EXECUTIVE BOARD MEETING

EBS/20/28
Supplement 1

March 26, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Togo—Sixth Review Under the Extended Credit Facility and Request for Augmentation of Access—Debt Sustainability Analysis**

Board Action:	Executive Directors' **consideration** (Formal)
Prepared By:	The staffs of the Fund and the International Development Association
Tentative Board Date:	**Friday, April 3, 2020**
Publication:	Yes*
Questions:	Mr. Razafimahefa, AFR (ext. 38182) Mr. Engstrom, AFR (ext. 35941) Ms. Bunda, AFR (ext. 38562) Ms. Viseth, AFR (ext. 38572) Ms. Paret Onorato, SPR (ext. 37739) Ms. Nikaein Towfighian, AFR (ext. 36381)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Asian Development Bank, Islamic Development Bank, West African Economic and Monetary Union, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

TOGO

March 26, 2020

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR AUGMENTATION OF ACCESS—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
Dominique Desruelle (IMF) and Marcello Estevão (IDA)

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[2]
Overall risk of debt distress	High
Granularity in the risk rating	Substantial space to absorb shocks on external debt
Application of judgment	Yes: Historical vulnerability to multiple shocks

This Debt Sustainability Analysis (DSA) confirms Togo's moderate risk of external debt distress and high risk of overall public debt distress—unchanged from the previous DSA update published in October 2019. While the mechanical results point to a low risk of external debt distress, judgment was applied given domestic debt vulnerabilities; external debt distress is therefore considered to be moderate. The overall risk of debt distress is assessed as high considering that the present value (PV) of total public and publicly guaranteed (PPG) debt-to-GDP ratio breaches the debt distress benchmark through 2021 under the baseline scenario. This analysis highlights the need for sustained fiscal consolidation, improved debt management, and strong macroeconomic policies to reduce public debt to prudent levels over the medium term.

[1] This DSA was prepared jointly with the World Bank and in collaboration with the Togolese authorities.

[2] Togo's Composite Indicator (CI) is 2.91, which corresponds to a medium debt-carrying capacity as confirmed by the October 2019 WEO data and the 2018 Country Policy and Institutional Assessment (CPIA).

PUBLIC DEBT COVERAGE

1. **Togo's public debt includes obligations of the central government and public entities.** Debt data include external and domestic obligations of the central government, including arrears to suppliers and guaranteed debt, as well as external and domestic debt of state-owned enterprises (SOEs). As such, it also includes debt of the Caisse Nationale de Sécurité Sociale (Social Security Fund), which is considered as an SOE. As for local authorities, they cannot contract new debt, and the central government is in the process of identifying residual local debt that is gradually repaid, akin to arrears to the national electricity company that have been totally reimbursed. The Central Bank of the currency union (BCEAO) does not issue debt on behalf of its member countries. Domestic debt is defined as debt denominated in franc de la Communauté Financière d'Afrique (CFAF), 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	X
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)	X
8	Non-guaranteed SOE debt	X

1	**The country's coverage of public debt**	The central government plus social security, central bank, government-guaranteed debt, 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	All SOE debt is already included in the country's coverage of public debt.
4	PPP	35 percent of PPP stock	6.8	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	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. **After a peak in 2016, the debt ratio fell significantly from 81.4 percent of GDP in 2016 to 70.9 percent of GDP in 2019, owing to the important fiscal consolidation.** Togo's domestic debt burden reflects previously high deficits and recognition of government debt of accumulated liabilities from pre-financing, liquidated loss-making SOEs, and arrears accumulation. Weak public fiscal management, including limited debt management capacity, has played a role in these developments. While total external debt has slightly increased since 2016 (notably through a reprofiling operation and multilateral lending), domestic debt has declined gradually from a record high of 61.2 percent of GDP in 2016 to 47.1 percent of GDP in 2019, driven down mainly by the reimbursement of domestic arrears (including CNSS in 2019[3]) and early repayment

[3] The repayment of arrears owed to the social security fund (CNSS) is recorded as a disinvestment (negative item) under domestically-financed capital expenditure in line with GFSM 1986 guidelines.

of costlier domestic obligations. Its composition has evolved towards more Treasury bonds (emprunts obligataires) and less commercial loans (banking system, Text Table 2).

3. **In 2020, the debt ratio is expected to be further reduced by about 4 percentage points.** This would be mainly due to the early reimbursement of domestic loans, notably enabled by the reprofiling operation (1.9 percentage points)[4], and GDP growth, despite the detrimental effect of the Coronavirus outbreak on growth. The external debt ratio is expected to increase in 2020, from 23.7 percent of GDP at end-2019 to 25.2 percent of GDP at end-2020. The projected increase in official external financing (including additional IMF ECF financing) would be partly offset by a reduction in external borrowing from commercial banks—assuming no other reprofiling operations are implemented in 2020. As the government borrowed externally in December 2019 to reimburse domestic loans in January 2020, the proceeds of the external loan are supposed to have been saved as financial assets in 2019, with the reimbursement being financed by a reduction in financial assets in 2020.[5] Any further accumulation of financial assets would contribute to increase the debt ratio, compared to the projections. By the end of the projection period, continued fiscal consolidation is expected to substantially reduce domestic debt and total public and publicly guaranteed (PPG) debt.

Text Table 2. Togo: Composition of Public Debt, 2016 - 2019

	End-2016			End-2017			End-2018			End-2019		
	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	**2,155**	**100.0**	**81.4**	**2,118**	**100.0**	**76.0**	**2,266**	**100.0**	**76.2**	**2,266**	**100.0**	**70.9**
Total Central Government	2,066	95.8	78.0	2,028	95.7	72.7	2,191	96.7	73.6	2,197	96.9	68.7
Total SOEs	90	4.2	3.4	90	4.3	3.2	74	3.3	2.5	70	3.1	2.2
External Debt	**535**	**24.8**	**20.2**	**562**	**26.5**	**20.1**	**610**	**26.9**	**20.5**	**759**	**33.5**	**23.7**
Central Government	**519**	**24.1**	**19.6**	**550**	**26.0**	**19.7**	**601**	**26.5**	**20.2**	**750**	**33.1**	**23.5**
Multilateral	168	7.8	6.3	204	9.6	7.3	238	10.5	8.0	331	14.6	10.3
o/w IMF	42	2.0	1.6	68	3.2	2.4	94	4.2	3.2	127	5.6	4.0
Bilateral[1]	43	2.0	1.6	41	1.9	1.5	41	1.8	1.4	32	1.4	1.0
Paris Club	6	0.3	0.2	6	0.3	0.2	6	0.3	0.2	6	0.3	0.2
Non-Paris Club	37	1.7	1.4	35	1.7	1.3	35	1.5	1.2	26	1.2	0.8
Commercial Banks	308	14.3	11.6	305	14.4	10.9	322	14.2	10.8	387	17.1	12.1
SOEs	**16**	**0.7**	**0.6**	**12**	**0.6**	**0.4**	**9**	**0.4**	**0.3**	**8**	**0.4**	**0.3**
Multilateral	3	0.1	0.1	2	0.1	0.1	2	0.1	0.1	2	0.1	0.1
Commercial	14	0.6	0.5	9	0.4	0.3	7	0.3	0.2	6	0.3	0.2
Domestic Debt	**1,621**	**75.2**	**61.2**	**1,556**	**73.5**	**55.8**	**1,656**	**73.1**	**55.7**	**1,508**	**66.5**	**47.1**
Central Government	**1,547**	**71.8**	**58.4**	**1,478**	**69.8**	**53.0**	**1,590**	**70.2**	**53.5**	**1,446**	**63.8**	**45.2**
T-Bills (Bons du Tresor)	189	8.7	7.1	148	7.0	5.3	127	5.6	4.3	51	2.3	1.6
Bonds (Emprunts Obligataires)[1]	574	26.6	21.7	807	38.1	28.9	958	42.3	32.2	1,070	47.2	33.4
Domestic Arrears	334	15.5	12.6	310	14.6	11.1	225	10.0	7.6	85	3.8	2.7
Pre-2006	173	8.0	6.5	173	8.2	6.2	155	6.8	5.2	49	2.2	1.5
Post-2006	122	5.6	4.6	100	4.7	3.6	34	1.5	1.2	-	0.0	0.0
Liquidated SOEs	39	1.8	1.5	36	1.7	1.3	36	1.6	1.2	36	1.6	1.1
Banking System	451	20.9	17.0	213	10.1	7.6	280	12.4	9.4	240	10.6	7.5
SOEs	**74**	**3.4**	**2.8**	**79**	**3.7**	**2.8**	**66**	**2.9**	**2.2**	**61**	**2.7**	**1.9**

