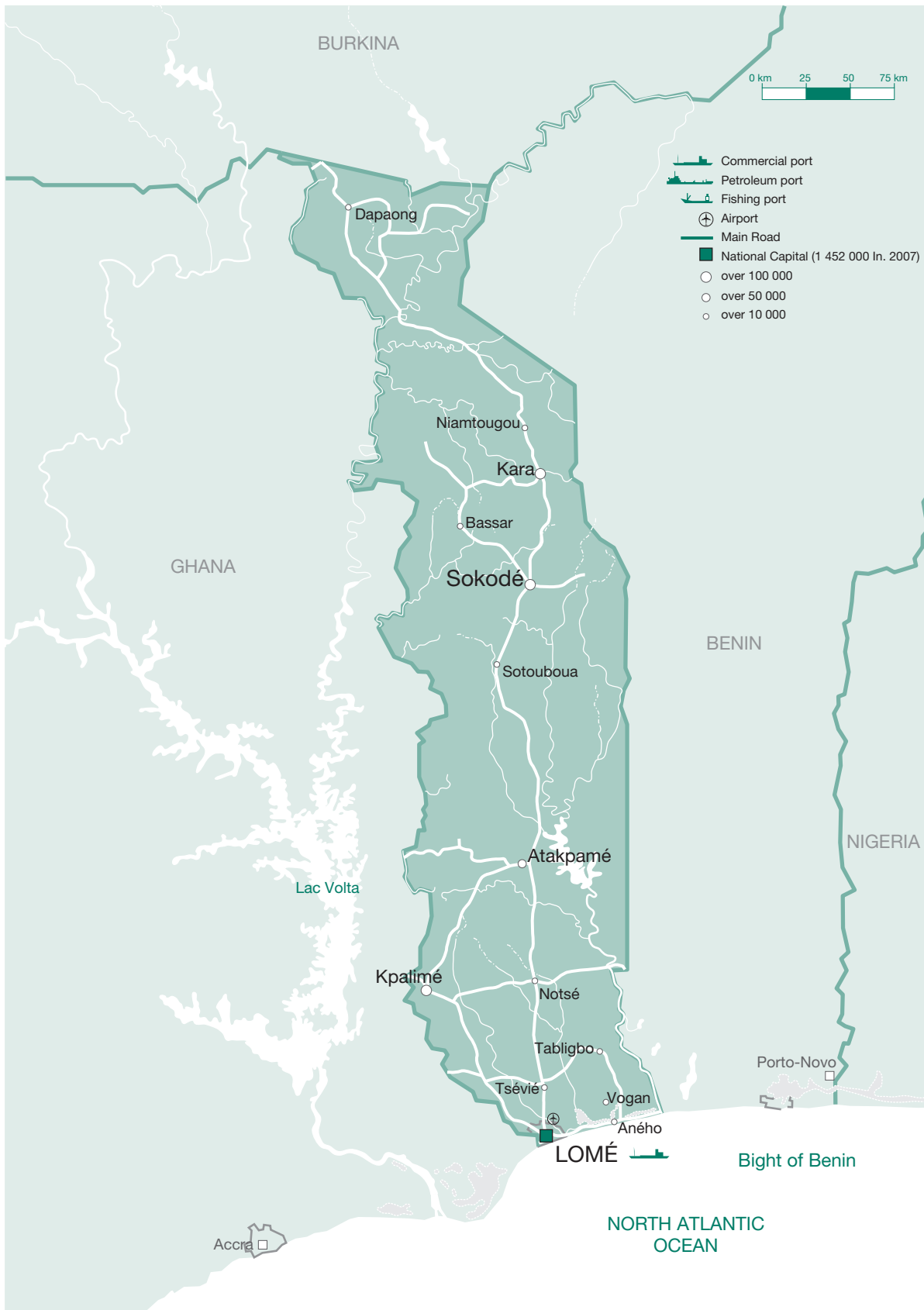


Togo
2011





This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Togo

Overview

Despite a difficult international environment, Togo maintained growth at 3.4%, which though not very strong, allowed the country to achieve the Heavily Indebted Poor Countries (HIPC) Initiative completion point. Growth is projected to continue at a slightly higher rate in 2011 and 2012, at 3.7% and 4%, respectively. The inflation rate has been estimated at 5.3% for 2010 versus 2.9% in 2009, and is projected at 2.4% for 2011.

