

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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GRANT NUMBER D404-TG

## Financing Agreement

(Second Fiscal Management and Infrastructure Reform Development Policy  
Financing)

between

TOGOLESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**GRANT NUMBER D404-TG**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between TOGOLESE REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty-eight million seven hundred thousand Special Drawing Rights (SDR 28,700,000) (“Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is Dollar.
- 2.06. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

### **ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its minister at the time responsible for finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Economy and Finance  
Immeuble CASEF  
B.P.387  
Lomé - Togo; and

(b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
(228) 22 221 0905	secretariat.ministre@economie.gouv.tg

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Association's Electronic Address is:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

TOGOLESE REPUBLIC

By



Authorized Representative

Name: Sani Yaya

Title: Minister of Economy and Finance

Date: December 12, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Hawa Wagué

Authorized Representative

Name: Hawa Cissé Wagué

Title: Resident Representative

Date: December 12, 2018

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

1. The Recipient has reduced the number of taxes from 26 to 17 consistent with WAEMU fiscal directives in a new draft tax code adopted by its councils of ministers on February 1, 2018 to simplify the tax system and increase revenues.
2. The Recipient has modernized and enhanced its tax revenue mobilization by moving the land register to the Revenue Authority as evidenced through *Arrêté N°011/MEF/SG*, dated February 2, 2018 and the Revenue Authority has computerized land titles, carried out a land census in Lomé to identify zones with large revenue potential.
3. To strengthen medium-term investment planning, the Recipient has: (i) published a new manual on October 2, 2018 to guide the selection of projects to be included in the Public Investment Program (PIP); and (ii) issued a ministerial order to require that the full three-year rolling PIP is included with the annual budget and that only projects in the PIP will be included in the budget.
4. To enhance debt management, the Recipient has published, on October 2, 2018, a new Medium-Term Debt Management Strategy geared to ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.
5. To enhance commercial viability in the electricity sector, the Recipient has issued an inter-ministerial order, *Arrêté Interministériel N°58/MME/MEF/2018*, dated August 28, 2018, setting the principles of a new methodology for periodically determining and updating the CEET's retail tariff based on the costs of electricity service, ensuring the financial equilibrium of the utility and incorporating the principle for the Recipient to provide a financing mechanism in case the cost of service cannot be fully borne by consumers.
6. To strengthen the management of medium-voltage, high consumption low-voltage, and public-sector customers, the CEET has approved through its board decision N°009/CA/CEET/2018 dated, June 26, 2018, a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism.
7. To strengthen financial management in CEET, the supervision committee of the CEET has approved, through its resolution, dated August 27, 2018, a revised performance contract for the company that includes targets on management efficiency improvements and a provision to disclose the monitoring report.

8. To improve competition and ensure an open access regime in the international and national bandwidth capacity market, the Recipient has published a reference offer on August 31, 2018 from TOGOCOM, providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.
9. To improve effectiveness in the management of TOGOCOM and attract new investment, the Recipient's council of ministers has approved, on October 3, 2018, a draft law to open the company for an active minority private shareholding and stipulating that this will be done through a neutral, transparent and non-discriminatory international competitive bidding process.

**Section II. Availability of Financing Proceeds**

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. **Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	28,700,000
TOTAL AMOUNT	28,700,000

- C. **Withdrawal Tranche Release Conditions.**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

- D. **Audit.** Upon the Association's request, the Recipient shall:
  1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
  2. furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association's request for such audit, a certified

copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and

3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

**E. Closing Date.** The Closing Date is December 31, 2019.



## APPENDIX

### Definitions

1. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated July 14, 2017.
2. “CEET” means the *Compagnie Energie Electrique du Togo*, a Recipient-owned power company established pursuant to the Recipient’s *Ordonnance no. 63-13 du 20 mars 1963* and operating pursuant to the Recipient’s *Decret no. 613-152 du 11-12-63 portant approbation des statuts de la Compagnie Energie Electrique du Togo*.
3. “Medium Term Debt Management Strategy” means the Recipient’s framework guiding the decisions in terms of debt management (contracting debt at the lowest interest rate and longer maturity).
4. “Ministry of Finance” means the Recipient’s ministry in charge of economy and finance.
5. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 8, 2018, from the Recipient to the Association, declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
6. “Public Investment Program” or “PIP” means the Recipient’s public investment projects to be implemented over a three-year period.
7. “Revenue Authority” means *Office Togolais des Recettes*, the Recipient’s agency in charge of collecting taxes and customs revenues.
8. “Revenue Protection Program” means the Recipient’s program to improve efficiency both in revenue collection and in the energy consumption by deploying smart meters for medium voltage customers, high-consumption low-voltage customers and in the public administration.
9. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

10. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
11. "TOGOCOM" means the new telecommunications incumbent holding company majority-owned by the Recipient and which is the result of the merger between Togo Telecom and the mobile operator Togo Cellulaire.
12. "WAEMU" means the West African Economic and Monetary Union.