Sources: Togolese authorities and Staff calculations.
[1]Includes SUKUK.

[4] This is because the reprofiling operation has happened in two steps. The external borrowing has increased total public debt end December 2019, while the related reimbursement of domestic loans has happened in January 2020.

[5] The positive residuals seen in the historical decomposition of debt dynamics, before 2020 (Table 2), are explained by i) the so-called pre-financing of public investment which created discrepancies between debt and fiscal data when the stock of corresponding debt was added to government debt (2016); ii) differences in fiscal and debt data reporting (the former being reported on an "extended" calendar year), for 2018; and iii) the accumulation of financial assets as a result of the external borrowing in end-December, in the context of the reprofiling operation.

BACKGROUND ON MACRO FORECASTS

4. **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, a stabilizing current account deficit, and continued fiscal discipline.** The short-term projections have been lowered because of the Coronavirus outbreak, while long-term growth projections remain moderate—at an annual average of 3 percent for 2020, 4 percent in 2021 and 5.5 over 2022-30, supported by stronger private sector activity. The overall primary balance (commitment basis, including grants) is anchored on a surplus of 1.0 percent of GDP over 2021-30 to bring public debt comfortably below the debt distress threshold, after which it would decrease and approach a deficit of around 2 percent of GDP by 2040 to provide more space for social and investment spending while safeguarding debt vulnerabilities. Total PV of PPG debt would decline below the new benchmark (PV of debt-to-GDP ratio of 55 percent) in 2022; the PV of debt-to-GDP ratio is projected to decline further to 30.6 percent by 2030 and around 24.3 percent by 2040.[6] The current account deficit is projected to stabilize in the range of 4 percent of GDP over the medium term, as exports of cotton, phosphates, agriculture, and light manufacturing goods recover from the crisis and then continue to grow, gradually offsetting the effect of imports, which, after having recovered as well, should continue to be sustained in relation with the National Development Plan. Inflation is projected to remain below the WAEMU regional convergence criterion of 3 percent.[7]

Box 1. Main Assumptions in the Macroeconomic Framework

Real GDP growth is expected to be reduced in the near term, as a result of the Coronavirus outbreak, at 3 percent for 2020 and 4 percent in 2021. Over the long term (2022-40), potential growth is estimated at an annual average of 5.5 percent supported by structural reforms and stronger private sector activity.

Public investment is projected at 9.6 percent of GDP in 2020 and is projected to grow and reach 11 to 14 percent of GDP in the medium and long term. Project loans are expected to grow in line with GDP, while project grants grow in line with GDP up to 2028 and then remain constant in nominal terms. As a result, the share of domestically-financed investment grows over time.

Key commodity price projections (i.e., for oil, cotton, cocoa, and coffee) through 2025 are sourced from the April 2020 WEO and are assumed to remain constant in real terms for the remainder of the forecast period.

Medium-term inflation projections are unchanged from the previous DSA. Average inflation was 0.7 in 2019 slightly down from 0.9 percent in 2018 driven by lower costs for food, clothing, and communication. Inflation is expected to reach 2 percent in the medium-term, below the WAEMU convergence criteria.

Medium-term projections of total revenue and grants are similar to those in the previous DSA update in October 2019, due to higher grants projections that are offset by lower revenues expected as a result of the Coronavirus outbreak. Tax revenue projected at 17.5 percent of GDP in 2020 would meet the WAEMU

[6] At the time of program approval, the benchmark of PV of public debt-to-GDP ratio of 38 percent under the November 2013 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 benchmark has been increased to 55 percent.

[7] Compared to the October 2019 DSA update, the key macroeconomic assumptions remain broadly unchanged, except to account for impacts of COVID-19 in 2020.

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

revenue criteria of 20 percent of GDP in 2028 and then stabilize around 22 percent of GDP starting in 2031. Improved revenue performance is supported by several measures introduced recently by the authorities to bolster permanent revenue, on tax policy measures, tax administration reforms and efforts to recover large stocks of tax arrears. Such measures include the phasing out of reduced VAT rates, enhancement of property taxation, reduction of tax exemptions, cross-checking of taxpayers between tax and customs administrations, and control over import valuations. Total revenue and grants are projected to average about 25 percent of GDP over 2021-30.

Box 1. Table 1. Togo: Key Macroeconomic Assumptions (DSA October 2019 vs Current DSA)

	2020	2021-30
Real GDP Growth (percent)		
Current DSA	3.0	5.3
DSA Update October 2019	5.5	5.5
Inflation (average, percent change)		
Current DSA	2.0	2.0
DSA Update October 2019	2.0	2.0
Total Revenue (percent of GDP)[1]		
Current DSA	23.8	25.3
DSA Update October 2019	23.7	25.4
Fiscal Primary Balance (commitment basis, incl. grants, percent of GDP)		
Current DSA	-0.7	1.0
DSA Update October 2019	1.0	1.0
Exports of goods and services (percent of GDP)		
Current DSA	28.4	28.9
DSA Update October 2019	32.0	34.5
Current Account Balance (percent of GDP)		
Current DSA	-4.9	-4.0
DSA Update October 2019	-6.0	-5.3

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

The overall primary fiscal balance (commitment basis, including grants) is estimated to have remained broadly unchanged at 1.5 percent of GDP in 2019 (excluding the transaction with the social security fund) compared with 1.6 percent in 2018. It is projected at -0.7 percent of GDP in 2020, lower than in the latest DSA (as a result of the Coronavirus outbreak). Starting in 2021 and up to 2029, the overall primary fiscal balance 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 2040.

