TOGO

Table 1	2020
Population, million	8.3
GDP, current US$ billion	7.4
GDP per capita, current US$	888.2
International poverty rate ($1.9)[a]	51.1
Lower middle-income poverty rate ($3.2)[a]	74.2
Upper middle-income poverty rate ($5.5)[a]	90.8
Gini index[a]	43.1
School enrollment, primary (% gross)[b]	124.3
Life expectancy at birth, years[b]	60.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for school enrollment (2019); life expectancy (2018).

Growth decelerated in 2020 as the containment and mitigations measures to curb the spread of COVID-19 negatively affected private consumption, tourism and economic activity at Togo's main port. External and fiscal balances also worsened, while poverty rose. Growth and poverty reduction are expected to gradually recover over the medium term. Downside risks to the outlook include larger-than-expected COVID-19 effects, political uncertainty, heightened insecurity in neighboring countries, and banking sector vulnerability.

Key conditions and challenges

COVID-19 halted Togo's strong growth momentum and exacerbated structural constraints that hinder economic growth and economic transformation. Between 2017 and 2019, growth was robust, averaging 5 percent (2.4 percent in per capita terms), supported by stable macroeconomic conditions and significant improvements in the business climate. However, the country has yet to take full advantage of its potential, as GDP growth was lower than WAEMU peers and did not lead to improvements in living standards. While critical Doing Business reforms have been achieved, efforts to shift the development model towards private sector led growth are constrained by poor infrastructure, notably in energy and telecommunications and weak governance. Burdensome custom procedures and logistics weaknesses also prevent Togo from fully harnessing its potential as a transport and logistics platform. Finally, the potential of digital technology remains untapped and prevents innovation in key economic sectors.

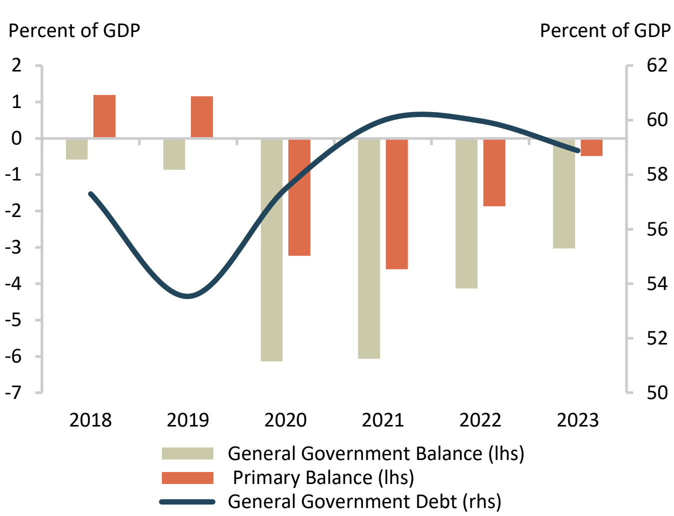
These constraints have been worsened by COVID-19, which brought the economy to a near halt, reversing gains made in poverty reduction. The path to an inclusive and sustained post-COVID recovery remains uncertain and depends on the depth and the duration of the pandemic. While the rollout of vaccines and a recovering global economy could help GDP expand, several downside risks remain (including virus mutation and rising security risks in neighboring countries), which could weigh on investment, trade, and public finances. Also, unfavorable weather conditions and the unavailability of inputs could negatively affect agricultural productivity, while the relative weakness of administrative capacity could limit the implementation of reforms and private investment. Finally, contingent liabilities associated with a delay in restructuring two state-owned banks could pose a risk to financial stability and fiscal sustainability.

Recent developments

Growth decelerated sharply to 0.7 percent in 2020 (-1.7 percent in per capita terms), as private consumption fell from a decline in household incomes and business activity as social-distancing measures were implemented. Also, travel restrictions negatively impacted tourism, while the agriculture sector remained resilient, as the Government provided subsidized agriculture inputs. Inflation rose to 1.8 percent in 2020, driven by higher food prices from supply chain disruptions.

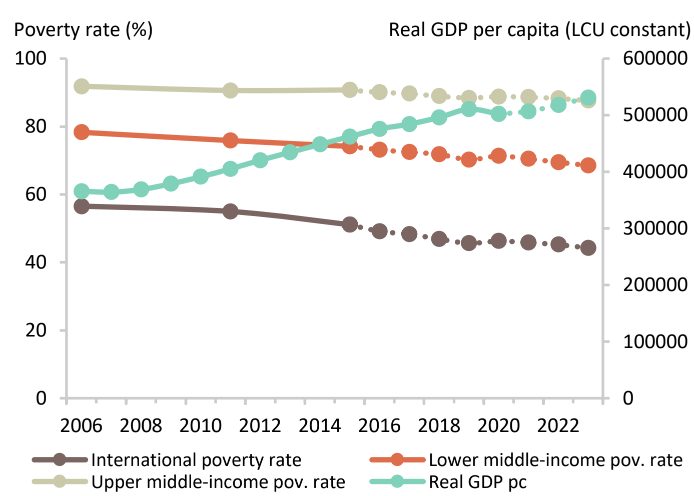
The current account deficit widened to 3.7 percent in 2020 from lower exports and higher imports of health products to combat COVID-19. Lower demand from key trading partners, combined with a significant drop in the prices of Togo's main

FIGURE 1 Togo / Evolution of fiscal indicators



Sources: INSEED and World Bank staff estimates.

