INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL MONETARY FUND

TOGO

Joint World Bank-IMF Debt Sustainability Analysis

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Prepared jointly by the staffs of the International Development Association (IDA)

and the International Monetary Fund (IMF)

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Togo: 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: Historical vulnerability to multiple shocks

Togo's risk of external debt distress continues to be moderate, while the overall risk of debt distress is high—unchanged from the previous Debt Sustainability Analysis (DSA) published in December 2018. While the mechanical results point to a low risk of external debt distress, judgment was applied given vulnerabilities arising from high domestic debt, which could, for example, likely lead to a reprofiling operation that would lead to an increase in external debt. Togo's public debt is on a downward trajectory despite an increase in 2018 compared with 2017. Togo's high public debt is the result of, among other factors, 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 debt distress benchmark of 55 percent starting in 2023, down from 72 percent in 2018—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 public debt to prudent levels over the medium term.

¹ Togo's Composite Indicator (CI) is 2.86, which corresponds to a medium debt-carrying capacity as confirmed by the April 2019 WEO data and 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 to suppliers 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 (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		
5	o/w: Extra budgetary funds (EBFs)	X	
6	Guarantees (to other entities in the public and private sector, including to SOEs)		
7	Central bank (borrowed on behalf of the government)	X	
8	Non-guaranteed SOE debt		
1 The country's coverage of public debt		The central government, 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
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. 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 to suppliers, 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.

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 that started with the ECF program, total public debt (in percent of GDP) declined in 2017 and remained below pre-program levels in 2018. The fiscal consolidation initiated in 2017 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 75.5 percent, and the domestic debt stock fell by 5.4 percentage points from 2016, reaching 55.8 percent.² Total public debt increased somewhat in 2018 and was reported at 76.2 percent of GDP by December 2018. This slight increase is primarily due to some revenue recorded in accounts receivable (and not in cash) in 2018, resources borrowed in January 2018 to repay arrears connected to the fiscal year 2017, exchange rate depreciation, and capitalization of accrued interest on Sukuk bonds. While Togo's total debt-to-GDP ratio has started to decline, it remains the highest within the WAEMU.³

5. Togo's external debt sustainability has been assessed as moderate in recent past with high overall risk of debt distress.

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

	End-2013			End-2016			End-2017			End-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	1,222	100.0	57.2	2,155	100.0	81.4	2,106	100.0	75.5	2,266	100.0	76.2
Total Central Government	1,106	90.5	51.8	2,066	95.8	78.0	2,016	95.7	72.3	2,191	96.7	73.6
Total SOEs	116	9.5	5.4	90	4.2	3.4	90	4.3	3.2	74	3.3	2.5
External Debt	306	25.0	14.3	535	24.8	20.2	550	26.1	19.7	610	26.9	20.5
Central Government	295	24.1	13.8	519	24.1	19.6	538	25.6	19.3	601	26.5	20.2
Multilateral	147	12.0	6.9	168	7.8	6.3	192	9.1	6.9	238	10.5	8.0
o/w IMF	69	5.7	3.2	42	2.0	1.6	69	3.3	2.5	94	4.2	3.2
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	0.5	0.3	6	0.3	0.2	6	0.3	0.2	6	0.3	0.2
Non-Paris Club	19	1.5	0.9	37	1.7	1.4	35	1.7	1.2	35	1.5	1.2
Commercial Banks ¹	123	10.1	5.8	308	14.3	11.6	306	14.5	11.0	322	14.2	10.8
SOEs	11	0.9	0.5	16	0.7	0.6	12	0.6	0.4	9	0.4	0.3
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	7	0.3	0.2
Domestic Debt	916	75.0	42.9	1,621	75.2	61.2	1,556	73.9	55.8	1,656	73.1	55.7
Central Government	811	66.4	38.0	1,547	71.8	58.4	1,478	70.2	53.0	1,590	70.2	53.5
T-Bills (Bons du Tresor)	111	9.1	5.2	189	8.7	7.1	148	7.0	5.3	127	5.6	4.3
Bonds (Emprunts Obligataires) ²	213	17.4	10.0	574	26.6	21.7	807	38.3	28.9	958	42.3	32.2
Domestic Arrears	290	23.8	13.6	334	15.5	12.6	310	14.7	11.1	225	10.0	7.6
Pre-2006	249	20.4	11.7	173	8.0	6.5	173	8.2	6.2	155	6.8	5.2
Post-2006	-	0.0	0.0	122	5.6	4.6	100	4.8	3.6	34	1.5	1.2
Liquidated SOEs	41	3.4	1.9	39	1.8	1.5	36	1.7	1.3	36	1.6	1.2
Banking System	196	16.1	9.2	451	20.9	17.0	213	10.1	7.6	280	12.4	9.4
SOEs	105	8.6	4.9	74	3.4	2.8	79	3.7	2.8	66	2.9	2.2

Sources: Togolese authorities and Staff calculations.

¹Figures 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.

²Includes SUKUK.

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, a stabilizing current account deficit, and continuing fiscal discipline. The short-term growth projections remain moderate—at an annual average of 5.2 percent over 2019-20—as socio-political uncertainties linger.

² About half a percent of this difference comes from methodological change in the presentation of SDR obligations.

³ WAEMU Staff Report, March 2019 (IMF Country Report No. 19/90).