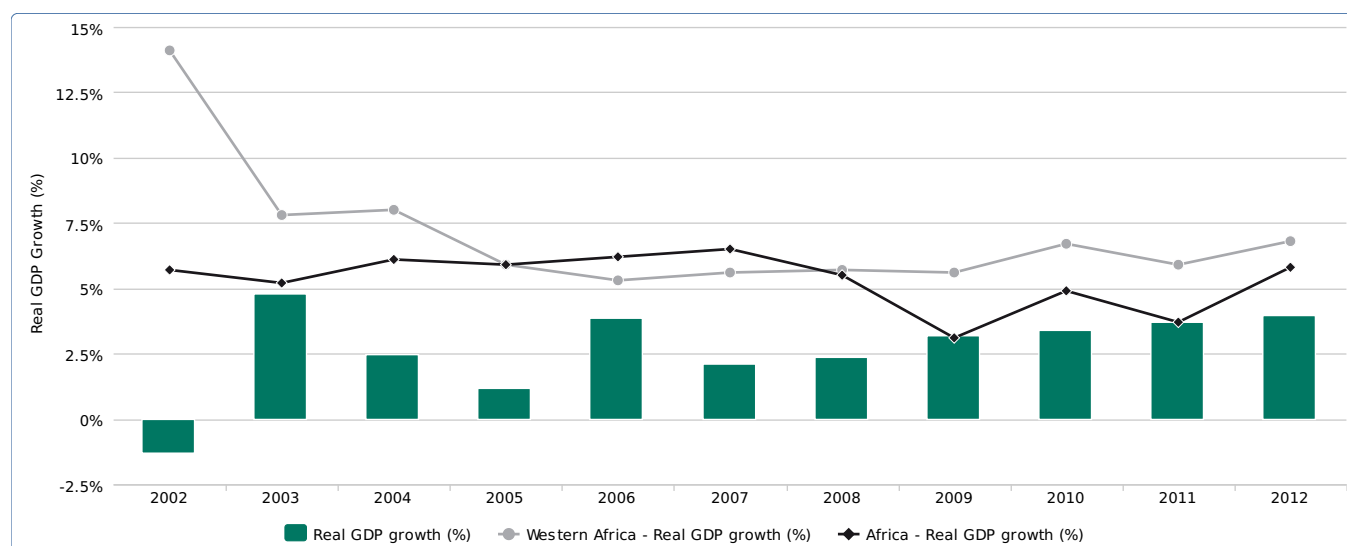
The primary sector, on which the Togolese economy relies, was negatively affected by bad rainfall in 2010. Nonetheless, thanks to support from the public authorities, its share of contribution to growth amounted to 1.3%. The good performance of the mining industries, with in particular a 14.3% increase in the production of clinker mining, also supported growth in 2010. On the other hand, renovation of the production facilities of the national phosphate company SNPT had no major effects in 2010.

Driven by the Port of Lomé, the tertiary sector reinforced its position as second most important contributor to growth. The authorities decided in 2010 to institute a one-stop window at the port in order to promote its competitiveness. The country's absorption capacity improved, as well as the rate of budget execution for public investments, which rose to 6.7% in 2010 versus 5.6% in 2009.

In 2010, the authorities continued to implement the economic and financial programme with support from the Extended Credit Facility (ECF). Thanks to the satisfactory performance of public finances and to compliance with economic and financial programme criteria, Togo was able to achieve the HIPC Initiative completion point in December 2010. Indebtedness will therefore decline and comply with the community standard of outstanding public debt lower than 70% of GDP. Togo's external debt could be brought down to 12.3% of GDP in current value. Combined with an internal debt at 17.9% of GDP, this would bring total public debt in current value within the limits of 30% of GDP.

Togo, which is a low-revenue country, counts on support from its technical and financial partners to achieve its development goals. Emerging partners such as China and India play an important role in the country's development-financing strategy.

Figure 1: Real GDP growth (W)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932404636>

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	3.2	3.4	3.7	4
CPI inflation	2.9	5.3	2.4	2.3
Budget balance % GDP	-5.5	-5.8	-5.6	-5.2
Current account % GDP	-6.6	-6.8	-5.5	-5

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932406992>

Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	39.3	42.7
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	3	3.2
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	8.6	7.9
of which hydrocarbon	-	-
Electricity, gas and water	3.2	2.6
Electricity, water and sewerage	-	-
Construction	2.5	2.2
Wholesale and retail trade, hotels and restaurants	11.2	7.8
of which hotels and restaurants	-	-
Transport, storage and communication	5.1	5.3
Transport and storage, information and communication	-	-
Finance, real estate and business services	9.3	8.6
Financial intermediation, real estate services, business and other service activities	-	-
General government services	9.6	9.3
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	8.3	10.3
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department; Ministry of Finance.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932407961>

Recovery continued in 2010 with a 3.4% growth rate versus 3.2% en 2009. This modest recovery still depends

on the primary sector, in which there was a slight progression in subsistence food crops (1.1%) and a strong one in cotton production (15%), the main cash crop. The primary sector thus achieved 3.3% real growth in 2010.

Agriculture represented 39% of real GDP in 2010. This performance owes a lot to measures taken to support farmers. Fertilisers were made available to cotton producers and the *Nouvelle société cotonnière du Togo* (NSCT), owned by the state and the Federation of Cotton Producers, started activities to strengthen confidence amongst cotton producers, who are now represented on the NSCT board of directors. Renovation of coffee orchards and maintenance of cocoa plantations continued. Performance would have been better than in 2009 were it not for erratic rainfall during the second quarter of 2010. These climate conditions were particularly adverse to paddy rice and maize, for which production fell by 8.7% and 0.9%, respectively.