FIGURE 2 Togo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

commodities (including phosphate and coffee) lowered exports.

The fiscal deficit widened to 6.1 percent of GDP in 2020, reflecting a significant contraction of government revenues, as economic activity declined and due to tax breaks for firms, and a sharp increase in expenditures to address the COVID-19 crisis and promote economic recovery. Public debt as a percent of GDP increased to 57.5 percent in 2020.

External reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to support governments and businesses.

Poverty remain high and concentrated in rural area. Although poverty has declined in recent years, more than two fifths of the population still live in poverty. The poverty rate (using the national poverty line of 743.2 CFAF per day) was 45.5 percent in 2018-19, suggesting a continued decrease. Because of the COVID-19 pandemic, the extreme poverty rate is estimated to have increased to 46.3 percent in 2020. Poverty worsened mainly in urban areas from job losses and increases in prices of basic consumption goods.

Outlook

Real GDP is projected to grow by 3.4 percent (1 percent in per capita terms) in 2021, rising to 5.0 percent in 2023. Growth will be supported by higher exports, as economic activity gradually resumes in key trading partners and by the continuous improvements in public infrastructure and the business climate. Also, plans to build or rehabilitate rural roads will boost activity in the construction sector, while the re-opening of borders will improve access to agricultural inputs, thereby increasing productivity.

The current account deficit will improve slightly in 2021, from 3.7 percent of GDP in 2020 to 3.6 percent of GDP in 2021, as recovering export growth outstrips rising import demand. In the medium-term, the external deficit is expected to stabilize at around 3.6 percent of GDP, balancing a continual recovery of exports with increases in imports as investments and private consumption rebounds. The current account deficit will be financed by grants, savings from the Debt Suspension Initiative and concessional loans.

The fiscal deficit is projected at 6.1 percent of GDP in 2021, before gradually declining to reach the WAEMU convergence criteria of 3 percent in 2023. Revenues are expected to rise in line with GDP growth and from an end of the tax holidays to support firms in 2020. Total expenditure as a percent of GDP will remain unchanged, as the decrease in current expenditures is fully offset by the rise in capital expenditures. Public debt will increase to 60 percent of GDP in 2021, before declining over the medium-term as the primary fiscal deficit is gradually reduced. The risk of external debt distress is moderate, while the risk of overall debt distress is high due to increases in regional debt.

Extreme poverty will remain high at 45.9 percent in 2021, as food prices remain high, reflecting a rebound in consumption demand and persisting supply chain disruptions. Extreme poverty is projected to return to the pre-COVID trajectory in 2022 and follow a downward trend in the medium-term supported by the scaling-up of Government cash transfer programs to the poorest and most vulnerable.

TABLE 2 **Togo** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	5.0	5.5	0.7	3.4	4.6	5.0
Private Consumption	2.8	3.0	-4.9	3.7	3.6	3.6
Government Consumption	23.1	-2.9	21.1	-26.3	19.0	1.1
Gross Fixed Capital Investment	16.8	20.2	8.6	36.2	12.3	20.4
Exports, Goods and Services	2.0	1.0	3.6	5.0	3.6	3.6
Imports, Goods and Services	5.3	1.2	4.1	13.0	13.0	13.0
Real GDP growth, at constant factor prices	5.2	4.4	0.7	3.4	4.6	5.0
Agriculture	3.2	1.9	4.0	6.0	5.9	5.9
Industry	3.9	6.5	0.8	6.5	7.5	8.1
Services	6.6	4.5	-0.7	0.9	2.7	3.1
Inflation (Consumer Price Index)	0.9	0.7	1.8	2.0	2.2	2.0
Current Account Balance (% of GDP)	-1.9	-2.5	-3.7	-3.6	-3.6	-3.8
Net Foreign Direct Investment (% of GDP)	3.5	4.0	2.2	2.7	2.0	1.9
Fiscal Balance (% of GDP)	-0.6	-0.9	-6.1	-6.1	-4.1	-3.0
Debt (% of GDP)	57.3	53.5	57.5	60.0	60.0	58.9
Primary Balance (% of GDP)	1.2	1.2	-3.2	-3.6	-1.9	-0.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	47.0	45.7	46.3	45.9	45.3	44.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	71.9	70.3	71.3	70.5	69.5	68.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	89.0	88.5	88.8	88.7	88.3	87.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2015-QUIBB. Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.