Over the long term (2020-39), potential growth is estimated at an annual average of 5.4 percent 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 2021-29 to bring public debt comfortably below the debt distress threshold, after which it would decrease and approach a deficit of 2 percent of GDP by 2039 to provide space for social and investment spending while safeguarding debt vulnerabilities. Total PPG debt will decline below the new benchmark (PV of debt-to-GDP ratio of 55 percent) in 2023; the NPV of debt-to-GDP ratio is projected to decline further to 31 percent by 2029 and 26 percent by 2039.⁴ The current account deficit is projected to stabilize at around 4½ percent of GDP over the medium term, as lower demand for capital goods and other imports persists, while exports of cotton, phosphates, agriculture, and light manufacturing goods continue to grow. Inflation is projected to remain below the WAEMU regional convergence criterion of 3 percent.⁵

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 assistance from international development partners.
- The authorities plan to proceed with a debt reprofiling in 2019. As discussed in the staff report for the second review of the ECF-supported program, the reprofiling operation will consist of borrowing externally at more favorable terms to repurchase approximately 8 percent of GDP of outstanding domestic debt, which is more expensive and generally short term.⁶ 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 and do not lead to an external risk rating downgrade. The program still aims at keeping Togo comfortably at moderate risk of external debt distress (i.e. below external debt burden indicators) at end-December 2019. Nonetheless, notwithstanding any debt management operation, the ongoing fiscal consolidation needs to be preserved to fundamentally address the debt burden. The impact of a possible debt reprofiling operation is reflected in a debt reprofiling scenario presented in this DSA.

⁴ The originally programmed benchmark NPV of debt-to-GDP ratio of 38 percent under the June 2018 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 from 38 percent of GDP to 55 percent currently.

⁵ Comparing to the June and December 2018 DSA, the key macroeconomic assumptions remain broadly unchanged.

⁶ IMF Country Report No. 18/184 (Staff Report paragraph 17 and MEFP paragraph 15).

8. 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 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 because the public debt ratio increased significantly after 2013 and reached its 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 reason why the current and recent DSA vintages deviate from the DSA prepared in 2013. For external debt, projected debt levels remain about constant and the projected debt creating flows deviate from the five-year historical change because of projected smaller current account deficits and smaller residuals.⁷ For total public debt, projected debt levels are declining because of real GDP growth and a positive primary balance, while the five-year historical change was a significant increase because of large primary deficits and a positive residual (because of the recognition of government guarantees related to pre-financing agreements).
- **Planned fiscal adjustment.** The primary balance, estimated at 1.6 percent of GDP in 2018, outperformed program targets. While a deficit of 0.2 percent of GDP is projected in 2019 due to some urgent spending, it is expected 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 5.1 percent in 2019 is lower than implied by the multipliers (growth in the range of 5.2-6.7 percent). Growth is projected at 5.3 percent in 2020, which is slightly above the potential growth rate under a range of plausible fiscal multipliers (growth in the range of 4.9-5.1 percent).
- **Public investment and growth.** Public and private investment projections under the previous DSA and the current DSA do not deviate significantly. The ongoing program aims at streamlining public investment while growth-enhancing structural reforms, including opening-up some key sectors to foreign investors and an improvement of the business environment, are expected to enhance domestic and foreign private investments (Figure 4).

⁷ The large share of residuals in the 5-year historical change in debt creating flows is primarily due to an inconsistency in definitions used in the DSF and the BOP statistics.

Box 1. Main Assumptions in the Macroeconomic Framework

- Real GDP growth is expected to remain moderate in the near term at an annual average of 5.2 percent over 2019-20. Over the long term (2020-39), potential growth is estimated at an annual average of 5.4 percent supported by structural reforms and stronger private sector activity.
- Public investment is estimated to have dropped to 6.8 percent of GDP in 2018 and is projected to grow and reach 10 to 14 percent of GDP in the medium and long terms. 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 and as a result, the share of domestically-financed investment is growing over time.
- Key commodity price projections (i.e., for oil, phosphates, cotton, cocoa, and coffee) through 2024 are sourced from the WEO prepared in April 2019 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 increased to 0.9 percent in 2018 (from deflation of 0.2 percent in 2017) driven by increasing costs for health and education services, restaurants, and transports. Inflation is expected to reach 2 percent in the medium-term, below the WAEMU convergence criteria.
- Medium-term projections of total revenue and grants have been increased compared to the previous DSA. Tax revenue that is projected at 17.6 percent of GDP in 2019 would meet the WAEMU revenue criterion of 20 percent of GDP in 2025 and then stabilize at 22 percent of GDP starting in 2029. Improved revenue performance is supported by several measures introduced recently by the authorities to bolster permanent revenue, both on tax policy and tax administration reforms. Such measures include the phasing out of reduced VAT rates, enhancement of property taxation, reduction of tax exemptions, cross-check of taxpayers between tax and customs administrations, and control over imports valuation. Total revenue and grants are projected to average about 26.8 percent of GDP over 2020-29.
- The overall primary fiscal balance (commitment basis, including grants) increased slightly to a surplus of 1.6 percent of GDP in 2018 from 1.5 percent in 2017. 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 2039.
- The current account deficits for 2017 and 2018 have improved significantly compared to the previous DSA, mainly due to reported lower imports of capital goods and other components. The deficit is projected to increase in 2019 because of urgent spending and to stabilize around 4½ percent of GDP over the medium to long term, ensuring consistency with the fundamentals and desirable policy settings.

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

- Foreign direct investment, which has been very volatile, is expected to rise and stabilize around an inflow of 3.8 percent of GDP per year starting in 2025. However, these flows, as well as grants, are subject to significant risks, which may consequently alter the debt dynamics assumed in the baseline.

Box Table 1. Togo: Key Macroeconomic Assumptions
(DSA June 2019 vs DSA December 2018)

	2017-19	2020-29
Real GDP Growth (percent)		
DSA June 2019	4.8	5.4
DSA December 2018	4.7	5.4
Total Revenue (percent of GDP)¹		
DSA June 2019	23.1	26.8
DSA December 2018	23.2	24.7
Exports of goods and services (percent of GDP)		
DSA June 2019	32.2	34.2
DSA December 2018	32.8	33.1

Sources: Togolese authorities and Staff calculations.