Amounting to a 19.4% share of GDP, the secondary sector has remained the weak link of the Togolese economy. Nonetheless, the added value of this sector increased by 5.6% in 2010, versus 4% in 2009. This performance is due to the mining industries, clinker mining in particular, the production of which grew by 14.3% in 2010. The SNPT's efforts to renovate its production facilities did not produce significant effects in 2010, as phosphate production increased by only 1.5%.

The tertiary sector continued to contribute to one-third of GDP in 2010, at 30%. This reinforced its position as second-most important contributor to growth after the primary sector. This performance owes a lot to the role played by the Port of Lomé as entry port for the Sahel's land-locked countries (Mali, Niger and Burkina Faso). The one-stop window planned for the Port of Lomé will make it possible to strengthen its competitiveness as a trade hub and to increase customs revenues, port revenues in particular. Trade is now again growing, with a 12.4% added value in 2010 versus -4.6% in 2009. The transport and communications, and the banks and insurances sub-sectors also performed well thanks to an increase in credits to the economy. The added value of the non-commercial tertiary sector increased by 24.6% in 2010 versus 7.9% in 2009 thanks to an exponential growth in production related to banking services.

In 2011, limitations on electricity supply will be completely removed with the beginning of effective operations of the Contour Global power plant. Togo will have 100 MW of additional power. The national road network is to be extended in order to open up the rural areas. No less than 164 kilometres of rural tracks were opened in 2010 while 1 105 kilometres of tracks were renovated. About 17 kilometres of roads were asphalted and at least 30 kilometres of roads were renovated. Official development aid inflows should be maintained in the entire sub-region thanks to the end of the international financial crisis. This is important, as the countries of West Africa are the main importers of Togo's industrial products, cement and concrete-reinforcement steel in particular.

Growth-projection assumptions are based, internationally, on a limited rise in oil prices and on sustained sub-regional demand for Togo's industrial-product exports. Nationally, they are banking on increased agricultural production, with caution remaining the rule in the cotton sub-sector, as the NSCT is still in its start-up stage. Caution also prevails for the phosphate sub-sector because its production capacity is limited. These assumptions are otherwise based on continued infrastructure-reconstruction work and on a good performance of the manufacturing industries, of construction and construction-related industries, and of the energy, gas and water sub-sector. Trade is projected to be going in the right direction overall, and migrants' remittances to Togolese households should be maintained.

The big unknown variables are climate risks and external shocks. The main risks for 2011 and 2012 are a possible disappointing production of cotton and phosphates, weak competitiveness of the economy in the West African market and lower volumes of foreign direct investment (FDI).

As far as the labour market is concerned, there has been no public-administration hiring in 2010. There has been some hiring in the private sector reflecting the policy of reconstruction of economic and road infrastructure, but its importance has not yet been determined.

Togolese emigrant workers' remittances are still contributing additional resources to Togo's economy. Between August 2009 and August 2010, these increased by 18.2%, up from CFA Franc BCEAO (XOF) 64.35 billion to XOF 76.1 billion, a non-negligible contribution to the Togolese economy.

Final demand has been mostly driven by private consumption (81.8% of GDP in 2010), well above public consumption and gross fixed-capital formation (14.3% and 19.97% of GDP, respectively). The new law on government procurement started to bear fruit in 2010 with an improvement in the rate of execution of public-investment expenditure. Gross fixed-capital formation in the public sector reached a rate of 6.7% in 2010, versus 5.6% in 2009.

The trade-balance deficit worsened by 23% in 2010 as it rose to XOF 269 billion from XOF 219 billion in 2009. This deterioration is explained by a nearly 10% increase in imports due to an upward surge in the prices of food and petroleum products and to a high demand for the intermediate goods and equipment needed for road, energy and port rehabilitation.

Togolese exports had been expected to recover in 2010, but this did not happen. On the contrary, there was a slight fall in sales across borders, -0.69% compared to 2009, due to a nearly 5% fall in the volume of goods in transit to the Sahel's land-locked countries.

Trade activities, and the production and export of cotton and phosphate took a clear downward turn. Otherwise, re-export and transit activities decreased as a consequence of the impact of the global recession on the sub-region. Under the combined effect of the fall in the prices of oil and of that in the prices of domestic food products after abundant crops, inflation continued to fall during 2009 to an average of 2.9%, then went up in 2010 to 5.3%.

The total trade deficit was estimated to have remained high in 2010, at 6.8% of GDP, versus 6.6% in 2009. The public-infrastructure projects upped imports. A slight increase in direct exports has been observed, explained amongst others by an increase in exports of clinker, but attenuated by the global recession, which caused the prices and volume of cotton and phosphate exports to decline.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010	2011	2012	2010	2011	2012
Gross capital formation	16.7	18.7	11	9.7	8.3	2.2	2.1	1.9
Public	2	6.2	13	10	7	0.9	0.7	0.5
Private	14.7	12.5	10	9.5	9	1.3	1.3	1.3
Consumption	97.5	96.8	2.3	2.4	2.8	2.2	2.3	2.6
Public	11.9	14.2	3.5	1.8	1.8	0.5	0.3	0.2
Private	85.6	82.6	2.1	2.5	2.9	1.7	2.1	2.4
External sector	-14.2	-15.5	-	-	-	-1	-0.7	-0.5
Exports	34.9	35.5	3.1	4.2	4.2	1.5	2	2
Imports	-49.2	-51	3.8	4.1	3.8	-2.4	-2.6	-2.5
Real GDP growth rate	-	-	-	-	-	3.4	3.7	4

