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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A

PROPOSED DEVELOPMENT POLICY GRANT

IN THE AMOUNT OF SDR 28.7 MILLION (US\$40 MILLION EQUIVALENT)

TO THE REPUBLIC OF TOGO

FOR THE

SECOND FISCAL MANAGEMENT AND INFRASTRUCTURE REFORM

DEVELOPMENT POLICY FINANCING

November 9, 2018

Macroeconomics, Trade and Investment Global Practice
Africa Region

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GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2018)

Currency Unit	CFA Franc
US\$1.00	CFAF 569.00
US\$1.00	SDR 0.717

ABBREVIATIONS AND ACRONYMS

AFD	<i>Agence Française de Développement</i> (French Agency for Development)
AfDB	African Development Bank
ARSE	<i>Autorité de Régulation du Secteur de la Communication Electronique et des Postes</i> (Regulatory Authority of Posts and Electronic Communication Sector)
BCEAO	<i>Banque Centrale des Etats d’Afrique de l’Ouest</i> (Central Bank of West African States)
BTCI	<i>Banque Togolaise pour le Commerce et l’Industrie</i> (Togolese Bank for Commerce and Industry)
CEB	<i>Communauté Electrique du Bénin</i> (Electric Community of Benin)
CEET	<i>Compagnie Energie Electrique du Togo</i> (Togo Electric Power Company)
CENI	Independent National Electoral Commission
CFAF	<i>Franc de la Communauté Financière Africaine</i> (Franc of the African Financial Community)
CPF	Country Partnership Framework
CwA	Compact with Africa
DPF	Development Policy Financing
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EGP	Togo Economic Governance Project
ESMAP	Energy Sector Management Assistance Program
ETISALAT	Emirates Telecommunications Corporation
EU	European Union
FDI	Foreign Direct Investment
FMIR	Fiscal Management and Infrastructure Reform
FY	Fiscal Year
GDP	Gross Domestic Product
HFO	Heavy Fuel Oil
ICT	Information and Communications Technology
IDA	International Development Association
IMF	International Monetary Fund
IPF	Investment Project Financing
ISP	Internet Service Provider
KVA	Kilovolt-Ampere
Kwh	Kilowatt Hour
MCC	Millennium Challenge Corporation

MFMOD	Macro-fiscal Model
MPC	Monetary Policy Committee
MTDS	Medium-term Debt Management Strategy
NDP	National Development Plan
NPV	Net Present Value
OTR	<i>Office Togolais des Recettes (Togo Revenue Authority)</i>
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PIC	Public Investment Committee
PIMA	Public Investment Management Assessment
PIP	Public Investment Plan
PSIA	Poverty and Social Impact Assessment
ROA	Return on Asset
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SOE	State-owned Enterprise
SORT	Systematic Operations Risk-rating Tool
TA	Technical Assistance
TOGOCELL	<i>Togo Cellulaire</i>
TTL	Task team Leader
UTB	<i>Union Togolaise des Banques (Togolese Union of Banks)</i>
VAT	Value-added Tax
WAEMU	West African Economic and Monetary Union
WARCIP	West African Regional Communication and Infrastructure Project

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REPUBLIC OF TOGO
SECOND FISCAL MANAGEMENT AND INFRASTRUCTURE REFORM
DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED GRANT AND PROGRAM
REPUBLIC OF TOGO
SECOND FISCAL MANAGEMENT AND INFRASTRUCTURE REFORM
DEVELOPMENT POLICY FINANCING

Borrower	Republic of Togo
Implementation Agency	Ministry of Economy and Finance
Financing Data	IDA Grant Amount: SDR 28.7 million (US\$40 million equivalent).
Operation Type	Second operation in a programmatic series of two single-tranche development policy financing.
Pillars of the Operation And Program Development Objective(s)	<p>The proposed program is articulated around two pillars: Pillar 1: Improving Fiscal Management – Tax Revenue Efficiency and Mobilization; and Public Investment and Debt Management; and Pillar 2: Improving Financial Viability and Service Delivery in Key Infrastructure Sectors – Energy and Information and Communications Technology (ICT).</p> <p>The Program Development Objectives (PDO) are to support the Government of Togo: (i) in mobilizing tax revenues and enhancing the efficiency of tax collection, public investment spending, and debt management; and (ii) to strengthen the financial viability and service delivery in the energy and ICT sectors.</p>
Result Indicators Baseline: 2016 Target: 2019	<p>Pillar 1: Improving Fiscal Management – Tax Revenue Efficiency and Mobilization; and Public Investment and Debt Management.</p> <ol style="list-style-type: none"> 1. Tax exemptions. Baseline (2016): 3.5% of GDP; Target (2019): Less than 2.1% of GDP. 2. Property tax revenues. Baseline (2016): 0.1% of GDP; Target (2019): At least 0.3% of GDP. 3. Share of new public investment projects funded in annual budget consistent with prioritized PIP based on new manual. Baseline (2016): 0%; Target (2019): At least 75%. 4. Debt service-to-revenue ratio (interest plus amortization of medium- and long-term debt). Baseline (2016): 66.6%; Target (2019): Less than 59%. <p>Pillar 2: Improving Financial Viability and Service Delivery in Key Infrastructure Sectors – Energy and ICT</p> <ol style="list-style-type: none"> 5. Difference between CEET retail tariff (weighted average) plus subsidy and cost of service. Baseline (2016): 30 CFAF/kWh; Target (2019): 10 CFAF/kWh or lower. 6. Revenue collection rate of CEET from the General Government. Baseline (2016): 36%; Target (2019): 95% or more. 7. CEET net margin. Baseline (2016): 2 percent; Target (2019): 2 percent or more. 8. Number of internet users. Baseline (2016): 528,076; Target (2019): 1,000,000 or more. 9. ICT Development Index. Baseline (2016): 1.86; Target (2019): 2.30 or more.
Overall risk rating	Substantial
Climate and disaster risks	<i>There are no short nor long-term climate and disaster risks relevant to the operation (as identified as part of the Systematic Operations Risk-rating Tool (SORT) environmental and social risk rating).</i>
Operation ID	P166739

**IDA PROGRAM DOCUMENT FOR
A PROPOSED SECOND FISCAL MANAGEMENT AND INFRASTRUCTURE REFORM
DEVELOPMENT POLICY GRANT TO
THE REPUBLIC OF TOGO**

I. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed grant in the amount of SDR 28.7 (US\$40 million equivalent) Development Policy Financing (DPF) is the second in a programmatic series of two operations.** The series seeks to support the Government of Togo in: (i) mobilizing tax revenues and enhancing the efficiency of tax collection, public investment spending, and debt management; and (ii) strengthening financial viability and service delivery in the energy and ICT sectors.
2. **The DPF series rests on two pillars.** The first pillar supports the government's effort to improve fiscal management through enhancing tax revenue mobilization and collection efficiency. It also seeks to strengthen public investment and debt management. The second pillar supports measures to improve financial viability and service delivery in the energy and ICT sectors. The first operation included measures to reduce tax exemptions, facilitate tax payments, improve public investment management, settle arrears and ensure timely payments in the energy sector, and strengthen the institutional framework while promoting competition in the ICT sector. This second operation supports further reforms in those areas. It includes measures to simplify the tax system and broaden the tax base, ensure more discipline in the selection of public investment projects, enhance tariff setting, management, and planning in the energy sector, and further enhance competition and private sector participation in the ICT sector. Relative to the triggers identified at the time of DPF1, DPF2 has been strengthened to reflect a broader reform push by the Government, including on property taxes, debt management, and opening-up of the ICT sector.
3. **Progress under the DPF program so far has been broadly satisfactory.** Though revenue performance was disappointing in 2017, tax exemptions did decline and overall revenue collections in the first half of 2018 are encouraging. The fiscal stance improved substantially in 2017 and the International Monetary Fund (IMF) 3-year Extended Credit Facility (ECF) program approved in May 2017 remains on track in 2018. The objective of reducing the debt service to revenue ratio has already been nearly achieved. In the energy sector, while planned reforms are moving somewhat slower than expected and new arrears have emerged in 2018, general government payment discipline has been enforced. Also, the financial position of the energy utility has improved, and efforts are under way to address arrears from the water company as well as from the energy utility to the joint Togo-Benin electricity generation company. In ICT, the number of internet users has increased significantly.
4. **Political unrest combined with a sharp fiscal adjustment resulted in a slowdown in growth in 2017.** Economic activity decelerated sharply in the second half of the year, with real Gross Domestic Product (GDP) growth in 2017 declining to 4.4 percent from 5.6 percent in 2016. Despite weaker revenues, the fiscal deficit in 2017 was reduced to only 0.3 percent of GDP from 9.5 percent of GDP in 2016 as capital spending was sharply curtailed and current spending also moderated. This reflected in part difficulties in accessing both external and domestic financing. Overall fiscal targets under the ECF were surpassed in 2017, allowing for some easing of the fiscal stance in 2018 to support an economic recovery.

5. **The macroeconomic framework remains adequate for the purpose of this second operation.**

The second review under the IMF ECF was approved by the Board on June 15, 2018. Togo's strong commitment to the IMF ECF program provides a solid anchor for maintaining macroeconomic stability and further consolidating fiscal and debt sustainability. In parallel, its efforts to improve the business environment and open strategic sectors for private sector participation and enhanced competition lay a good foundation for stronger and increasingly private sector-led growth. Nevertheless, the very challenging political situation raises considerable macroeconomic risks in terms of reinvigorating growth and sustaining fiscal prudence.

6. **Progress in reducing poverty may have stalled (though no recent data are available).**

While Togo's poverty rate declined in 2015 relative to 2006, extreme poverty remains widespread, and socio-economic conditions have significantly deteriorated since 1980 in both absolute and relative terms. Indeed, although the poverty rate declined from 61.7 percent in 2006 to 55.1 percent in 2015, extreme poverty remained very high at 47 percent. The country's ranking in the United Nations Human Development Index has significantly deteriorated over time, falling from the 95th position out of 124 countries (i.e., bottom 23 percent) in 1980 to the 166th position out of 187 countries (i.e., bottom 10 percent). Togo's real GDP per capita of US\$606 in 2017 is lower than the peak of US\$683 registered in 1980.¹

7. **In addition to the ambitious fiscal adjustment program, the Government is pursuing important structural reforms and has launched a new National Development Plan (NDP) for 2018-2022.**

The objectives of the NDP are to pave the way for the structural transformation of the country's economy through the creation of a logistics hub of excellence, a dynamic financial center, and a strong manufacturing base, while consolidating social and inclusive development. Public finance management (PFM) reforms aimed at enhancing cash flow management and ensuring timely payments have had and continue to have high priority. In the energy sector, emphasis is on improving financial discipline and commercial viability needed to attract new investment. In the telecommunications sector, the Government is actively pursuing increased competition and private sector participation, including recent plans to divest the dominant state-owned telecommunications company. In the financial sector, focus has been on addressing the two weak public banks. A planned merger has been approved by the West African Economic and Monetary Union (WAEMU) banking commission, but the Government has decided to sell the two banks as are. In March 2018, Togo was admitted to the Compact with Africa (CwA) initiative, reflecting its commitment to reforms conducive to private sector development. The DPF program supports several of these initiatives and is fully in line with the priorities of the new NDP.

8. **The DPF series supports maximizing finance for development.**

Improving financial viability of the energy sector will make it more attractive for the private sector to participate. Opening TOGOCOM (the state-owned telecommunications company) to private sector participation supports increased private finance for development, while general liberalization of the sector will also encourage private sector investment. Simplification of the tax system through consolidation of several taxes will ease the cost of doing business and encourage formalization. Togo's recent admission to the CwA is expected to further support foreign direct investment in the country.

9. **The operation is being developed in an environment of high political risk.**

Since August 2017, Togo has been experiencing one of the most serious political unrest in more than a decade. Large

¹ Income per capita has, however, been supported by large inflows of remittances, which were estimated at 8.6 percent of GDP in 2017.

opposition demonstrations have taken place in Lomé and other regional cities for over six months, with security forces clashing with demonstrators. The opposition parties call for the return to the 1992 Constitution—which limited the presidential term to two terms (totaling 10 years)—and for voting rights for the diaspora. To put an end to the political crisis, talks opened in February 2018 between the ruling party and the opposition, with support from Ghana’s president Nana Akufo-Addo and Guinea’s president Alpha Conde. After several months of impasse, a new roadmap for ending the political crisis was adopted during the 53rd Economic Community of West African States (ECOWAS) summit held in July 2018. This includes constitutional changes limiting the presidential term and allowing a two-round election. In addition, the voters’ register should be revised with a view to holding legislative elections on December 20, 2018.² ECOWAS is closely monitoring implementation of the roadmap. The coalition of opposition parties has joined Independent National Electoral Commission (CENI) though still contesting the transparency of the electoral process and calling on their supporters to boycott the forthcoming elections. On the ground, the situation remains relatively calm with few and peaceful demonstrations.

II. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

10. **Economic growth decelerated in 2017 in the context of political unrest, along with a sharp fiscal adjustment and tighter credit conditions.** Real GDP growth slowed from 5.6 percent in 2016 to an estimated 4.4 percent in 2017. It was mainly driven by the slowdown in the transport and logistic sector which was strongly affected by the political and social unrest in the second half of 2017. On the demand side, growth was driven primarily by private consumption and investment, while public investment was curtailed sharply. Exports also picked up though the contribution of net exports to growth remained negative. On the supply side, economic activity was mainly supported by the agriculture and services sectors. Relatively weak demand, combined with a decline in energy and food prices, led inflation into negative territory, declining from 0.9 percent in 2016 to -0.7 percent in 2017. Higher food and beverage prices pushed inflation back into positive territory at 1.6 percent in July 2018. Real sector indicators for the first half of 2018 suggest that growth has stabilized.

Table 1: Contribution to GDP Growth, Demand and Supply Side (Percentage Points)

	2016	2017	2018	2019	2020		2016	2017	2018	2019	2020
Private Cons.	3.3	2.8	2.9	3.0	3.2	Agriculture	2.5	1.6	1.2	1.2	1.2
Gov. Cons.	-1.2	0.7	2.1	-0.3	0.2	Industry	0.7	0.6	0.4	0.5	0.5
GFCF	2.9	1.7	0.7	3.2	2.8	Services	2.2	2.2	3.0	3.3	3.6
GFCF-Gov	-0.7	-1.7	3.7	-8.9	-0.8	GDP Growth	5.6	4.4	4.7	5.0	5.3
GFCF-Priv	3.7	3.4	-3.0	12.2	3.6						
Exports	0.6	4.7	4.8	4.5	4.6						
Imports	-2.9	-5.1	-5.7	-5.5	-5.5						
GDP Growth	5.6	4.4	4.7	5.0	5.3						

Bank staff estimates (November 2018).

Note: Change in inventories and net tax on production are excluded from the decomposition. Government consumption cannot be derived directly from the fiscal accounts; the growth decomposition is done using Macro-fiscal Model (MFMOD) data consistent with data from Government and World Development Indicators (WDI).