¹ Total revenue, including grants.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

9. Togo's debt carrying capacity is medium. The composite indicator (CI), which captures the impact of several factors through a weighted average of an institutional indicator⁸, real GDP growth, remittances, international reserves, and world growth, confirms that Togo's debt carrying capacity is classified to be 'medium', which is unchanged from the previous 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 2023 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, a shock of 11.8 percent of GDP is used. The shock includes the default value of 5 percent for financial markets, a 6.8 percent for risks associated with

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

private-public partnerships (PPPs) given Togo's stock of around 20 percent of GDP, and 0 percent for SOE debt given that it is already included in public debt (Text Table 1).

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
Medium	Medium 2.86	Medium 3.00
Applicable thresholds		
APPLICABLE		
EXTERNAL debt burden thresholds		
PV of debt in % of Exports	180	
PV of debt in % of GDP	40	
Debt service in % of Exports	15	
Debt service in % of 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). Starting in 2020 after the conclusion of the ECF arrangement, new external loan financing will consist of borrowing from multilateral lenders (about 70 percent), Paris Club bilateral lenders (about 10 percent), and commercial lenders (about 20 percent). The present value of PPG external debt is projected at 17.1 percent of GDP in 2019 and should decrease to 11.6 percent by 2029. The ratio will remain below the 40 percent threshold under the baseline throughout the projection period. 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).

Alternative Scenarios and Stress Tests

12. Alternative scenarios reveal breaches of some 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 any breach of relevant thresholds. However, under the historical scenario, which sets key macroeconomic parameters to their 10-year historical averages, the PV of debt-to-exports ratio breaches the threshold under the historical scenario in 2027, and PV of debt-to-GDP in 2023. These outcomes highlight the importance of sound macroeconomic policies.⁹

PUBLIC DEBT SUSTAINABILITY ANALYSIS

13. The inclusion of Togo's domestic public debt in the analysis worsens the vulnerability of the baseline scenario and yields an assessment of high overall risk of debt distress (Table 2, Figure 2). Togo's domestic debt burden reflects persistent high deficits in recent years 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. Domestic debt is projected to keep declining gradually from a record high of 61.2 percent of GDP in 2016. 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). 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. The total value of new domestic issuances is projected to decrease as a share of GDP from about 6 percent a year over 2020-24 to slightly less than 3 percent a year over 2035-39. It should be noted that the external and domestic debt definitions are based on the currency denomination. Thus, while external debt should preferably include also local-currency denominated domestic debt owed to non-residents, because of difficulties in record keeping and limited non-resident participation in domestic debt, the definition of external debt is restricted to debt denominated in foreign currency.

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 2018 stands above the benchmark level of 55 percent. The authorities undertook a substantial fiscal adjustment with a combination of spending restraint and revenue mobilization in 2017-18, but these efforts were not fully reflected in debt numbers in 2018. Togo's PV of total public debt-to-GDP is expected to reach below the 55 percent benchmark by 2023 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

⁹ The historical scenario is driven by continuing large current account deficits and significant outflows of FDI.

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 state-owned enterprises could also result in the realization of contingent liabilities that would increase debt levels notably, though such risks are difficult to quantify.

RISK RATING AND VULNERABILITIES

15. Togo remains 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 2018, at 76.2 percent of GDP (73.2 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 2023—but on a steady declining trend, under the assumption of a continued primary surplus at 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 (2019–29). While the mechanical results point to a low risk of external debt distress, judgment was applied given vulnerabilities arising from high domestic debt, which could, for example, likely lead to a reprofiling operation that would lead to an increase in external debt.

A DEBT REPROFILING SCENARIO

16. The authorities plan to proceed with a debt reprofiling operation in the second half of 2019. Staff prepared a debt reprofiling scenario based on assumptions derived from available information (Tables 5 and 6). Under this scenario, Togo's debt sustainability improves slightly. The PV of public debt would decline to 23.0 percent of GDP in 2039 compared with 26.5 percent of GDP in the baseline. The PV of external debt would be slightly higher at 14.1 percent of GDP in 2039 compared with 12.7 percent of GDP in the baseline. Alternative scenarios reveal breaches under standard stress tests. Under the most extreme shock scenario, the present value of PPG external debt-to-GDP would breach the threshold of PV of debt-to-GDP ratio but only temporarily (Figure 6). Because of the debt reprofiling, the debt service-to-revenue ratio would decrease rapidly over the next two years and then decline gradually from 33 percent in 2021 to 20 percent by 2029 (Figure 7).

AUTHORITIES' VIEWS

17. The authorities broadly agreed with staff's assessment of Togo's public debt situation and recommendations on debt management policy. They broadly concurred with the staff's assessment of debt composition, projections, risk ratings and distress level. Given that Togo's current level of debt is still the highest among WAEMU members and the overall risk of debt distress remains high, they recognize that the fiscal consolidation must continue to bring public debt down to sustainable level. While they have been making progress on the debt management, they highlighted the need for further improvement by making full use of IMF technical assistance, training resources, and having a resident advisor to strengthen their capacity in this area. Moreover, they plan to sell some non-financial assets to repay and reduce public debt.