The projected current account deficit has been reduced significantly, which is attributable to a downward revision of the reported deficit in 2018 (essentially due to higher secondary income), as well as to the effects of the Coronavirus outbreak, in 2020 and 2021. Compared to the last DSA, exports are expected to improve less rapidly over the medium term, which is partly offset by imports that are expected to be less dynamic as well. The current account deficit is assumed to have deteriorated in 2019, as a result of lower exports (due to lower export prices and production of main export goods) and still sustained imports related to the National Development Plan. In 2020, it is likely to deteriorate further, mainly due to lower exports of services linked to the Coronavirus outbreak, while the reduction in good exports is likely to be offset by the reduction in good imports. In the medium term, gradually increasing exports should allow the current account to improve gradually. The current account is projected to stabilize at about 4 percent of GDP over the medium to long term, ensuring consistency with the fundamentals and desirable policy settings.

Foreign direct investment has been very volatile over the past years and data for 2018 was revised substantially to a net FDI outflow, driven by Ecobank's acquisitions abroad. These net FDI outflows, as well as net portfolio outflows, are expected to decrease less rapidly as expected in 2020, as a result of the outbreak. Net FDI outflows are expected to decrease afterwards and stabilize at 2 percent of GDP in 2022 and evolve in line with GDP over the medium term. However, these FDI flows, as well as grants, are subject to significant risks, which may consequently alter the debt dynamics assumed in the baseline.

5. Togo's debt is projected to be financed through a mix of domestic and external financing sources:

- New external disbursements are expected to evolve in line with GDP, starting in 2021. However, while new external financing is assumed to come solely from official creditors until 2020 included (end of the current Extended Credit Facility), commercial banks are projected to provide one fifth of the new external financing starting in 2021. The grant element of new public sector external borrowing is projected to decrease from 35.3 percent in 2020 to around 32 percent in 2021 and to remain stable afterwards. On the domestic side, new domestic debt is assumed to be issued as a mix of bonds with a maturity of 1-3 years (15 percent of total), 4-7 years (60 percent of total), and over 8 years (25 percent of total). The total value of new domestic issuances is projected to decrease as a share of GDP from about 6 percent a year over 2020-25 to about 3 percent a year over 2036-40.

- The authorities launched a debt reprofiling operation in 2019 supported by a guarantee from the African Trade Insurance Agency (ATI). The reprofiling operation consisted of borrowing EUR 103.6 million (2.0 percent of GDP) externally at an interest rate of 4.7 percent, which is below the interest rate on the existing domestic and regional debt that was repaid in January 2020 (FCFA 65 bn, or 1.9 percent of GDP with interest rate of around 7 percent[8]). While the ECF program sets a zero ceiling on the contracting or guaranteeing of new non-concessional external debt, 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 in 2018 on the basis that Togo can accommodate non-zero non-concessional borrowing limits if they are related to debt management operations, do not lead to an external risk rating downgrade, and reduce the NPV of total public debt. At the second review of the ECF arrangement, the authorities' program includes a debt reprofiling operation of up to CFAF 260 billion in total (about $447 million or 8 percent of GDP), the amount that was estimated to keep the external debt risk rating unchanged at moderate. The information received suggests that the recent operation complies with these criteria, embedding a marginalt reduction in the NPV of total public debt of FCFA 1.3 billion (EUR 2 million), or 0.04% of GDP. While the authorities might proceed with further debt reprofiling operations in 2020, the current DSA does not include any such assumptions.

6. The realism of the baseline scenario for external and public debt does not indicate any peculiarity compared to cross-country distributions or Togo's historical experience.

- **Drivers of debt dynamics** (Figure 3). The evolution of projections of external and public debt-to-GDP ratios are consistent in the current and previous DSA vintage, while they reflect major deviations from the DSA from 5 years past. This is because the public debt ratio increased significantly after 2013 and reached its highest level in 2016, which raised sustainability concerns. In terms of projections, the fiscal consolidation under the ECF arrangement, which aims at putting debt on a sustainable path, is the main reason why the current and recent DSA vintages deviate

[8] The two loans repaid in January 2020 are a debt obligation signed in 2018, with a remaining maturity of 3 years, and a BOAD loan signed in 2013, with a remaining maturity of 8 years.

from the DSA prepared in 2013. For external debt, projected debt levels remain broadly constant, while the projected debt creating flows deviate from the five-year historical change because of projected smaller current account deficits and smaller residuals. The small increase in external debt in 2019, compared to the last DSA, is due to the debt reprofiling operation launched in late 2019. In 2020, it is due to the ECF augmentation that was not expected in the last DSA. For total public debt, projected debt levels are declining because of real GDP growth and a positive primary balance[9], while the five-year historical change indicates a significant increase triggered by large primary deficits and a positive residual (primarily because of the past recognition of government guarantees related to pre-financing agreements). The slight decrease in the debt trajectory, compared to the previous DSA, is explained by a reduction in the debt ratio in 2019, compared to the previous DSA, which is essentially imputable to the repayment of arrears to the CNSS (partly offset by the ECF augmentation).

- **Planned fiscal adjustment.** The primary balance is projected at -0.7 percent of GDP in 2020 and is projected to stabilize at a surplus of about 1 percent of GDP in the medium term.

- **Fiscal adjustment and possible growth path** (Figure 4). Projected economic growth of 3 percent in 2020 is much lower than growth rates implied by the different multipliers (6.4 to 9.7 percent), which is due to the expected impact of the Coronavirus outbreak on growth. Growth is projected at 4 percent in 2021, which is still slightly below the potential growth rates based on plausible fiscal multipliers (5.6 to 6.6 percent).

- **Public investment and growth.** Public and private investment projections are significantly higher under the previous DSA than under the current DSA, which is mainly due to the effects of the Coronavirus outbreak (see Figure 4), and to a lesser extent to lower investment execution.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

7. **Togo's debt carrying capacity remains unchanged at medium.** The composite indicator (CI), which captures the impact of several factors through a weighted average of an institutional indicator[10], real GDP growth, remittances, international reserves, and world growth, remains constant at 2.91 (Text Table 3). This value is within the band in which the debt carrying capacity is classified as 'medium'. The debt carrying capacity, in turn, determines the PPG external debt thresholds and total public debt benchmarks (see Text Table 4).

8. **Standardized stress tests are run to determine Togo's debt sustainability rating.** The six standardized tests run to assess Togo's sustainability rating are assuming default shocks to real GDP growth,

[9] Other debt creating flows are also contributing to the reduction in the debt ratio over the next 5 years, mainly driven by the reimbursement of the CNSS arrears, which is recorded below the line and therefore integrated in other debt creating flows.

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

the primary balance, exports, other flows and the exchange rate. They also include a scenario of combined shocks. In addition, the contingent liability stress test assumes a shock of 11.8 percent of GDP. The shock includes the default value of 5 percent for financial markets, a 6.8 percent for risks associated with private-public partnerships (PPPs) given Togo's stock of such partnerships of around 20 percent of GDP, and 0 percent for SOE debt given that it is already included in public debt (Text Table 1). The baseline debt projections and the projections under these standardized stress tests are assessed against the thresholds that are determined by the medium debt carrying capacity of Togo, i.e. a threshold of 55 percent of GDP for the present value of total public debt over GDP (see Text Table 4 below). 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.

