

Report No. 21410

Togo Country Assistance Evaluation

November 20, 2000

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Abbreviations and Acronyms

ARPP	Annual Review of Portfolio Performance
CAE	Country Assistance Evaluation
CAR	Country Assistance Review
CAS	Country Assistance Strategy
CFA	Communaute Financière Africaine (African Financial Community)
CFAF	CFA Franc
CNCA	Caisse Nationale de Credit Agricole
CPMP	Country Portfolio Management Paper
ERAC	Economic Recovery and Adjustment Credit
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
HCR	“Haut Conseil de la République”
OED	Operations Evaluation Department
OHADA	Organization pour l’Harminization du Droit des Affaires (Regional Organization for Business Law Reform)
OTP	Office Togolais des Phosphates (Togolese Phosphate Company)
PFP	Policy Framework Paper
QAG	Quality Assurance Group
SAC	Structural Adjustment Credit
SSA	Sub-Saharan Africa
UEMOA	Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union)
UMOA	Union Monétaire Ouest Africaine (West African Monetary Union)
UNHCR	United Nations High Commission for Refugees

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MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

Togo: Country Assistance Evaluation

Attached is a *Country Assistance Evaluation* (CAE) prepared by the Operations Evaluation Department. A draft of this evaluation was distributed to CODE in December 1997. This report is now being re-issued for the purpose of public disclosure.

Togo's adjustment performance was one of the best among CFA countries from 1984 to 1990. But violent political turmoil disrupted the process and real GDP fell by 22 percent between 1991 and 1993. Following the devaluation of the CFA franc in January 1994 and the legislative elections held in March of the same year, the economy made a strong recovery. Nevertheless, real GDP per capita remains 10 percent lower in 1997 than it was in 1990 and poverty has increased in the 1990s. The political situation is fragile. Germany has suspended its assistance to Togo and assistance from the US has been curtailed.

Bank activities in Togo, which were considerably reduced during the period of turmoil, resumed with the Board review of the first CAS in June 1995. The proposed Bank strategy aimed at restoring normal conditions and macroeconomic achievements in the past 30 months reached or exceeded the targets set in the base case scenario.

The 1995 CAS focused on three short-term objectives. Macroeconomic stability was restored. Progress was also made toward rehabilitating essential transport and energy infrastructure. But the Bank was less successful in restoring basic health and education services, and improving human resource policies. The outcome of the recently closed "health and population project" was rated unsatisfactory, and the two active operations now considered at risk are both dealing with education.

The 1995 CAS did not focus on demographic and gender issues. Little progress was made in reducing the fertility rate which is among the world's highest, and alleviating poverty without reducing fertility would be a painfully slow process. Average consumption per capita has fallen by about 30 percent since 1980. Private consumption per capita is projected to increase by 1.4 percent a year between 1996 and 2004 in the high case scenario. At this rate, the 1980 per capita consumption level would not be reached for another 25 years.

The assessment completed in June 1996 showed that poverty was predominantly a rural problem which was particularly severe in the two northern regions. Policy reforms supported by the Bank contributed to improving the farmers' purchasing power by raising the share of the export price going to the producers of cotton, coffee and cocoa. The two projects approved in September 1997 aim at restructuring agricultural research and extension services and improving transport facilities. But raising labor productivity in agriculture remains in doubt and the quality of support services needs to be radically improved. In general, little progress was achieved in increasing the efficiency and sustainability of natural resource management.

The success of several recent operations has been facilitated by the quality of the economic and sector work and by building up constituencies in favor of reform. The approach needs to be pursued. In parallel, portfolio management efforts should be intensified.

The 1997 CAS Progress Report provides a clear and fair assessment of what has been achieved so far.

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1. The Context

1. During the first 20 years following independence in 1960, patterns of economic growth were somewhat similar in Togo and Côte d'Ivoire. Both countries had their golden years from 1960 to the mid-1970s with real GDP increasing by about 7 percent annually. After the boom in phosphate prices in 1975,¹ Togo embarked on an expansionary investment program and created a multitude of public enterprises which became money losers, in much the same way as Côte d'Ivoire did after the 1977 boom in coffee prices. When prices started to fall, both countries borrowed heavily and fell into financial troubles when interest rates rose sharply in 1981. Togo's external debt service skyrocketed from 11 percent of export earnings in 1973 to 76 percent in 1981, and its real GDP fell by more than 4 percent a year from 1980 to 1983. Thereafter, the performance of the two countries diverged.

2. Starting in 1984, Togo successfully implemented a series of adjustment programs and real GDP rose by 3.4 percent a year from 1984 to 1989. While Côte d'Ivoire was in the midst of a severe financial crisis and Benin was in chaos, Lomé (Togo's capital) was booming. Lomé replaced Cotonou in Benin as the transit point between Nigerian traders anxious to acquire convertible currencies and CFA countries needing cheap Nigerian goods. By 1988-89, Lomé had become a trade and financial hub for the subregion. But prosperity did not last. Lomé soon became the theater of violent political confrontations.

3. Ethnic tensions have remained latent with occasional outbursts of violence. The independence leader and first President—Sylvanus Olympio—was assassinated in 1963 and President Eyadéma assumed full powers in 1967 with an army predominantly recruited from the northern region (see Box 1.1). A coup was attempted in 1986, but failed. The political and military power was in the north, while the economic power was in the south.

4. The south attempted to come to political power through elections in the early 1990s when the wind of democratization was blowing over the region. In May 1990, President Kérékou's regime was replaced by a democratically elected government in neighboring Benin. In June 1990, French President Mitterrand told African leaders that the level of French assistance would be linked to progress toward democratization ("Discours de La Baule"). In March 1991, President Traoré's regime fell in Mali. The southern population of Togo, especially in Lomé, was then at the top of its economic power and believed that the time had come for increasing its political power through elections. The quasi-totality of the population in Lomé opposed President Eyadéma, which explains how a general strike lasted for more than eight months and how Lomé truly became a dead city ("Lomé, ville morte") in the spring of 1993, when more than half of the population left the capital.

¹ From the 1970-72 average to 1975, the price of phosphate rocks sextupled in current dollars and almost quadrupled in constant dollars. From 1975 to 1989, the price was halved in nominal terms and reduced by two-thirds in constant dollars.