Table 1. Togo: External Debt Sustainability Framework, Baseline Scenario, 2016–39
(In percent of GDP, unless otherwise indicated)

	Actual				Projections										Average 8/ Projections		Definition of external/domestic debt Is there a material difference between the two criteria?	Currency-based Yes
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Historical	Projections		
External debt (nominal) 1/ <i>of which: public and publicly guaranteed (PPG)</i>	20.2 20.2	19.7 19.7	20.5 20.5	22.2 22.2	21.8 21.8	21.4 21.4	21.0 21.0	20.4 20.4	19.7 19.7	17.5 17.5	17.5 17.5	19.7 19.7	19.7 19.7	20.7 20.7	19.7 19.7	19.7 19.7		
Change in external debt	-1.5	-0.5	0.8	1.7	-0.5	-0.4	-0.4	-0.6	-0.7	-0.1	-0.2	-0.4	-0.4	9.4	0.2	0.2		
Identified net debt-creating flows	15.2	-1.9	0.4	2.2	1.3	0.7	0.2	-0.1	-0.2	-0.2	-0.2	-0.4	-0.4	9.4	0.2	0.2		
Non-interest current account deficit	9.4	1.6	4.6	5.6	5.1	4.7	4.4	4.2	4.1	4.2	4.1	4.2	4.1	7.4	4.4	4.4		
Deficit in balance of goods and services	18.4	10.5	12.3	12.9	12.5	12.0	11.6	11.3	11.3	11.2	10.8	10.8	10.8	16.6	11.6	11.6		
Exports	35.3	33.1	31.3	32.1	32.3	32.5	33.2	33.6	34.1	36.1	40.7	40.7	40.7					
Imports	53.7	43.5	43.6	45.0	44.8	44.5	44.8	45.0	45.4	47.3	51.5	51.5	51.5					
Net current transfers (negative = inflow)	-7.6	-8.3	-7.0	-6.8	-6.8	-6.7	-6.6	-6.6	-6.5	-6.4	-6.0	-6.0	-6.0					
<i>of which: official</i>	-1.6	-2.2	-1.1	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2	-1.2	-1.2					
Other current account flows (negative = net inflow)	-1.3	-0.5	-0.7	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7					
Net FD (negative = inflow)	6.8	-2.5	-2.5	-2.7	-3.0	-3.2	-3.5	-3.6	-3.7	-3.8	-3.8	-3.8	-3.8					
Endogenous debt dynamics 2/	-1.0	-1.0	-1.8	-0.7	-0.8	-0.8	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	-0.6					
Contribution from nominal interest rate	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3					
Contribution from real GDP growth	-1.1	-0.8	-0.9	-1.0	-1.1	-1.1	-1.1	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9					
Contribution from price and exchange rate changes	-0.3	-0.6	-1.2	...	...	...	...	...	...	...	...	...	...					
Residual 3/	-16.6	1.4	0.4	-0.4	-1.7	-1.1	-0.6	-0.5	-0.5	-0.1	0.5	0.5	0.5					
<i>of which: exceptional financing</i>	0.0	0.0	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	...	...	15.6	17.1	16.6	16.3	15.8	15.2	14.4	11.6	12.7	12.7	12.7					
PV of PPG external debt-to-exports ratio	...	...	49.8	53.4	51.4	50.1	47.6	45.2	42.3	32.0	31.1	31.1	31.1					
PPG debt service-to-exports ratio	4.9	5.9	4.9	3.9	3.9	3.6	3.8	4.4	4.8	3.7	3.8	3.8	3.8					
PPG debt service-to-revenue ratio	9.3	10.7	7.5	6.3	6.2	5.6	6.0	6.8	7.3	5.4	5.4	5.4	5.4					
Gross external financing need (Billion of U.S. dollars)	0.2	0.3	0.5	0.5	0.6	0.6	0.7	0.7	0.8	1.2	2.7	2.7	2.7					
Key macroeconomic assumptions																		
Real GDP growth (in percent)	5.6	4.4	4.9	5.1	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4					
GDP deflator in US dollar terms (change in percent)	1.2	2.9	6.4	-1.0	4.1	3.6	3.7	3.4	3.7	3.0	3.0	3.0	3.0					
Effective interest rate (percent) 4/	1.8	2.0	1.7	1.3	1.3	1.4	1.6	1.6	1.7	1.9	1.7	1.9	1.7					
Growth of exports of G&S (US dollar terms, in percent)	5.3	0.6	5.6	6.7	10.4	9.8	11.7	10.4	10.7	9.9	10.8	10.8	10.8					
Growth of imports of G&S (US dollar terms, in percent)	-0.7	-12.9	11.9	7.3	9.2	8.5	9.9	9.5	10.2	9.5	10.3	10.3	10.3					
Grant element of new public sector borrowing (in percent)	...	...	...	39.3	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0					
Government revenues (excluding grants, in percent of GDP)	18.7	18.2	20.3	19.9	20.3	20.7	21.3	21.9	22.6	25.0	24.7	24.7	24.7					
Aid flows (in Billion of US dollars) 5/	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.7	0.7	0.7					
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.8	5.0	5.0	5.0	5.0	5.0	4.7	2.6	2.6	2.6					
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	68.7	77.3	77.8	77.8	77.8	77.8	76.6	64.3	64.3	64.3					
Nominal GDP (Billion of US dollars)	4	5	5	6	6	7	7	8	9	13	30	30	30					
Nominal dollar GDP growth	6.9	7.4	11.6	4.1	9.6	9.2	9.3	9.0	9.3	8.6	8.6	8.6	8.6					
Memorandum items:																		
PV of external debt 7/	...	...	15.6	17.1	16.6	16.3	15.8	15.2	14.4	11.6	12.7	12.7	12.7					
In percent of exports	...	...	49.8	53.4	51.4	50.1	47.6	45.2	42.3	32.0	31.1	31.1	31.1					
Total external debt service-to-exports ratio	4.9	5.9	4.9	3.9	3.9	3.6	3.8	4.4	4.8	3.7	3.8	3.8	3.8					
PV of PPG external debt (in Billion of US dollars)	...	...	0.8	1.0	1.0	1.1	1.2	1.2	1.3	1.5	3.8	3.8	3.8					
(PV-PV-1)/GDP-1 (in percent)	...	...	2.2	2.2	1.1	1.1	1.0	0.8	0.6	0.7	1.2	1.2	1.2					
Non-interest current account deficit that stabilizes debt ratio	10.9	2.1	3.8	3.9	5.5	5.1	4.8	4.8	4.9	4.3	4.0	4.0	4.0					

Sources: Country authorities; and staff estimates and projections.