Text Table 3. Togo: Calculation of the Composite Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.4	3.2	1.2	42%
Real growth rate (in percent)	2.7	5.3	0.1	5%
Import coverage of reserves (in percent)	4.1	38.4	1.6	53%
Import coverage of reserves^2 (in percent)	-4.0	14.7	-0.6	-20%
Remittances (in percent)	2.0	5.6	0.1	4%
World economic growth (in percent)	13.5	3.5	0.5	16%
CI Score			2.91	100%
CI rating			Medium	

Text Table 4. Togo: Applicable Thresholds for 'Medium' Debt-Carrying Capacity

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

MODEL-BASED EXTERNAL DEBT SUSTAINABILITY ANALYSIS

9. The model still signals a low risk of external debt distress, as none of Togo's PPG external debt burden indicators breach their thresholds under the baseline nor under the most extreme shocks (Table 3, Figure 1). The PV of PPG external debt is projected at 19.5 percent of GDP in 2020 and will decrease to around 12.8 percent of GDP by 2030 in the baseline scenario. The ratio of the PV of PPG external debt relative to exports is projected at 68.6 percent of GDP in 2020 and to decrease to 43.5 percent of GDP by 2030, significantly below its indicative threshold. Similarly, debt service indicators remain well below their thresholds. Moreover, all external debt indicators remain below their respective thresholds under the stress test scenarios. Improvements in debt-management practices envisaged in the authorities' Fund-supported program and under technical assistance provided by the World Bank will give further resilience to shocks affecting debt service needs.

10. Under the historical scenario, which sets key macroeconomic parameters to their 10-year historical averages, external debt indicators breach their respective thresholds in outer years. In particular, the PV of debt-to-GDP breaches the threshold from 2026. All external debt indicators remain below their respective thresholds under the most extreme shock scenario.

11. The assumptions for the baseline scenario deviate from the historical scenario in key areas:

- Non-interest current account deficit. Togo's large non-interest current account deficits during the last ten years were primarily driven by imports for big public investment projects, which led to an excessive accumulation of public debt. The current fiscal consolidation and reforms to improve the investment and debt management capacity aim to keep public investment within limits that do not jeopardize debt sustainability.
- Export growth. Export growth is higher in the baseline scenario based on policy commitments in the National Development Plan, which is aiming to make Togo a regional commercial and transportation hub and a manufacturing base. The reforms have started to have an impact, as seen for example in the World Bank's 2020 Doing Business Report, where Togo is one of the top ten improvers. Togo has also started to export new products (plastic products and organic produce, for example), which should help diversify exports.
- Non-debt carrying flows. The baseline projects average FDI outflows of 2 percent of GDP starting in 2021 compared to historical outflows of 3.7 percent of GDP on average. Net FDI outflows in 2018-19 were attributed to a specific company that is expected to continue with additional acquisitions abroad.[11]

[11] The large negative residuals seen in the breakdown of the external debt variation (Table 6) is likely to be linked to the recording of FDIs, for two reasons. First, the reliability of the historic numbers might be in doubt because years with reported large FDI outflows coincided with large negative residuals, which suggests unreported non-debt carrying capital inflows in those years. Second, the external debt projections only cover public external debt, while FDIs are including net acquisitions by the private sector, which are creating unreported private (not public) sector external debt.

OVERALL PUBLIC DEBT SUSTAINABILITY ANALYSIS

12. Togo's overall risk of public debt distress remains high, as the PV of total public debt remains above the indicative benchmark through 2022 (Table 4, Figure 2). Under the baseline scenario, overall public debt is now forecasted at 67.1 percent of GDP in 2020, falling below 70 percent that year. By 2040, continued fiscal consolidation (primary surplus assumed at about 1 percent of GDP up to 2029) coupled with favorable growth rates are expected to significantly reduce domestic debt and total public and publicly guaranteed debt. Under the most extreme shock scenario, the ratio of PV of overall public debt-to-GDP would briskly rise in 2021 and decline below the indicative benchmark in 2025. Under the historical scenario, this ratio would remain above the indicative threshold during the entire projection period. The analysis highlights the need for sustained fiscal consolidation, improved debt management, and macroeconomic policies aiming to reduce the level of public debt to prudent levels over the medium term.

APPLICATION OF JUDGMENT

13. Fund and Bank staff are of the view that the risk of external debt distress should be maintained at moderate, unchanged from the rating at the time of the last DSA update of October 2019. All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2020-40) under the baseline and the most extreme stress test. However, while these mechanical results point to a low risk of external debt distress, judgment was applied given vulnerabilities arising from the high domestic debt, leading to the assessment of a moderate risk of external debt distress. Such vulnerabilities could arise because of risks related to local-currency debt owed to non-residents (currently integrated as domestic debt—defined on a currency basis), to possible further debt reprofiling operations, or to the need to incur fiscal costs to facilitate the privatization of the two public banks (see above).

RISK RATING AND VULNERABILITIES

14. Togo remains at moderate risk of external public debt distress and high risk of overall public debt distress:

- Togo's overall public debt stood at 70.9 percent of GDP at end-2019 (68.7 percent of GDP excluding SOEs's debt). The ratio of NPV of overall public debt-to-GDP remains above the indicative benchmark through 2021—but on a steady declining trend, under the assumption of a continued primary surplus of about 1 percent of GDP 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 (2020–40). While the mechanical results point to a low risk of external debt distress, judgment was applied given vulnerabilities arising from the existing high domestic debt, possible further debt

reprofiling operations, or the need to incur fiscal costs to ease the privatization process of the two public banks.

15. Togo is considered to have substantial space to absorb shocks on external debt (Figure 5). Under the granularity module used for countries rated at moderate risk of external debt distress, Togo is considered to have substantial space to absorb shocks, as all baseline external debt indicators are well below their respective thresholds, such that only shocks in the upper quartile of the observed distribution of shocks would downgrade Togo to high risk of debt distress.

AUTHORITIES' VIEWS

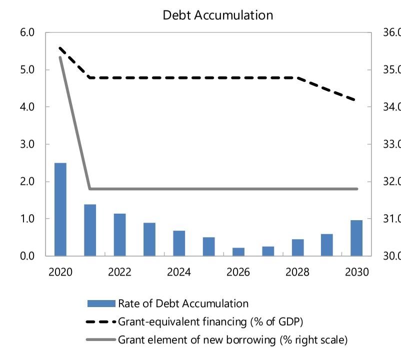
16. The authorities broadly agreed with staff's assessment of Togo's public debt situation and recommendations. They concurred with staff's assessment of risk ratings and distress level. Given that Togo's overall risk of debt distress remains high, they recognize that the fiscal consolidation must continue in order to bring public debt down below the relevant benchmark. Besides, they presented their 2020-24 medium-term debt strategy, which broadly intends to increase the share of foreign currency debt over total debt, towards 50 percent in 2024. This should be achieved notably through reprofiling operations and continued concessional external financing (from the World Bank and African Development Bank), as well as semi-concessional financing (Eximbank India, Kuwaiti Funds, and Saudi Funds for which projects are under execution). Domestic issuances are expected to cover the remaining financing needs, through a mix of 1 to 10-year maturity obligations. The average maturity of total debt is expected to increase from around 5 years in 2019 to 7 years in 2024.

