



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 30-May-2017 | Report No: PIDC107169



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental Assessment Category	Project Name
P163207		C - Not Required	Togo Extractive Industries Transparency Implementation Support Project (P163207)
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA	Togo	30-May-2017	09-Jun-2017
Financing Instrument	Borrower(s)	Implementing Agency	Initiation Note Review Decision
Investment Project Financing	Ministry of Economy and Finance	Secretariat ITIE	The review did authorize the preparation to continue

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PROJECT FINANCING DATA

FINANCING

FINANCING SOURCES

Select all that apply

Counterpart Funding Trust Funds Parallel Financing

SUMMARY (USD)

Total Project cost	300,000
Total Financing	300,000
Trust Funds	300,000
Financing Gap	0

DETAILS

Trust Funds

Source	Currency	Amount	USD Equivalent
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Extractive Industries Transparency Initiative(EITI)	USD-US Dollars	300,000	300,000
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B. Introduction and Context

Country Context

Togo is a relatively small West African country of 7.3 million people located along the coast on the Gulf of Guinea between Ghana and Benin. Extraction of phosphates has Togo has formed a key pillar of the Togolese economy since independence in 1960. Over the past decade other commodities, including limestone and iron ore, have diversified the mining industry. Togo joined the Extractive Industries Transparency Initiative (EITI) in 2009 and achieved compliance in May 2013.

Besides mining, agriculture is the mainstay of the economy, with a more developed and industrialized coastal area where the capital city of Lome is located. Lome, home to just over a quarter of the national population, is also where the bulk of economic activity occurs, facilitated by port, airport, and road infrastructure; maritime activities; and services, including banking and tourism. Togo has important phosphate and other mineral reserves that could play a more important role in the future economic development. Growth in the primary sector is largely based on natural resource extraction and agricultural production. In the past two years, main exports have been phosphates, clinker cement, Portland cement, and cotton. The country is well positioned to become a transport and commercial hub in the West African sub-region thanks to its favorable geographic location, sound transport infrastructure, and a natural deep sea port. The country nonetheless faces significant challenges as it emerges from a period of relative isolation following years of political and economic troubles and donor disengagement in the 1990s and 2000s.

Togo's overall growth performance masks persistently high levels of poverty and rising income inequality. According to a 2011 household survey, the poverty rate declined from 62% in 2006 to 59% in 2011 and 55% in 2015. However, the return to growth have not been evenly distributed, as shown by the Gini coefficient, which rose from 0.37 in 2006 to 0.39 in 2011, and to 0.46 in 2015; both the depth and severity of poverty have increased. Togo is among the countries with lowest Human Development Index (HDI) ranking at 162 with an index of 0.484 in 2015. The gross national income per capital was reported at US\$1,228 in 2015. Poverty in Togo is characterized by the following factors: rural populations in regions farthest from the coast who are working in agriculture, female-headed household and low levels of formal education. The Systemic Country Diagnostic suggests that Togo will need to confront several governance-related constraints to promote economic recovery and reduce poverty. These include (i) improved accountability and central-local relations, (ii) enhanced fiscal management and balancing of the national budget, (iii) regulatory reforms and strengthening of the investment climate. Togo achieved a CPIA score of 3.0 in 2016, thus placing the country in the category of fragilates . The country has realized significant improvements in some areas such as maintaining political and economic stability in recent years, improving the business climate, and making some progress on social indicators but structural reforms that could help the economy make a transformational leap forward have stalled. Corruption and weak governance remain key issues. It has been suggested that these concerns are best addressed through support of reform champions at the highest levels of government and reduction of the centralized decision-making by empowering local communities and by promoting regional development. The transparency and accountability that EITI brings will be positive contributions to the change process which has been prescribed - and which Togo is actively seeking.

The mining sector is also critical to the economic development of Togo and, has been a priority area for policy support to the Government. Government revenues from the mining sector was 4% of total government receipts and mining exports constituted 31.6% of total exports in 2014. In the current national development strategy known as the SCAPE

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(Accelerated Growth and Employment Promotion Strategy), the Government set out priorities for sectors with high growth potential, including the mining sector. The Government aims to address the challenges of governance, transparency, and environmental protection. The upcoming National Development Plan (2018 – 2022) aims to integrate the Post2015 agenda and to deepen economic reforms and intensify large public works together with some political reforms.

Sectoral and Institutional Context

The Togolese mining sector has historically been dominated by phosphate mining which in 2014 represented 58% of the extractive sector production. Phosphates extraction is managed by Societe Nouvelle des Phosphates Togolaise (SNPT) clinker is at a distant second position with 20%. The traditional phosphate sector is on the decline due to the depletion of the existing deposits. However, the country has great potential for production of carbonated phosphates at levels which could be five or ten times larger than current capacity even though it is not clear when production would start. New private sector investments are gradually diversifying mineral production away from phosphates. Limestone, iron ore, and dolomitic marbles also make a considerable contribution to export earnings.

The Togolese mining sector is representative of the broader economy as it illustrates both the challenges and opportunities of economic development and diversification. Revenues from the mineral industry have in fact declined by 23% between 2013 and 2014 from CFA 22.4 billion (USD39 million) to 17,203 billion CFA (USD 30 million) due to the departure of the oil company ENI whose exploration activities ceased. Even though the mining sector only represented 4% of Government revenues in 2014, it was the main exporter with about 31.6%. In fact during the same year the mining sector production value without counting construction material was worth USD175.57 million. This disconnect illustrates the extent of the economic challenge that needs to be solved with regard to Government's benefits from the sector and potentials to increase the value of exporting the exported raw materials. SNPT has suffered from weak management for decades; it continues to operate phosphate deposits, but despite large capital injections and several corporate restructurings over the past 20 years, production and profitability have steadily declined.