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932408930>

Macroeconomic Policy

Togo has been executing a Poverty Reduction and Growth Facility (PRGF) since early 2008, and it obtained an important reorganisation of its external debt in June 2008. The fourth ECF review concluded that the programme was being properly executed despite the global recession. All the key budget goals have been reached. There has been some progress in the country's structural measures. Public finances have remained healthy thanks to budgetary discipline. Accumulation of domestic arrears has been avoided in the face of economic pressure. Tax revenues rose, as they had in 2009, and non-tax revenues were more effectively mobilised. In addition, the Central Bank of West African States (CBWAS) granted Togo a loan as a result of the International Monetary Fund (IMF)'s allocation of special drawing rights. The combined effects of all these developments have, to some extent, strengthened Togo's budget to face the impact of the global recession.

Fiscal Policy

The deficit in the primary balance worsened to 5.8% of GDP in 2010 from 5.5% in 2009, even though net financing granted by the public authorities to the banking system was limited to XOF 13.3 billion at end June 2010, *i.e.* half of what had been projected. Two factors were at play in the programme set up to clear arrears: on the one hand, execution of the strategy to clear the arrears of the private sector turned out to be quite complex, and on the other hand, arrears to the power sector and to the oil companies were paid in the first quarter 2010. As a result, net clearing of arrears stood at XOF 31.8 billion at the end of June, under the XOF 58 billion ceiling that had been set for the period.

The rate of indebtedness increased from 80.4% in 2008 to 84.7% in 2009 and has been estimated at 85.9% for 2010, higher than the 70% community-convergence standard. In the framework of the PRGF/ECF programme currently in execution, the government is seeking to sign agreements on the settling of arrears to bilateral and multilateral creditors. Togo has committed to not accumulate arrears during 2010-15.

The ratio of the wage bill over tax revenues grew from 33.3% in 2008 to 41.2% in 2009, has been estimated at 39.1% for 2010 and is projected at 36.2% for 2011. This is higher than the 35% community standard, and due to the hiring of new civil servants. This evolution factors in the hiring projected in education and health. The ratio is projected to stand at 35.8% in 2012 and at 32.8% in 2013, which would then comply with the community standard.

The ratio of public investment financed from domestic resources over tax revenues grew from 12.9% in 2008 to 16.5% in 2009 and has been estimated at 21.7% for 2010. The scheduled rise in public expenditure and capital expenditure on domestic financing has reached 38.4%, which is higher than the 20% community standard. This ratio should fall from 29.6% in 2011 to 28.6% in 2012.

The rate of the tax burden increased from 14.9% in 2008 to 15.4% in 2009 and has been estimated at 15% for 2010, lower than the 17% community standard for West African Economic and Monetary Union (WAEMU) countries. The significant share of GDP represented by the primary sector constitutes one of the handicaps for improvement of the rate of the tax burden, as agriculture, like the informal economy, is not taxed. This rate should have improved by 2015. In 2011 and 2012, it is projected to be 16.3% and 16.6%, respectively, thus moving closer to the community standard.

In 2009, tax revenues, projected at XOF 223.6 billion, were collected for the amount of XOF 229.1 billion, or a 102.5% achievement rate. Non-tax revenues, projected at XOF 65.1 billion, were collected for the amount of XOF 22 billion, or a 33.8% collection rate, due to the payment of public-enterprise dividends at the end of the year. Overall, budget execution in 2009 was satisfactory in terms of revenues and grants. The credits allocated to expenditure and net lending remained within their respective budget envelope.

At the end of September 2010, tax revenues, projected at XOF 224.7 billion, had been collected for the amount of XOF 185.5 billion, a 82.4% achievement rate. Non-tax revenues, projected at XOF 26.76 billion, had been collected for the amount of XOF 36.3 billion, a 136.7% performance rate. Grants, which had been budgeted for the amount of XOF 83.65 billion, had been collected for the amount of XOF 15.5 billion, an 18.5% collection rate. Credits allocated to expenditure and net lending, estimated at XOF 430.72 billion, were executed for the amount of XOF 244.3 billion, or a 56.7% execution rate. Current expenditure, projected at XOF 227.54 billion, was executed for the amount of XOF 166.3 billion, a 73.1% execution rate. Investment expenditure, projected at XOF 203.17 billion, had been executed for the amount of XOF 76.1 billion, or a 37.4% achievement rate.

Implementation of the measures included in the financial programme signed with the IMF and the World Bank aimed at reducing tax exemptions in 2010 should bring tax revenues to 16.7% of GDP, a share that reflects the global environment and the country's development pace. The authorities intend to reinforce the efficiency and fairness of the tax system by reinforcing tax administration, extending the tax base and further decreasing tax rates with a view to shrinking the share of the informal sector in the economy.