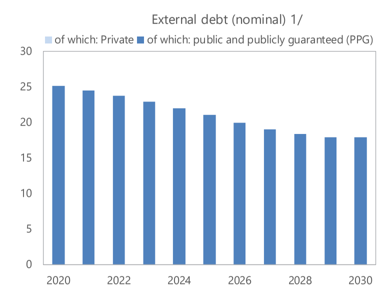
Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	21.0	17.9	19.7	**18.1**	**21.1**
of which: public and publicly guaranteed (PPG)	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	21.0	17.9	19.7	**18.1**	**21.1**
Change in external debt	0.0	0.3	3.2	1.4	-0.7	-0.7	-0.8	-0.9	-1.0	0.0	0.1		
Identified net debt-creating flows	-1.9	6.0	7.4	8.0	6.5	5.2	5.1	4.9	4.8	5.2	7.7	**10.3**	**5.3**
Non-interest current account deficit	1.6	3.2	4.0	4.6	4.0	4.1	4.0	3.7	3.5	3.7	6.2	**7.2**	**3.7**
Deficit in balance of goods and services	10.5	11.7	12.1	12.9	12.3	12.3	12.2	12.0	11.8	11.7	13.3	**16.3**	**12.0**
Exports	33.1	31.8	31.3	28.4	28.4	28.5	28.6	28.8	29.0	29.3	29.0		
Imports	43.5	43.5	43.4	41.3	40.7	40.8	40.8	40.8	40.8	41.0	42.3		
Net current transfers (negative = inflow)	-8.3	-7.9	-7.5	-7.6	-7.6	-7.6	-7.6	-7.6	-7.6	-7.3	-6.2	**-7.6**	**-7.6**
of which: official	-2.2	-1.8	-2.0	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1	-1.7	-0.7		
Other current account flows (negative = net inflow)	-0.5	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	**-1.5**	**-0.7**
Net FDI (negative = inflow)	-2.5	4.7	3.6	3.7	3.1	2.0	2.0	2.0	2.0	2.0	2.0	**3.7**	**2.3**
Endogenous debt dynamics 2/	-1.0	-1.8	-0.1	-0.3	-0.6	-0.9	-0.8	-0.8	-0.7	-0.6	-0.6		
Contribution from nominal interest rate	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.4		
Contribution from real GDP growth	-0.8	-0.9	-1.1	-0.7	-0.9	-1.2	-1.2	-1.2	-1.1	-0.9	-1.0		
Contribution from price and exchange rate changes	-0.6	-1.2	0.7	...	...	...	...	...	...	...	...		
Residual 3/	1.9	-5.7	-4.2	-6.5	-7.1	-5.9	-6.0	-5.8	-5.7	-5.2	-7.6	**-12.9**	**-5.9**
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	...	...	18.4	19.5	19.0	18.5	17.8	17.0	16.1	12.8	14.0		
PV of PPG external debt-to-exports ratio	...	...	58.9	68.6	67.0	65.1	62.3	59.0	55.5	43.5	48.3		
PPG debt service-to-exports ratio	5.9	4.8	4.9	4.8	4.4	5.1	5.8	6.3	6.7	4.6	3.8		
PPG debt service-to-revenue ratio	10.7	7.5	7.8	6.9	6.2	7.2	8.1	8.9	9.3	5.7	4.5		
Gross external financing need (Billion of U.S. dollars)	0.3	0.0	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.4	1.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.4	4.9	5.3	3.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	**5.7**	**5.1**
GDP deflator in US dollar terms (change in percent)	2.9	6.4	-3.2	4.1	5.5	3.4	3.2	3.1	3.1	2.9	2.9	**-0.5**	**3.4**
Effective interest rate (percent) 4/	2.0	1.7	1.4	1.5	1.5	1.6	1.7	1.8	1.8	2.1	2.1	**1.6**	**1.8**
Growth of exports of G&S (US dollar terms, in percent)	0.6	7.3	0.2	-2.6	9.7	9.2	9.5	9.6	9.5	8.5	4.6	**4.3**	**8.1**
Growth of imports of G&S (US dollar terms, in percent)	-12.9	11.5	1.7	2.0	8.0	9.5	9.0	8.6	8.8	8.8	9.6	**4.4**	**8.1**
Grant element of new public sector borrowing (in percent)	...	...	...	35.3	31.8	31.8	31.8	31.8	31.8	31.8	31.9	**...**	**32.1**
Government revenues (excluding grants, in percent of GDP)	18.2	20.3	19.5	19.7	19.9	20.0	20.3	20.5	21.0	23.2	24.0	**18.3**	**21.2**
Aid flows (in Billion of US dollars) 5/	0.4	0.4	0.6	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.6	4.8	4.8	4.8	4.8	4.8	4.2	2.3	**...**	**4.8**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	66.3	74.7	74.7	74.7	74.7	74.7	72.0	58.3	**...**	**73.6**
Nominal GDP (Billion of US dollars)	5	5	5	6	6	7	8	8	9	14	31		
Nominal dollar GDP growth	7.4	11.6	1.9	7.3	9.7	9.1	8.9	8.8	8.8	8.6	8.6	**5.1**	**8.7**
Memorandum items:													
PV of external debt 7/	...	...	18.4	19.5	19.0	18.5	17.8	17.0	16.1	12.8	14.0		
In percent of exports	...	...	58.9	68.6	67.0	65.1	62.3	59.0	55.5	43.5	48.3		
Total external debt service-to-exports ratio	5.9	4.8	4.9	4.8	4.4	5.1	5.8	6.3	6.7	4.6	3.8		
PV of PPG external debt (in Billion of US dollars)			1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.7	4.3		
(PVt-PVt-1)/GDPt-1 (in percent)				2.5	1.4	1.1	0.9	0.7	0.5	1.0	1.3		
Non-interest current account deficit that stabilizes debt ratio	1.7	2.8	0.7	3.1	4.6	4.8	4.8	4.6	4.5	3.8	6.1		

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 debt of the central government and public entities.

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.

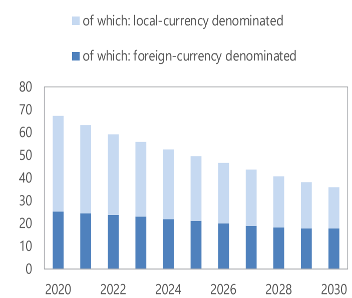
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

