Togo

**CRT-5**

August 22, 2019

**Region:** Sub-Saharan Africa

Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers

- Togo, a CRT-5 country, has very high levels of economic and financial system risk, and a high level of political risk.
- Togo's economy bounced back from slower growth in 2017 to 4.7% in 2018. Inflation reached 0.7% in 2018, remaining one of the lowest in the region. Economic activity is expected to increase due to higher foreign direct investment and diminishing political tension. President Faure Gnassingbé's party held on to its control of Parliament in the most recent elections.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, with the exceptions being Mauritius at a CRT-3 and South Africa at a CRT-4.

**Regional Summary: Sub-Saharan Africa**

- Growth is expected to pick up, driven by public investment in the region's more diversified economies. However, the largest economies in Sub-Saharan Africa are likely to lag the regional growth average due to changing oil dynamics and depressed business confidence linked to corruption fallout.
- The region faces several headwinds that limit potential, including entrenched poverty, pervasive corruption, heightened global trade tensions, inadequate infrastructure, an unstable security environment, and a vulnerability to natural disasters.
- The region’s sovereign debt increased from a median 31% of GDP in 2013 to 56% in 2018. Given the region's development challenges, the pace of the increase is unsustainable.
Economic Risk: Very High

- The economy relies heavily on commodity exports, particularly cotton, which accounts for approximately 40% of exports. As in many agriculturally-based economies, growth depends largely on favorable weather conditions.
- Stronger growth is expected to return, at 5% in 2019, and government spending on infrastructure is expected to increase. The country will rely on foreign investments to fund development and larger construction projects.
- Togo is positioning itself to become a transportation hub for the region. The port of Lomé, roads, and aviation facilities are being rejuvenated in preparation.
- Approximately 60% of the labor force is employed in the agricultural industry, which is heavily exposed to regional demand. Agriculture accounts for about 40% of GDP.
- The small, export-based economy is also vulnerable to external global demand conditions and volatility in commodity prices.

Political Risk: High

- President Gnassingbé, son of the former president, was sworn in for a third term following the April 2015 election in which he won approximately 60% of the vote.
- President Gnassingbé is a member of the Republican Union (UNIR) party, which retained majority control in the December 2018 legislative elections. UNIR won 59 seats, while allies of the party won the remainder.
- Corruption and political interference are widespread and have the potential to erode business and investor confidence and reduce amounts of foreign direct investment into the country. Outside interference can diminish judicial impartiality. Additionally, an overburdened legal system can cause lengthy delays to dispute resolution.

Financial System Risk: Very High

- The insurance industry in Togo is regulated by the Conférence Interafrique des Marchés D’assurances (CIMA). There is also a national Togolese supervisor, the Direction Nationale des Assurances.
- Togo’s interest rates are determined by the Western Africa Economic and Monetary Union (UEMOA). Rates remained steady in the first half of 2019.
- A three-year agreement was signed with the International Monetary Fund in May 2017. The agreement includes funding to lower the fiscal deficit, support infrastructure spending, and amend the financial troubles of the country’s two major banks.
- The World Bank ranks Togo at 137th out of 190 countries in the Ease of Doing Business publication. The country is ranked 172nd in paying taxes.