Box 1.1: Political Events

- 1960** Independence.
- 1963** President Olympio is assassinated.
- 1967** President Eyadéma assumes full powers.
- 1986** Aborted coup.
- 1990** **May:** Président Kérékou is replaced in Bénin by a democratically elected government.
June: President Mitterrand announces that French assistance to African countries will be linked to progress on democratization (discours de La Baule). This leads to the establishment of National Conferences in several French-speaking African countries.
October: Riots erupt in Lomé to protest against the trial of two trade union leaders accused of circulating subversive leaflets (“l’affaire des tracts”).
- 1991** **March:** Président Traoré’s régime falls in Mali.
April: Following the discovery of 26 bodies dumped in the Lomé lagoon soldiers are lynched by the crowd. President Eyadéma accepts the principle of a “National Forum”.
July 8-August 28: The National Conference is in session; it is called Sovereign by the opposition, but not by the President.
September: A Prime Minister and 79 members of the “Haut Conseil de la République” (HCR) are nominated. The new government does not include members of Eyadéma’s party.
December: The army attacks the Primature with tanks; Germany suspends its assistance.
- 1992** **May:** The son of former President Olympio is attacked and severely wounded.
June: H. Cohen, US under-secretary of State, comes to Lomé and succeeds in temporarily calming the parties.
September: The new Constitution is adopted.
October: The government is sequestered by the army.
November: The “Grève Générale Illimitée” (general strike) is very widely followed.
- 1993** **January:** A joint German-French Ministerial visit in Lomé becomes the occasion of a huge demonstration. The army fires on the crowd. France and the EU stop their assistance. There is a massive exodus from Lomé: UNHCR estimated departures to Bénin and Ghana at 160 thousand and 120 thousand, respectively; in addition, many women and children are sent to the villages.
March: Aborted coup.
July: End of the general strike.
August: President Eyadéma is reelected for 5 years.
- 1994** **March:** The opposition gains a small majority in the legislative elections.
- 1995** **August:** The border with Ghana is reopened.
- 1996** **July:** After reelections for three contested seats, Eyadéma gains a 41 to 40 majority in Congress. The new government does not include members of the opposition parties.
- 1998** **September:** Scheduled presidential elections.
- 1999** **March:** Scheduled legislative elections.

5. Despite this bitter four-year political fight, progress was made toward democratization. Opposition newspapers enjoyed a wide circulation in Lomé throughout the political turmoil and the opposition parties secured a small majority in the March 1994 legislative elections. But, ultimately, the political power returned to President Eyadéma and to the north. The calm was

restored in 1994, because people were exhausted after the lengthy general strike, but political and ethnic tensions remained deep underneath. Attempts at forming governments of national unity repeatedly failed. The government constituted in September 1991 did not include members of the Presidential party and the latest government formed in August 1996 does not include any member of the opposition. Tensions remain between the south where the economic potential lies and the north where the political power resides. Presidential and legislative elections are scheduled for late 1998 and early 1999. Resurgence of the old rivalries and new eruptions of violence cannot be ruled out.

6. The political turmoil imposed a severe toll on economic activity and aid flows. In 1992-93, the modern sector collapsed, transit trade shifted from Lomé to Cotonou, external aid virtually disappeared and GDP fell by 22 percent in two years (see Box 1.2). In spite of a strong recovery, real GDP returned to its 1991 level only in 1996. But, population had increased by over 15 percent in the interim period, which brought per capita GNP to the equivalent of about \$300. External assistance remains substantially lower in 1997 than in 1990; in particular, German assistance has been suspended since December 1991, and assistance from the US has been curtailed.

Box 1.2: Economic Developments

1960-75: GDP increases by 7 percent a year. Population reaches 2.2 million in 1975.

1976-83: The commodity boom of the mid-1970s leads to over-ambitious investments and the proliferation of public enterprises. The fall of commodity prices and the increase in interest rates leads to a financial crisis in 1981.

1984-89: Togo implements strong adjustment programs. Recruitment in the civil service remains frozen from 1984 to 1990. Lomé becomes a trade and financial hub for the subregion. GDP increases by 3.4 percent a year.

1990-93: In a vain attempt to defuse social tensions, wages are raised in 1991 for civil servants and public enterprises employees. But the increasing socio-political unrest leads to the collapse of the modern sector. Real GDP remains flat from 1989 to 1991 and falls by 22 percent from 1991 to 1993. Government current revenues fall even more steeply.

1994-97: Economic recovery is spurred by major devaluation and end of political turmoil. Real GDP returns in 1996 to its 1991 level. Population reaches 4.5 million at end-1997.

2. Social Indicators

7. Social indicators compared relatively favorably with those of other African countries in 1970, but they no longer do. The net enrollment rate in primary schools fell from 71 percent in 1980 to 61 percent in 1994/95 for the country as a whole, with wide geographical and gender differences (Box 2.1). Rates are much lower in the north than in the south and for girls than for

boys, ranging from 88 percent for boys in the south to 22 percent for girls in the Savanna.² The quality of education deteriorated from 1984 to 1993, due to the lack of resources for non-wage expenditures and the increasing shortage of teachers. The latter was a consequence of the hiring freeze and the rise in the school age population in excess of 3 percent a year.

Box 2.1: Social Indicators

Primary Education: Net enrollment rates are estimated at 61 percent for the school year 1994/95 with rates ranging from 64 percent for girls and 88 percent for boys in the Maritime area to 22 percent for girls and 48 percent for boys in the Savanna. Most schools remained closed in 1992/93.

Health: Facilities are very unequally distributed. Although only 35 percent of the population lives in the Maritime area which includes Lomé, the region has 70 percent of the health personnel and receives close to 90 percent of the drug supply. Life expectancy (56 years) is about the same as in Côte d'Ivoire and slightly exceeds the African average.

Poverty: The 1987-89 household budget survey¹ shows poverty to be greater in rural than in urban areas and in the north (Kara and Savanna) than in the South (Maritime and Plateaux):

<i>Percentages of poor and very poor</i>	<i>Poor</i>	<i>of which: Very Poor</i>
Urban, of which:		
Lomé	17%	4%
Dapaong (Savanna)	24%	6%
Rural, of which:		
Plateaux	12%	4%
Kara	57%	38%
Savanna	69%	48%
Average for Togo	32%	17%

Demography: The fertility rate (about 7) is among the highest in Africa and population growth averages 3.1 percent a year.

1. Poverty Assessment, Table 2.1, p. 11.

² Togo is a narrow stretch of land (about 100 km. wide and over 500 km. long) divided in five regions which, going from south to north, are called: Maritime, Plateaux, Central, Kara and Savanna.