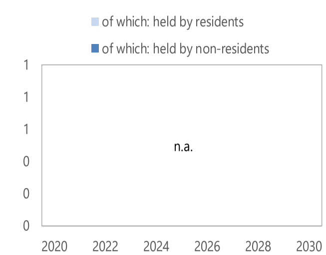
Table 2. Togo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	76.0	76.2	70.9	67.1	63.1	59.3	55.9	52.6	49.5	35.8	30.1	63.8	50.2
of which: external debt	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	21.0	17.9	19.7	18.1	21.1
Change in public sector debt	-5.4	0.2	-5.3	-3.7	-4.1	-3.7	-3.4	-3.3	-3.1	-2.4	0.6		
Identified debt-creating flows	-5.7	-1.8	-7.8	-1.7	-3.8	-3.5	-3.2	-3.1	-3.0	-2.3	0.6	0.8	-2.9
Primary deficit	-1.5	-1.6	-4.8	0.7	-1.0	-1.0	-1.0	-1.0	-1.0	-0.8	2.0	2.5	-0.8
Revenue and grants	21.4	23.9	23.4	23.8	23.9	24.1	24.3	24.5	25.1	26.7	25.5	21.2	25.1
of which: grants	3.2	3.6	3.8	4.0	4.0	4.0	4.0	4.0	4.0	3.4	1.5		
Primary (noninterest) expenditure	19.9	22.3	18.5	24.5	22.9	23.1	23.3	23.5	24.1	25.9	27.4	23.8	24.3
Automatic debt dynamics	-4.2	-1.4	-1.9	-2.4	-2.8	-2.5	-2.2	-2.1	-2.0	-1.5	-1.4		
Contribution from interest rate/growth differential	-2.3	-2.3	-2.3	-1.5	-2.1	-2.2	-2.0	-1.9	-1.8	-1.4	-1.2		
of which: contribution from average real interest rate	1.1	1.2	1.6	0.6	0.5	1.0	1.1	1.0	1.0	0.6	0.3		
of which: contribution from real GDP growth	-3.4	-3.6	-3.8	-2.1	-2.6	-3.3	-3.1	-2.9	-2.7	-2.0	-1.5		
Contribution from real exchange rate depreciation	-1.9	0.9	0.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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		
CNSS arrears repayment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
2018 revenue arrears paid in 2019	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.3	2.0	2.5	-3.0	-1.0	-0.5	-0.4	-0.4	-0.4	-0.2	-0.2	-1.7	-0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	65.7	61.4	57.6	54.1	50.8	47.6	44.6	30.6	24.3		
PV of public debt-to-revenue and grants ratio	...	...	281.3	258.4	240.7	224.6	209.1	194.5	177.9	114.9	95.4		
Debt service-to-revenue and grants ratio 3/	101.7	57.7	66.5	52.7	46.7	53.3	32.2	36.7	32.8	21.3	12.1		
Gross financing need 4/	20.3	13.4	9.6	13.3	10.2	11.8	6.8	8.0	7.2	4.9	5.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.4	4.9	5.3	3.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.7	5.1
Average nominal interest rate on external debt (in percent)	2.1	1.6	1.5	1.5	1.5	1.6	1.7	1.8	1.8	2.1	2.1	1.6	1.8
Average real interest rate on domestic debt (in percent)	1.9	2.6	3.0	1.2	1.4	3.1	3.6	3.4	3.5	3.2	3.2	1.8	2.9
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.0	4.7	2.1	...	...	...	...	...	...	...	...	3.2	...
Inflation rate (GDP deflator, in percent)	0.9	1.7	2.1	4.6	4.4	2.9	2.9	2.9	2.9	2.9	2.9	1.5	3.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-27.7	17.6	-12.5	36.0	-2.6	6.2	6.6	6.3	8.0	7.2	5.9	6.5	8.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.9	-1.8	0.5	4.4	3.1	2.7	2.4	2.3	2.1	1.6	1.4	0.9	2.4
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 plus social security, central bank, 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, 2020–30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of debt-to GDP ratio										
Baseline	20	19	19	18	17	16	15	14	13	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	20	23	26	30	33	36	40	**43**	**46**	**49**	**52**
B. Bound Tests											
B1. Real GDP growth	20	19	19	18	17	16	15	14	14	13	13
B2. Primary balance	20	21	22	22	21	20	20	19	18	18	18
B3. Exports	20	23	29	28	27	25	24	23	21	20	19
B4. Other flows 3/	20	24	30	29	27	26	25	23	22	21	20
B5. One-time 30 percent nominal depreciation	20	24	19	18	18	17	15	14	14	13	13
B6. Combination of B1-B5	20	26	27	26	25	24	23	21	20	19	18
C. Tailored Tests											
C1. Combined contingent liabilities	20	22	21	21	20	19	19	18	17	17	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	69	67	65	62	59	56	52	48	46	44	44
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	69	80	92	104	115	125	136	146	157	167	178
B. Bound Tests											
B1. Real GDP growth	69	67	65	62	59	56	52	48	46	44	44
B2. Primary balance	69	74	78	75	72	70	68	66	63	61	61
B3. Exports	69	95	141	135	128	121	114	107	101	95	92
B4. Other flows 3/	69	86	105	100	95	90	85	80	75	71	68
B5. One-time 30 percent nominal depreciation	69	67	54	51	49	46	42	39	37	36	36
B6. Combination of B1-B5	69	96	91	109	103	97	91	86	81	76	74
C. Tailored Tests											
C1. Combined contingent liabilities	69	77	75	72	69	67	65	61	59	57	57
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	5	4	5	6	6	7	7	7	6	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	5	5	6	7	8	10	11	11	11	12	11
B. Bound Tests											
B1. Real GDP growth	5	4	5	6	6	7	7	7	6	6	5
B2. Primary balance	5	4	5	6	7	7	8	8	7	7	6
B3. Exports	5	5	8	10	10	11	12	11	11	11	9
B4. Other flows 3/	5	4	6	7	7	8	8	8	8	8	7
B5. One-time 30 percent nominal depreciation	5	4	5	5	6	6	7	7	6	5	4
B6. Combination of B1-B5	5	5	7	8	9	9	10	10	10	9	7
C. Tailored Tests											
C1. Combined contingent liabilities	5	4	5	6	7	7	8	8	7	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	6	7	8	9	9	10	10	8	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	6	8	10	12	13	15	15	15	15	14
B. Bound Tests											
B1. Real GDP growth	7	6	7	8	9	9	10	10	9	8	6
B2. Primary balance	7	6	7	9	9	10	11	10	9	9	7
B3. Exports	7	6	8	10	11	11	12	11	10	10	8
B4. Other flows 3/	7	6	8	10	11	11	12	11	10	10	8
B5. One-time 30 percent nominal depreciation	7	8	9	10	11	11	12	11	10	8	6
B6. Combination of B1-B5	7	7	8	10	11	11	12	11	11	10	8
C. Tailored Tests											
C1. Combined contingent liabilities	7	6	8	9	9	10	11	10	9	8	6
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 2020–30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**61**	**58**	**54**	**51**	**48**	**45**	**42**	**39**	**36**	**33**	**31**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**61**	**61**	**61**	**60**	**60**	**60**	**59**	**59**	**59**	**58**	**57**
B. Bound Tests											
B1. Real GDP growth	**61**	**58**	**56**	53	50	47	44	42	39	37	35
B2. Primary balance	**61**	**64**	**68**	**64**	**61**	**57**	54	50	47	44	41
B3. Exports	**61**	**61**	**64**	**60**	**56**	53	50	46	43	40	37
B4. Other flows 3/	**61**	**63**	**65**	**62**	**58**	55	51	48	44	41	38
B5. One-time 30 percent nominal depreciation	**61**	**59**	54	49	45	41	36	32	28	25	21
B6. Combination of B1-B5	**61**	**61**	**58**	50	47	44	41	37	34	32	29
C. Tailored Tests											
C1. Combined contingent liabilities	**61**	**68**	**64**	**61**	**57**	54	50	47	44	41	38
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	258	241	225	209	195	178	163	149	136	125	115
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	258	254	250	247	243	236	230	225	219	215	212
B. Bound Tests											
B1. Real GDP growth	258	244	231	217	203	188	174	161	149	139	130
B2. Primary balance	258	269	281	264	248	228	211	194	179	165	153
B3. Exports	258	255	264	247	230	211	195	179	164	150	137
B4. Other flows 3/	258	263	272	254	237	218	201	185	169	154	141
B5. One-time 30 percent nominal depreciation	258	251	228	206	186	164	145	127	109	94	80
B6. Combination of B1-B5	258	256	241	209	194	177	162	145	131	120	110
C. Tailored Tests											
C1. Combined contingent liabilities	258	285	268	250	234	215	197	182	167	154	143
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	53	47	53	32	37	33	34	32	28	27	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	53	47	55	34	39	36	38	36	32	32	27
B. Bound Tests											
B1. Real GDP growth	53	47	54	33	38	34	36	34	30	28	23
B2. Primary balance	53	47	55	36	40	43	51	42	31	32	30
B3. Exports	53	47	54	33	38	34	35	33	29	29	23
B4. Other flows 3/	53	47	54	34	38	34	35	33	30	29	24
B5. One-time 30 percent nominal depreciation	53	45	52	32	37	33	34	32	28	26	21
B6. Combination of B1-B5	53	45	52	32	36	32	37	34	29	27	22
C. Tailored Tests											
C1. Combined contingent liabilities	53	47	56	34	39	46	47	35	30	31	28
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.