1/ Includes debt of the central government and public entities.

2/ Derived as $(1 - p - (1 - g)(1 - y - p - g))$ times previous period debt ratio, with $r =$ real GDP growth rate, and $p =$ 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, 2016–39
(In percent of GDP, unless otherwise indicated)

	Actual				Projections										Average of	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Historical	Projections
Public sector debt 1/	81.4	75.5	76.2	72.2	68.4	64.2	60.3	56.5	52.8	37.3	33.5	31.3	28.8	26.5	64.7	53.7
of which: external debt	20.2	19.7	20.5	22.2	21.8	21.4	21.0	20.4	19.7	17.5	15.7	14.4	13.1	11.9	20.7	19.7
Change in public sector debt	9.2	-5.8	0.6	-3.9	-3.9	-4.2	-3.9	-3.8	-3.7	-2.9	-2.9	-2.9	-2.9	-2.9		
Identified debt-creating flows	5.5	-5.7	-1.8	-3.6	-3.6	-3.9	-3.6	-3.6	-3.5	-2.8	-2.8	-2.8	-2.8	-2.8	-5.9	-3.3
Primary deficit	7.2	-1.5	-1.6	0.2	-0.7	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	3.3	-0.9
Revenue and grants	21.6	21.4	23.9	24.0	24.4	24.8	25.4	26.0	26.7	28.8	28.8	28.8	28.8	28.8	20.5	26.6
of which: grants	2.9	3.2	3.6	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1		
Primary (noninterest) expenditure	28.7	19.9	22.3	24.2	23.7	23.7	24.4	25.0	25.6	27.8	28.4	28.4	28.4	28.4	23.8	25.7
Automatic debt dynamics	-1.7	-4.2	-1.4	-2.6	-2.9	-2.9	-2.6	-2.6	-2.4	-1.7	-1.7	-1.7	-1.7	-1.6		
Contribution from interest rate/growth differential	-2.2	-2.3	-2.3	-2.4	-2.5	-2.6	-2.4	-2.3	-2.2	-1.2	-1.2	-1.2	-1.2	-1.0		
of which: contribution from average real interest rate	1.6	1.2	1.3	1.3	1.1	0.9	0.9	0.8	0.7	0.8	0.7	0.8	0.7	0.7		
of which: contribution from real GDP growth	-3.8	-3.4	-3.5	-3.7	-3.6	-3.5	-3.3	-3.1	-2.9	-2.1	-1.7	-1.7	-1.7	-1.7		
Contribution from real exchange rate depreciation	0.6	-1.9	0.8	--	--	--	--	--	--	--	--	--	--	--		
Other identified debt-creating flows	0.0	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	-6.8	-0.1
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	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	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	0.0	0.0	0.0		
2018 revenue arrears paid in 2019	0.0	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		
Residual	3.7	-0.2	2.4	-0.7	-0.6	-0.5	-0.5	-0.4	-0.4	-0.6	-0.6	-0.6	-0.6	-0.5	4.4	-0.6
Sustainability indicators																
PV of public debt-to-GDP ratio 2/	...	...	71.8	67.0	63.2	59.0	55.1	51.3	47.5	31.3	26.5	26.5	26.5	26.5		
PV of public debt-to-revenue and grants ratio 3/	...	...	300.7	279.5	259.2	238.1	216.7	196.9	178.3	108.8	100.2	100.2	100.2	100.2		
Debt service-to-revenue and grants ratio 3/	55.5	95.4	57.7	38.7	45.5	48.3	33.2	32.7	32.0	19.9	13.7	13.7	13.7	13.7		
Gross financing need 4/	19.1	18.9	13.4	8.4	10.4	10.9	7.4	7.4	7.5	4.7	5.7	5.7	5.7	5.7		
Key macroeconomic and fiscal assumptions																
Real GDP growth (in percent)	5.6	4.4	4.9	5.1	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.7	5.4
Average nominal interest rate on external debt (in percent)	1.8	2.1	1.6	1.4	1.3	1.4	1.5	1.6	1.7	1.9	1.7	1.7	1.7	1.7	1.5	1.6
Average real interest rate on domestic debt (in percent)	3.0	1.9	2.6	2.7	2.7	2.4	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.6	1.6	2.5
Real exchange rate depreciation (in percent, + indicates depreciation)	2.8	-10.0	4.5	--	--	--	--	--	--	--	--	--	--	--	2.3	--
Inflation rate (GDP deflator, in percent)	1.5	0.8	1.7	2.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	1.4	2.9
Growth of real primary spending (deflated by GDP deflator, in percent)	7.1	-27.7	17.6	14.1	3.0	5.7	8.4	7.9	8.1	5.8	6.1	5.8	6.1	6.1	10.1	7.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.1	4.4	-2.2	4.1	3.2	3.2	2.9	2.8	2.6	1.8	1.6	1.6	1.6	1.6	0.0	2.6
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	0.0	0.0	0.0		