8. Togo devoted about 29 percent of its budget to education in 1995, against an average of 22 percent for Sub-Saharan Africa. In Togo as in Côte d'Ivoire, the problem is not so much a lack of budgetary allocations as the way in which money is spent. First, wages of teachers—which were aligned with the civil servants salary scale—are relatively high, while non-wage expenditures are very low. Second, internal efficiency is low because repetition and drop-out rates are very high; they were estimated in 1993/94 at 46 percent and 8 percent, respectively, which explains the wide difference between gross and net enrollment rates (102 percent against 61 percent).³ Third, external efficiency is low, because the drop-outs are not well prepared for their insertion in active life and most university graduates are unable to find an employment corresponding to their expectations and the qualifications they had acquired at a high cost for the State; the government is spending 43 times more for a university student than for a primary school pupil in 1995.

9. The education system is inequitable for three reasons. First, university students accounting for only 1 percent of the total student population receive 25 percent of the education budget. Second, 41 percent of the primary school teachers have to be remunerated by the parents in the rural north (Savanna) compared with only 17 percent in Lomé where parents have much higher incomes. Third, the number of girls account for 70 percent of the number of boys in primary schools, 33 percent at the secondary level and only 19 percent at the tertiary level.

10. The public health system is also inefficient and inequitable. Too much is spent on curative care at the expense of preventive care; too much is spent in Lomé and not enough in remote areas. Too much is spent on wages in relation to non-wage expenditures, drugs in particular.

11. The availability and quality of education and health services were lower in the north than in the south and the purchasing power of the population is also lower in the north than in the south. This appears clearly from the poverty profile drawn on the basis of the 1987-89 household budget survey which was conducted when per capita GDP was at its peak. At that time, the poor and very poor accounted respectively for 32 percent and 17 percent of the Togolese population, with extremes ranging from 17 percent and 4 percent for Lomé to 69 percent and 48 percent for the rural Savanna.

12. Poverty increased from 1989 to 1996 since per capita GDP declined by more than 20 percent during that period, but a new profile cannot be drawn before conducting a new household survey.⁴ The high population growth is one of the main obstacles to reducing poverty, and this obstacle cannot be removed without reducing the fertility rate, which at an estimated 7

³ The gross enrollment rate is calculated as the number of children registered in primary school divided by the number of children age 8 to 13 in the total population, while the net rate is the ratio of the number of children registered in school and belonging to a given age cohort by the number of children belonging to the same age cohort in the total population. The numerator is the same in both cases, but the denominator used in calculating the net rate is larger than the one used to calculate the gross rate since many children registered in primary school are older than 13.

⁴ Poverty is expected to have increased substantially in Lomé due to the informalization of the economy. The Plateaux area is the only region where it is possible that poverty did not increase due to the sharp increase in coffee producer prices in recent years.

children per woman of child-bearing age substantially exceeds the average of 5.7 for Sub-Saharan Africa.⁵

3. The Bank Response

13. Bank activity in Togo was considerably reduced during the political turmoil. Apart from a small engineering credit (\$2.75 million) made in May 1992 to Benin and Togo in connection with the Nangbeto dam, the population and health adjustment credit approved in February 1991 was the last IDA commitment before approval of the urban development project in May 1994, one month after the legislative elections narrowly won by the opposition and three months after the devaluation of the CFA franc. Normal commitments were resumed only in June 1995, when the Board reviewed the CAS and approved an education credit. One year later, the economic recovery and adjustment credit (ERAC) was approved.

14. In January 1994, when formal sector activities were only starting to return to normalcy, Togo had to deal with the devaluation of the CFA franc. Its policy reforms, which were supported by an ESAF approved by the IMF in September 1994, aimed at and succeeded in containing inflation and inducing a solid economic recovery (Figure 3.1 and Annex Table A). The Bank strategy outlined in the CAS aimed at restoring essential economic and social services. It was realistic by selecting only six objectives and drawing a distinction between what had to be achieved in the short term and in the long term.

Short-term Objectives

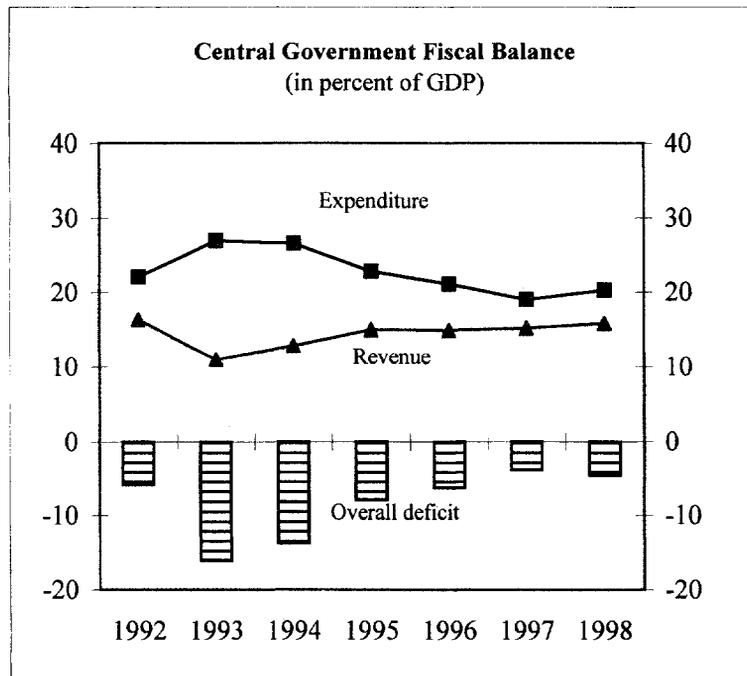
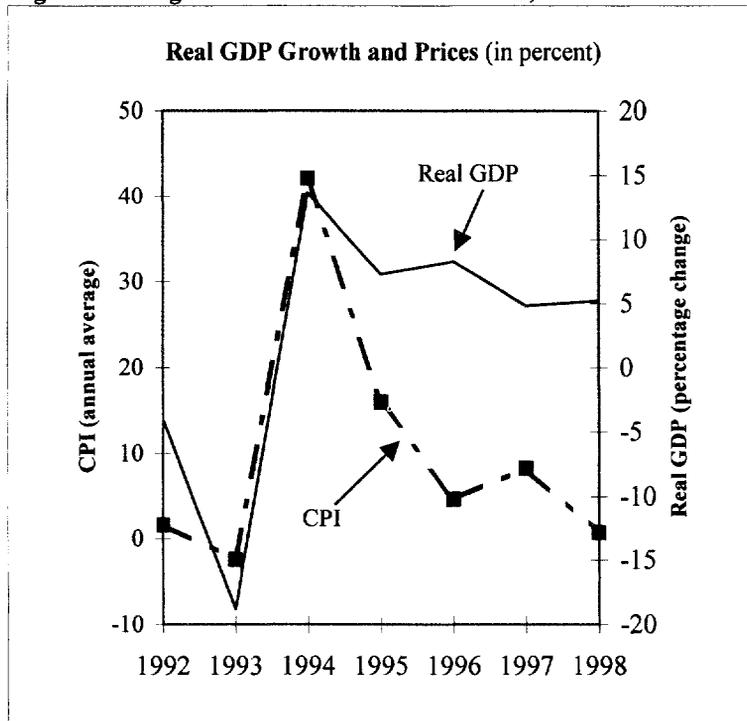
15. Substantial progress was made in restoring macroeconomic stability, and essential transport and energy infrastructure, which were two of the three short-term objectives. But the Bank was least successful in the education field, which was covered under the third objective. Among the nine presently active projects, the “vocational education and training project” approved in 1991 and the “education rehabilitation project” approved in 1995 are the only two which are considered at risk, as of October 1997.