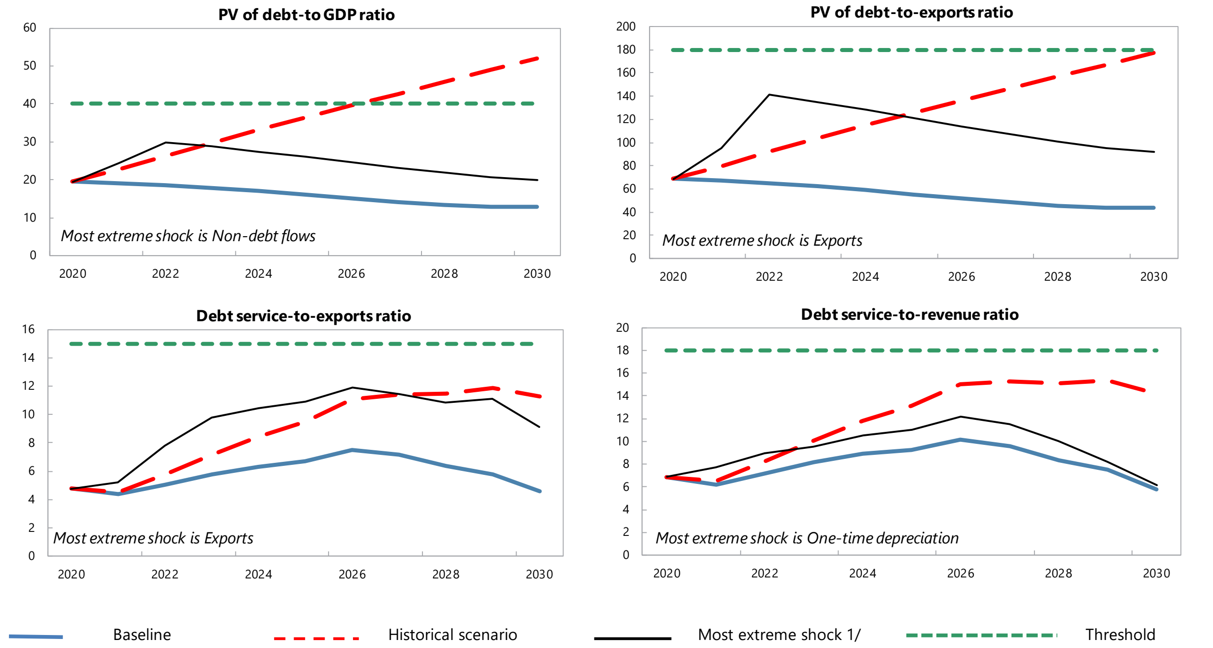
Sources: Country authorities; and staff estimates and projections.

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, 2020–30 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	2.5%	2.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6

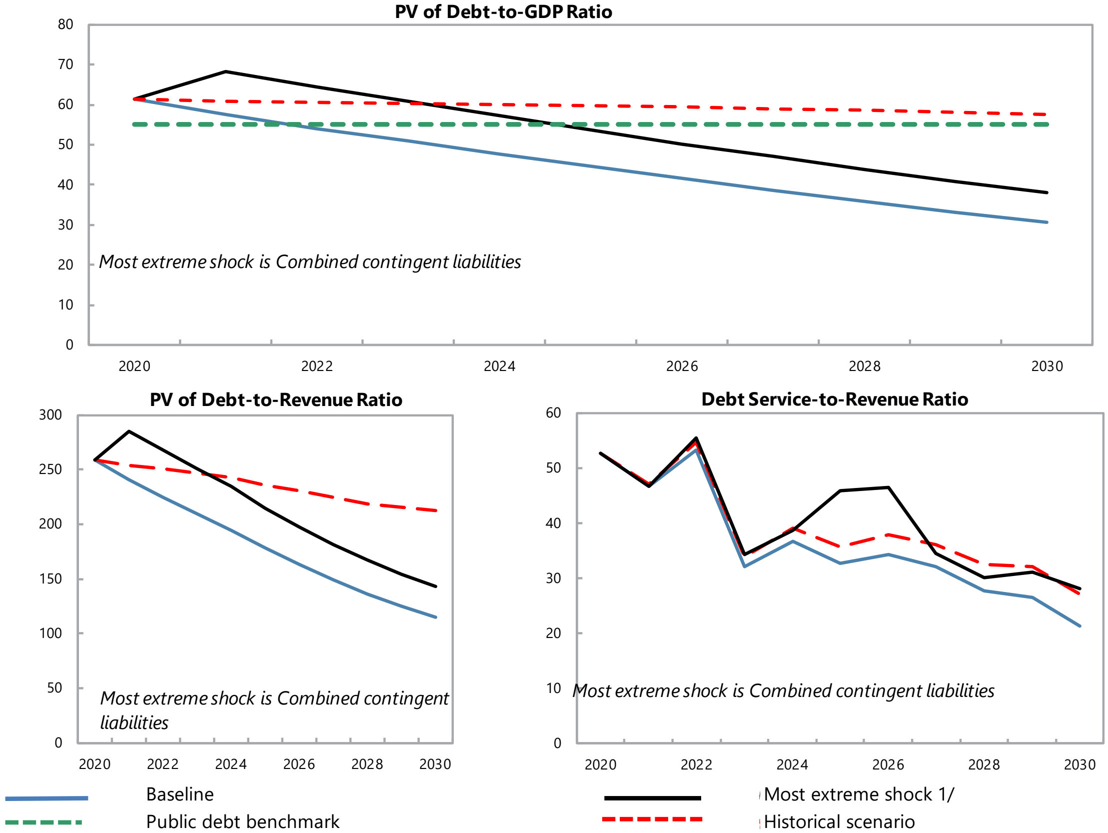
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2030. 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, 2020–30



