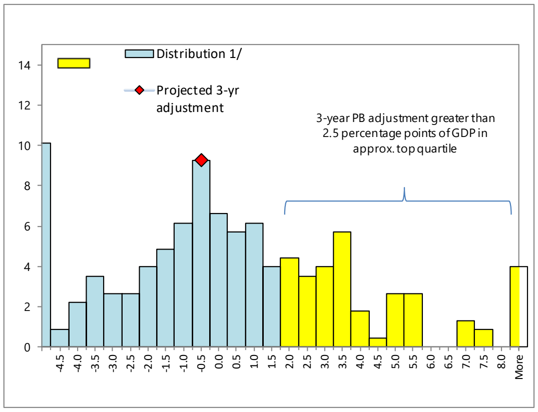


1/ Difference between anticipated and actual contributions on debt ratios.

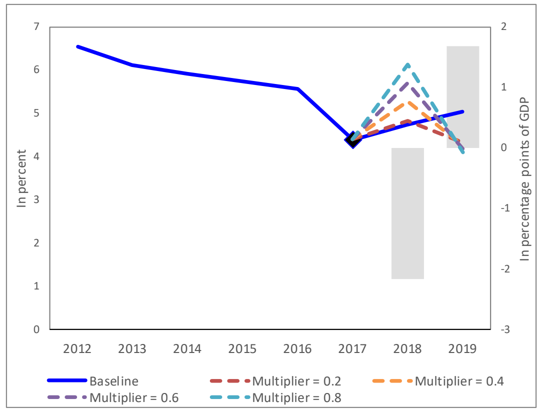
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

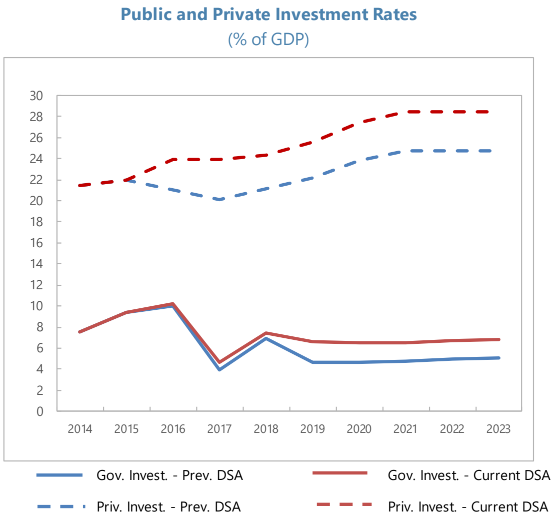
Figure 4. Togo: Realism Tools



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).



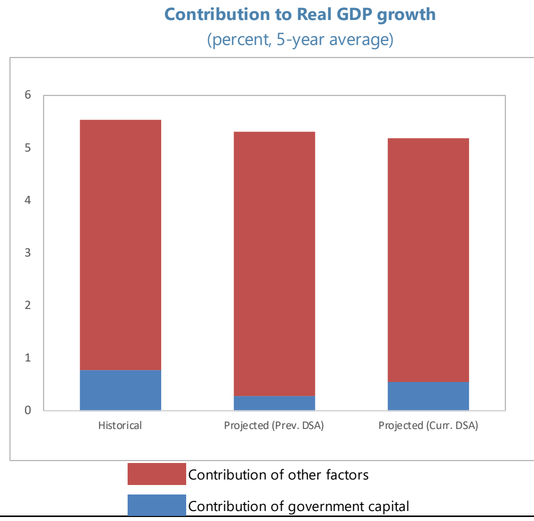


Figure 5. Togo: Qualification of the Moderate Category, 2018-2028 [1/]

Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.