Restoring Macroeconomic Stability

16. Most of the macroeconomic targets set after the devaluation have been reached. Although gross investment did not increase as much as anticipated in the base case scenario presented in the 1995 CAS, GDP growth was stronger than projected. A Fund mission visited Lomé in November 1997 and, following this review, the last purchase under the ESAF is expected to be made in early 1998. Satisfactory progress was made regarding tax revenues, reduction of external and domestic arrears and privatization. But more transparency in public expenditure management is still needed.

⁵ The total fertility rate for Sub-Saharan Africa (5.7) is taken from the *World Development Report 1997* which shows a fertility rate of 6.4 for Togo. However, the poverty assessment report states “The total fertility rate is 7.1 and has remained practically unchanged for the past two decades.” Quote from page 3, paragraph 9, second sentence of *World Bank Poverty Assessment*, June 25, 1996.

Figure 3.1: Togo - Selected Economic Indicators, 1992-98



Note: 1996 figures are estimates; 1997 and 1998 figures are projected.
 Source: IMF, *World Economic Outlook*, staff estimates and projections, November 1997.

17. Although improvements in the management of public expenditures fell short of expectations in 1996, some progress was made in 1997. In particular, a thorough review of public expenditures over the 1988-95 period was completed by the Togolese administration with the support of IDA. The review highlights the shortcomings of the present system in a very candid manner: unsatisfactory nomenclature and recording, lack of transparency, insufficient non-wage expenditures in relation to wage expenditures, excessive defense expenditures and low efficiency of public expenditures especially in agriculture. Since 1995, progress is noticeable in some areas. From 1995 to 1996, the share of public expenditures devoted to the military wage bill declined by 2 percentage points,⁶ while that devoted to education and health increased by 4 percentage points.

18. Good progress was made regarding privatization. A breakthrough seems to have been made for the "Office Togolais des Phosphates" (OTP). When the third Structural Adjustment Credit was negotiated in 1988, the OTP remained "off limits" for the Bank; this was a major consideration rating the credit outcome as unsatisfactory. Under the most recent adjustment credit (ERAC) approved in FY96, OTP's participation in a South-African fertilizer company has been sold and the proceeds are being used for reducing the domestic debt. In addition, 40 percent of OTP's shares have been offered for sale and the buyer will be responsible for managing the company. Bids will be evaluated in January 1998⁷ and the second tranche of ERAC will be disbursed when the government invites the selected bidder to negotiate. The forthcoming privatization of the OTP and the public utilities is expected to improve transparency in public finances, increase productivity and contribute to growth.

Rehabilitating Essential Transport and Energy Infrastructure

19. After neglecting road maintenance for four consecutive years, transportation facilities had deteriorated severely by 1995. This constituted a major obstacle to economic recovery and could have prevented Togo from regaining its previous position of trade intermediary with land-locked countries. Following the thorough discussion of a transport sector strategy with the various parties concerned and its adoption by the Government in 1996, a transport sector project was approved in September 1997. This project promotes the use of labor intensive techniques and the economic rate of return is allegedly extremely high.⁸ The power rehabilitation project, which was rated unsatisfactory at the latest ARPP, has been upgraded to satisfactory following the November 1997 supervision mission. This upgrading apparently results from the progress made by the private operator responsible for the interim management of the electricity company.

⁶ The Public Expenditure Review recommends that some units of the armed forces be employed in infrastructure works. This could improve the image of the army among the civilian population and, at the same time, provide useful training for the members of the armed forces who will have to be reinserted into the civilian labor force.

⁷ The date for receiving bids was extended to January at the request of the interested investors.

⁸ "Rehabilitation of road sections as currently proposed for IDA Credit financing show *an infinite or a 192 percent ERR*. The total net present value for rehabilitation, at a 12 percent discount rate, is estimated at CFAF 440 billion, while the net present cost is estimated at CFAF 37 billion." Paragraph 21 (italics added), Report P-7094-TO. The evaluator has difficulties to conceive a Bank project with a positive cost and an infinite rate of return.

Restoring Basic Health, Education and Urban Services

20. The implementation of the urban development project rehabilitated urban roads, drainage, and sanitation systems. It reduced urban unemployment since most work was done by small contractors using labor intensive techniques. On the health front, the main achievement was to increase access to essential drugs, generic ones in particular; but the outcome of the health and population adjustment credit recently closed was rated unsatisfactory.

21. As regards education, the two Bank projects encountered problems. More than one quarter of the amount committed in 1991 for the vocational education and training credit remains undisbursed and actual disbursements under the education credit approved in 1995 fall considerably short of the amounts projected at appraisal. If appropriate solutions to the problems are not found soon, the Bank intends to close the first credit and to suspend disbursements under the second before the end of FY98.⁹

22. Recruiting auxiliary teachers was the solution used to satisfy the need for more teachers without breaking the public wage bill constraint. By 1995, only two-thirds of primary and secondary school teachers had regular civil service status, while the remaining third had auxiliary status. Less than 40% of the auxiliaries are hired on a contract basis through a variety of government programs; the others are remunerated in cash or kind by local communities. As a result, teacher monthly salaries vary widely: CFAF 7,000 for those hired by local communities, CFAF 20,000 to CFAF 30,000 for those hired on government contracts and CFAF 90,000 (including benefits) at the starting level for those with the civil service status.¹⁰ The education project approved in June 1995 included a decentralized support fund for the payment of auxiliary teachers. The project encountered implementation problems from an early stage, notably regarding accounting and auditing.

Longer-Term Objectives

23. During the past two years, some improvement was noticeable in the private sector environment (first objective). Limited progress was achieved as regards human resources development (second objective), but little was done on the natural environment front which was the third long-term objective of the 1995 CAS.

