**Statement by an IMF Mission to Togo**

May 16, 2011

An International Monetary Fund (IMF) mission headed by Mr. Marshall Mills visited Lomé from April 26 to May 13, 2011 to conduct discussions on the sixth review of Togo's economic program supported by the Extended Credit Facility (ECF) and consultations under Article IV of the IMF Articles of Agreement. The mission met with National Assembly President, El Hadj Abass Bonfoh, Prime Minister Gilbert Houngbo, Minister of Economy and Finance, Adji Otèth Ayassor, National Director of the regional central bank, Kossi Tenou, and other senior officials. The mission also had productive discussions with parliamentarians, academics, and representatives of civil society, trade unions, donors, and the private sector.

At the conclusion of the mission, Mr. Marshall Mills issued the following statement:

"Economic growth continues to accelerate steadily in a context of macroeconomic stability. Growth is estimated at 3.7 percent in 2010, compared to 3.2 percent in 2009, and is driven mainly by the primary sector, port activities, and public investment. Inflation has remained moderate at 1.4 percent in spite of the increase in international food and petroleum prices, reflecting abundant local food production consumed by the population and petroleum product price subsidies. Fiscal performance was satisfactory in 2010; the budget deficit stood at 1.6 percent of GDP, well below its 2009 level, reflecting very strong revenue collection and spending discipline. Meanwhile, the current account deficit of the balance of payments is expected to widen to 7.2 percent of GDP in 2010, mainly reflecting rising international oil prices and imports of capital goods related to public works but is adequately financed.

Concerning the monetary situation, growth in credit to the economy picked up reflecting private sector confidence and the ongoing economic recovery. After reaching the completion point under the

Highly Indebted Poor Countries initiative (HIPC), the total government debt of Togo fell by 37 percentage points of GDP to about 30 percent of GDP, thus providing the country a renewed, strong solvency. The need to close a significant infrastructure gap continues to justify a fiscal stance that enables an acceleration of public investments while at the same time maintaining the sustainability of public finances and public debt.
In this context, the implementation of the 2011 budget has been broadly satisfactory during the first 3 months of 2011. However, the composition of expenditure for the year could be affected by unexpected expenses to subsidize petroleum product prices. Given the continuing high international oil prices, the government plans to reestablish its policy of reflecting market prices in 2011, following a social dialogue on targeted social support measures, and to take the measures necessary to safeguard the sustainability of public finances.

Thus, the budget is expected to have a deficit of 2.9 percent of GDP and to maintain the acceleration of investment spending despite budget modifications.

The implementation of the economic and financial program supported by the ECF has been generally satisfactory. The 2010 budget execution was consistent with the objectives of the program, and structural reforms have progressed well despite delays in some areas.

The arrears clearance process is continuing, although it proceeding more slowly than the authorities desire because creditors have been slow to claim the amounts due to be paid. The authorities remain committed to the process for the privatization of public banks; this process is advancing with the establishment of a new privatization commission which is expected to propose a timetable leading to a call for expressions of interest by the end of June 2011. The mission urged the authorities to continue implementing their structural reform agenda to improve the efficiency of public finance management and to accelerate growth. The reform of the phosphate sector is particularly urgent, in light of the further fall in production in 2010. Continued reforms are also pressing in the electricity and telecommunications sectors to reduce costs to consumers and improve competitiveness.

The mission conducted discussions under Article IV of the IMF and suggested that the authorities start reflecting on the possibility of adopting fiscal rules that would enable them to safeguard the significant gains, achieved including by reaching the completion point of the HIPC initiative. The adoption of these rules should also be accompanied by a debt strategy that would guide the choice of financing instruments in the context of increasing public investment. Moreover, the acceleration of the implementation of structural reforms to improve the non-price competitiveness of the economy remains a priority for growth. From this point of view, the mission urged the authorities to further improve the business climate to attract private investment, which Togo will need to further accelerate productivity growth and create wealth.

With the completion of the sixth and final review, which the staff plans to recommend to the IMF Executive Board at a meeting expected in July, Togo would have successfully completed the program supported by the IMF. The program has broadly achieved its objectives, and the authorities intend to sustain the gains. The IMF stands ready to continue cooperation with the Togolese authorities to support them in these efforts.

The mission wishes to thank the authorities for their warm hospitality and high quality of discussions."