In short, the budget policy conducted in 2010 was a cautious recovery policy that generated a 3.4% growth rate. Overall balances as a percentage of GDP have been projected for 2011 and 2012 at -5.6% and -5.2%, respectively.

Thanks to the achievement of the HIPC Initiative completion point on 14 December 2010, Togo's indebtedness will then be within the 70% community standard. Togo's external debt could be brought down to 12.3% of GDP in current value. Combined with an internal debt at 17.9% of GDP (excluding non-audited arrears), this would bring Togo's public debt to about 30% of GDP in current value. In keeping with its commitments, Togo now privileges soft loans. Fiscal policy in 2011 and 2012 will be guided by discipline and geared to support growth. The budget situation remains a challenge for the government. It constitutes an important reference point for continuation of the PRGF/ECF programme. Whatever deficits there are will probably be financed by international financial institutions and donors, as well as by mobilising funds on the regional financial market.

Togo's absorption capacity of foreign aid has improved, though a few difficulties remain. The administration is slow in publicising public-contract awarding reports. There are also insufficiencies in procurement reports. Public contracts can be signed as long as five months after donors have issued no-objection statements. There is also a problem with successful tenderers' not meeting contractual deadlines for completing works, as well as with delays observed in the signature and transmission of accounts to donors for payment of the enterprises.

Medium-Term Expenditure Frameworks (MTEFs) were set up in April 2009 to ensure good budget management, but the process has yet to be completed.

External debt accounts for the lion's share of total public debt, about 63%, the rest being internal debt.

The numbers for 2009 and at end-September 2010 show tax-revenue collection as efficient despite the tax-burden rate's being lower than the 17% community standard. This performance is explained by the various reforms implemented in the revenue-collecting agencies for tax auditing and collection, and fighting against tax evasion. These reforms include in particular a limitation of exemptions granted to economic operators and custom-clearance control via the Sydonia software at the General Directorate of Customs.

Mobilisation of public resources remains a major challenge for Togo because its tax base is narrow. The problem lies both in the fact that a large part of agriculture is not taxed, and in the growing informal economy, mainly small businesses. This problem is compounded by tax evasion and fraud, as well as by the dubious efficiency of the rules on tax revenues and exemptions.

Some of the reforms are aimed at broadening and diversifying the tax base. The system that determines the value of imports is set to be improved at the customs level. There should be less underinvoicing of second-hand vehicles and less fraud in petroleum products. The tax department seems to be effectively collecting value-added taxes (VAT), corporate taxes and individual income taxes. This is why the tax rates had been lowered by 7 percentage points for corporate taxes and by 3 percentage points for income taxes.

An important aspect of fiscal policy is aimed at reducing the number of accounts held by public administrations in commercial banks and in the central bank. A single account for the Treasury is being planned. Budget expenditure, for investment projects in particular, should become more efficient thanks to improvements in financial auditing and the elimination of redundant stages in the expenditure chain.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	12.5	18.2	17.6	16.4	16.7	16.8	16.7
Tax revenue	11.3	15.3	14.9	14.5	14.4	14.2	14
Oil revenue	-	-	-	-	-	-	-
Grants	0.3	1.7	2.1	1.1	1.6	1.9	2
Other revenues	-	-	-	-	-	-	-
Total expenditure and net lending (a)	13.1	17.8	17.9	21.9	22.5	22.4	21.8
Current expenditure	11.7	16.2	14.3	15.7	15.8	15.4	14.7
Excluding interest	10	14.9	13.6	14.9	15	14.6	14.1
Wages and salaries	5	5.3	5	6.3	6.2	6	5.9
Goods and services	1.5	2.5	4.2	2.7	2.8	2.7	2.6
Interest	1.7	1.3	0.8	0.9	0.8	0.8	0.6
Capital expenditure	1.4	2	3.5	6.2	6.7	7	7.1
Primary balance	1.1	1.6	0.5	-4.7	-5	-4.8	-4.6
Overall balance	-0.6	0.4	-0.2	-5.5	-5.8	-5.6	-5.2

a. Only major items are reported.

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932409899>

Monetary Policy

The monetary policy of Togo, a WAEMU member country, is conducted by the CBWAS, which sets real interest rates according to economic conditions. This policy has been marked since 2009 by the maintenance of amounts for CBWAS weekly liquidity-injection offers to cover the needs expressed by banks. During the third quarter of 2010, this brought about a slight rise in the weighted average rate of the weekly offers and, as a consequence, in the average weekly interbank rates.

Activity on the regional financial market recovered in the third quarter 2010. The regional stock-exchange (*Bourse régionale des valeurs mobilières* – BRMV) indexes moved up after declining slightly in the first quarter of 2010. The BRVM 10 index and the BRVM composite index were reported on 30 September 2010 at 69.98 points and 147.67 points, respectively, versus 162.89 points and 142.76 points on 30 June 2010. This rise is due to the progression of prices in agriculture and public services.