Improving Private Sector Environment

24. In 1989, when Lomé was a trading hub for the subregion, Togo had one of the most liberal price and trade systems in Sub-Saharan Africa. Since 1995, further progress was made by eliminating a number of state monopolies involved in the export of cotton, coffee and cocoa. The labor code was revised and the government ceased to grant fiscal exonerations. Business laws are being harmonized in the context of OHADA (the regional organization for business law reform), but the financial sector remains unhealthy and its restructuring has been delayed.

25. Togo did not benefit from a financial sector restructuring credit in the late 1980s as many other UMOA countries did, because—at the time—the banking system was basically sound in

⁹ CAS Progress Report, paragraph 19.

¹⁰ *World Bank Poverty Assessment*, June 1996, Report 15526-TO, page 76.

Togo,¹¹ while it was bankrupt in Benin and very unhealthy in Côte d'Ivoire and Senegal. But the situation has now turned around and Togo has become the sick member of the UEMOA¹² banking community. With the collapse of government revenues in 1992-93, the government controlled banks extended credits to public enterprises, OTP in particular, which in turn provided money to a State desperately short of resources. A financial restructuring credit was included in the FY97 lending program presented in the 1995 CAS,¹³ but this credit has not yet been appraised. Restructuring and privatizing the banking system without further delay would be desirable for two reasons. First, it would remove an obstacle to the expansion of the private sector. Second, bank privatization would help in reducing potential financial leakages during the election period.

26. Financial restructuring should be supported by a radical reform of the judiciary system which is in a crisis stage. In a national conference held in December 1994, the ministry of justice acknowledged that there were only 60 magistrates for the entire country, that the operating budget was grossly inadequate and that back-logs were enormous.

Developing Human Resources and Alleviating Poverty

27. From the assessment issued in June 1996, poverty appears to be predominantly a rural problem which is particularly severe in the two northern regions (Kara and Savanna). Some measures have been taken to deal with this problem. Policy reforms supported by the Bank have contributed to improve farmers purchasing power by raising the share of the export price going to the producers of cotton, coffee and cocoa. The two projects approved last September aim at restructuring agricultural research and extension services and at improving transportation facilities, notably through a better maintenance of feeder roads. But the ultimate solution is to create an environment inducing agricultural labor productivity to increase.

28. The government has been providing services to agricultural producers, but the efficacy of these services is questionable. When government services were sharply curtailed in 1992-93, the value added by the agricultural sector increased. Even if the production increase was due to a temporary influx of manpower combined with relatively favorable weather conditions, the cut-back in government services did not seem to have much adverse effects on production. This suggests that the nature of support services is not appropriate. Some innovative features were introduced in the national agriculture services project approved in September 1997, but the efficacy of these new features needs to be closely monitored. One of the priority actions advocated in the poverty assessment was to improve the land tenure system and to promote land ownership. This will not be achieved without the support of a strong constituency. It will require careful preparation and much deliberations. Although it raises complex issues, it is an important structural problem.

29. The urban project provided additional employment and improved sanitation facilities. Such targeted interventions are useful but marginal and do not address fundamental issues of rural urban migration or unemployment. They ought to be combined with broader measures

¹¹ Apart from the "Caisse Nationale de Credit Agricole" (CNCA) which has been abolished and the "Banque Togolaise de Développement" which remains.

¹² The monetary union (UMOA) was transformed into an economic and monetary union (UEMOA) in 1994.

¹³ See 1995 CAS, page 17 and June 1997 PFP paragraph 16.

aimed at improving municipal management and the creation of a micro-enterprises friendly environment.

30. Although the 1995 CAS presents a broad-based growth strategy which emphasizes basic health services, gender equality and girls education, it did not address directly the demographic issue, which may be the most delicate but also the most basic. Between 1980 and 1995, infant mortality has declined by 20%, which is good. But the fertility rate has hardly changed and is now among the world's highest, which means that the rate of population growth may still be rising. Since 1980, population growth has far exceeded GDP growth and real consumption per capita was 30% lower in 1996 than in 1980. In the projections presented in the 1995 CAS, private consumption per capita increases by 1 percent a year from 1996 to 2004 in the base case scenario and by 1.4 percent in the high case.¹⁴ It implies that, even with the most optimistic assumption, average private consumption per capita would return to its 1990 level only in 2021.

31. Progress in alleviating poverty is, therefore, likely to be painfully slow unless the rate of population growth is reduced. Unfortunately, little has been done so far to induce a reduction in the rate of fertility. Sufficient resources should be devoted to a public relations campaign promoting population control. The fertility rate has declined sharply in a number of countries. Long established practices can also change in Togo, as demonstrated by the drafting of a law forbidding female genital mutilation.

Bank Lending and Portfolio Management

32. IDA gross commitments to Togo amount now to \$730 million,¹⁵ of which \$558 million are disbursed (Table 3.1). By end-1996, IDA accounted for 41 percent of Togo's external debt. Annual commitments averaged \$52 million in FY86-88 and \$40 million in FY89-91. They fell under \$10 million in FY92-94 during the period of political turmoil,¹⁶ but recovered to \$29 million in FY95-97 and would reach almost \$80 million in FY98-00 under the proposed lending program (Table 3.1 and Figure 3.2). Because the debt was entirely on IDA terms, net transfers to Togo always remained positive, even when gross disbursements fell to \$9 million in FY94. Adjustment lending accounted for one third of total IDA commitments to Togo, which corresponds to the average for Sub-Saharan Africa; ERAC is the only adjustment operation made since February 1991.

¹⁴ Penultimate rows of "Table 1, Base Case Macroeconomic Scenario" and "Table 2, High Case Macroeconomic Scenario," pages 1 and 3 of Annex C, CAS, June 2, 1995, Report No. 14560-TO.

¹⁵ An IBRD loan (\$3.5 million) was made in 1976 for CIMAO, a cement factory owned jointly by Côte d'Ivoire, Ghana and Togo. The loan has been fully repaid.

¹⁶ If the credit approved in April 1994 had been omitted, the annual average would have fallen to \$1 million.

Table 3.1: Togo - Commitments, Disbursements and Transfers
(in millions of US\$)

	<i>Gross Commitments</i>	<i>Gross Disbursements</i>	<i>Net Disbursements^a</i>	<i>Net Transfers^b</i>
FY69-91	538	388	380	361
FY92-94	29 ^c	58	53	43
FY95-97	87	106	96	84
FY98*	76	6	5	3
FY69-98*	730	558 ^d	534	491

*As of October 14, 1997.

a. Gross disbursement minus repayment of capital.