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 (Δ: a primary surplus), which would stabilize 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, 2019–29 (In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	17	17	16	16	15	14	14	13	12	12	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	17	23	29	36	42	48	54	61	66	72	77
B. Bound Tests											
B1. Real GDP growth	17	17	17	16	16	15	14	13	12	12	12
B2. Primary balance	17	18	20	19	19	18	18	18	17	17	16
B3. Exports	17	21	28	27	26	25	23	22	21	20	19
B4. Other flows 3/	17	26	34	33	32	30	29	27	26	24	23
B5. One-time 30 percent nominal depreciation	17	21	16	16	15	14	14	13	12	12	12
B6. Combination of B1-B5	17	27	32	31	30	28	27	26	24	23	21
C. Tailored Tests											
C1. Combined contingent liabilities	17	20	19	19	18	18	18	17	16	16	16
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	51	50	48	45	42	39	37	35	33	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	53	71	90	107	125	142	158	173	188	201	214
B. Bound Tests											
B1. Real GDP growth	53	51	50	48	45	42	39	37	35	33	32
B2. Primary balance	53	57	61	59	56	54	53	51	49	47	46
B3. Exports	53	76	119	113	107	100	94	88	83	77	72
B4. Other flows 3/	53	80	106	100	94	89	83	78	73	68	63
B5. One-time 30 percent nominal depreciation	53	51	40	38	36	34	32	29	27	27	26
B6. Combination of B1-B5	53	90	93	111	105	98	92	87	81	75	70
C. Tailored Tests											
C1. Combined contingent liabilities	53	61	59	56	54	52	51	48	46	44	43
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	4	4	5	5	5	5	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	4	4	4	5	7	8	9	10	11	11	12
B. Bound Tests											
B1. Real GDP growth	4	4	4	4	4	5	5	5	5	4	4
B2. Primary balance	4	4	4	4	4	5	6	6	5	5	4
B3. Exports	4	5	6	7	8	8	9	8	8	8	8
B4. Other flows 3/	4	4	4	5	6	6	7	6	7	7	6
B5. One-time 30 percent nominal depreciation	4	4	4	4	4	5	5	5	5	4	3
B6. Combination of B1-B5	4	4	6	6	7	7	8	8	8	8	7
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	4	4	5	5	6	5	5	4	4
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	6	6	6	6	7	7	8	8	7	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	6	6	7	8	10	12	14	15	16	17	18
B. Bound Tests											
B1. Real GDP growth	6	6	6	6	7	7	8	8	7	6	5
B2. Primary balance	6	6	6	7	7	8	8	8	8	7	6
B3. Exports	6	6	6	8	8	9	9	9	9	9	8
B4. Other flows 3/	6	6	7	9	9	9	10	9	10	10	9
B5. One-time 30 percent nominal depreciation	6	8	7	7	8	9	9	9	8	7	6
B6. Combination of B1-B5	6	7	7	8	9	10	10	9	10	10	9
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	6	6	7	8	8	8	7	6	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 2019–29

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	67	63	59	55	51	48	44	41	37	34	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	67	67	66	66	65	65	65	64	64	63	63
B. Bound Tests											
B1. Real GDP growth	67	64	61	57	54	50	47	44	41	38	35
B2. Primary balance	67	70	72	68	64	60	55	52	48	44	41
B3. Exports	67	67	70	65	61	57	53	49	46	42	38
B4. Other flows 3/	67	72	77	72	68	63	59	55	51	47	43
B5. One-time 30 percent nominal depreciation	67	63	57	52	47	42	37	33	29	24	20
B6. Combination of B1-B5	67	66	63	52	49	45	42	38	36	33	30
C. Tailored Tests											
C1. Combined contingent liabilities	67	74	69	65	61	57	53	49	45	42	39
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	280	259	238	217	197	178	161	146	133	120	109
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	280	273	267	258	250	241	233	228	222	217	214
B. Bound Tests											
B1. Real GDP growth	280	262	244	224	205	188	171	158	145	132	123
B2. Primary balance	280	285	290	267	245	223	203	186	170	155	142
B3. Exports	280	275	281	257	234	213	194	177	161	145	132
B4. Other flows 3/	280	297	311	285	260	237	216	198	180	163	148
B5. One-time 30 percent nominal depreciation	280	263	235	208	183	160	139	120	102	86	71
B6. Combination of B1-B5	280	274	255	207	188	170	153	139	127	114	103
C. Tailored Tests											
C1. Combined contingent liabilities	280	302	279	256	234	212	192	176	161	146	134
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	46	48	33	33	32	31	29	26	24	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	39	46	50	35	35	35	34	33	30	30	26
B. Bound Tests											
B1. Real GDP growth	39	46	49	34	33	33	32	31	27	26	22
B2. Primary balance	39	46	50	36	36	41	46	38	29	29	27
B3. Exports	39	46	49	34	34	33	32	30	27	26	22
B4. Other flows 3/	39	46	49	35	35	34	33	31	28	28	23
B5. One-time 30 percent nominal depreciation	39	44	47	33	32	32	30	28	25	23	19
B6. Combination of B1-B5	39	44	47	32	32	31	30	28	26	25	21
C. Tailored Tests											
C1. Combined contingent liabilities	39	46	50	35	35	44	42	31	28	28	26
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, 2019–29 ^{1/}

Customization of Default Settings			Borrowing Assumptions for Stress Tests*		
	Size	Interactions		Default	User defined
Tailored Tests			Shares of marginal debt		
Combined CLs	Yes		External PPG MLT debt	100%	
Natural Disasters	n.a.	n.a.	Terms of marginal debt		
Commodity Prices ^{2/}	n.a.	n.a.	Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Market Financing	n.a.	n.a.	USD Discount rate	5.0%	5.0%
			Avg. maturity (incl. grace period)	27	27
			Avg. grace period	6	6

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.