Total market capitalisation increased by 4.2% to XOF 3 691.6 billion at end September 2010, after a 1.3% decline in the previous quarter. This evolution is due both to a 7.7% growth in bond market capitalisation and to a 3.7% increase in the share market.

The Harmonised Index of Consumer Prices (HICP), with its base at 100 in 2008, rose to 104.5 in the second quarter of 2010. The HICP stood at 104.9 in June 2010 versus 104.0 in June 2009, a 0.9% increase due to rises in the “salts and spices” (21.7%), “health” (19.2%) and “education” (12.2%) categories. The inflation rate has been estimated at 5.3% for 2010.

At the end of December 2010, the monetary situation was marked by an estimated 0.6% fall in net external assets compared to the end of 2009, a 16.6% regression in internal credit and a 5.6% reduction of the monetary mass. Net external assets were estimated at the end of December 2010 at XOF 242.7 billion versus

XOF 244.7 billion in 2009, *i.e.* a 0.6% contraction, which was induced by a 39.3% fall in the net external assets of commercial banks. Internal credit has been estimated at XOF 339.5 billion for 2010 versus XOF 407.2 billion in 2009, *i.e.* a 16.6% contraction. This is due to the deterioration of credit to the economy from XOF 295 billion in 2009 to XOF 253 billion in 2010.

External Position

The international financial crisis and structural reforms in Togo affected the balance of payments, which was expected to be zero in 2010. The current deficit of XOF 159.7 billion is equal to the surplus of net capital flows.

The current-account deficit has been estimated for 2010 at XOF 159.7 billion, or XOF 63.2 billion more than in 2009, an aggravation due to the deterioration in the trade, services and revenues balances. The deficit in revenues has been estimated to have expanded in 2010 by XOF 1.1 billion from 2009 due to a rise in the interests on public external debt. Such interests increase along with the progression of financing from external resources and the growth in the dividends paid on foreign direct investments. Excluding grants, the deficit in the current balance of payments has been estimated at 6.8% of GDP in 2010 versus 6.6% in 2009.

The surplus in the balance of the current account and in financial operations has been estimated for 2010 at XOF 159.7 billion (10.2% of GDP), or XOF 58.1 billion more (3.7% of GDP) than the XOF 101.6 billion surplus of 2009 (6.7% of GDP). This evolution is estimated to have been the result of the XOF 17.6 billion growth in net project grants, as well as of direct investments amounting to XOF 5 billion and of drawing from external resources for the amount of XOF 45.3 billion.

Table 5: Current account (percentage of GDP)

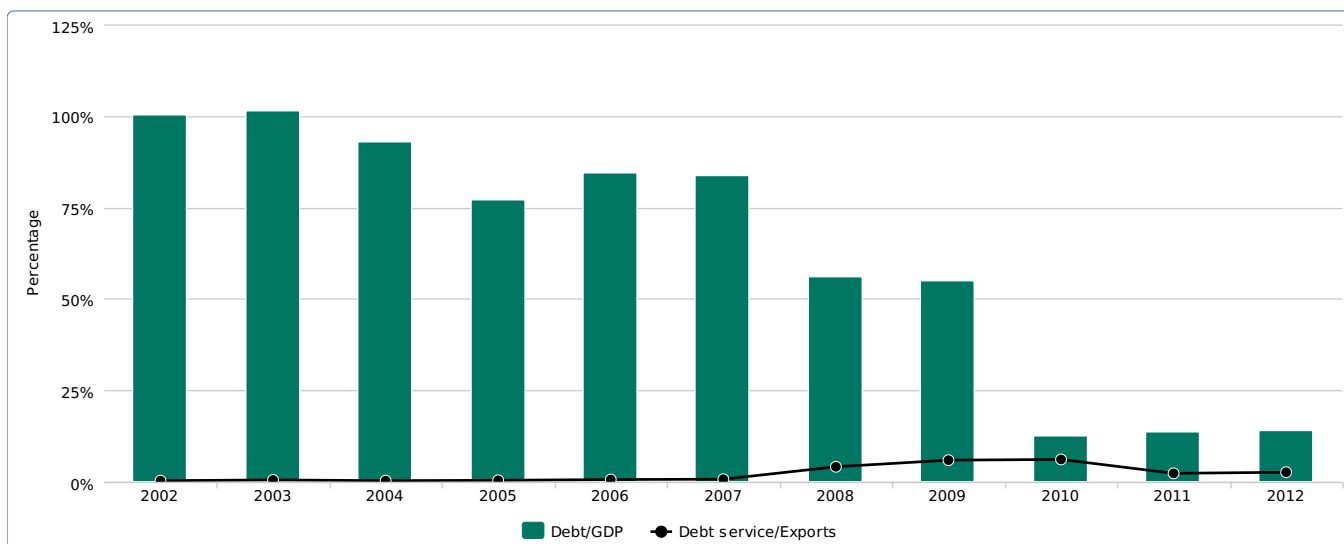
	2002	2007	2008	2009	2010	2011	2012
Trade balance	-10.7	-16.2	-14.7	-12.7	-13.2	-12.6	-11.6
Exports of goods (f.o.b.)	28.4	26	26.4	27.7	28.1	28.4	29
Imports of goods (f.o.b.)	39.1	42.2	41.1	40.3	41.2	41.1	40.6
Services	-3.9	-2.7	-2.4	-3	-2.5	-2.4	-2.2
Factor income	-1.5	-1.2	-0.5	-0.4	-0.5	-0.3	-0.4
Current transfers	6.2	11	10.2	9.5	9.3	9.8	9.2
Current account balance	-9.9	-9.1	-7.4	-6.6	-6.8	-5.5	-5