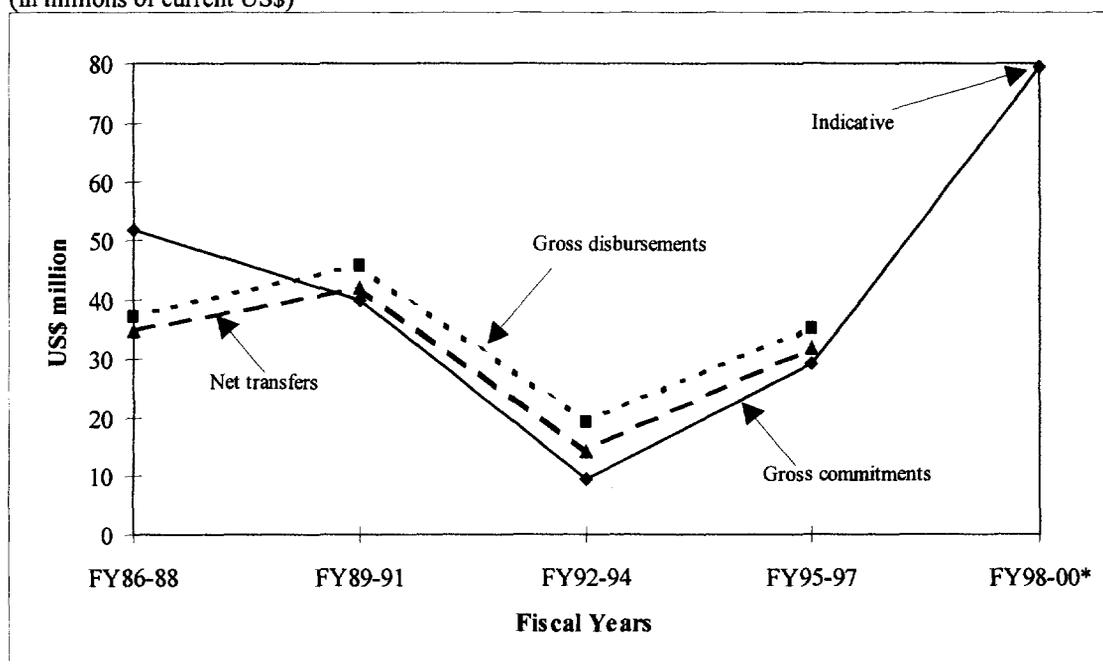
b. Net disbursement minus payment of interest and fees.

c. Togo/Benin Engineering (\$2.75 million) approved in May 1992 and Lomé Urban Development (\$26.2 million) approved in May 1994.

d. The \$172 million excess of gross commitments over gross disbursements consists of \$147 million not yet disbursed.

Source: Annex Table D.

Figure 3.2: Bank Gross Commitments, Gross Disbursements and Net Transfers; Yearly Averages over Five Consecutive Three-year Periods*
(in millions of current US\$)



*Commitment approved in September 1997 and proposal for the period ending in June 2000.

Sources: Annex Table D and Annex B3 in the 1997 CAS Progress Report.

33. The projects evaluated by OED rate poorly regarding outcome, sustainability of the reforms and institutional development impact. This is true whether ratings are compared with

Bankwide averages or averages for Sub-Saharan Africa (Table 3.2). The political turmoil of 1991-93 is only partly responsible for this poor performance. Of the seven projects approved since FY86 and evaluated, only one was rated with a satisfactory outcome. The frequency of satisfactory outcomes improves only slightly (from 54 percent to 59 percent) when projects closed after June 1990 are eliminated. When a comparison is made among sectors for which three or more projects were evaluated (Table 3.3), the frequency of satisfactory outcome is highest for transport (67 percent) and agriculture (65 percent). It is lowest for adjustment (44 percent) and technical assistance operations (0 percent).

Table 3.2: Ratings for Outcome, Sustainability of Reforms and Institutional Development Impact; Togo, Sub-Saharan Africa, World, FY68-97 (in percentages)

	<i>Outcome</i>		<i>Sustainability</i>			<i>Instit. Development Impact</i>		
	<i>Sat.</i>	<i>Unsat.</i>	<i>Likely</i>	<i>Uncertain</i>	<i>Unlikely</i>	<i>Subst.</i>	<i>Moderate</i>	<i>Negligible</i>
By Number of Projects								
Togo	54	46	24	35	41	22	45	33
SSA	61	39	31	38	31	20	48	32
World	72	28	45	35	20	29	46	25
By Net Commitment								
Togo	58	42	27	28	45	18	42	40
SSA	63	37	31	41	30	22	48	34
World	74	26	45	35	20	35	45	21

Sources: Annex Table B and OIS.

Table 3.3: Rating by Sector*

	<i>Satisfactory Outcome</i>	<i>Likely Sustainability</i>	<i>Substantial Instit. Development Impact</i>
By Number of Projects			
Transportation	60	0	0
Agriculture	57	25	25
Adjustment	40	25	0
Technical Assistance	0	0	0
By Net Commitment			
Transportation	67	0	0
Agriculture	65	25	42
Adjustment	44	27	0
Technical Assistance	0	0	0

*Limited to sectors with three or more projects for rated outcome.

Source: Annex Table B.

34. When the 1995 CAS was presented to the Board, ten projects were active, of which nine had been approved before the political turmoil. Five of those nine have now been closed and the remaining four are expected to be closed soon. Appropriately, the capabilities of the resident mission are being strengthened in order to enhance portfolio management, speed up project preparation and improve aid coordination.

35. The Bank strategy outlined in the 1995 CAS was realistic and achievements in the last 30 months meet or exceed the targets in the base case scenario. The 1997 progress report provides a clear and fair assessment of what has been achieved. In view of the political uncertainties, the next CAS has been postponed until after the elections. But assuming that the legislative elections are conducted as scheduled in March 1999, it would probably not be possible to issue the next CAS before September 1999, only nine months before the end of the FY98-00 period.

