

BEST'S COUNTRY RISK REPORT

Togo CRT-5

August 22, 2018

Region: Sub-Saharan Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Togo, a CRT-5 country, has very high levels of economic, political and financial system risk.
- Economic growth decelerated in 2017, owing to a decline in government spending and a rise in political tensions. GDP for 2018 is forecast at 4.9%, with medium-term growth expected to range between 5.0% and 5.5%. Growth in the agricultural sector has been positive, due to new farming techniques and favorable weather conditions.
- 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.



- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Sub-Saharan Africa

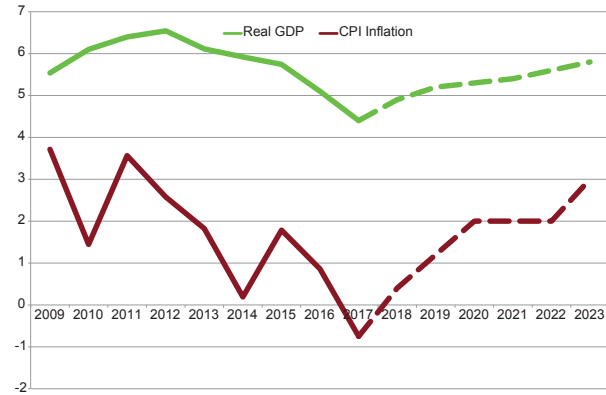
- Africa's growth prospects are expected to improve slightly on rising domestic demand, stronger global growth, a recovery in agricultural production, and modestly increasing commodity prices. However, economic growth continues to lag population growth, making any significant progress towards human development goals difficult.
- The region faces several headwinds that limit potential, including political uncertainty, challenging business environments that erode investor confidence, fiscal pressures, high debt, poverty, growing numbers of refugees, corruption, inadequate infrastructure, and an unstable security environment.
- The IMF estimates that about 40% of the region's low-income countries have a high risk of debt distress or are already in debt distress. A large share of the region's sovereign debt is denominated in foreign currency, and an appreciating dollar/euro would lead to larger debt burdens.

Vital Statistics 2017		
Nominal GDP	USD bn	4.77
Population	mil	7.8
GDP Per Capita	USD	611
Real GDP Growth	%	4.4
Inflation Rate	%	-0.7
United Nations Estimates		
Literacy Rate	%	63.7
Urbanization	%	41.0
Dependency Ratio	%	81.2
Life Expectancy	Years	65.4
Median Age	Years	19.8
Insurance Statistics - As of 2016		
Insurance Regulator	InterAfrican Conference on Insurance (CIMA)	
Premiums Written (Life)	USD mil	36
Premiums Written (Non-Life)	USD mil	48
Premiums Growth (2016 - 2017)	%	2.6
Regional Comparison		
		Country Risk Tier
Togo		CRT-5
Gabon		CRT-5
Ghana		CRT-5
Kenya		CRT-5
Nigeria		CRT-5
South Africa		CRT-4

Source: IMF, UN, Swiss Re, Axco and A.M. Best



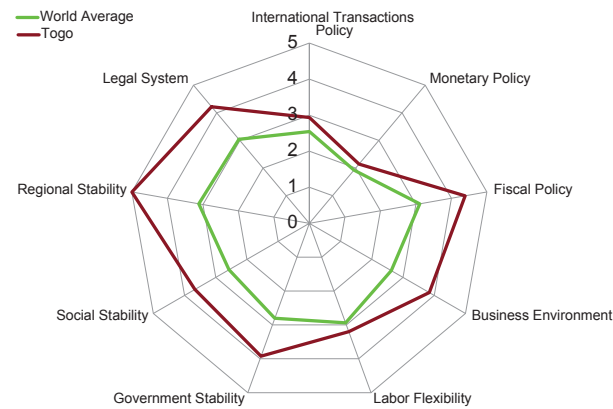
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

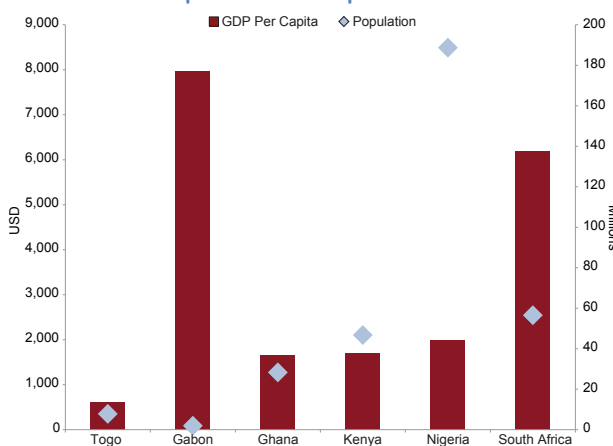
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

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 will depend largely on favorable weather.
- Agriculture remains an important sector in Togo's economy, accounting for about 40% of the country's GDP and over 60% of employment.
- The small, export-based economy is also vulnerable to external global demand conditions and volatility in commodity prices.

Political Risk: Very High

- President Faure Gnassingbe, 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.
- Anti-government protests have increased since 2017, and have diminished the president's grip on power. An increasingly unified political opposition is calling for an end to the 50-year rule by the Gnassingbe family, the reintroduction of presidential term limits, and electoral limits.
- Public dissatisfaction continues due to low living standards and endemic poverty. According to the World Bank, poverty levels have declined, but the poverty rate was 55% in 2015.
- 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 CIMA (Conference interafricaine des marches d'assurances). The principal supervisor is the Regional Control Commission for Insurance. There is also a national Togolese supervisor, the Direction Nationale des Assurances.
- Togo entered into a three-year loan arrangement with the IMF in May 2017 for USD241.5 million to help support the country's financial and economic reforms. Specific goals include lowering the fiscal deficit and implementing social spending programs that will help minimize income inequality.
- Recent fiscal government deficits have largely been financed by the domestic banking sector, which has led to banking sector vulnerabilities, including sovereign and liquidity risks. Government securities now make up about 15% of commercial banks' balance sheets, up from 5% in 2000.
- The banking sector continues to face challenges, including under-capitalization and under-diversification, owing to heavy exposure to a limited number of sectors.