* 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 2029. 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 extreme 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, 2019–29

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	36%	36%
Domestic medium and long-term	64%	64%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	3.5%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.6%	3.6%

* 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 2029. 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 extreme 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)**

Fiscal Adjustment and Possible Growth Paths 1/

**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.

Table 5. Togo: External Debt Sustainability Framework, Debt Reprofiting Scenario, 2016–39
(In percent of GDP, unless otherwise indicated)

	Actual				Projections										Average 8/		Definition of external/domestic debt Is there a material difference between the two criteria?	Currency-based
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Historical	Projections		
External debt (nominal) 1/	20.2	19.7	20.5	30.3	29.5	28.8	28.1	27.2	26.1	22.6	22.6	22.6	22.6	22.6	20.7	26.2		
<i>of which: public and publicly guaranteed (PPG)</i>	20.2	19.7	20.5	30.3	29.5	28.8	28.1	27.2	26.1	22.6	22.6	22.6	22.6	22.6	20.7	26.2		
Change in external debt	-1.5	-0.5	0.8	9.8	-0.8	-0.7	-0.7	-0.9	-1.0	-0.4	-0.4	-0.4	-0.4	-0.4				
Identified net debt-creating flows	15.2	-1.9	0.4	2.6	1.3	0.7	0.1	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	9.4	0.2		
Non-interest current account deficit	9.4	1.6	4.6	6.0	5.1	4.7	4.4	4.2	4.1	4.1	4.1	4.1	4.1	4.1	7.4	4.4		
Deficit in balance of goods and services	18.4	10.5	12.3	12.9	12.5	12.0	11.6	11.3	11.3	11.2	11.2	11.2	11.2	11.2	16.6	11.6		
Exports	35.3	33.1	31.3	32.1	32.3	32.5	33.2	33.6	34.1	36.1	36.1	36.1	36.1	36.1				
Imports	53.7	43.5	43.6	45.0	44.8	44.5	44.8	45.0	45.4	47.3	47.3	47.3	47.3	47.3				
Net current transfers (negative = inflow)	-7.6	-8.3	-7.0	-6.8	-6.8	-6.7	-6.6	-6.6	-6.5	-6.4	-6.4	-6.4	-6.4	-6.4	-7.7	-6.6		
<i>of which: official</i>	-1.6	-2.2	-1.1	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2	-1.2	-1.2				
Other current account flows (negative = net inflow)	-1.3	-0.5	-0.7	-0.1	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-1.4	-0.5		
Net FDI (negative = inflow)	6.8	-2.5	-2.5	-2.7	-3.0	-3.2	-3.5	-3.6	-3.7	-3.8	-3.8	-3.8	-3.8	-3.8	2.6	-3.5		
Endogenous debt dynamics 2/	-1.0	-1.0	-1.8	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7				
Contribution from nominal interest rate	0.4	0.4	0.3	0.3	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5				
Contribution from real GDP growth	-1.1	-0.8	-0.9	-1.0	-1.5	-1.5	-1.4	-1.4	-1.4	-1.3	-1.3	-1.3	-1.3	-1.3				
Contribution from price and exchange rate changes	-0.3	-0.6	-1.2	...	...	...	...	...	...	...	...	...	...	...	-13.1	0.0		
Residual 3/	-16.6	1.4	0.4	7.2	-2.0	-1.4	-0.8	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0				
<i>of which: exceptional financing</i>	0.0	0.0	0.0	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	...	...	15.6	25.2	24.2	23.4	22.5	21.5	20.3	15.1	15.1	15.1	15.1	15.1				
PV of PPG external debt-to-exports ratio	...	...	49.8	78.6	74.8	71.9	67.7	63.9	59.6	41.8	41.8	41.8	41.8	41.8				
PPG debt service-to-exports ratio	4.9	5.9	4.9	3.9	5.0	4.6	4.8	5.3	5.6	6.5	6.5	6.5	6.5	6.5				
PPG debt service-to-revenue ratio	9.3	10.7	7.5	6.3	8.0	7.3	7.5	8.1	8.5	9.4	9.4	9.4	9.4	9.4				
Gross external financing need (Billion of U.S. dollars)	0.2	0.3	0.5	0.6	0.6	0.6	0.7	0.8	0.8	1.3	1.3	1.3	1.3	1.3				
Key macroeconomic assumptions																		
Real GDP growth (in percent)	5.6	4.4	4.9	5.1	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.7	5.4		
GDP deflator in US dollar terms (change in percent)	1.2	2.9	6.4	-1.0	4.1	3.6	3.7	3.4	3.7	3.0	3.0	3.0	3.0	3.0	-0.6	3.0		
Effective interest rate (percent) 4/	1.8	2.0	1.7	1.3	2.3	2.3	2.4	2.4	2.4	2.2	2.4	2.2	2.4	2.2	1.5	2.2		
Growth of exports of G&S (US dollar terms, in percent)	5.3	0.6	5.6	6.7	10.4	9.8	11.7	10.4	10.7	9.9	10.8	9.9	10.8	9.9	4.6	9.9		
Growth of imports of G&S (US dollar terms, in percent)	-0.7	-12.9	11.9	7.3	9.2	8.5	9.9	9.5	10.2	9.5	10.3	9.5	10.3	9.5	4.4	9.3		
Grant element of new public sector borrowing (in percent)	...	...	...	13.8	40.5	40.5	40.3	40.2	40.2	42.4	42.4	42.4	42.4	42.4	...	38.2		
Government revenues (excluding grants, in percent of GDP)	...	18.2	20.3	19.9	20.3	20.7	21.3	21.9	22.6	25.0	24.7	25.0	24.7	25.0	17.9	22.5		
Adt flow (in Billion of US dollars) 5/	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5				
Grant equivalent financing (in percent of GDP) 6/	...	...	...	5.8	5.2	5.2	5.2	5.2	5.1	5.2	5.2	5.2	5.2	5.2	...	5.3		
Grant equivalent financing (in percent of external financing) 6/	...	...	...	35.1	75.9	76.4	76.6	76.7	76.8	73.0	73.0	73.0	73.0	73.0	...	72.3		
Nominal GDP (Billion of US dollars)	4	5	5	6	6	7	7	8	9	13	30	30	30	30				
Nominal dollar GDP growth	6.9	7.4	11.6	4.1	9.6	9.2	9.3	9.0	9.3	8.6	8.6	8.6	8.6	8.6	5.1	8.5		
Memorandum items:																		
PV of external debt 7/	...	...	15.6	25.2	24.2	23.4	22.5	21.5	20.3	15.1	15.1	15.1	15.1	15.1				
In percent of exports	...	...	49.8	78.6	74.8	71.9	67.7	63.9	59.6	41.8	41.8	41.8	41.8	41.8				
Total external debt service-to-exports ratio	4.9	5.9	4.9	3.9	5.0	4.6	4.8	5.3	5.6	6.5	6.5	6.5	6.5	6.5				
PV of PPG external debt (in Billion of US dollars)	...	...	0.8	1.4	1.5	1.6	1.6	1.6	1.7	1.8	2.0	2.0	2.0	2.0				
(PVt-PVt-1)/GDP-1 (in percent)	...	...	10.7	10.7	13.3	13.3	12.2	0.9	0.7	0.4	1.2	1.2	1.2	1.2				
Non-interest current account deficit that stabilizes debt ratio	10.9	2.1	3.8	-3.8	5.9	5.4	5.1	5.1	5.2	4.5	4.5	4.5	4.5	4.5				