Table A: Togo - Selected Economic Indicators, 1991-99

	1991	1992	1993	1994	1995	1996	1997	1998	1999
						Est.	Projections		
(Annual percentage change, unless otherwise specified)									
Output, income, and prices									
Real GDP	-0.7	-4.0	-18.8	13.6	7.2	6.0	5.8	5.7	5.6
Real GDP per capita	-3.8	-7.3	-19.2	7.9	-4.2	3.0	2.8	2.7	2.6
Real consumption per capita	1.6	-3.5	-14.7	-4.5	1.2	4.9	0.7	0.4	1.0
Consumer price index (annual avg.)	0.3	1.6	-2.5	42.1	15.9	4.6	3.9	3.5	3.0
External sector									
Exports, f.o.b.	3.0	-22.0	-29.6	106.2	41.2	-0.5	18.1	10.6	11.3
Excluding re-exports	4.8	-24.7	-24.5	132.3	45.3	-7.4	23.6	10.8	11.8
Imports, f.o.b.	-8.2	-15.2	-34.3	65.6	48.4	8.3	9.9	8.6	8.5
Export volume	4.1	-14.0	-22.1	5.7	26.5	-6.6	8.6	8.5	8.8
Excluding re-exports	5.9	-17.1	-16.4	19.1	30.2	-13.1	13.7	8.7	9.3
Import volume	-9.7	-10.5	-35.1	-17.5	48.7	6.3	7.8	7.7	6.7
Terms of trade (decline -)	-2.6	-4.3	-10.7	-2.8	11.9	4.7	6.6	1.1	0.6
Current account balance (excl. transfers)	-9.1	-10.7	-9.2	-8.5	-8.3	-8.5	-6.6	-6.1	-4.7
Nominal effective exchange rate (CFA/US\$) ^a	4.9	12.9	10.5	-43.6	4.7	0.6	...	...	...
Real effective exchange rate (depreciation -)	-4.0	4.8	-3.2	-34.5	15.9	-0.6	...	...	...
Money and credit									
Net domestic assets	5.0	-2.7	5.9	10.2	24.2	-2.1	5.9	...	...
Credit to the Government	-5.9	1.7	5.1	10.9	7.4	0.1	3.9	...	...
Credit to the rest of the economy	14.6	-3.6	-9.1	-0.7	27.4	7.3	3.4	...	...
of which: public enterprises	...	...	8.8	13.8	24.1	-10.8	-9.2	...	...
Broad money	4.7	-13.9	-14.9	32.3	16.8	5.0	10.8	...	...
Velocity (GDP relative to average M2)	2.4	2.4	2.2	3.2	3.1	3.2	3.2	...	...
Public finances									
(In percent of GDP, unless otherwise specified)									
General Government revenue	17.5	16.2	10.9	12.8	14.9	15.2	15.8	16.1	16.4
Tax revenue	15.2	12.3	9.0	11.7	13.8	13.5	14.3	14.6	15.0
Nontax revenue	2.2	4.0	1.9	1.1	1.2	1.7	1.5	1.5	1.5
Grants	1.5	1.8	0.3	1.5	1.4	0.5	0.9	1.0	1.2
Expenditure	25.4	22.1	27.0	26.6	22.8	21.7	20.0	19.6	19.3
Current expenditure	20.9	18.6	24.7	24.1	19.3	18.9	16.9	16.5	15.9
of which: wages and salaries	9.3	8.6	11.2	9.6	8.1	7.4	7.1	6.7	6.4
Interest on external debt	2.9	2.5	3.9	5.4	3.2	2.4	2.1	2.1	1.9
Interest on domestic debt	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.4	0.4
Investment expenditure (domestic resources)	0.5	1.5	1.7	0.7	1.3	0.6	0.5	0.6	0.7
Overall deficit (-) (payment order basis)	-8.0	-5.9	-16.1	-13.8	-7.9	-6.5	-4.3	-3.5	-2.9
Primary balance (excl. grants)	-0.8	-1.0	-11.2	-6.2	-2.2	-1.4	0.8	1.5	2.1
Investment and savings									
(In percent of GDP, unless otherwise specified)									
Gross investment	17.1	14.6	5.3	13.3	14.3	13.7	15.0	16.4	17.1
Government	4.5	3.5	2.4	2.4	3.5	2.9	3.2	3.1	3.4
Non-Government	12.6	11.0	2.9	10.9	10.8	10.8	11.8	13.3	13.7
of which: public enterprises investment	5.7	2.8	1.1	0.7	2.1	2.1	2.9	3.4	2.8
Gross domestic savings	9.0	5.3	-2.5	9.4	8.5	6.4	9.5	11.7	13.2
Government	-0.6	0.2	-9.9	-6.0	-1.2	-1.3	1.0	1.7	2.4
Non-Government	9.6	5.1	7.4	15.4	9.7	7.6	8.4	10.0	10.8
Gross national savings	12.2	7.5	-1.7	6.5	7.9	6.8	9.8	11.9	13.9
External current account (excl. transfers)	8.1	9.2	7.8	3.9	5.7	7.3	5.5	4.8	3.9
Debt and debt service									
(In US\$ millions, unless otherwise specified)									
External debt	1,240.3	1,211.2	1,247.0	1,352.6	1,367.7	1,416.5	1,426.0	1,322.8	1,264.2
of which: external arrears	19.7	42.5	217.1	221.7	97.8	89.2	0.0	0.0	0.0
External debt service	111.6	113.3	115.9	116.4	101.1	92.7	74.9	84.3	87.5
of which: interest due	46.0	43.0	46.8	50.2	40.9	34.0	32.2	33.7	32.9
External debt service/exports GNFS (%)	20.8	24.8	38.5	38.8	22.7	21.1	15.1	15.6	14.8
Gross official reserves	364.9	272.9	157.9	95.2	130.4	143.8	160.9	171.8	193.4
In months of imports (GNFS)	6.0	5.6	4.9	3.2	3.0	3.3	3.3	3.3	3.5
Memorandum item									
Exchange rate (CFA/US\$), period avg.	282.1	264.7	283.2	555.2	499.1	511.5	526.1	528.4	531.2
Current GDP (US\$ millions)	1,602.3	1,689.0	1,214.9	929.3	1,293.9	1,419.8	1,508.3	1,631.5	1,761.2
Current GDP (CFAF billions)	452.0	447.1	344.0	516.0	645.8	726.2	793.5	862.1	935.5

a. Information Notice System, adjusted for informal trade with Ghana and Nigeria. Real exchange rate based on consumer price data.
Source: 1997 PFP. Data provided by the Togolese authorities; and IMF and World Bank staff estimates and projections.