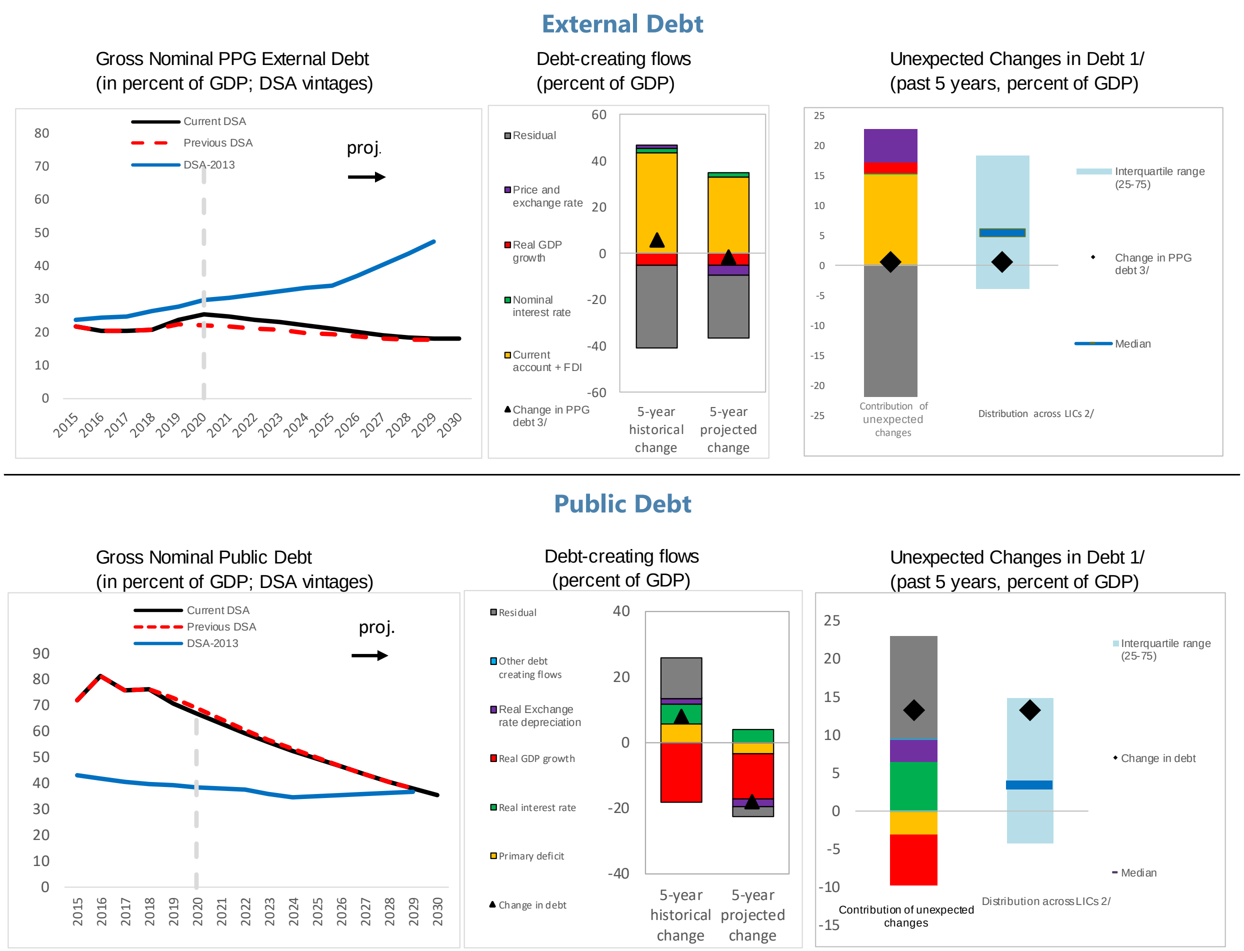
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	34%	34%
Domestic medium and long-term	66%	66%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.5%	2.5%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.3%	3.3%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.3%	3.3%

* 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 2030. 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



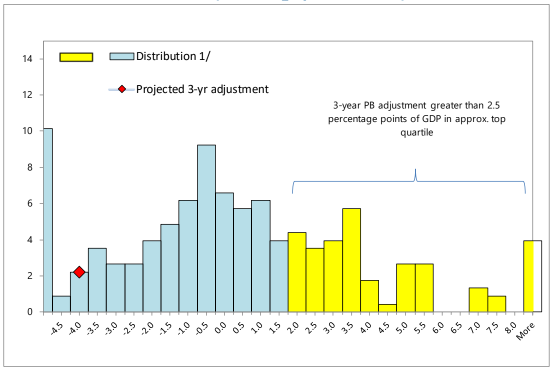
1/ Difference between anticipated and actual contributions on debt ratios.

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.

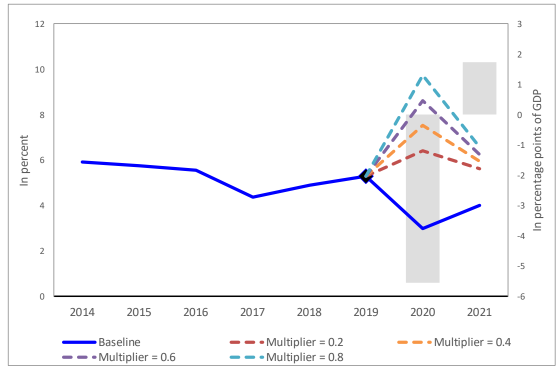
Figure 4. Togo: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



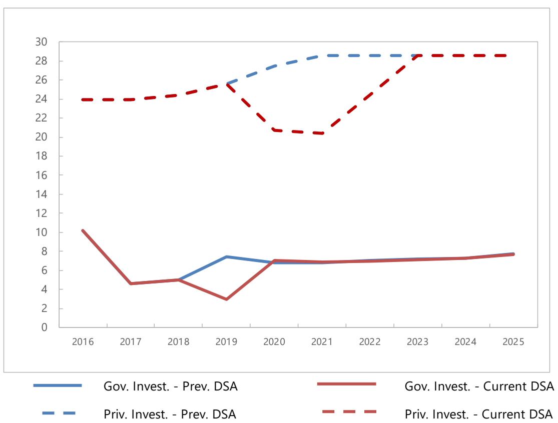
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

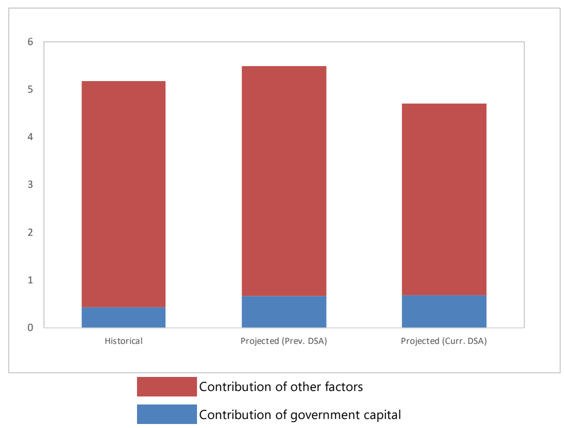


Figure 5. Togo: Qualification of the Moderate Category, 2019–29 1/

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.