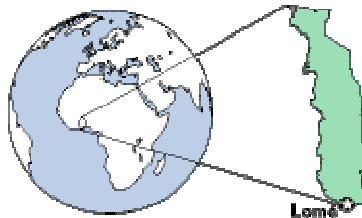


COUNTRY REVIEW

Togo



26 August 2011

ANALYST: Andrew Atkinson

EULER HERMES COUNTRY RISK GRADE: D

EULER HERMES COUNTRY RISK LEVEL: HIGH

Country Risk Grades are on a scale of AA, A, BB, B, C, D

Country Risk Levels are on a scale of LOW, MEDIUM, SENSITIVE, HIGH

COUNTRY PROFILE

Capital city:	Lomé
GDP:	USD2.8bn (2010e)
Population:	6.03mn (2010e)
GDP per capita:	USD460 (2010e)
Currency:	CFA Franc BCEAO (XOF)
Form of state:	Republic
Head of government:	President Faure Gnassingbé
Next elections:	Presidential by February 2015, legislative by October 2012

President Gnassingbé Eyadéma, who had ruled for over 38 years, died in February 2005. The army rushed to suspend the constitution and install his son, Faure Gnassingbé, as the new head of state. Following the forced imposition of a new leader, street demonstrations turned violent and the political opposition called for re-instatement of constitutional rights. More importantly, the action brought international condemnation and regional reaction was unfavourable to the new regime. Indeed, the Economic Community of West African States (ECOWAS) and the African Union (AU) took a strong and critical stance and imposed sanctions (since lifted). Accordingly, the 'president' stood down and elections were allowed to proceed. Faure Gnassingbé, not surprisingly as he was the ruling RPT's candidate, won the poll and took office again. The opposition alleged a fraudulent election and called for further street demonstrations, which duly took place amid growing violence. However, in August 2006, most political parties signed a comprehensive accord and, following formation of a government of national unity, tensions eased. The main opposition party (UFC) has representation in the current coalition government and this provides a semblance of deepening the move towards a fully-functioning democracy. However, it also divided the UFC, with some members not supporting the coalition, thereby strengthening the power of the ruling party. Despite increased stability, **political and social tensions are likely to remain evident**. Indeed, in May 2011, the University of Lomé was temporarily closed as security forces broke up a student protest at legislation restricting demonstrations.

Togo has **few exploitable resources, other than phosphates and cotton**, and the economy is reliant on a re-export trade, with Lomé, in particular, acting as a trans-shipment hub for regional merchandise flows. In turn, this suggests that economic performance is dependent on perceptions of domestic and West African stability, as well as the global trading environment.

Following re-adoption of electoral and parliamentary procedures in October 2007, the **EU re-instated budgetary aid**, which it had suspended in 1993 as a result of general economic mismanagement over several decades. In turn, the IMF and World Bank also provided extended access to assistance and this led to **foreign debt rescheduling and forgiveness under the HIPC initiative**, thereby easing outflows of foreign exchange in servicing external obligations. An IMF three-year ECF expired in July 2011 but the Fund acknowledged **strong implementation of reform policies** under that programme, with broad achievement of its objectives in 2010, and a successor facility is being negotiated.

Re-exports account for around 30% of total merchandise exports, so regional trade conditions, as well as international oil prices (**petroleum and related products account for 40% of the import bill**) are key to performance in the external accounts. The deficit on the current account is forecast to remain high at around 8% of GDP, thereby constraining economic development. We forecast overall **GDP growth of 3-3.5% in 2011 and, despite uncertain global conditions, around 4-5% in 2012**, as benefits from previous structural reforms (particularly in the cotton, phosphates and banking sectors) take effect.

Togo is a member of a regional central bank, Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and the joint currency is the CFA franc, which is backed by the French treasury. The **CFA franc is freely convertible into euros and there is therefore no transfer risk**.

Andrew Atkinson

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