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932410868>

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932404636>

Structural Issues

Private Sector Development

Togo's overall ranking in the World Bank 2011 *Doing Business* report improved to 160th out of 183 countries, from 162nd in 2010. This ranking reflects efforts to promote the private sector. Measures in favour of starting a business included a more incentive regulatory framework; in addition, there has been a 40% reduction in registration fees and the time for administrative procedures to be completed is now limited to a maximum of three days. Corporate taxes went down by 7% in 2009 and by 3% in 2010. A new investment code is in the works, as well as a new law on the export processing zone aiming to promote investments and the adoption of a charter for small and medium-sized enterprises and industries (SMEs and SMIs).

There are still many challenges to overcome to achieve a competitive private sector able to play its role driving growth. These include the sluggish bureaucracy handling international trade, protecting investors and contract enforcement, a slow legal system, difficulties in access to credit, and insufficient support to small and medium enterprises. Other problems are the absence of a quality-promotion framework and of a culture of intellectual property rights.

Togo's authorities began restructuring the banking system in 2009 and continued to do so in 2010. Privatisation of public banks is still on the agenda and the expected revenue is earmarked for reimbursement of the internal debt. With help from the WAEMU banking commission, the authorities expect to maintain rigorous oversight over the management of public banks until the privatisation process has been completed. As part of the rationalisation of public banks, there was good progress in 2010 in the institution of a structure for the recovery of unproductive loans acquired by the state. A financial and organisational audit was conducted in 2010 to re-energize the national pension fund (CRT), which included an actuarial survey within an overall strategy to clear the state's social debt.

Other Recent Developments

In 2010, Togo finalised its strategy to reform public finances. The priorities for 2010 and 2011 are in budgetary planning and the execution of expenditure, the tax system, and treasury management. Above all, the plan is to reduce exceptional tax exemptions as much as possible, customs-related exemptions in particular. Tax collectors are to be named within customs and tax administrations. The public-finances management software SIGFIP is to be extended to the revenue-collecting agencies. The draft of a new customs code is to be adopted. A monthly steering system is to be launched to manage treasury, with complete data and within the appropriate periods, both for tax collection in all state agencies and for state expenditure. The idea is also to apply a new institutional framework for treasury management and to reinforce the management of public debt through the development of an indebtedness strategy compatible with the budgetary goals for 2011-15.

As for budget governance, execution procedures have been simplified in order to reduce the time periods in the chain of expenditure. Financial control has been reinforced and the SIGFIP software has made it possible to reduce the auditing period from seven to five weeks. A decree to modify the expenditure circuit was issued in June 2010, limiting commitment processing to only two echelons, that of the credit administrator and that of the financial auditor. The goal is to accelerate the execution of investment expenditure.

A new automatic mechanism to set the prices of petroleum products has been adopted to limit budget risks and attenuate the social impact of sharp fluctuations. Since then, automatic and frequent adjustments have made it possible to smooth the prices at petrol stations, but this has not prevented the fuels sector from remaining a significant challenge in public finances. Consumption of fuels as a percentage of GDP is amongst the highest in Africa. These past few years, taxes on fuels have amounted to about 2.7% of GDP and 20% of tax returns. A recent decline in sales of fuels has reduced the tax base. This decline has been due to shortages at the stations resulting from greater smuggling across borders. Insofar as the international prices of oil were not completely passed on to the prices of fuel at petrol stations, the government's liabilities to oil companies increased significantly in 2007-08, at the time of the fuel crisis. The importance of the government's arrears in payments to the oil companies led private enterprises to stop imports. The public authorities' management of imports has increased budgetary risks. The authorities set up the automatic mechanism to set the prices of fuel to meet all these challenges.

Emerging Economic Partnerships

Togo benefits from aid from several emerging countries, in grants or loans, in a variety of fields. These countries are mostly from Asia (China, India and South Korea), but also from Latin America (Brazil and Cuba), the Arab world (Saudi Arabia, Kuwait, Egypt, Morocco, Tunisia, Algeria and Libya), as well as Turkey. Aid is essentially directed to infrastructure (China and Libya), agriculture (South Korea and Brazil), basic education (China), higher education, including scholarships (Morocco, Tunisia, Algeria, Cuba and Turkey), health (India, China, Iran and Cuba) and social housing (India). Given the enormous range of needs, this aid supplements, rather than competes with help from the traditional partners, France, Germany and the European Union.

Togo's relations with its emerging partners are set up according to bilateral co-operation agreements, which are monitored periodically by mixed commissions. The foreign ministry and ministry of planning manage these relationships.