² Local elections are scheduled for December 16, 2018. Presidential elections are due in 2020.

Table 2: Togo: Key Macroeconomic Indicators 2015-2022

	2015	2016	2017(e)	2018(p)	2019(p)	2020(p)	2021(p)	2022(p)
Annual percentage change, unless otherwise indicated								
Real Economy								
GDP (CFA Billions)	2,472	2,659	2,786	2,975	3,198	3,469	3,766	4,089
Real GDP growth	5.7	5.6	4.4	4.7	5.0	5.3	5.4	5.4
Real GDP per capita	3.1	2.9	1.8	2.1	2.4	2.7	2.8	2.8
GDP deflator	3.5	1.9	0.4	1.9	2.3	3.0	3.0	3.0
Consumer Price Index (Average)	1.8	0.9	-0.7	0.7	1.8	2.0	2.0	2.0
Percent GDP, unless otherwise indicated								
Fiscal Account								
Expenditures	30.7	31.0	21.7	27.4	25.4	25.2	25.2	25.3
Revenues	19.5	18.6	18.2	20.4	19.9	19.9	20.0	20.2
Grants	2.3	2.8	3.2	3.9	4.1	4.1	4.1	4.1
General Government Balance (incl grants)	-8.9	-9.5	-0.3	-3.1	-1.5	-1.2	-1.1	-1.0
Percentage change of beginning-of-period broad money								
Selected Monetary Accounts								
Credit to non-government	18.8	7.5	1.7	9.6	10.5	12.2	13.0	13.6
Credit to government(net)	-2.1	-2.3	9.5	-13.8	2.3	0.0	0.0	0.0
Broad money (M2)	20.7	12.6	10.0	6.8	7.5	8.5	10.0	8.6
Net foreign assets	-2.9	5.7	-2.4	0.2	0.2	0.2	0.2	0.2
Percent GDP, unless otherwise indicated								
External Accounts								
Current account balance	-11.0	-9.7	-7.9	-8.0	-7.0	-5.9	-5.1	-5.0
Imports (Goods)	48.9	44.6	41.8	40.5	39.2	38.1	37.1	37.3
Exports (Goods)	24.2	23.1	21.7	20.9	21.2	21.0	21.0	21.4
Foreign Direct Investment	2.2	6.8	3.1	2.6	1.6	0.2	-0.3	-0.9
Total public debt	72.1	81.1	75.6	74.1	69.9	65.3	60.9	56.8
External public debt	21.7	20.1	19.7	24.0	25.3	24.6	24.0	23.4
Terms of trade (percent change)	6.8	-2.7	-0.3	-2.3	-1.6	0.9	0.8	3.8
Exchange rate (CFA/US\$ average)	591.2	592.8	580.9					

Source: Togo authorities; World Bank and IMF staff estimates (November 2018).

11. **The fiscal deficit narrowed sharply in 2017 despite a decline in revenues.** Despite the weakening of **economic** activity and much lower than programmed revenues, the Government overperformed on fiscal targets agreed in the context of the IMF ECF. The fiscal deficit declined from 9.5 percent of GDP in 2016 to 0.3 percent of GDP in 2017. The primary balance improved from a deficit of 7.1 percent of GDP in 2016 to a surplus of 1.5 percent of GDP. Revenues (excluding grants) decreased by 0.4 percent of GDP to 18.2 percent of GDP, 2 percentage points of GDP below the program. At the same time, spending decreased dramatically from 31 percent of GDP in 2016 to 21.7 percent GDP in 2017. This reflected mainly a sharp contraction in capital spending (notably related to halting of the pre-financing mechanism³) but also a temporary reduction of current spending (including a cut in energy subsidies of 0.2 percent of GDP and lower interest payments related to restructuring of pre-financing mechanism debts). This allowed for

³ This mechanism entailed commercial bank financing of public investment projects outside of the budget process.

significant net repayment of arrears (CFA 59.3 billion or about 2 percent of GDP) while reducing public debt from 81.1 percent of GDP in 2016 to 75.6 percent of GDP in 2017.⁴

Table 3: Togo: Key Fiscal Indicators 2015 – 2022

	2015	2016	2017 (e)	2018 (p)	2019 (p)	2020 (p)	2021 (p)	2022 (p)
Percent GDP, unless otherwise indicated								
Total Revenue	21.8	21.5	21.4	24.3	24.0	24.0	24.1	24.3
Revenues excl Grants	19.5	18.6	18.2	20.4	19.9	19.9	20.0	20.2
Tax revenues	17.3	16.7	16.1	17.4	17.3	17.3	17.3	17.3
Tax administration(CI)	8.6	8.9	8.9	9.8	9.7	9.7	9.7	9.7
Custom administration (CDII)	8.7	7.8	7.2	7.6	7.6	7.6	7.6	7.6
Non-tax revenues	2.2	1.9	2.1	3.0	2.6	2.6	2.6	2.6
Grants	2.3	2.8	3.2	3.9	4.1	4.1	4.1	4.1
Total Expenditure	30.7	31.0	21.7	27.4	25.4	25.2	25.2	25.3
Current expenditure	17.7	17.2	15.4	17.3	16.6	16.4	16.4	16.4
Wages Bill	6.9	6.9	6.9	6.9	6.7	6.7	6.7	6.7
Goods and services	3.6	3.8	3.0	3.9	3.5	3.6	3.6	3.6
Transfers and subsidies	4.7	4.2	3.7	4.2	3.9	3.9	3.9	3.9
Interest Payments	2.4	2.4	1.7	2.4	2.4	2.2	2.2	2.2
Capital expenditures	12.9	13.8	6.3	10.1	8.9	8.8	8.8	8.9
Domestically financed	7.3	8.3	3.7	3.0	3.0	2.9	2.9	2.9
Foreign financed	5.6	5.5	2.5	7.1	5.9	5.9	5.9	6.0
Balance (Commitment basis)								
Primary balance, incl grants	-6.5	-7.1	1.5	-0.7	1.0	1.0	1.0	1.0
Overall balance, incl grants	-8.9	-9.5	-0.3	-3.1	-1.5	-1.2	-1.1	-1.0
Overall balance, excl grants	-11.2	-12.3	-3.5	-7.0	-5.6	-5.3	-5.3	-5.3
Change in arrears and accounts payable	1.1	0.0	-1.8	-2.2	-1.1	0.0	0.0	0.0
Balance (Cash basis)								
Primary balance, incl grants	-5.3	-7.1	-0.3	-2.9	-0.1	1.0	1.0	1.0
Overall balance, incl grants	-7.7	-9.5	-2.1	-5.3	-2.6	-1.2	-1.1	-1.0
Overall balance, excl grants	-10.1	-12.3	-5.3	-9.2	-6.7	-5.3	-5.3	-5.3
Financing	15.0	12.1	3.8	7.8	4.8	5.3	5.3	5.3
Domestic Financing (net)	9.5	6.9	1.0	0.2	-0.8	-0.3	-0.2	-0.2
External financing (net)	5.4	5.2	2.8	7.6	5.5	5.6	5.5	5.5
Financing gap/unidentified financing	-4.9	0.2	1.4	1.4	1.9	0.0	0.0	0.0
IMF ECF			1.4	1.4	1.9			

Note: Assumes bank recapitalization of 1.4 percent of GDP in 2018.

Source: Togo authorities; World Bank and IMF Staff estimates (November 2018).

12. **The revenue shortfall reflected several factors.** The 2017 budget reduced the value-added tax (VAT) rate for some basic foods, textiles and electronic items (1.2 percent of GDP revenue loss) as well as the corporate tax rate from 28 to 27 percent (0.5 percent of GDP revenue loss). Revenue losses were also

⁴ Based on an audit conducted by authorities, the stock of domestic arrears (excluding debt of liquidated SOEs and central government arrears to SOEs) at end-2016 was estimated at CFA 194 billion (7.3 percent GDP), below the IMF estimate of CFA 295 billion (11.2 percent GDP). Reconciliation consistent with WAEMU definitions is ongoing.

driven by the deceleration of economic activity resulting from socio-political unrest which impacted not only the tax base but also compliance behavior; and persisting weaknesses in the tax administration.

13. **The limited impact on growth of the sharp fiscal adjustment reflects in part a lesser drag from net exports due to a strong pick-up in exports.** It likely also reflects the lagged effect of the significant upgrading of infrastructure in recent years that has enhanced the supply-side response of the economy and supported higher productivity of private sector investment.⁵ Further, the decline in VAT tax rates may also have supported growth.

14. **The external current account deficit narrowed somewhat in 2017 due to lower imports of public capital goods and robust exports.** The current account deficit declined from 9.7 percent of GDP in 2016 to 7.9 percent of GDP in 2017, driven mainly by reduced imports of public capital goods. The improvement of the current account also reflects strong cotton exports which increased by 38 percent owing to favorable weather conditions and a more efficient fertilizer subsidy policy. Meanwhile, the terms of trade remained broadly unchanged. The external current account deficit was financed through a combination of concessional borrowing and foreign direct investments (FDI).

15. **Monetary conditions remain unchanged.** Togo's monetary and exchange rate policies are managed at the regional level by the *Banque Centrale des Etats d'Afrique de l'Ouest* (Central Bank of West African States, BCEAO). The BCEAO maintains a fixed peg between the CFA franc and the Euro. In March 2018, the Monetary Policy Committee (MPC) kept its key policy rate and the reserve requirement ratio at 2.5 percent and 3 percent respectively, consistent with the baseline inflation outlook and the WAEMU convergence criteria.⁶ However, the region's external buffers eroded slightly with regional reserves falling marginally to 4.2 months of imports at end-December 2017. While money supply in Togo increased by 10 percent, credit to the private sector declined from 41.2 percent of GDP in 2016 to 39.5 percent of GDP in 2017. This reflected a diversion of credit to the Government which was facing increasingly difficult access to external financing and opted to borrow on the regional market.⁷ Also, demand for private credit was affected by rising uncertainty in the political and business environment with many investors likely postponing their investment plans.

16. **The accumulation of government arrears to the private sector (prior to the large repayment in late 2017) and the weak business environment has affected the health of the banking system.** The share of non-performing loans to total gross loans rose to 17 percent at end-2017 from 15.4 percent the year before, and overall banking sector profitability as measured by the Return on Asset (ROA) declined from 2.6 percent in 2016 to -2.8 in 2017. Among the most affected are the two public banks, the *Banque Togolaise pour le Commerce et l'Industrie* (BTCL) (Togolese Bank for Commerce and Industry) and the *Union Togolaise des Banques* (UTB), (Togolese Union of Banks) which have become insolvent according to an independent audit of the two banks. The authorities decided to merge the two banks by purchasing all minority shares in BTCL and then merging this into the stronger bank (UTB). Following the decision on the merger, the temporary management of the two banks led by UTB has completed a comprehensive restructuring plan including a clause of no-bailout of minority shareholders in line with best practices. The

⁵ Indeed, empirical analysis suggests that most of the growth spurt during 2011-2016 was driven by structural factors, notably financial deepening and infrastructure development (see Fiseha and Moller 2018 forthcoming).

⁶ Inflation in the region is projected at 1.5 percent in the medium-term horizon (24 months), well below the 3 percent threshold set in the WAEMU convergence criteria.

⁷ In January 2018, the interest rate on Togo's Treasury Bills averaged 6.7 percent compared to 6.5 percent the year before, the highest among the WAEMU countries.

WAEMU banking commission approved the merger of the two banks in August 2018, but the Government finally decided to privatize the two banks hoping to minimize the cost of recapitalization (estimated at 1.4 percent of GDP in the revised budget for 2018). The draft law for privatizing the two banks was submitted to the parliament in October 2018 and it is expected that the smaller bank (BTCI) will be sold by end-December 2018. The sale of the larger bank should be done through competitive bidding and is expected to be finalized by September 2019.

2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

17. **Growth prospects remain positive over the medium term assuming political unrest subsides.** GDP growth is expected to increase marginally to 4.7 percent in 2018 and to return to 5.4 percent over the medium term driven by the gestation impact of major public infrastructure investment in recent years (including an improved road and telecommunication network) which is expected to boost private investment.⁸ Assuming a continued easing of political tensions and substantial improvement in the business climate, private investment is expected to increase steadily from 19.7 percent of GDP in 2017 to 23.4 percent in 2022. Also, improved growth prospects among key trading partners should boost exports and support economic activity in Togo. Further, a fertilizer subsidy and improved coordination among producers should boost productivity and efficiency in the agricultural sector.⁹ Per capita income should grow around 3 percent over the medium term, helping to reduce poverty.

18. **Fiscal policy will remain guided by the objective to comply with the WAEMU targets of reducing public debt below 70 percent of GDP and the fiscal deficit below 3 percent of GDP (commitment basis) by 2019 while allowing some counter-cyclical easing in 2018 given the overperformance in 2017.** In 2018, the overall fiscal deficit (excluding bank recapitalization) is programmed under the ECF to increase to 3.1 percent of GDP (commitment basis).¹⁰ The easing of the fiscal stance in 2018 is warranted by the weak economy and inability to introduce further savings in the context of ongoing socio-political tensions. Revenues (excluding grants) would increase from 18.2 percent of GDP in 2017 to 20.4 percent of GDP in 2018, while spending in 2018 is expected to increase by almost 7 percent of GDP, reflecting mainly a resumption of capital spending but also higher current spending.¹¹ Main lenders are the World Bank, the European Union (EU), the African Development Bank (AfDB), Germany, and China financing key projects in urban infrastructure, energy, and agriculture. Financing conditions in regional markets have tightened and interest costs are going back up. Despite the higher fiscal deficit, public debt-to-GDP would still decline in 2018 reflecting the pick-up in nominal GDP growth.

19. **Given the shortfall in 2017, several measures are being taken to enhance revenues.** Given the carry-over of lower revenues from 2017, the original budget for 2018 introduced some tax and non-tax

⁸ During the period 2013-2017, Togo invested in large-scale infrastructure, including the modernization of the airport, the extension and modernization of the Lomé seaport and the construction of the Lomé Thermal Power Station which improved power generation and supply. The newly adopted development plan aims to make Togo a top-class logistics and business hub, and the Government aims to rely increasingly on private investments and PPPs.

⁹ For the agricultural campaign 2018-2019, the Government will spend CFA 2.9 billion to subsidize fertilizer purchases.

¹⁰ The ECF program includes a provision for settling remaining arrears of 3.3 percent of GDP in 2018-2019. So far, only a small portion of this has been done.