Table B: Togo - Projects Rated by Sector (through October 6, 1997)

<i>OED ID</i>	<i>Project Name</i>	<i>Approval date</i>	<i>Net Commit. (US\$M)</i>	<i>Outcome</i>	<i>Sust</i>	<i>Inst</i>	<i>Inv/Adj</i>	<i>Latest Report Type</i>	<i>Latest Report Number</i>	<i>Latest Report Date</i>
Agriculture (7)										
C0503	Cocoa - coffee development project	23-Jul-74	6.0	S			Investment	PAR	04552	15-Jun-83
C0638	Maritime region rural development project	08-Jun-76	7.7	U			Investment	PAR	05137	18-Jun-84
C0741	Rural development in cotton area project	13-Sep-77	13.2	S			Investment	PAR	05137	18-Jun-84
C0945	Second cocoa - coffee development project	28-Jun-79	13.7	S	LIK	NEG	Investment	PCR	08789	20-Jun-90
C1302	Second rural development project in cotton areas	23-Nov-82	23.5	S	UNC	SUB	Investment	PCR	11939	04-Jun-93
C1745	Third coffee/cocoa development project	09-Dec-86	17.9	U	UNL	MOD	Investment	PCR	12538	29-Nov-93
C1808	Agricultural Extension	26-May-87	4.4	U	UNL	NEG	Investment	EVM		
Education (2)										
C1018	Education 1	13-May-80	10.8	S	UNC	MOD	Investment	PAR	15684	04-Jun-96
C1568	Educational Improvement	26-Mar-85	12.4	S	LIK	SUB	Investment	PAR	15684	04-Jun-96
Finance (1)										
C1843	Private Enterprise Development	03-Sep-87	2.1	U	UNL	NEG	Investment	EVM	15503	08-Apr-96
Industry (1)										
C1169	Phosphate engineering and technical assistance p	23-Jun-81	5.6	S	NAPL	SUB	Investment	PCR	09282	25-Jan-91
Adjustment (4)										
C1365	Structural adjustment	17-May-83	40.0	S			Adjustment	PAR	07361	30-Jun-88
C1599	Second structural adjustment program	30-May-85	37.8	S	LIK	NEG	Adjustment	PAR	08832	25-Jun-90
C1892	Third structural adjustment credit	31-Mar-88	45.3	U	UNL	NEG	Adjustment	PAR	12086	30-Jun-93
C2194	SAL 4	18-Dec-90	40.3	U	UNL	MOD	Adjustment	EVM	15503	08-Apr-96
Population, Health & Nutrition (1)										
C2211	Health & Pop. Sector Adj.	28-Feb-91	14.2	U	UNL	NEG	Adjustment	EVM		
Public Sector Management (3)										
C0930	Technical assistance project	12-Jun-79	2.2	U			Investment	PAR	07361	30-Jun-88
C1270	Second technical assistance project	24-Jun-82	3.5	U			Investment	PAR	07361	30-Jun-88
C1600	Technical Assistance 3	30-May-85	6.2	U	UNL	MOD	Investment	PCR	14450	05-May-95
Telecommunications (1)										
C2056	Telecommunications	29-Jun-89	14.6	S	LIK	MOD	Investment	EVM		
Transportation (5)										

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Table B: Togo - Projects Rated by Sector (through October 6, 1997)

<i>OED ID</i>	<i>Project Name</i>	<i>Approval date</i>	<i>Net Commit. (US\$M)</i>	<i>Outcome</i>	<i>Sust</i>	<i>Inst</i>	<i>Inv/Adj</i>	<i>Latest Report Type</i>	<i>Latest Report Number</i>	<i>Latest Report Date</i>
C0131	Highway maintenance project	08-Oct-68	3.7	S			Investment	PAR	01649	24-Jun-77
C0450	Second highway project	27-Nov-73	8.7	S			Investment	PAR	03987	30-Jun-82
C0693	Third highway project	31-Mar-77	10.0	U	UNC	MOD	Investment	PAR	08858	29-Jun-90
C0810	Feeder roads project	23-May-78	5.8	U	UNC	MOD	Investment	PAR	08858	29-Jun-90
C1139	Fourth highway project	07-May-81	19.8	S	UNC	MOD	Investment	PAR	08858	29-Jun-90
Water Supply & Sanitation (1)										
C1354	Lome water supply project	03-May-83	11.8	S	UNC	SUB	Investment	PCR	12373	30-Sep-93
Total Projects Rated (26)			381.2	14 S	4 LIK	4 SUB				
				12 U	6 UNC	8 MOD				
					7 UNL	6 NEG				

Table C: Togo - Active Credits as of October 1997

Credit Number	Fiscal Year of Approval	Name of Project	Commitment Amount	Undisbursed	Difference between expected and actual disbursements ^a	Last ARPP Supervision Rating ^b	
						Dev. Obj.	Imp. Prog.
2018	1989	Pre-investment Project	5.0	.6	.02	S	S
1993	1989	Grassroots Devt. Init.	5.0	.1	-.4		
2174	1991	Vocational Ed. Trg.	9.2	2.3	1.6	S	U
2171	1991	Power Rehab.	15.0	5.3	4.3	U ^c	U ^c
2620	1994	Lome Urban Devt.	26.2	17.4	17.9	S	S
2752	1995	Education	36.6	27.9	32.6	S	U
2849	1996	ERAC	50.0	17.7	22.2	S	S
2990	1998	Nat'l. Agriculture Services	26.2	26.3	0.0		
2989	1998	Road Transport	50.0	49.3	0.0		
Total			223.2	146.9	78.2		

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b. S = Satisfactory; U = Unsatisfactory.

c. Upgraded from unsatisfactory to satisfactory by the September 1997 supervision mission.

Source: Annex B8, 1997 CAS Progress Report, IDA/R97-149.

Table D: Togo - Commitments, Disbursements and Net Transfers, FY85-98
(in millions of US\$ as of October 14, 1997)

<i>FY</i>	<i>Gross Commitments</i>	<i>Gross Disbursements</i>	<i>Net Disbursements</i>	<i>Net Transfers</i>
1984 Stock	215.8	112.7	111.8	107.5
1985	46.4	25.0	24.6	23.4
1986	16.9	34.4	33.9	32.2
1987	27.6	49.0	48.3	46.5
1988	111.6	28.9	27.9	25.0
1989	26.1	38.5	37.5	35.3
1990	0.2	45.5	44.1	41.4
1991	93.4	53.8	52.2	49.6
1992	2.7	28.6	27.2	23.7
1993	--	20.2	18.6	15.1
1994	26.2	9.1	7.2	4.2
1995	36.6	28.1	25.0	20.9
1996	50.0	58.6	55.1	51.3
1997	--	19.3	15.6	11.5
1998*	76.2	6.2	4.8	3.5
Ending Stock	729.7	557.8	533.9	491.3

*July 1997-September 1997.

Source: World Bank.

Table E: Togo - Projects Breakdown as of October 1997

	<i>Number</i>	<i>Gross Commitment</i>	<i>Gross Disbursement</i>
		<i>(in millions of US\$)</i>	
Rated projects ^a	26	408	383
Multicountry projects ^b	5	28	28
Other closed projects	8	71	71
Active projects ^c	9	223	76
Total^d	48	730	558

a. Table B.

b. CIMAO (cement factory, Côte d'Ivoire, Ghana, Togo) and Nnangbeto (Hydroelectric dam: Benin and Togo).

c. Table C.

d. Ending stocks, Table D.

Source: World Bank.