While capacity building and diversification have the potential to boost public finances as well as create jobs, the greatest potential for social and economic development will come from qualitative improvements of the sector's governance. Tax collection remains inefficient due to poor control of companies' declared production and exports. Moreover, audit functions are nearly non-existent, and payments are a function of self-declarations by companies which are rarely challenged or verified by tax and customs authorities. Consequently, considerable revenue is likely foregone due to under-declarations or profit-shifting to off-shore companies. Similarly, conflicts of interest are reported to be prevalent with politically-connected persons enjoying direct or indirect ownership of mining companies. This has led to numerous investment agreements being biased in favor of private owners at the expense of the interests of the State.

Relationship to CPF

The proposed support to EITI implementation is an integral part of the Country Partnership Framework (CPF), which was approved by the Board on May 15, 2017. The CPF will support the following areas: (i) private sector performance and job creation, (ii) strengthened public sector delivery, and (iii) environmental sustainability and resilience. These areas are aligned with the Togolese National Development Plan (NDP) 2018-22 which is currently being drafted. The overarching themes of the NDP are economic and political transformation in a context of accelerated sustainable



growth which is inclusive in terms of job creation as well as social service delivery.

The CPF includes EITI (together with the Mineral Governance and Development Project, MGDGP) under the first objective of “private sector performance and job creation. Specifically, it is envisioned that support to the extractive industries will contribute to “improved competitiveness and productivity” (CPF objective 1.2). The CPF concludes that *“to harness the mining sector’s potential as a source of sustainable wealth for the country, Togo needs to strengthen good governance practices related to transparency, accountability, and efficiency”* (paragraph 65). Furthermore, the CPF states that *“the Extractive Industries Transparency Initiative (EITI) will complement sector support through annual publication of revenue flows and sector statistics and by hosting an Accountability Forum, a platform for dialogue with civil society”*.

C. Project Development Objective(s)

Proposed Development Objective(s)

The development objective is to support implementation of the Extractive Industries Transparency Initiative in Togo. This will be achieved through improved reporting procedures for production and revenue data from the extractive industries as well as strategic communication with stakeholders.

Key Results

Progress in achieving the PDO will be measured by the following key results indicators:

- Satisfactory progress of Togo in implementation of the EITI
- Increased response rate and participation of private companies in the EITI reconciliation exercise,
- Increase in the percentage of sales and government revenue from the extractive industries which are reported and reconciled in the annual EITI Report,
- Action plan for incorporation of EITI data with public financial management systems,
- Improvement in public awareness of extractive industry operations

D. Preliminary Description

Activities/Components

In 2009, Togo joined the Extractive Industries Transparency Initiative (EITI). It achieved compliance in May 2013. The scope of the EITI in Togo includes the following resources: oil (exploration), mining (phosphate, limestone, iron, and construction materials), groundwater aquifers, and precious stones. The 2014 Togo EITI Report includes statements from 35 companies and 9 public agencies.

An EITI work plan has been prepared for 2017 to 2019 taking into account the EITI mainstreaming objective and the validation according to the requirements of the 2016 EITI standard. The current plan is anchored around four themes: (i) improvement of the legal and institutional framework; (ii) governance of the extractive sector; (iii) coordination of implementation activities; and (iv) the evaluation of progress in implementation. The proposed grant will predominantly support components (ii) to (iv).



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Streamlined reporting of production and revenue data will be an essential activity of the proposed grant. The EITI Secretariat intends to move from annual data compilation and reporting exercises to an automated reporting system by which operators and government representatives will generate automatic data logs of payment transfers. This activity will require consultancy inputs in the design of reporting templates and integration with existing computer systems handling tax administration. The outputs are expected to be (i) standardized EITI reporting templates as well as (ii) a “proto-type” EITI Reconciliation Report for 2018.

Strategic communication will form the second pillar of the grant support. This component will include various dimensions of communication including (i) **impact/perception surveys** to understand the impacts of EITI implementation to date in terms of increased awareness of the extractive industries among stakeholders from local community representatives to media and political representatives; (ii) **modernization of communication tool-kits** such as the EITI web-site, printed hand-outs as well as other audio-visual tools which can benefit the illiterate parts of the population; (iii) support to **information campaigns and outreach events** in order to ensure that report findings and sector debate are widely disseminated across the country, especially in communities which are affected by mining but isolated from urban centers.

EITI Secretariat business planning will be an important third grant component which is intended to address the challenge of the financial viability of the Multi-Stakeholder Group and the EITI Secretariat even after the closure of the current grant financing. Consultancy services, in combination with self-assessments, will assess the long-term staffing needs and the resulting budget estimates for continued EITI reporting, dissemination and stakeholder participation. It is the objective to identify potential financing sources which can be sustained in the absence of continued donor contributions. Financial independence of the MSG and the Secretariat will depend on securing a stable cash flow from domestic or government revenue. Notwithstanding, it is proposed that the present grant allows for funding of incremental staff costs related to grant management and reporting.

SAFEGUARDS

E. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	



Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

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