¹¹ Higher externally-financed capital spending in 2018 reflects partly inclusion of projects in the budget that were previously excluded (CFA 94 billion or about 3.4 percent of GDP); and a planned donor roundtable to seek support for the new NDP. This also explains the projected increase in grants (mainly project grants).

policy measures to boost revenue collection, amounting to 1.2 percent of GDP. In the revised budget for 2018 adopted in April 2018, some of these measures were redesigned and additional revenue measures adopted amounting to about 0.5 percent of GDP. The total revenue measures of 1.7 percent of GDP relative to 2017 include cancellation of the reduced VAT rates introduced in 2017, collection of tax arrears, and administrative measures, fees on new 4G licenses (replacing the planned turnover tax for the ICT sector and yielding more revenue, but likely to be a one-off measure), and dividends from well-performing state-owned enterprises (SOEs). Efforts are also under way to reduce tax exemptions and increase property tax revenues, but this will take more time to have impact. Tax collections through June 2018 exceeded the target agreed with the IMF, increasing 16 percent over the same period the year before, though this included one-off revenues related to the award of 4G licenses.

20. **Plans are also under way to enhance the efficiency of spending.** The authorities have undertaken a comprehensive review of expenditures with support from an international consulting firm. This points to potential efficiency savings of up to 2 percent of GDP annually over the medium term, of which savings of about 0.5 percent of GDP were introduced in the context of the revised budget for 2018 (including a reduction in subsidies to various development programs which were not found to be effective).

21. **The fiscal consolidation needed in 2019 to meet the WAEMU deficit target would only be 0.1 percent of GDP, while a more challenging effort of 2.6 percent of GDP would be needed to meet the ECF target.** This would likely have to come mainly from tightening investment spending again. Public debt would decline to just under 70 percent of GDP in 2019, consistent with the WAEMU target, and Togo would be on track to meeting the program's long-term debt sustainability objective of reducing the Net Present Value (NPV) of debt below 38 percent of GDP by 2025. From 2020, the fiscal stance is assumed to remain broadly neutral, with the overall primary fiscal balance projected to reach a small surplus by 2022. Total public debt would decline to 56.8 percent of GDP by 2022.

22. **The current account balance is expected to remain stable in 2018 and improve over the medium term.** Togo's current account deficit is projected to decrease marginally to 5.9 percent of GDP in 2020 reflecting mainly lower imports. The slowdown of activities around the Lome Port combined with increased regional competition owing to the full implementation of the ECOWAS Common External Tariff will affect the net trade performance of the country.¹² Foreign direct investment is projected to pick up from 2019 supported by ongoing liberalization plans and the recent admission to the CwA, though net direct investment outflows from the banking sector will continue to affect overall FDI. Financing needs should be fully met through 2019 in the context of the ECF program.

¹² The ECOWAS Common External Tariff came into effect in January 2015 and harmonized custom duties, import quotas, preferences and other non-tariff barriers for all goods entering the territory of the 15 Member States.

Table 4: Togo: Balance of Payments Financing Requirements and Sources

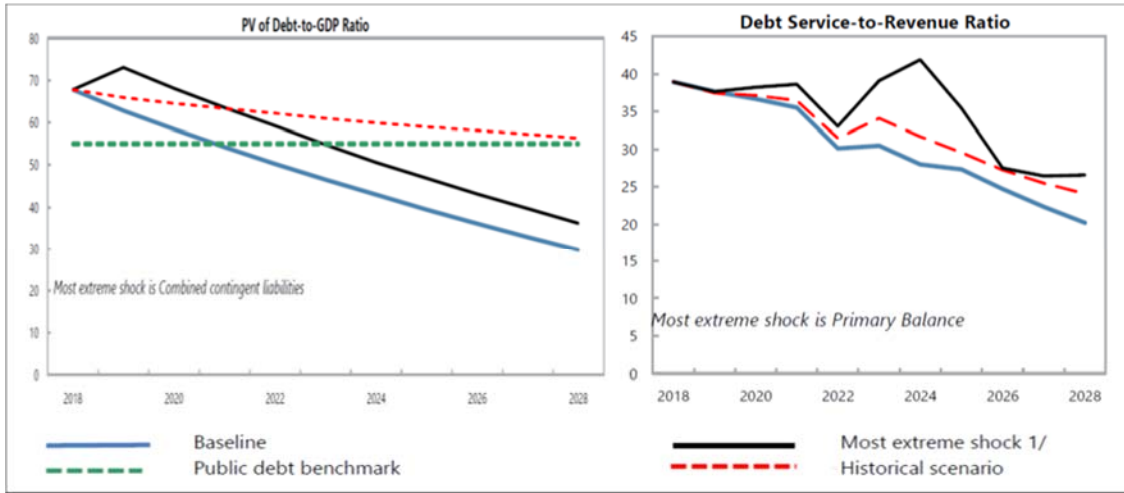
Billions of CFA Francs	2015	2016	2017 (e)	2018 (p)	2019 (p)	2020 (p)	2021(p)	2022(p)
Financing requirements	-113.2	-95.1	-80.9	-65.2	-15.3	13.5	35.6	36.9
Current Account Balance	-272.6	-258.7	-219.4	-238.0	-223.3	-204.5	-193.3	-203.7
Capital Account Balance	159.4	163.6	138.5	172.8	208.0	218.0	228.9	240.6
Financing sources (financial account)	-225.5	-159.9	-3.8	-51.9	15.9	-19.6	-0.6	-1.6
Foreign Direct Investment (Net)	53.7	179.7	86.6	78.5	51.9	5.9	-12.5	-35.7
Portfolio Investment (Net)	-75.5	-160.5	10.0	-12.0	-31.9	-39.0	-49.7	-58.6
Other Investment (Net)	-203.7	-179.1	-100.4	-118.4	-4.1	13.5	61.6	92.7
Of which general government (net)	-134.2	-138.3	-79.1	-227.4	-176.9	-193.2	-212.5	-228.9
Errors and omissions	2.7	2.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	115.0	67.3	-77.1	-13.3	-31.2	33.1	36.2	38.5
Change in Reserves (- = increase)	-115.0	-67.3	36.8	-27.0	-29.4	-33.1	-36.2	-38.5
Financing gap	40.3	40.3	60.6	0.0	0.0	0.0
IMF ECF	40.3	40.3	60.6			

Source: Togo authorities; and IMF Staff estimates (BPM6 methodology) (November 2018).

23. **Total public debt remained high at 75.6 percent of GDP in 2017 but is expected to gradually decline in the projection period.** According to the November 2018 joint IMF-World Bank Debt Sustainability Analysis, the risk of external debt distress is moderate but with heightened overall risk of debt distress. The Present Value (PV) of public debt-to-GDP in 2017 stands above the new benchmark level of 55 percent of GDP. Debt service costs are also high at more than one-half of budget revenues and challenge the ability of the Government to implement social spending that contribute to poverty reduction. Under the baseline scenario, with a primary fiscal surplus assumed to be maintained at 1 percent of GDP from 2019, all external debt sustainability indicators are expected to remain below indicative thresholds throughout the 2018-2028 projection period, and total public debt would fall below the benchmark in 2021. Under the historical scenario and several other shock scenarios (shocks on exports stemming from low external demand or declining commodity prices; less favorable financing terms; lower revenues), several indicators breach their respective thresholds. However, the volatility in public investment and uneven fiscal path could affect potential growth and debt sustainability.

24. **Two-thirds of the debt is domestic, short term and relatively expensive.** This reflects Togo's limited access to external financing, but also overborrowing by the authorities that crowded out private credit in recent years. There is potential for debt restructuring (as currently being pursued by Benin with a partial risk guarantee from the World Bank - Benin Second Fiscal Reform and Growth DPF (P166115) and Benin Second Fiscal Reform and Growth PBG (P167278) and more efficient debt management. The World Bank and the IMF are currently providing technical assistance (TA) on this.

Figure 1: Togo DSA: Indicators of Public Debt and Debt Service under Different Scenarios



Source: IMF and World Bank Staff estimates (November 2018).

Table 5: Togo: Debt Composition

Percent of GDP	2015	2016	2017 (e)	2018 (p)	2019 (p)	2020 (p)	2021 (p)	2022 (p)
Total Public Debt	72.1	81.1	75.6	74.1	69.9	65.3	60.9	56.8
External public debt	21.7	20.1	19.7	24.0	25.3	24.6	24.0	23.4
Interest on external debt	0.6	0.3	0.4	0.5	0.4	0.3	0.2	0.2
Domestic debt	50.5	60.9	55.9	50.2	44.6	40.7	36.9	33.4
Interest on domestic debt	1.8	2.0	1.4	1.9	2.1	2.0	2.0	2.0

Source: IMF and World Bank Staff estimates (November 2018).

25. **Though Togo’s economic prospects are generally positive, macroeconomic risks remain substantial.** Political and social tensions create an uncertain environment for the implementation of economic reforms. The slowdown of economic growth driven by socio-political tensions may further increase public discontent and complicate the renewed fiscal consolidation in 2019, especially given planned legislative and local elections. Fiscal risks are further worsened by the high debt service burden and accumulation of new arrears in the energy sector. The relatively poor business environment will continue to impinge on economic growth despite some reforms implemented in 2018 to ease business creation, issuance of construction permits, and access to electricity. The security situation in neighboring countries, weaker-than-expected global growth, and tighter financing conditions in regional markets could lead to higher borrowing costs and affect debt sustainability. Finally, the strong vulnerability to changes in commodity prices (including higher oil prices¹³) and adverse weather conditions may challenge the ability of the country to achieve the goals set in the NDP and under the IMF program.

¹³ Pump prices were raised in August 2018 following the increase in international oil prices since September 2017 (according to the automatic price adjustment mechanism set by the Government of Togo in 2002, when the CIF price varies outside the range -5 percent to 5 percent, pump prices should be adjusted). The Government has borne the brunt of the burden of higher oil prices, having exhausted the budgeted CFA 5 billion subsidy (excluding CEET) for 2018.

26. **The macroeconomic policy framework is considered adequate for this operation.** Togo remains on track under the IMF ECF, with a significant overperformance on fiscal targets in 2017 and approval of a revised budget for 2018 which allowed the IMF to complete the second review on June 15, 2018. Further, fiscal targets through June 2018 appear to have been met. The Government has refrained from contracting non-concessional loans, halted pre-financing of public investments, and started repaying domestic arrears. Togo's prudent monetary policy is anchored in the WAEMU regional policy. Inflation has been contained below the WAEMU norm of 3 percent over the past few years and should remain below the norm in the medium term. Furthermore, the ECF arrangement with the IMF provides confidence that financial sector vulnerabilities are being addressed though close monitoring is warranted. Finally, program financing is assured through the ECF (and supported by the DPF series). However, given the high level of debt and strong variability of the subscription rate of government bonds/bills, possible signs of debt distress will have to be monitored carefully.

2.3 IMF RELATIONS

27. **On October 31, 2018, IMF staff reached agreement with the Government on the economic and financial policies that could support the approval of the Third Review of the ECF.** The third review is tentatively scheduled for Board consideration on December 10, 2018. The completion of the third review will enable the disbursement of about US\$35 million, bringing the total disbursement under the three-year program to US\$141 million. Economic performance under the ECF has been broadly satisfactory as the fiscal position improved significantly. The third review focuses on maintaining the magnitude of fiscal consolidation, pursuing structural reforms to ensure strong fiscal performance in the long term, strengthening public investment efficiency, improving arrears management, implementing the privatization of the two public banks, and opening some key sectors to private investment (mining, telecommunications, and energy).

III. THE GOVERNMENT'S PROGRAM

28. **The government's priorities are outlined in the NDP for 2018-2022.** The overall goal of Togo's development plan for 2018-2022 is to structurally transform the economy to achieve strong, sustainable, resilient, inclusive growth creating decent jobs and improving social welfare. The NDP emphasizes good governance, improved PFM, the development of the private sector and strong public private partnerships. It also aims to enhance the competitiveness of the economy by reducing the cost of energy and improving the quality of telecommunications and transport services. The promotion of tourism, development of agri-industrial parks, sound management of natural resources and decentralization are also key priorities to foster job creation and sustainable growth. The NDP of Togo is structured around three strategic pillars: 1) To set up a logistics hub of excellence and a business centre of first order in the sub-region; 2) To develop agricultural processing, manufacturing and extractive industries; and 3) To consolidate social development and to strengthen inclusion mechanisms. The overall cost of the NDP is estimated at CFA 4,622 billion (166 percent of GDP). This includes public investment expenditure of CFA 1,623 billion, representing 35 percent of the total cost, with private investments expected to cover the rest.

29. **In March 2018, Togo was admitted to the CwA initiative.** This reflects the commitment of the Government to foster the implementation of reforms that are conducive for private sector development. As required in the CwA, the Government has proposed a matrix of reforms to improve the business framework as assessed through the Doing Business indicators. These include online business registration, the reduction of registration fees for new businesses, reduced delays in obtaining construction permits

and the reduction of the connection charge to the electricity network. The CwA will serve as a catalyst for reforms and increase the attractiveness of Togo for investors.

IV. THE PROPOSED OPERATION

4.1 LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

30. **The proposed Fiscal Management and Infrastructure Reform DPF (FMIR2) is the second in a program of two operations intended to support the Government's efforts to enhance fiscal management and improve financial viability and service delivery in key infrastructure sectors.** In particular, the DPF program supports: (i) enhanced and more efficient tax revenue mobilization and improved public investment and debt management; and (ii) strengthened financial viability of the energy sector and enhanced competition and regulation in the ICT sector. These two components support key elements and objectives of the NDP. It is expected that this DPF series will be followed by new DPF operations in the coming years, supporting continued implementation and deepening of reforms in the areas supported under the current series as well as possibly new areas such as mining in line with the newly adopted Country Partnership Framework (CPF).

31. **The development of a more efficient and equitable tax system is among Togo's main priorities.** Togo's tax system remains overly complicated and burdensome, and is viewed as a major obstacle to investment, the transition from the informal to the formal economy, firm growth, and poverty reduction through job creation. Furthermore, reforming the tax system is critically needed to increase fiscal space and mobilize funds to finance priority infrastructure projects. The Togolese Government recently launched a second generation of tax reforms that culminated in the integration of the former Customs and Tax Directorates into a single structure Togo Revenue Authority (*Office Togolais des Recettes*, OTR). Tax revenue as a share of GDP declined from 17.3 percent of GDP in 2015 to 16.1 percent of GDP in 2017, while total revenues (excluding grants) declined from 19.5 percent of GDP to 18.2 percent of GDP over the same period—well below the WAEMU target of 20 percent of GDP by 2019. Ongoing reforms aim to achieve this target through improved tax policy design, broadening the tax base, reducing tax exemptions, promoting tax compliance, and improving the quality of service provided to taxpayers. The DPF program supports the government's efforts in this area.

32. **The Government is keen to strengthen public investment and debt management.** Public investment under the pre-financing mechanism¹⁴ increased from 9.3 percent of GDP in 2013 to 13.9 percent of GDP in 2016. In 2016, Togo ranked in the bottom quartile of countries in the public investment management index, with the IMF Public Investment Management Assessment (PIMA) estimate of the efficiency of Togo's public investment at 0.3 (on a scale of 0-1). Following the recommendations of the PIMA diagnostic, the Government has taken important first steps to enhance public investment management, including refinancing on improved terms all outstanding obligations to commercial banks related to pre-financed investments and establishing an inter-ministerial Public Investment Committee (PIC) to scrutinize and prioritize projects for inclusion in the Public Investment Program. On the debt management side, the Government has re-organized and strengthened its Debt Office (by introducing Front and Middle Offices), and is considering a debt reprofiling exercise under which expensive domestic

¹⁴ Contract allowing a public contract beneficiary to borrow from commercial banks with an explicit guarantee from the State.

debt would be replaced with (guaranteed) external borrowing on better terms.¹⁵ The DPF program is supporting these actions, and the Government has expressed interest in a successor operation in the form of a Policy-Based Guarantee.