China, whose grants and loans amounted to USD 121.3 million in 2008, is a bigger emerging partner than India, and it is also more important than several of the traditional partners. Beijing was the leading supplier of grants in 2008 with aid estimated at USD 118.4 million, followed by the EU (USD 29.1 million), the United Nations (USD 25.8 million), France (USD 18.2 million) and Germany (USD 2.0 million). China was Togo's third most important lender in 2008 to the tune of USD 86 million, after the EU (USD 5.8 million), the World Bank, and before France (USD 2.4 million).

Since the beginning of Togo-China relations in 1972, Beijing has funded 26 development projects in infrastructure, health, agriculture and sport. In 2008, 18 projects were in progress, the most important of which were: Section 2 of the Lomé by-pass road (USD 81.8 million); construction of a pilot agricultural centre (USD 6.4 million); road-construction equipment (USD 4.7 million); rehabilitation and construction of three bridges (USD 3.2 million); and the construction of two rural primary schools (USD 1.6 million).

Political Context

Togo experienced a political crisis in the wake of the advent of a multi-party system in the early 1990s. The government then organised several dialogue forums with the opposition parties. These discussions led the government to make 22 commitments to reinforce Togo's democracy. An overall political agreement was approved and signed on 20 August 2006. Legislative elections were postponed several times and finally held in October 2007, which made it possible for the country to re-establish relations with its development partners.

After the death of his father, General Gnassingbé Eyadéma, Faure Gnassingbé was elected president in 2005 under disputed conditions, in a poll marked by violence (according to the United Nations, 500 persons were killed). He was re-elected in 2010 in a climate that was not as tense, though the elections were again disputed. The opposition parties pointed out a number of flaws both in how the register of electors was reviewed and in the procedure that led to proclaiming the election results. According to the authorities, these irregularities were not enough to mar the whole of the election process.

The government has attempted to improve its governance through a reform process focused on improving the management of state services and on involving civil society in the development of projects. Reform of the police force, begun in 2010, is projected to be deepened in 2011. The year 2010 was marked by a number of strikes, amongst others in the urban-transport sector following the rise in the prices of fuel. Otherwise, health agents demanded higher wages.

Social Context and Human Resource Development

The social context has been marked by an appeasement of the political climate and the persistence of poverty. According to the results of a survey on basic well-being indicators (called Quibb) conducted in 2006 and then again in 2009, 61.4% of Togo's population is affected by poverty. According to the 2006 survey, poverty is deeper in the rural world (74.3% of the population) than in the urban zones (36.7%). There are important regional disparities, and poverty affects households headed by men (64.2%) more than those headed by women (50.1%).

In spite of a difficult economic environment, the government has taken specific measures to achieve greater progress in the direction of the completion of the Millennium Development Goals (MDGs), which at the moment are still beyond Togo's reach. A decree has been issued making primary education free. Integrated vaccination campaigns have been reinforced, as well as the distribution of insecticide-sprayed mosquito nets and of nutrient products. Awareness campaigns on HIV/AIDS and care for HIV-positive persons have also improved.

The education system has given mixed results. The gross enrolment rate improved from 92% in 2007 to only 104% in 2009, for which the goal was 108%. The primary-school completion rate deteriorated between 2008 and 2009 (it fell by 1 percentage point), reflecting greater numbers of drop-outs. The gross rate of admissions to the first year of primary education (CP1) improved distinctly, from 90% in 2008 to 120% in 2009, better than the 105% goal that had been set for 2009.

The health-services development programme also gave a mixed performance. There was clear improvement in vaccine coverage at the national scale. Thanks to well-targeted actions (Vitamin A-supplement distribution, albendazole-based pest control and the distribution of insecticide-sprayed mosquito nets), the infant mortality rate fell sharply from 123 per one thousand live births in 2006 to 70 per one thousand live births in 2009. The share of children under five years old affected by serious malaria remained high, at 13.5%, in 2009, well under the 5% target set for that year. Similarly, HIV/AIDS prevalence amongst persons 15 to 49 years old rose to 3.16% in 2009, whereas the national programme to fight against AIDS had projected to maintain the share reported in 2008 (2.40%).

The rate of access to safe drinking water of the rural populations reached 37.85% in 2009, still quite short of the 49.60% MDG. In the field of sanitation, the 2015 MDG is set for 55% of the rural populations to have latrines. In 2009, this rate levelled off at 11.85%, well below the projected rate of 37%. This weak performance does, however, mark some improvement with respect to 2007 and 2008.

As far as gender equality is concerned, the girl/boy parity in secondary education deteriorated from 80% in 2007 to 72.5% in 2009. Achieving parity in secondary education will thus still require important efforts. Otherwise, the share of women in government (13.3%) remained stable between 2008 and 2009. The government set up after the presidential election of March 2010 comprises 22.6% of women.

As for social welfare, coverage of wage-earners in the formal private and the parapublic sectors rose from 2.6% in 2008 to 2.8% in 2009. On the other hand, the frequency rate of occupational accidents increased from 7.1% in 2008 to 7.5% in 2009, where the goal had been to make it fall to 7%. Efforts are required in this area.