Sources: Country authorities and staff estimates and projections.

1/ Includes debt of the central government and public entities.

2/ Derived as $(1 - g - p)(1 + r - p)$ times previous period debt ratio, with r = nominal interest rate, g = real GDP growth rate, and p = 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 6. Togo: Public Sector Debt Sustainability Framework, Debt Reprofiting Scenario, 2016–39
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 5/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	81.4	75.5	76.2	72.2	68.1	63.8	59.7	55.7	51.9	35.8	30.7	64.7	52.9
of which: external debt	20.2	19.7	20.5	30.3	29.5	28.8	28.1	27.2	26.1	22.6	21.8	20.7	26.2
Change in public sector debt	9.2	-5.8	0.6	-4.0	-4.0	-4.4	-4.1	-4.0	-3.8	-3.0	0.4		
Identified debt-creating flows	5.5	-5.7	-1.8	-3.6	-3.7	-4.1	-3.8	-3.8	-3.6	-2.9	0.4		
Primary deficit	7.2	-1.5	-1.6	0.2	-0.7	-1.0	-1.0	-1.0	-1.0	-1.0	2.0		
Revenue and grants	21.6	21.4	23.9	24.0	24.4	24.8	25.4	26.0	26.7	28.8	26.4		
of which: grants	2.9	3.2	3.6	4.1	4.1	4.1	4.1	4.1	4.1	3.8	1.7		
Primary (noninterest) expenditure	28.7	19.9	22.3	24.2	23.7	23.7	24.4	25.0	25.6	27.8	28.4		
Automatic debt dynamics	-1.7	-4.2	-1.4	-2.6	-3.0	-3.1	-2.8	-2.7	-2.6	-1.9	-1.7		
Contribution from interest rate/growth differential	-2.2	-2.3	-2.3	-2.4	-2.6	-2.7	-2.5	-2.4	-2.2	-1.2	-1.0		
of which: contribution from average real interest rate	1.6	1.2	1.3	1.3	1.1	0.8	0.7	0.7	0.6	0.8	0.5		
of which: contribution from real GDP growth	-3.8	-3.4	-3.5	-3.7	-3.6	-3.5	-3.3	-3.1	-2.9	-2.0	-1.6		
Contribution from real exchange rate depreciation	0.6	-1.9	0.8	--	--	--	--	--	--	--	--		
Other identified debt-creating flows	0.0	0.0	1.2	-1.1	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		
Debt relief (HPC and other)	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	0.0	1.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.7	-0.2	2.4	-0.7	-0.8	-0.6	-0.5	-0.5	-0.5	-0.7	-0.6		
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	71.8	67.0	62.8	58.3	54.1	50.0	46.0	28.3	23.0		
PV of public debt-to-revenue and grants ratio	...	...	300.7	279.3	257.5	235.3	212.7	192.1	172.6	98.1	86.9		
Debt service-to-revenue and grants ratio 3/	...	...	55.5	57.7	72.5	38.7	32.3	26.8	27.8	28.9	18.2		
Gross financing need 4/	19.1	18.9	13.4	16.5	9.0	7.0	5.8	6.2	6.7	4.2	4.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.6	4.4	4.9	5.1	5.3	5.4	5.4	5.4	5.4	5.4	5.4		
Average nominal interest rate on external debt (in percent)	1.8	2.1	1.6	1.4	2.3	2.3	2.3	2.4	2.4	2.1	1.7		
Average real interest rate on domestic debt (in percent)	3.0	1.9	2.6	2.7	2.5	2.2	2.2	2.2	2.2	1.9	2.2		
Real exchange rate depreciation (in percent, + indicates depreciation)	2.8	-10.0	4.5	--	--	--	--	--	--	--	--		
Inflation rate (GDP deflator, in percent)	1.5	0.8	1.7	2.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0		
Growth of real primary spending (deflated by GDP deflator, in percent)	7.1	-27.7	17.6	14.1	3.0	5.7	8.4	7.9	8.1	5.8	6.1		
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.1	4.4	-2.2	4.2	3.3	3.3	3.1	2.9	2.8	2.0	1.6		
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/	
of which: local-currency denominated	
of which: foreign-currency denominated	

2019	2021	2023	2025	2027	2029
70	55	45	35	25	15
35	25	15	5	5	5
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
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35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
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35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	30
35	30	30	30	30	

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 (i.e. a primary surplus), which would stabilize 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.

Figure 6. Togo: Indicators of Public Guaranteed External Debt under Alternatives Scenarios for the Debt Reprofilng Scenario, 2019–29 ^{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	2.4%	2.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
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 2029. 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 extreme 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 7. Togo: Indicators of Public Debt Under Alternative Scenarios for the Debt Reprofiting Scenario, 2019–29

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	53%	53%
Domestic medium and long-term	47%	47%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	3.5%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.6%	3.6%

* 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 2029. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.