33. **The energy sector is a critical area where new investments and improved efficiency are needed to ensure access to reliable and modern energy services at an affordable cost.** Power outages remain widespread, and the power utilities are not commercially viable due to an expensive energy mix, tariffs that are not cost reflective, but remain unaffordable, poor revenue collection, and operational inefficiencies. This in turn has resulted in a chain of non-payments affecting the entire sector and increasingly spilling over to neighboring countries. Supported by this DPF program, the Government has begun to address these challenges through clearing cross-arrears and ensuring full payment for all services received by the General Government, launching management improvement plans for the national power utility, developing a methodology for ensuring that tariffs reflect costs, and preparing a masterplan for expanding power generation based on least-cost and integrating national and regional supply options. The Government's ambition is to raise the national electricity access rate from 35.6 percent in 2016 to 60 percent in 2022 and to reduce the rate of losses in the network from 16.3 percent in 2016 to 10 percent by 2022.

34. **In telecommunications, the Government's ambition is to establish the digital world as a real lever for the modernization of the economy and to enable universal access to ICT services at the lowest possible cost.** ICT services in Togo are costly, inefficient, and of poor quality, thereby preventing local firms from taking advantage of new opportunities offered by mobile technology and internet services. This reflects to an important degree the dominance of SOEs and barriers to entry. The Government has embarked on an ambitious program of liberalization supported by this DPF and other World Bank operations. This includes adoption of a sector policy based on universal access, competitive infrastructure development, and improved regulation, as well as granting of Internet Service Provider (ISP) authorizations, open access to wholesale broadband services, and opening-up the national telecommunications company to private sector participation. The Government aims to achieve 60 percent access to high-speed internet for enterprises and local governments by 2022.

35. **The DPF program draws upon the lessons learned from previous development policy operations.** In the past, development policy lending in Togo produced mixed results in terms of the Government's performance and eventual outcomes. The most recent DPO program approved in 2013 was unsuccessful as fiscal policy, public investment management, and general expenditure management was inadequate. This experience has demonstrated the need for strong political commitment at the highest level of Government, strong selectivity in the choice of reforms based on the Government's priorities and capacity to implement reforms, having a good understanding of the political economy environment, and strong donor coordination, TA and complementarity of the selected reforms with the World Bank's investment project financing in the country. These conditions are all believed to be satisfied in the context of this DPF program. Reforms introduced with the support of the first operation in the program have been broadly sustained, and results through 2017 are generally on track to meet targets established for 2019.

¹⁵ While the IMF ECF has a zero-limit on non-concessional external borrowing, this ceiling could be removed to support a debt reprofiling exercise as long as prudential thresholds on external debt are respected and the NPV of total debt is reduced. Currently, this would allow for debt reprofiling up to 9 percent of GDP or about US\$450 million.

4.2 PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

36. **This section describes in more detail the context for the proposed policy reforms, progress since FMIR1, and the proposed policy actions for FMIR2.** The first operation laid the groundwork for continued reforms in targeted priority areas to be supported through the programmatic series. The below summarizes the background in the various policy areas, reports progress under the FMIR1, explains the prior actions for the second operation in the series and the rationale behind these, and presents (or updates where needed) the results indicators specified at the time of the FMIR1.

37. **Progress under FMIR1 has been broadly satisfactory, and the thrust of the second operation and overall DPF program remains largely as envisaged at the time of the first operation.** Reforms supported under the DPF series have generally advanced in line with the program, and, where available, outcomes for results indicators in 2017 generally show that program targets for 2019 are on track. The biggest concern relates to poor revenue performance, but this reflects mainly the political and economic situation and recent policy and administrative measures go in the right direction. To reflect delays in the implementation of critical reforms and to ensure that measures are properly grounded in the institutional environment, minor adjustments to a few of the indicative triggers for the second operation identified at the time of FMIR1 were made. In particular, advanced preparation of FMIR2 meant that the budget for 2019 was not expected to be ready which affects one of the actions. Also, harmonization of domestic taxes and customs databases has been delayed due to technical problems but is now back on track. Further, implementation of some reforms in the energy sector is taking longer than envisaged, and the focus in this area has been redirected to the key policy decisions supporting the implementation of these reforms. Further, the FMIR2 program has been strengthened with the addition of two prior actions: First, a prior action has been introduced to support enhanced debt management as requested by the authorities. Second, the ICT program has been broadened to include a partial divestment of the state-owned telecommunications company—a major step forward.

38. **Some results indicators have been modified to reflect corrections, outcomes more closely linked with policy actions under the program, performance in 2017, and revisions to the program.** Notably, results indicators for property taxes have been corrected to reflect new information. A new results indicator has been introduced on debt management. In ICT, the price reduction indicator has been removed as it is difficult to measure when services are bundled and often subject to promotions. Instead, results indicators on internet usage has been introduced.

Pillar 1. Improving Fiscal Management: Tax Revenue Efficiency and Mobilization; and Public Investment and Debt Management

A. Tax Revenue Efficiency and Mobilization

Prior Action 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 council of ministers to simplify the tax system and increase revenues.

Prior Action 2. The Recipient has modernized and enhanced its tax revenue mobilization by moving the land register to the OTR, and the OTR has computerized land titles and carried out a land census in Lomé to identify zones with large revenue potential.

Background

39. **The tax system in Togo is complex and needs to be simplified.** Inefficient tax policy and tax administration remain key constraints for both fiscal sustainability and private investment.¹⁶ A very large number of taxes paid by a limited number of enterprises in Togo tend to increase the tax burden for both enterprises and tax administration. Tax complexity increases taxpayers' cost of complying with the tax system, negatively impacts the cost of doing business, and increases the likelihood that taxpayers see the tax system as unfair.

Progress under FMIR1

40. **Several important steps were taken in 2017 with the support from FMIR1 to strengthen the formulation of tax policy and increase revenue mobilization but major challenges remain.** An important decision was taken to establish a new Tax Policy unit under the Ministry of Economy and Finance to analyze tax reform options and make concrete proposals aimed at increasing the buoyancy, efficiency, and equity of the tax system (though not a prior action under FMIR1). However, staffing of the new unit has proven challenging as the local expertise is limited and concentrated in OTR. The plan now is to second a couple of experts from OTR and bring in an IMF-sponsored resident advisor to get the work started and build up the needed capacity. To rationalize tax exemptions, an audit to identify and eliminate irregularities was carried out by the OTR, and a comprehensive record was produced and appended to the 2018 budget (FMIR1 Prior Action 1). Tax exemptions declined by 0.2 percent of GDP in 2017 as irregularities were removed, and it is expected that measures will be taken in 2018-2019 to reduce regular tax exemptions. To facilitate tax payments, OTR launched a new system of electronic tax filing by large enterprises, along with a program to facilitate tax payments through mobile phones, especially for small and medium-sized enterprises (FMIR1 Prior Action 2). Nevertheless, as discussed above, overall tax revenues declined by 0.6 percent of GDP in 2017 and enhancing revenue mobilization remains a major challenge. The 2018 reversal of the 2017 reduction in the VAT rate on certain goods was an important step in the right direction from a revenue perspective.

Prior actions for FMIR2

41. **Additional efforts are under way to further improve revenue collection through both policy and administrative measures.** OTR has prepared a strategic plan for 2018-2022 aimed at mobilizing additional tax and customs revenues through widening of the tax base, improved revenue collection, and reduced tax exemptions. To enlarge the tax base, emphasis will be on the reorganization and modernization of the cadaster and land conservation services to optimize property tax collection. To simplify the tax system, the Government in the context of the 2018 budget reduced the number of taxes from 26 to 17 consistent with WAEMU fiscal directives (**Prior Action 1**).¹⁷ In addition, the corporate tax rate was reduced from 28 to 27 percent, and the planned ICT turnover tax was replaced with 4G license fees that are easier to administer. A preliminary impact assessment carried out by the OTR shows that the reform of the tax code

¹⁶ Weaknesses in expenditure/cash management also continue affect fiscal management and sustainability, including through accumulation of arrears. Improvements in this area are being supported under the IMF ECF.

¹⁷ WAEMU directives are mainly about the harmonization of member States' tax legislation (tax rate and bases should be equalized) to ensure that national policies do not distort the functioning of the common market (see Article 4 of the WAEMU treaty). Relevant directives include the VAT Directive introduced in 1998, Directive 01/2008/CM/UEMOA that defines a common corporate tax base, and Directive 08/2008/CM/UEMOA that specifies the range for a single corporate tax rate between 25 to 30 percent.

would lead to an increase in net revenue of about CFA 2.7 billion (about 1 percent of GDP) by 2019. To enhance property tax revenue mobilization, the Government moved the cadaster to OTR making information on properties more easily available for tax administrative purposes. OTR has computerized the land registry, launched a nation-wide land census, and launched a land census for the capital city Lome to identify zones and neighborhoods with large revenue potential (**Prior Action 2**). Further, to improve the identification and monitoring of taxpayers (firms), the OTR has harmonized the databases controlled by Customs (*Commissariat des Douanes et Droits Directs*) and Domestic Taxes (*Commissariat des Impôts*). The new system is functional since September 10, 2018.

Box 1. Tax Policy Measures

The simplification of the tax system (including the reduction of the Corporate Income Tax (CIT) rate) is expected to yield CFA 2.7 billion by 2019. The replacement of the ICT turnover tax with 4G license fee generated CFA 15 billion. The streamlining of tax exemption will help saving CFA 22.9 Billion in 2018.

- Modernization and reorganization of the cadaster to optimize property tax collection.
- A land survey is being carried out to identify to identify zones with large revenue potential.
- Reduction of the number of taxes from 26 to 17 consistent with WAEMU directives.
- Reduction of corporate tax rate from 28 to 27 percent.
- Replacement of planned ICT turnover tax with 4G license fees

42. **The International Development Association (IDA)-EU Economic Governance Project (EGP – P158078) will be supporting these reforms through TA to strengthen tax policy decisions and implementation.** This will be done notably through support to operationalize the newly established Tax Policy Unit; build capacity at the OTR (compliance management, revenue risk analysis and enforcement capacity with a view to also widen the tax base); and finance the implementation of an electronic system of taxpayer filing and documentation. The EGP will also implement a survey of taxpayer services, support archiving of taxpayer files, and help generate gender-disaggregated data which could inform how tax policies affect women’s incomes and employment decisions.

Results

43. **The measures to enhance tax revenue mobilization and efficiency are expected to lead to a reduction in tax exemptions, higher property tax revenues, and enhanced overall revenue mobilization.** The DPF program targets a reduction in tax exemptions from 3.5 percent of GDP in 2016 to 2.1 percent of GDP in 2019, and an increase in property tax revenues from 0.1 percent of GDP in 2016 to 0.3 percent of GDP in 2019¹⁸. At the end of 2017, tax exemptions decreased by 0.2 percentage points of GDP.

B. Public Investment and Debt Management

Prior Action 3. To strengthen medium-term investment planning, the Recipient has: (i) published a new manual to guide the selection of projects to be included in the Public Investment Plan (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 into the budget.

¹⁸ Baseline and target have changed to reflect new information brought by the audit of tax exemption.

Prior Action 4. To enhance debt management, the Recipient has published a new Medium-term Debt Management Strategy (MTDS) geared to ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.

Background

44. **The public investment management process in Togo has suffered from important shortcomings resulting in a very low PIMA rating.** The past malpractice of pre-financing public investments through the banking system was associated with poor planning and efficiency and led to a rapid accumulation of expensive domestic debt. While this practice has halted from 2017, several important shortcomings remain in the public investment management process. In particular, the PIP has not been underpinned by proper appraisal and cost-benefit analysis and not contained properly prioritized investments, projects have often been included in the budget even though not part of the PIP as the result of political bargaining in the context of the budget process, and only the annual investment plan has been annexed to the budget thus complicating medium-term planning and financing assurances. This has resulted in excessive stop-go public investment policies vulnerable to cyclical swings in the economy and budgetary resources such as is happening during 2016-2019. The DPF program and parallel EGP aims at supporting a major strengthening of the institutional and policy framework underlying public investment management in Togo.

45. **Debt management in recent years has been guided by WAEMU targets but without an adequate MTDS and risk management framework.** The WAEMU convergence criteria includes a target for total public debt-to-GDP of 70 percent by 2019, and the IMF ECF program includes a longer-term debt sustainability objective of reducing the NPV of total public debt below 38 percent of GDP in 2025. While external public debt declined from 21.7 percent of GDP to 19.9 percent of GDP during 2015-2017 (in 2017 in the context of the zero-ceiling on external non-concessional debt under the IMF ECF), domestic debt (generally at higher interest rates and shorter maturities) surged in 2016 due to the pre-financing mechanism. Domestic debt amounted to three-fourths of total public debt at end-2017. Debt service has become a major burden on the budget consuming about one half of revenues in 2017, and refinancing maturity falling due to the highest risk. Debt management in Togo has suffered from major institutional weaknesses, including lack of a MTDS that would address identified portfolio risks over the medium term and properly organized and functioning Debt Office.

Progress under FMIR1

46. **Supported by the FMIR1, the Government in October 2017 created a high-level inter-ministerial PIC to improve the planning and selection of public investment projects** using transparent economic criteria to prioritize projects in the PIP. The PIC will build the required technical capacity and prepare detailed methodological guidelines to identify, assess and prioritize investment proposals (FMIR1 Prior Action 3).¹⁹ The PIC is now fully operational and is actively pursuing several steps to enhance the process

¹⁹ The Committee includes the Secretary General of the Ministry of Development Planning; the Secretary General of the Ministry of Economy and Finance; the Technical Secretary of the poverty reduction strategy document; the Director General of Development Planning; the Director General of the Treasury and Public Accounts; the Director General of Aide Mobilization and of Partnership; the Director General of Town Planning; the Director of Development Planning and Policies; the Budget Director; the Director of Financing and Control of the Execution of Plan; the Director of the Economy; the Public Debt Director; the Director of General Studies; a representative of

of public investment management. It has assessed investments projects submitted by line ministries based on the existence of feasibility studies and the ministry of Finance issued a circular letter mentioning that only projects included in the PIP will be funded in the budget. Also, to reduce the burden of past public investment decisions (e.g., pre-financed investments) on public finances, the Government in 2017 reached an agreement with banks to refinance all outstanding obligations and prolong maturities along with lowering interest rates (FMIR1 Prior Action 4).

Prior actions for FMIR2

47. **FMIR2 is supporting a number of institutional and policy measures that the new PIC is undertaking.** At the technical level, the PIC has approved a new investment manual (developed with support from AFRITEC) to scrutinize and prioritize public investment proposals based on rigorous standardized economic criteria including social and environmental impact. The PIC has also updated its three-year rolling PIP—to be included with the 2019 budget—with all new projects included supported by feasibility studies.²⁰ Furthermore, the Ministry of Economy and Finance has communicated to line ministries that only projects included in the PIP will be considered for financing in the budget (**Prior Action 3**).

48. **Implementation of these reforms will also be supported through the IDA-EU EGP.** This includes, *inter alia*, financing the PIC, the development of tools to manage the PIP, and establishing clear instructions and criteria for investments (including gender and climate impacts) and monitoring and evaluation systems. The EGP will finance activities to ensure the selection and budgeting of quality public investment projects by helping to identify a comprehensive pipeline of investment projects and securing allocation of budget for these projects. The World Bank has financed a study on the PPP institutional and regulatory framework (PPIAF, 2016) which is informing the set-up of a PPP unit in the Ministry of Economy and Finance, to be initially supported by a PPIAF grant in 2017/18. Lastly, the EGP will strengthen public procurement practices and capacity in the education, health, agriculture and infrastructure line ministries, and strengthen the management of cash to meet commitment obligations for service delivery and eliminate arrears accumulations. It is expected that these measures to strengthen public investment management would help select priority projects through informed decisions and ensure better implementation as well as monitoring of investment projects over time.

49. **The Government is implementing several new measures to improve debt management.** In the context of the re-organization of the Ministry of Economy and Finance, the functions of cash flow forecasting and debt management have been brought together under a single directorate, and the Debt Office is being re-organized into front, middle, and back offices which are now fully staffed. A new manual is under preparation to guide debt management operations under the new office, and a new MTDS has been adopted (drawing on the draft prepared in 2017) geared to ensuring debt sustainability and reducing debt service costs (**Prior Action 4**).²¹ The updated MTDS emphasizes mobilization of external resources on concessional terms and reducing the risk related to refinancing of domestic debt through extending maturities. The authorities are considering conducting a buyback operation to repay costly domestic debt

the Permanent Secretary in charge of Reforms and Financial Programs; the Planning Director of the Ministry of Agriculture, Breeding and Water; the Planning Directors of the Ministries of Primary and Secondary Education, Technical Education Professional Training, and Higher Education; the Planning Director of the Ministry of Health and Social Protection; the Planning Director of the Ministry of Infrastructures and Transport; and the Planning Director of the Ministry of Environment and Forest Resources.

²⁰ In the past, only the current year public investment plan was included with the budget.

²¹ The World Bank and the IMF provided joint TA on updating the MTDS.

financed through a euro-denominated commercial loan on more favorable terms. Such a reprofiling should reduce the NPV of total public debt, after accounting for all fees and charges. Also, the operation should be limited in magnitude to keep Togo comfortably at moderate risk of external debt distress (i.e. below the NPV of external debt-to-GDP ratio of 30 percent; currently forecast at 18 percent at end-2018). The buyback operation would target specific bond issuances falling during the period 2019-2023, with the aim of reducing variations in the repayment profile of the domestic debt, stabilizing the government gross financing needs and hence reducing refinancing risks on the regional debt market. Togo is exploring bilateral guarantees for such an operation.

Results

50. The measures supported under the DPF program are expected to lead to an improvement of the share of new public investment projects funded in the annual budget consistent with a prioritized PIP based on the new manual from zero percent in 2016 to 75 percent in 2019. They should also lead to a reduction in debt service costs from 66.6 percent of fiscal revenues in 2016 to 59 percent in 2019. Despite the fall in tax revenues, at the end of 2017, debt service costs in percent of revenues had declined to 59.8 percent (mainly from the refinancing of pre-financed investments through commercial banks). The average maturity of total public debt is expected to increase from 5.4 years in 2018 to 5.9 in 2023.

Pillar 2. Improving Financial Viability and Service Delivery in Key Infrastructure Sectors: Energy and ICT

A. Energy Sector Financial Viability

Prior Action 5. To enhance commercial viability in the electricity sector, the Recipient has issued an inter-ministerial order setting the principles of a new methodology for periodically determining and updating the *Compagnie Energie Electrique du Togo* (CEET) (Togo Electric Power Company) 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.

Prior Action 6. To strengthen the management of medium-voltage, high consumption low-voltage, and public-sector customers, the CEET has approved through its board a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism.

Prior Action 7. To strengthen financial management in CEET, the Supervision Committee of the CEET has approved through its resolution a revised performance contract for the company that includes targets on management efficiency improvements and a provision to disclose the monitoring reports.

Background

51. **The energy sector in Togo remains plagued by inefficiencies, financial distress, and inadequate investment resulting in poor service delivery.** While the frequency in power outages is declining, they remain significant and continue to adversely affect the economy and the population. The number of blackouts was reduced from 2,538 in 2014 to 1,003 in 2016 and the duration of blackouts reduced from 6,177 hours in 2014 to 1,566 hours in 2016. Supply disruptions are caused by a variety of factors including: (i) the CEET's revenues do not fully cover its costs, and thus it is unable to pay its electricity imports; (ii) underinvestment in transmission and distribution networks leading to operational constraints; and (iii) supply constraints in electricity exporting countries, such as hydrological conditions, which were

particularly acute in 2014–2016 for imports from Ghana. Many Togolese firms consider that the high cost and lack of reliability of electricity supply is a major constraint to doing business.

52. **Togo’s two power utilities have experienced financial distress due to a combination of tariffs that are not cost reflective but remain unaffordable, poor revenue collection and operational inefficiency.** Togo’s electricity sector is unusual in combining two utilities: one bi-national and one national. The bi-national utility, *Communauté Électrique du Bénin* (Electric Community of Benin, CEB), owned jointly with Benin, develops and operates the bi-national grid and supplies wholesale electricity primarily through import contracts from neighboring countries under a single buyer mandate. The national utility, *Compagnie Energie Electrique du Togo* (CEET), operates the medium- and low-voltage distribution network and provides retail services. Both companies are experiencing substantial financial difficulties. CEB’s revenue is based on a wholesale power tariff of US\$0.11 per kilowatt-hour that falls short of the power purchase plus wheeling costs estimated at more than US\$0.13 per kilowatt-hour. CEET’s operational cash flow turned negative in 2014 and 2015, reflecting in part very weak revenue collection from public sector entities which account for about 20 percent of electricity sales but paid only 36 percent of their bills. At end-2016, arrears accumulated by public sector entities to the CEET amounted to CFAF 44 and arrears from CEET to CEB amounted to CFAF 29 billion.²² CEET also suffers from broader operational inefficiencies, with distribution losses of at least 16 percent.

53. **Going forward, Togo’s challenge is to expand power generation in a way that balances cost-efficiency with energy security considerations.** Togo’s reliance on power imports from the West Africa Power Pool, which provided nearly 66 percent of the country’s electricity consumption in 2015, has in recent years enabled Togo to benefit from relatively low-cost hydropower and gas-fired generation in neighboring countries, with import prices currently ranging between US\$0.08 per kilowatt-hour from Nigeria to US\$0.12 per kilowatt-hour from Cote d’Ivoire. However, the reliability and quality of supply from Nigeria has been poor, and energy security considerations prompted Togo to develop additional domestic generation capacity in the form of an Independent Power Project signed with Contour Global in 2010 for a 100 MW Heavy Fuel Oil (HFO) plant, which has supplied electricity at costs as high as US\$0.17/kWh depending on the capacity factor. Energy security brings important benefits in terms of reliability and quality of supply but also carries an additional cost as oil-based generation has so far been the only available technology for domestic production. With oil prices rebounding, this has become a major concern. Going forward, it is critical that additional investments be based on least-cost generation principles. Significant developments are taking place within the West Africa Power Pool, as all primary interconnectors will be completed by the early 2020s, thus providing Togo with more supply options. Reducing the cost for consumers will require an increase in imports of electricity in the short term, switching HFO for gas in existing and future thermal power plants, introducing solar Independent Power Producers (IPPs) and other renewable energy projects such as medium-sized hydropower plants, and reducing losses.

Progress under FMIR1

54. **The energy sector reform program supported under the DPF program addresses the most pressing needs in the sector** and complements the World Bank Energy Sector Support and Investment Project (P160377) under implementation to improve the operational and financial performance of the

²² Given that a similar situation exists with respect to the national distribution utility in Benin, CEB has been doubly affected and unable to honor payment of power import contracts prompting diplomatic actions of various kinds on behalf of the power exporting countries.

distribution utility. FMIR1 supported the settlement of arrears between the Government and CEET and between CEET and CEB (FMIR 1 Prior Action 5), and the introduction of a mechanism to ensure timely payments going forward through centralizing these in the Ministry of Finance and Economy (FMIR1 Prior Action 6). While the General Government had settled all its arrears to CEET by end-2017, some payment irregularities continued in 2018 but these have been addressed. Further, SOEs (especially the water company) continued to have substantial arrears to CEET, complicating the full settlement of CEET arrears to CEB (these amounted to about CFAF 6 billion in July 2018, down from CFAF 22 billion in January 2017).²³ Payment discipline in the energy sector has been affected by the rise in international oil prices. The financial performance of CEET (as measured by days receivables) improved from 185 days in 2016 to 166 days in 2017.

Table 6: Energy Sector Arrears 2016-2018 (billion CFAF)

	End-2016	End-2017	August 2018
Government to CEET	5.8	0	2
SOEs to CEET	13	15	14
CEET to CEB	22	6	6

Source: CEET (September 2018).

Prior actions for FMIR2

55. **FMIR2 supports further energy sector reforms aimed at ensuring proper pricing, along with improved efficiency and investment planning.** In the case of CEB, there is no transparent methodology for determining the price of wholesale power on a cost-reflective basis. Its wholesale power price has been frozen since 2013, even while prices under power import contracts have been revised upwards on a bi-annual basis. Since CEB’s wholesale prices are in CFAF while some of the import contracts are dollar-denominated, CEB also bears foreign exchange risk on behalf of the sector. Furthermore, wholesale power prices do not make provision for transmission costs. In the case of CEET, there was a need to improve current tariff-setting procedures to ensure that the utility can cover its costs. The existing tariff procedure requires CEET to make a tariff revision request to the electricity regulator, *Autorité de Régulation du Secteur de la Communication Electronique et des Postes* (Regulatory Authority of Posts and Electronic Communication Sector, ARSE), which then makes a recommendation to the Ministries of Energy and Finance and Economy. Due to social concerns regarding the level of the end-user tariff, which is already high at US\$0.19 per kilowatt-hour, no tariff increases have been approved since 2013. **Prior Action 5** entailed the adoption of a decree describing the key principles and the institutional framework for determining a transparent tariff methodology that reflects the cost of each segment (wholesale power, wheeling power, distribution and retail) and promotes efficiency of the utility. If needed, to ensure the financial equilibrium of the sector, the methodology provides for an explicit subsidy or other financing mechanism from the Ministry of Finance and Economy to ensure costs are fully covered. The setting of a new methodology for tariff-adjustment will allow a social tariff to benefit the poor who will get access to reliable and affordable electricity services. It is also likely to benefit women through the extension of the working day and the expansion of income generation activities. To reduce electricity consumption, the Government had implemented some energy efficiency measures that mainly consisted in the substitution of incandescent lamps to LED in forty-eight public buildings and installation of 13,000 solar street lights.

²³ Arrears of the water company to CEET (CFAF 9.4 billion at end-2017) will be repaid over 2 years starting in January 2019 while all SOE payment irregularities in 2018 will be settled by-November 2018. CEET arrears to CEB will also be settled by end-November 2018.

56. **Given the high cost of electricity in Togo, efficiency improvements need to be an integral part of any effort to improve the financial viability of the sector.** A quick win for improving the efficiency of revenue collection was to adopt and implement a revenue protection program for medium-voltage customers (800 meter), high-consumption low-voltage customers (1,700 meters), and the public sector (2,000 meters) (**Prior Action 6**). In parallel, financial management of CEET was enhanced through a revised management performance contract including efficiency improvement targets (**Prior Action 7**). The previous performance contract between CEET and the Government (2016-2020) did not include realistic indicators to improve efficiency and performance of the utility, nor was it providing proper verification measures or incentives/penalties linked to results.

57. **The achievement of financial viability in the energy sector is likely to be a medium-term undertaking that needs to be carefully planned and monitored.** The policy measures described above will all contribute to the improved financial viability of the sector, but it is important that they are integrated into an overarching plan that charts a path towards financial viability. Based on a thorough financial and operational analysis of the sector, such a plan will need to set trajectories for tariffs and efficiency improvements that over time will allow the utility to restore a positive financial balance. While some subsidization may be required over the medium term, Togo will eventually be required to reconsider its tariffs, bearing in mind that current tariffs are quite high and that there are very few examples worldwide of successful tariff increases when initial prices are high and the quality of service deteriorating.

58. **The DPF program is complemented by a US\$35 million Energy Sector Support and Investment Project (P160377) approved in December 2017.** The IPF project will develop a CEET management improvement plan to reduce technical and non-technical losses and aims to connect 20,000 new consumers with pre-payment meters. With regards to off-grid access, there is currently an ongoing government program with the private sector (CIZO) which relies on the pay-as-you-go scheme with the objective of providing Solar Home Systems to 200,000 households in the coming three years. A regional off-grid solar project (ROGEP), which includes Togo, is under preparation to enable a private sector-driven approach to solar electrification development, focusing on quality certified solar products. IFC is supporting the Government to define a strategy for off-grid electrification. The IPF will also finance a tariff study, including consideration of how to improve efficiencies along the value chain as a means of reducing service costs. Further, reform of CEB is envisaged in the IPF and the study on reform options is ongoing, financed by the World Bank administered Energy Sector Management Assistance Program (ESMAP) Trust Fund.

Results

59. The DPF program is expected to result in a reduction in the difference between CEET retail tariffs plus subsidy and cost of service from 30 CFAF/kWh in 2016 to 10 CFAF/kWh in 2019 (declined to 25 CFAF in 2017); full revenue collection from the Government from only 36 percent in 2016 and 86 percent in 2017; and an increase in the net margin of CEET from zero in 2016-17.

B. ICT Sector Competition and Service Delivery

Prior Action 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 from TOGOCOM²⁴ providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.

Prior Action 9. To improve effectiveness in the management of TOGOCOM and attract new investment, the Recipient's council of ministers has approved 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 bidding process.

Background

60. **ICT services in Togo are costly, inefficient and of poor quality.** In 2016, the country ranked 186th for the cost of mobile telephone service (with a cost at 22 percent of GNI per capita) and 182th for the cost of fixed broadband service out of a total of 196 countries (ITU 2017). The cost of calls is much lower in countries where private competition is robust like Ghana, Kenya, and Tanzania. Furthermore, the quality of mobile voice calls is low in Togo, even in Lomé. Despite high prices and poor quality, demand is strong relative to Togo's income level. The market expanded relatively quickly, from 56,000 subscribers in 2000 to 2.7 million in December 2016. The telecommunications regulatory authority (ARCEP) estimates that in December 2015, 75 percent of the population had a telephone subscription (fixed and/or wireless). According to the 2015 household survey, almost 70 percent of households had access to mobile services (60 percent in rural areas and over 83 percent in urban areas). Yet affordability remained a major issue for the poorer segments of the population, and subscription rates were lower among those in the bottom quintiles. Most Togolese enterprises view the poor quality of internet and telecom services as a critical constraint to doing business.²⁵

61. **The ICT market is plagued with uncompetitive practices (dominance of SOEs and barriers to entry).** While monopolistic markets are not uncommon in telecom and internet services, many countries have recognized the benefits they can derive from introducing private sector competition, combined with appropriate regulation. In Togo, the introduction of *bona fide* competition has been slow and limited. The fixed-line telephone market is controlled by Togo Telecom, a state-owned monopoly, which also has de facto monopoly over international connectivity and fiber infrastructure. The wireless market is a duopoly in contrast to all neighboring countries that have several operators. Togo's mobile operators are *Togo Cellulaire* (Togocell), the mobile arm of Togo Telecom, with 55 percent of the market, and Atlantique

²⁴ On July 2017, the Togolese Government approved the process that will finalize the transformation process of the Togo Telecom group, a group made up of the two mobile telephone operators Togo Telecom and Togocell. The executive adopted the decree creating, allocating and organizing the Togolese holding company for electronic communications (provisionally abbreviated to TOGOCOM).

²⁵ Seventy-one percent of firms utilize more than one mobile telecom provider; 42 percent of these multiple subscribers do so to reduce costs and 57 percent to circumvent quality and reliability issues. Similarly, among businesses with Internet service, 41 percent utilize more than one type of connection to improve reliability. Sixty-four percent of internet business users experience disruptions during more than 20 percent of their operating hours and for 14 percent of these enterprises, cuts disrupt more than 80 percent of their operating hours.

Telecom (Moov), controlled by Emirates Telecommunications Corporation (Etisalat) (December 2016). Moreover, regulatory red tape limits Moov's capacity to compete fairly with Togocell. For instance, until January 2016, Moov was not authorized to operate a 3G mobile service. The measure affected Moov's competitiveness in the high-end mobile segment. As a result, according to the GSMA (GSM Association), the penetration of broadband mobile technology (including 3G and 4G) in Togo was 22 percent in December 2016 compared to 28 percent in Senegal, 36 percent in Sierra Leone, 56 percent in Ghana and 48 percent in Côte d'Ivoire.

Progress under FMIR1

62. **The DPF program focuses on enhanced competition, better regulation, and improved service delivery in the retail internet broadband segment.** The approach of the DPF is to tackle Togo Telecom's dominance and *de facto* monopoly from the angle of regulatory intervention to ensure fair and open access, as well as lower prices to end-users. The approach is to look at different segments of the internet value chain from international connectivity (first mile), through domestic connectivity (middle mile), to the end-user (last mile); and to support measures that tackle the dominance issues mainly through regulatory interventions.

63. **FMIR1 focused on measures to help prepare the country for competition in the sector through policy formulation and regulatory action.** This included adoption of a sector plan including priority actions to embrace competition and regulatory strengthening (FMIR1 Prior Action 7). The implementation of this plan was to be based on the development of local, national and international infrastructures through digital expansion and greater availability of high-speed access for the population, diffusion of ICT in the economy and increase in use by the most vulnerable segments of the population (including through integration of ICT in the education and state services), strengthening of competition in all market segments, and guarantee of national digital sovereignty including cybersecurity and the protection of citizens. FMIR1 supported the issuance of a standard model and guidelines to be used for the granting of ISP authorizations by the Ministry for Posts and ICT (FMIR1 Prior Action 8). In June 2017, ISP licenses were granted to two new companies: TEOLIS and GVA (Group Vivendi Africa), and in July 2017, the Government of Togo announced the transformation of state-owned Togo Telecom Group into a new holding company (Togocom) including the fixed telephony operator (Togo Telecom) and the mobile arm Togocell. The number of internet users increased from 528 thousand in 2016 to 860 thousand in 2017.

Prior actions for FMIR2

64. **FMIR2 support the continuation and deepening of these reforms.** On issues related to building and operating backbone networks, Togo telecom has been abusing its monopoly power on the middle mile segment of the market by offering access to its network at rates and conditions that are unfair to competitors. **Prior Action 8** is a regulatory measure requiring the regulator to publish a wholesale reference offer from Togo Telecom which provides the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services. This measure is expected to establish an Open Access Regime in the international and national bandwidth capacity markets. The regulator will make sure that this measure results in lower tariffs for end-users and eventually increases usage and unleashes demand for broadband services.

65. **Prior Action 9** supports the introduction of a bill to bring in a minority private shareholding (expected not less than 30 per cent) in the capital of the newly created Togocom with an associated roadmap. International experience shows that private participation will help develop competition,

support an expansion of Togocom’s network, enhance efficiency and quality of services, and reduce costs significantly thus leading to lower tariffs for final users. The opening of Togocom to private investment will be done through a neutral, transparent, and non-discriminatory international bidding process to attract a high-quality investor. To further mitigate risks, the World Bank will continue to support efforts by the Government to strengthen the regulatory framework and increase transparency in the ICT sector.

66. **The reforms supported under the DPF are complemented by a parallel IPF and support from other development partners.** On international connectivity, Togo Telecom has so far had a monopoly over the landing station and submarine cable. The WARCIP project aims at creating a National Carrier Hotel and Internet eXchange Point (IXP) where capacity will be pooled and managed through a Public-Private Partnership. Togo Telecom and competing operators will have access to capacity on more equal terms. The Millennium Challenge Corporation (MCC) approved a US\$35 million threshold program for Togo in December 2017 focused on increased competition, independent regulation, and expanded access in the ICT sector.

Results

67. The reforms supported under the DPF program are expected to lead to an increase in the number of internet users from 528 thousand in 2016 to more than 1 million in 2019; and an increase in the ICT Development Index from 1.86 in 2016 to 2.30 or more in 2019.

4.3 LINK TO CPF AND OTHER BANK OPERATIONS

68. **The key areas of support under the DPF are consistent with the key pillars of the Togo CPF²⁶ FY17-FY20**, discussed by the Board of Executive Directors on May 16, 2017. The DPF supports the CPF cross-cutting theme of governance – the foundation of the World Bank Group’s program in Togo, building on the Systematic Country Diagnostic²⁷ (SCD) – through measures aimed at strengthening key government institutions and bringing in private actors to deliver results under each of the CPF Focus Areas. The DPF supports directly Focus Area I on Private Sector Performance and Job Creation, by contributing to the objectives of strengthening fiscal policy and debt management; and improving the business environment and strengthening energy and ICT services; and CPF Focus Area II on Inclusive Public Service Delivery, by increasing available fiscal space through improved domestic revenue mobilization and promoting more efficient public investment.

69. **The DPF series takes into account the World Bank’s interventions in Togo through its IPFs.** Most of the prior actions and triggers are supported by the World Bank’s investment projects in the chosen sectors. The Togo Economic Governance (P158078) which was approved by the Board in October 2017 in the amount of US\$15 million is helping to realize some of the reforms linked to improving revenue mobilization and enhancing the efficiency of public investment. The EGP will help build capacity in the recently created tax policy unit and will do the same with the PIC. The energy and ICT reforms are also supported by two World Bank operations in the energy and ICT sectors. In the ICT sector, the West African Regional Communication and Infrastructure Project (WARCIP- APL-1B P122402) has been supporting ICT reforms in the DPF series. For example, the WARCIP project helped to recruit a consultant to draft the Sector Plan for the Togo ICT sector. The consultant is also supporting the team with the recruitment of the Director General of ARCEP. The planned energy project is divided into two components: a reform

²⁶ Togo CPF Report No. 112965-TG

²⁷ Togo SCD Report No. 108184-TG. Disclosure 9/26/2016.

component and an investment component. Both components of the planned energy intervention are supporting the energy reforms of the DPF series.

4.4 CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

70. **The policy and institutional reforms supported under the DPF program were consulted with key stakeholders in the context of the NDP and are also supported by other development partners in Togo.** The Government held extensive consultations with the private sector, non-governmental organizations (NGO), and other stakeholders during the preparation of the NDP, which includes the thrust of the reforms supported under the DPF series. Key development partners include the AfDB, the IMF and the EU which are also providing fast disbursing support; and the French Agency for Development (AFD), the German Cooperation (GIZ and KfW), and the US MCC. AfDB's reform and investment program focuses on governance and fiscal reforms, notably support for OTR and tax administration reforms, debt management reform, and policies and investments to promote the agriculture sector. The EU supports reforms promoting decentralization and improved service delivery, among others, and is co-financing, together with IDA, the Economic Governance Technical Assistance Grant supporting the implementation of public financial management, public investment management and the institutional framework for public-private partnerships, domestic resource mobilization and fiscal management reforms, and oversight institutions such as the general inspector of finances and the court of accounts. The reforms to strengthen the governance and financial viability of the energy sector have also been designed to complement the support of the EU, AFD and German Cooperation and other donors financing a program including institutional strengthening and investments to rehabilitate energy infrastructure. With respect to ICT reforms, the program has been developed in close collaboration with the MCC, which has prepared a threshold program to strengthen the governance and performance of the ICT sector. Finally, the DPF program has been developed in close coordination with the IMF in the context of the ECF and ongoing TA in treasury management, tax policy, and debt management.

V. OTHER DESIGN AND APPRAISAL ISSUES

5.1 POVERTY AND SOCIAL IMPACT

71. **The poverty and social impact of the DPF program was assessed as in the context of the first operation and this assessment has not changed.** In broad terms, the DPF program is not expected to have any direct positive or negative impact on poverty and social outcomes but several of the supported measures could have significant positive distributional impacts in the medium term. First, poor households should benefit from the expected improvements in public spending as access to social services and basic infrastructure improves for a broader range of the population. Second, increased fiscal space through tax reform and improved tax collection should enable the Government to increase its contribution to the new NDP, which aims at promoting inclusive growth and achieving the objectives of the sustainable development goals. Third, improvements in the business environment (through energy, ICT and tax simplification reforms) should encourage the creation of new enterprises (as well as foreign investment), which in turn would generate additional jobs and help absorb a young and fast-growing population in the labor market.

72. **Revenue reforms supported under FMIR1 and FMIR2 (Prior Actions 1-2) may stimulate labor demand (including for lower wage earners) and could have a long-term indirect positive impact on poverty alleviation through the creation of increased fiscal space and expanded delivery of government services.** These measures should also indirectly encourage private sector investment and job creation,

particularly among small- and medium-sized enterprises as these economic agents will be able to better understand a less complex taxation system, increasingly comply with its rules, and be encouraged to “formalize” their operations.

73. **Strengthening public investment and debt management with the support of FMIR1 and FMIR2 (Prior Actions 3-4) could also have long-term indirect positive impacts on poverty reduction.** Increasing the allocative effectiveness of scarce public investment resources and improving the efficiency of public investment spending should result in increased returns on public investment and improved delivery of infrastructure services to the population, including the poorest households. Similarly, improved debt management could help lower debt service costs thus increasing fiscal space for pro-poor spending.

74. **Improving the performance of the electricity sector as supported under FMIR1 and FMIR2 (Prior Actions 5-7) is likely to benefit poor households over the medium term.** The Poverty and Social Impact Assessment (PSIA) on electricity reforms undertaken in the context of the FMIR1 found that (i) Improving the financial situation of the CEET and thus reducing the gap between CEET’s service unit cost and revenues per kWh are prerequisites for the expansion of CEET’s operations and ensuring greater access for poor households to electricity (poor households represent 45.5 percent of the population but only 28.4 percent are connected to the grid and only 13.9 percent are CEET’s customers); (ii) The current social policy of subsidizing the tariff per kWh to small consumers rather than the tariff per Kilovolt-Ampere (kVA) is ineffective; (iii) A new tariff policy based only on usage in kWh with no fixed kVA fee for small consumers would improve the welfare of the poor as it would help boost their electricity consumption, liberate household resources and contribute to the reduction of the electricity poverty rate (currently 37.4 percent) and poverty in general. About half of CEET’s clients (44.7 percent) consuming 40 kWh or less are poor. The direct impact of the policy on current bills could help 2.4 percent of those poor households connected to the grid escape poverty (assuming no behavioral changes); (iv) A new tariff policy that would eliminate fixed costs for small consumers (up to 40 kWh) would reduce the price of the first 40 prepaid kWh acquired per month and would increase poor and vulnerable households’ readiness to connect to the grid. This would favor productivity and income growth, women’s ability to participate more actively in the labor market, and reduced use of energy sources detrimental to the environment and health; (v) Prepaid meters help poor people control their immediate monthly expenditures on electricity. Switching current users from conventional to prepaid meters, as planned by CEET, would be welcomed by small consumers, as for consumption levels up to about 25 kWh the effective cost per kWh is considerably higher with conventional meters than with prepaid meters; and (vi) Geographical targeting (for example based on INSEED poverty rates by communes) supporting the connection to the grid of poor neighborhoods would further increase the favorable impact on poor households of reducing the effective cost of using small quantities of electricity.

75. **Reforms in the electricity sector will also help reduce poverty through affordable tariffs and better quality of services.** Increasing efficiency in the energy sector, ensuring that the Government pays for its services, and getting the tariff structure right will all help restore financial viability of the sector without necessarily having to increase tariffs, especially for lower-income households. In turn, improved financial viability will help attract additional needed investment in the sector, which will improve the access to and quality of services, including for the poor. Better access to electricity liberates non-paid family time demands, particularly for women and girls, and further increases the quality of life and opportunities for investment in human capital. Increased and more reliable access to electricity at affordable prices should also boost the productivity of large and small enterprises, helping them expand their business and creating additional demand for labor. It should also have a significant impact on firm

creation, firm growth and resultant employment opportunities, particularly in the higher productivity formal sectors

76. **The adoption of a new tariff-setting methodology will also reduce gender gap in the access to electricity services while increasing women labor supply and income generation activities.** The latest Togo household survey (QUIBB, 2015) indicates that poverty rate among female-headed households is 57.5 percent against 54.6 percent for their male counterpart. In addition, only 47 percent of female-headed households have access to electricity while this rate is 50 percent for male heads. By reducing the cost of connecting to the grid, new tariff adjustment mechanism will increase the efficiency of domestic chores and frees up women's time. This will boost women's labor supply and employment. Access to reliable electricity will also support income generation for women as less time will be needed for household duties.

77. **Fostering competition and increased private sector participation in the ICT sector along with an improved regulatory environment as supported under FMIR1 and FMIR2 (Prior Actions 7 and 8 under FMIR1 and Prior Actions 8 and 9 under FMIR2) are expected to improve service delivery for households and private businesses alike.** Reform of the ICT sector, including improved access to higher quality and cheaper services, should enhance the productivity of most Togolese businesses, thus stimulating growth and increasing the demand for labor. To date, inefficiency in the provision of ICT services has prevented Togolese firms from taking advantage of new business opportunities provided by expanded mobile telephony and internet services. By addressing these inefficiencies, the DPF series will support private sector led growth and job creation. There are also clear benefits to consumers/citizens in the form of greater access to information, online markets, and other opportunities (e.g. online education).

5.2 ENVIRONMENTAL ASPECTS

78. **As indicated at the time of FMIR1, the DPF program is unlikely to have any significant impact on the country's environment, forests and other natural resources.** Supported measures in the areas of fiscal management, revenue mobilization and public investment and debt management have been determined to be environmentally neutral. Supported measures in the electricity and ICT areas would also not have any significant environmental impacts since they address improvements in the institutional and policy framework rather than support new investments.

79. **In Togo, projects with a potential impact on the environment are subject to an environmental assessment.** In accordance with Article 38 of the Togolese Environmental Law, development activities, projects, programs and plans that are likely to harm the environment are subject to prior authorization by the Minister of the Environment. Such authorizations are usually granted on the basis of an impact assessment. The assessment evaluates the potential negative or positive environmental consequences of the proposed activities, projects, programs and plans. The capacity of the authorities to carry out such environmental assessments is evolving, including to address new issues such as e-waste.

5.3 PFM, DISBURSEMENT AND AUDITING ASPECTS

80. **The institutional framework for PFM was improved with the adoption of Organic Law No. 2014-013 of June 27, 2014, to bring budgeting in line with the WAEMU Directives.** This law redirects the public financial system toward a more results-based approach in budgetary management to improve the effectiveness of expenditure and public policies; increase transparency in public expenditure management; and adopt a performance approach based on programs, goals, and results indicators. The

results expected from this comprehensive reform are: (a) realistic and sustainable budget estimates by programs; (b) comprehensive budget packages determined within the framework of multiyear budgetary and economic planning; (c) a more rational allocation of budgetary resources based on performance indicators so that the goals of accelerated growth and employment creation are actually targeted; (d) increased responsibility for the principal commitment authorizers (ministers and Presidents of institution) so as to improve de-concentration and impose accountability; (e) effective supervision by the Parliament of the execution of budget laws fostered by budget performance projects and reports by programs and ministries; and (f) ex post controls to assess the effectiveness of management and performance. The Government budget is made publicly available on the Government website www.togoreforme.com and in printed form, in accord with the provision in BP 8.60.

81. **However, the 2016 Public Expenditure and Financial Accountability (PEFA) assessment revealed continued weaknesses in Togo's PFM system:** (a) poor budget credibility due to major variations between forecasts and budget execution, changes made in the initial composition of expenditures, particularly through supplementary budgets, and underestimation of tax expenditure forecasts; (b) a high level of off-budget operations (over 10 percent of total expenditures); and (c) poor predictability and inadequate supervision of budget execution. The Treasury single account system is still not in place in Togo, annual cash flow plans are developed but not systematically updated and not operational, and the current budgetary regulation mechanism is not effective as it is not based on a regularly updated cash flow plan. Payroll supervision is limited by the nonexistence of a direct link between the civil service and payroll files, and it is incomplete with respect to the documentation of changes made. However, the annual government budget is made publicly available on Togoreforme. The public procurement system has improved considerably compared to the 2008 PEFA review. The procurement system respects baseline assessment in terms of quality standards defined in the 2005 WAEMU directives. However, there are still areas of improvements such as the efficient use of procurement plans. As discussed above, the EGP assists the Government of Togo in improving core areas of economic governance, including PFM.

82. **The Safeguards Assessment of the BCEAO was updated in April 2018 in line with the four-year cycle for regional central banks.** It found that the BCEAO continues to maintain a strong internal control environment and its governance arrangements, as well as its audit and financial reporting mechanisms, are broadly appropriate.

83. **Togo's fiduciary risks are substantial, and IDA reserves the right to request an audit of the dedicated foreign currency account.** The proposed grant in the amount of SDR 28.7 million (US\$40 million equivalent) will follow the World Bank's standard disbursement procedures for development policy operations. Once the operation becomes effective, the Government of Togo will submit a withdrawal application to IDA requesting that the proceeds of the grant be deposited in the BCEAO into a Dedicated Euro Account that forms part of the country's official foreign-exchange reserves. Within five working days of the credit's being deposited into that account, the Government will ensure that an equivalent amount is credited to its budget management system in a manner acceptable to the World Bank. It will report to the World Bank on all amounts deposited in the foreign currency account and credited to the budget management system. Disbursement will not be linked to specific purchases. When funds are disbursed from the dedicated account to finance budgeted government expenditures, the official exchange rate for that day will be used. If the proceeds of the credit are used for ineligible purposes as defined in the Financing Agreement, IDA will require that the Government refund an amount equal to the amount of the ineligible payment to IDA promptly upon notice from IDA. Amounts refunded to the World Bank upon such a request will be canceled. The World Bank reserves the right to seek an audit of the dedicated account by independent auditors acceptable to the World Bank.

84. **The closing date for the series is December 31, 2019.**

5.4 MONITORING AND EVALUATION

85. **The Ministry of Economy and Finance is responsible for overall monitoring and evaluation of the proposed operation and for coordinating actions among other concerned ministries and agencies.** This also includes the regulatory authorities for the electricity and the post and telecommunication sectors, and SOEs in these two sectors. Regular discussions will take place with the Government and the donor community on progress made, results achieved and possible next steps. The monitoring and evaluation process by the Government and the World Bank will be based on a systematic review of implementation and impact of prior actions and will compare results achieved with agreed results indicators in the Policy Matrix.

86. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org".

VI. SUMMARY OF RISKS AND MITIGATION

Table 7: Summary Risk Ratings

Risk Categories	Rating
1. Political and governance	High
2. Macroeconomic	Substantial
3. Sector strategies and policies	Substantial
4. Technical design of project or program	Substantial
5. Institutional capacity for implementation and	Substantial
6. Fiduciary	Substantial
7. Environment and social	Moderate
8. Stakeholders	Moderate
Overall	Substantial

87. **The overall risk to the DPF program is rated as substantial (Table 7).** This assessment is consistent with the CPF risk assessment and is based on the ratings for political and governance, macroeconomic, sector strategies, technical design of the program, and institutional capacity for implementation, each of which present substantial risks to the achievement of the PDOs under this DPF.

88. **Political and governance risks are rated as high.** The political and security situation in Togo is currently quite unstable. Questions regarding presidential term limits and the return of the 1992 Constitution remain unresolved and contentious issues and create major risks. In addition, the sharp fiscal adjustment could cause social unrest, especially if social spending is not upheld despite the fiscal space to do so. As the next presidential elections approach in 2020 and if some of the political reforms from the 2006 Global Political Agreement remain stalled, it could be difficult for Government to maintain the reform momentum or take difficult decisions. In addition, political economy issues and vested interests could seek to delay certain reforms. Focus on results that benefit the population at large and maintaining a close dialogue with the Government and other stakeholders as well as coordination with the IMF are the best way to mitigate these risks.

89. **Macroeconomic risks are substantial.** Continued political uncertainty and the stop-go public investment program may hinder the projected recovery in growth and program objective of enhancing revenues. A rise in United States and European interest rates may complicate the planned reprofiling of public debt and efforts to reduce debt service costs. Higher international oil prices may erode the objective of improving the financial position of the energy utility to the extent that subsidies are not increased or tariffs not adjusted. An environment of political uncertainty and weak growth may also undermine the program's objective of attracting private capital and enhancing competition in the ICT sector. This risk may be exacerbated by uncertainty regarding taxation of the sector. Close adherence to the IMF ECF program will help contain the domestic side of these risks.

90. **Sector strategies and policies risks are substantial.** Togo's performance in formulating and implementing sector strategies is mixed, and the SCD concluded that weak governance has led to policies and implementation that are often not sufficiently pro-poor. Government spending in the past years often diverged from the priorities of Togo's second Poverty Reduction Strategy Paper 2013-17 (SCAPE) and some sector strategies. While certain sectors have relatively good strategies, including agriculture, education and health, they are not adequately funded, and implementation and monitoring is mixed. Weak institutional capacity compounds these risks. The Government is committed to ensuring a better alignment of the budget with sector programs. IDA support for sector strategies (by providing investment operations that help implement these strategies) and analysis provided under the FY17 Public Expenditure Management and Financial Accountability Review (PEMFAR) and proposed PER will also help improve allocation of resources for implementation of sector strategies.

91. **The technical design of the program is also subject to substantial risks.** Key reforms in the revenue area are being overseen by the OTR and it is critical for the Ministry of Economy and Finance to keep a close eye on this, especially until the new Tax Policy Unit has become fully operational. Complex reforms in energy and ICT also warrant close monitoring with the Ministry of Economy and Finance, including to properly account for potential fiscal impacts. These risks could be reduced through the formation of an inter-ministerial DPF coordination committee.

92. **Institutional capacity risks are substantial.** As a fragile state, with a highly-centralized governance structure and which is rebuilding institutions and human resource capacity, there are institutional risks to successfully implementing World Bank-supported programs. Togo has maintained a Country Policy and Institutional Assessment (CPIA) rating of 3.0 for the past several years, reflecting weak public-sector performance due to corruption, weak governance, capacity limitations, and accountability issues. The World Bank has supported strengthening of key institutions that are engaged in implementing WBG programs and has helped establish new public institutions that have filled institutional gaps in service delivery. Further technical support is being provided in the context of the EGP.

93. **Fiduciary risks are substantial.** Important weaknesses persist in expenditure and cash management. The fiduciary risk is mitigated through a dedicated account and other World Bank operations by using and strengthening the country systems for staffing, budgeting, accounting, financial control, and disbursement. IMF TA in this area also helps mitigate these risks.

ANNEX 1: POLICY AND RESULTS MATRIX

TOGO FISCAL MANAGEMENT AND INFRASTRUCTURE REFORM DPF PROGRAM 2017-18

	Prior Actions FMIR1 (Approved December 20, 2017)	Prior Actions FMIR2	Results Indicators
Pillar 1. Improving Fiscal Management: Tax Revenue Efficiency and Mobilization; and Public Investment and Debt Management			
Tax Revenue Efficiency and Mobilization	Prior Action 1. To increase revenues, the Recipient has: (i) completed an audit of tax exemptions to identify irregularities and eliminate them; and (ii) initiated in the context of the 2018 Budget Act measures to reduce regular tax exemptions (including on VAT).	Prior Action 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 council of ministers to simplify the tax system and increase revenues.	Tax exemptions: Baseline (2016): 3.5% of GDP Actual (2017): 3.3% of GDP Target (2019): Less than 2.1% of GDP
	Prior Action 2. To facilitate tax payments, the Recipient has launched: (i) a new system for electronic tax filing by companies under the Large Taxpayers Department of the Togo Revenue Authority; and (ii) a program for micro and small enterprises to enable tax payments through mobile phones.	Prior Action 2. The Recipient has modernized and enhance its tax revenue mobilization by moving the land register the OTR, and the OTR has computerized land titles and carried out a land census in Lomé to identify zones and neighborhoods with large revenue potential.	Property tax revenues: Baseline (2016): 0.1% of GDP Actual (2017): 0.1% of GDP Target (2019): At least 0.3% of GDP
Public Investment and Debt Management	Prior Action 3. To improve public investment planning and selection, the Recipient has established, through an inter-ministerial ordinance, a high-level inter-ministerial Public Investment Committee to scrutinize and prioritize all public investment proposals including PPPs using rigorous standardized economic appraisal criteria, including social and environmental impacts.	Prior Action 3. To strengthen medium-term investment planning, the Recipient has: (i) published a new manual to guide the selection of projects to be included in the 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 into the budget.	Share of new public investment projects funded in the annual budget consistent with prioritized PIP based on new manual: Baseline (2016): 0% Actual (2017): 0% Target (2019): At least 75%
	Prior Action 4. To lower the cost of past pre-financed investments, the Recipient has settled all outstanding obligations to the involved commercial banks through the issuance of securities with longer maturities and lower interest rates.	Prior Action 4. To enhance debt management, the Recipient has published a new Medium-term Debt Management Strategy (MTDS) geared to ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.	Debt service-to-revenue ratio (interest plus amortization of medium- and long-term debt): Baseline (2016): 66.6% Actual (2017): 59.8% Target (2019): Less than 59%
Pillar 2. Improving Financial Viability and Service Delivery in Key Infrastructure Sectors: Energy and ICT			
Energy Sector Financial Viability	Prior Action 5. To strengthen the financial position of the electricity production and distribution companies, the Recipient has ensured regularization of the payment obligations of the General Government to the Togo Electricity Company (CEET) and of the CEET's payment obligations to the jointly-owned Benin Electricity Company (CEB) through: (i) offsetting central government payment arrears to CEET at end-2016 against tax arrears; and (ii) agreement with two commercial banks to provide	Prior Action 5. To enhance commercial viability in the electricity sector, the Recipient has issued an inter-ministerial order setting the principles of a new methodology for periodically determining and updating the <i>Compagnie Energie Electrique du Togo</i> (CEET) (Togo Electric Power Company) 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	Difference between CEET retail tariff (weighted average) plus subsidy and cost of service: Baseline (2016): 30 CFAF/kWh Actual (2017): 25 CFAF/kWh Target (2019): 10 CFAF/kWh or lower

	bridge financing in 2017 for cash payment directly to CEB on behalf of CEET.	mechanism in case the cost of service cannot be fully borne by consumers.	
	Prior Action 6. To ensure timely payment of the statutory fuel subsidy and the electricity bills of the General Government, the Recipient has established a centralized system of payment through the Ministry of Finance in the context of the 2018 Budget Act.	Prior Action 6. To strengthen the management of medium-voltage, high consumption low-voltage, and public-sector customers, the CEET has approved through its board a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism.	Revenue collection rate of CEET from the General Government: Baseline (2016): 36% Actual (2017):86% Target (2019): 95% or more
		Prior Action 7. To strengthen financial management in CEET, the Supervision Committee of the CEET has approved through its resolution a revised performance contract for the company that includes targets on management efficiency improvements and a provision to disclose the monitoring reports.	CEET net margin: Baseline 2016: 2 percent Actual (2017): 2 percent Target 2019: 2 percent or more
ICT Sector Competition and Service Delivery	Prior Action 7. To improve the institutional framework of the ICT sector and promote competition in the retail internet broadband segment, the Recipient has adopted a Sector Policy including a plan of priority actions (comprising, <i>inter alia</i> , a universal access policy, the development of infrastructure based competition, the implementation of number portability and national roaming, and the implementation of regulatory tools for quality of service) for the development of the sector over the period 2018-2022.	Prior Action 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 from TOGOCOM providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.	Number of internet users: Baseline (2016): 528,076 Actual (2017): 859,520 Target (2019): 1,000,000 or more
	Prior Action 8. To remove the barriers preventing investors and operators from deploying their own infrastructure, the Recipient has issued a standard model and guidelines (Cahier des Charges) to be used for the granting of ISP authorizations which contain only limited and reasonable restrictions to service provision and geographic coverage.	Prior Action 9. To improve effectiveness in the management of TOGOCOM and attract new investment, the Recipient’s council of ministers has approved 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 bidding process.	ICT Development Index: Baseline 2016: 1.86 Actual (2017): 2.15 Target 2019: 2.30 or more

ANNEX 2: LETTER OF DEVELOPMENT POLICY

MINISTRE DE L'ECONOMIE ET DES FINANCES

SECRETARIAT PERMANENT POUR LE SUIVI
DES POLITIQUES DE REFORMES ET DES
PROGRAMMES FINANCIERS

SERVICE DE SUIVI DES RELATIONS BM & BAD

N° 2810 /MEF/SP-PRPF/BM&BAD



REPUBLIQUE TOGOLAISE Travail-Liberté-Patrie

Lomé, le 08 OCT 2018

Le Ministre de l'Economie et des Finances

à

Monsieur Jim Yong Kim
Président du Groupe de la Banque Mondiale
1818 H Street NW
Washington DC 20433

USA

Objet : Lettre de Politique de Développement.

Monsieur le Président,

La présente Lettre de Politique de Développement (LPD) relève les avancées enregistrées par le Togo dans la mise en œuvre de sa stratégie nationale de développement ainsi que les perspectives pour 2018-2021. Elle décrit les objectifs et les politiques de développement définis par les autorités en vue de la poursuite de leur programme de réformes qui vise à consolider la croissance économique et à réduire la pauvreté. Pour atteindre ces objectifs, le gouvernement continue de rechercher l'appui technique et financier de l'ensemble des différents partenaires techniques et financiers notamment celui de la Banque Mondiale à travers le Programme de réforme de la gestion fiscale et de la viabilité financière des infrastructures et de fourniture de service (PRGFVFIS), qui est à sa deuxième opération.

I. Contexte socioéconomique

1. En raison des tensions sociopolitiques depuis août 2017, l'activité économique s'est ralentie dans le secteur tertiaire qui a été le plus affecté par les manifestations politiques. Ainsi, le taux de croissance a enregistré une baisse passant de 5,1 % en 2016 à 4,4 % en 2017 selon les estimations. Cette sous-performance devrait être corrigée en 2018 du fait des effets combinés d'une pluviométrie assez bonne et des gains de productivité induits par la transformation du secteur agricole ainsi que l'exploitation du réseau de transport amélioré. Grâce à la mise en œuvre réussie du Programme national d'investissement agricole et de sécurité alimentaire et de Nutrition (PNIASAN), le secteur primaire a contribué à la croissance pour 1,5 point contre 1,1 point pour le secteur secondaire et 1,4 point pour le secteur tertiaire. Pour 2018 et 2019, la croissance projetée est 4,9% et 5,1% respectivement, porté par le dynamisme de tous les secteurs et en particulier du secteur primaire par la poursuite de la mise en œuvre du PNIASAN ainsi que la réalisation de grands travaux d'infrastructures et des projets inscrits dans le Plan National de Développement (PND). L'inflation est restée modérée, atteignant 1,1 % à fin mars 2018 après être descendue en dessous de zéro pourcent en novembre 2017 soit à un niveau inférieur au plafond communautaire fixé à 3,0 %, en raison principalement d'une forte baisse des prix des denrées alimentaires et des produits

énergétiques, et du ralentissement de la demande intérieure. Cependant, le Gouvernement reste déterminé à réduire la dette publique qui était de 80,8% du PIB en 2016 pour la ramener à 67,8% à l'horizon 2020 afin de se rapprocher du critère de convergence de l'UEMOA, qui fixe le plafond de la dette à 70 % du PIB. A ce titre, le Gouvernement a mis fin à la pratique des préfinancements qui a alourdi la dette intérieure. Une réflexion est en cours en vue de substituer une partie de la dette intérieure par de la dette extérieure à des conditions plus favorables afin d'alléger le service de la dette.

Le déficit budgétaire global hors don (base caisse) s'est creusé pour atteindre 7,7% du PIB en 2016 contre 7,5% du PIB en 2015. Ce déficit s'est amélioré à 5,3% en 2017 et projeté à 5,2% en 2018.

2. Une analyse conduite en mai 2018 lors de la deuxième revue au titre de la facilité élargie de crédit (FEC) par le FMI indique qu'à fin décembre 2017, le ratio de la dette extérieure par rapport au PIB s'élevait à 19,9 %, et le ratio de la dette intérieure sur le PIB atteignait 58,8 %. Le service total de la dette représentait 24 % des recettes budgétaires en 2017. Le programme appuyé par la FEC prévoit actuellement un plafond zéro pour la dette non concessionnelle, le risque de surendettement extérieur du Togo est jugé « modéré », et des plafonds non nuls sont donc acceptables pour les emprunts non concessionnels à condition qu'ils n'entraînent pas une dégradation de la note de risque de surendettement extérieur. Cependant, pour que le reprofilage aboutisse à une amélioration du profil global de la dette publique, il devrait préserver ou réduire la valeur actuelle de la dette publique totale, tenant compte de tous les coûts, tels que les frais et charges. L'opération doit se limiter à une ampleur qui permette au Togo de conserver, avec une marge suffisante, sa note de risque modéré de surendettement extérieur (c'est-à-dire un ratio de moins de 30 % entre la valeur actuelle nette de la dette extérieure et le PIB). Actuellement, ce ratio est prévu à 18,2 % pour la fin décembre 2018.

II. Mise en œuvre de la stratégie de croissance accélérée et de promotion de l'emploi

3. La mise en œuvre de la stratégie de croissance accélérée et de promotion de l'emploi (SCAPE 2013-2017) est arrivée à son terme en décembre 2017. Un rapport bilan de mise en œuvre a été validé en août 2018. Pour la période de mise en œuvre de la stratégie, la mise en œuvre par axe stratégique se présente comme suit :

4. Pour l'axe de **développement des secteurs à fort potentiel de croissance**, les indicateurs de performances montrent une évolution régulière sur la période (2013-2017) dans le secteur du développement industriel, artisanal et des services. Les bons résultats du secteur agricole sont dus à la mise en œuvre des projets du PNIASA et une pluviométrie régulière et bien répartie dans le temps et dans l'espace. Ainsi, le PIB agricole est passé de -4,3% en 2013 à 7,7% en 2017 avec un pic de 9,2% en 2014. Le taux de couverture des besoins nationaux en produits céréaliers se situe en moyenne à 116,36% sur la période 2013-2017 et celui des produits d'élevage est passé de 52% en 2013 à 58% en 2017 des besoins nationaux. Dans le domaine des services, la balance des biens et services, en % du PIB, indique une amélioration du déficit qui passe de -19,8% en 2013 à -9,7% en 2017 avec une baisse significative en 2015 qui se situe à -22%. S'agissant du développement industriel, l'indice harmonisé de production industrielle (IHPI) a connu une régression en début de 2013 avec 103,9 avant de progresser en 2014 à 129.

5. Concernant l'axe relatif au **développement du capital humain, de la protection sociale et de l'emploi**, des progrès ont été enregistrés notamment dans le secteur de l'éducation, la santé et de

l'emploi et malgré ces efforts, le Togo est toujours classé dans le dernier quintile de l'Indice de développement humain (IDH). L'IDH 2017 demeure encore faible avec un score de 0,487 situant le Togo au 162^{ème} rang sur 188 pays. Le taux net de scolarisation (TNS) dans le primaire s'est globalement amélioré et a atteint 94,3 % en 2015. L'incidence de la pauvreté est passée de 58,7% en 2006 à 55,1% en 2015 et le taux de l'extrême pauvreté n'a pas connu d'amélioration tangible. L'indice de Gini s'est amélioré, passant de 0,393 à 0,380 entre 2011 et 2015 (ODD 10). En dépit des progrès des cinq dernières années, les inégalités spatiales et par genre persistent. En milieu rural, près de 7 togolais sur 10 sont pauvres et le taux de disponibilité des services de soins curatifs a régressé de 41 % en 2014 à 37,7 % en 2015.

6. Au niveau de l'axe de **renforcement des infrastructures**, les progrès significatifs ont été enregistrés. En effet, la poursuite de la politique des grands travaux d'infrastructures routières a permis d'améliorer le pourcentage des routes revêtues avec un assez bon niveau de service de manière quasi constante sur la période, passant de 60% à 64% en 2016 et 2017. Ainsi, la durée moyenne de passage d'un camion le long de la route nationale N° 1 (RNI) est passée de 72 heures en 2012 à 48 heures en 2016. Le taux d'électrification nationale est passé de 26,57% en 2013 à 35,8% en 2016 et à 38,1% en 2017. Le taux de pénétration de la téléphonie fixe et mobile est passé de 77,5% en 2016 à 87,5% en 2017, de même le taux de pénétration haut débit est passé de 20,8% à 27,8% en 2017.

7. En matière de **promotion d'un développement participatif, équilibré et durable**, l'évaluation en 2017 indique que la plupart des indicateurs ont connu une évolution régulière sur la période 2013-2017. En ce qui concerne le développement à la base, 77 plateformes multifonctionnelles (PTFM) ont été installées contre 60 en 2016. De 2013 à 2016, le volume de micro-crédit octroyé pour accompagner les communautés à la base a enregistré des progrès passant de 8,8 milliards à 25,7 milliards. S'agissant du nombre de pôles de développement créés, le gouvernement a cherché à impulser la création de richesses au niveau local à partir des potentialités de chaque région. L'action publique vise également à développer les pôles agricoles, les pôles industriels et les pôles de services.

8. Pour le renforcement de la **gouvernance**, des progrès sont également enregistrés dans le domaine du renforcement du système judiciaire, de la promotion des droits de l'homme et du climat des affaires. L'indicateur CPIA est passé de 3,55 en 2013 pour stagner à 3 à partir de 2014 jusqu'à 2016 et 3,1 en 2017. Néanmoins, le Togo a enregistré une progression au niveau des politiques de lutte contre l'exclusion sociale et de promotion de l'équité avec la note de 3,4. Il ressort du rapport 2017 Mo Ibrahim sur l'évaluation de la gouvernance globale en Afrique que le Togo occupe la 33^{ème} place sur 54 pays évalués avec une note de 48,5 sur 100. Nonobstant la faiblesse du classement général, le Togo est classé parmi les « top 3 » des meilleurs pays réformateur en matière de gouvernance en Afrique. Le rapport 2016 de Transparency International classe le Togo au 116^{ème} sur 176 avec un Indice de perception de la corruption (IPC) de 32 contre 29 en 2014 sur une échelle de 0 (corruption élevée) à 100 (corruption très faible).

III. Les perspectives 2018-2021

9. Le Plan national de développement (PND), adopté en Conseil des ministres le 03 août 2018, guidera les politiques du gouvernement dans les années à venir pour stimuler la croissance et lutter contre la pauvreté. Ce plan couvre la période 2018-2022, succédant à la Stratégie de croissance accélérée et de promotion de l'emploi (SCAPE) qui est arrivée à son terme en 2017. Le PND découle de la déclaration de politique générale du Gouvernement. Il s'inspire aussi de l'agenda 2030 de développement durable, de l'agenda 2063 de l'Union Africaine et de la Vision 2020 de la

Communauté Economique des Etats de l'Afrique de l'Ouest (CEDEAO). Ce plan a pour objectifs principaux d'ouvrir la voie à une transformation structurelle de l'économie togolaise à travers la mise en place d'une plateforme logistique de premier plan, d'une place financière régionale dynamique, et d'une base manufacturière solide accompagnées de politiques inclusives et sociales.

Réformes du gouvernement au cours de la période 2018-2021 : gouvernance et transparence

10. Le Gouvernement est déterminé à poursuivre l'amélioration de la gestion des finances publiques dans le cadre de la gouvernance économique et financière. A cet effet, des évaluations (PEFA, PEMFAR, PIMA et DeMPA) ont été réalisées en 2016 et permis d'actualiser le plan d'action des réformes de la gestion des finances publiques qui couvre la période 2017-2021. Dans la perspective de l'opérationnalisation des budgets-programmes, les projets de décrets portant attributions et profil des directeurs des affaires administratives et financières, des directeurs de la planification et de suivi-évaluation, des responsables de programmes et des ordonnateurs de crédits ont été adapté à la nouvelle vision en matière de gouvernance et sont en cours d'adoptions.

11. Le Gouvernement s'engage à poursuivre la lutte contre la corruption et la fraude ainsi que l'établissement d'un environnement judiciaire et réglementaire propice à l'activité économique. Pour prendre en compte les directives de l'UEMOA relatives à la gestion des finances publiques et mettre les corps de contrôle aux standards internationaux, les textes régissant ces différents corps ont été actualisés par un comité qui est mis en place à cet effet et sont en cours d'adoption également. De plus, le gouvernement a lancé les programmes de sensibilisation de la population et présenté la Commission nationale de lutte contre la corruption et les crimes assimilés.

12. Par ailleurs, le budget 2018 a été révisé pour tenir compte de la faiblesse des recettes par rapport aux prévisions et de la conjoncture politique défavorable. Ainsi, pour corriger la sous-performance en matière de recouvrement des recettes, des efforts sont en cours pour identifier et recouvrer une niche fiscale au niveau de la taxe foncière. A cet effet, le recensement fiscal en cours permettra d'atteindre cet objectif. Le budget de l'Etat s'exécute à partir du Système Intégré de Gestion de Finances Publiques (SIGFIP) prenant en compte les volets économique et administratif. Le projet de budget 2019 en cours d'élaboration vise à donner un début de contenu budgétaire aux engagements qui ressortent du PND. Le gouvernement entend mener les premières activités des trois axes du PND dans la perspective de transformer structurellement l'économie togolaise, en vue d'une croissance forte, durable, résiliente, inclusive, créatrice d'emplois décent et induisant l'amélioration du bien-être social. Sur instruction du Ministre de l'économie et des finances et réaffirmée par la lettre du cadrage du Premier Ministre, le budget 2019 ne prendra en compte que les projets retenus dans le Programme d'investissement publics (PIP 2019-2021).

13. Le Gouvernement reste déterminé à réduire la dette publique afin de la ramener au niveau du critère de convergence de l'UEMOA, qui fixe le plafond de la dette à 70 % du PIB, d'ici 2019. A cet effet, le gouvernement s'engage, à centraliser les fonctions de gestion de la dette, organiser l'unité de gestion de la dette en la dotant d'un front office, d'un middle office et d'un back office de manière à améliorer son efficacité. La réflexion est en cours en vue de substituer une partie de notre dette intérieure par de la dette extérieure à des conditions plus favorables.

14. Le Gouvernement s'engage également à : (i) consolider la réforme des marchés publics ; (ii) renforcer le contrôle de la gestion des finances publiques ; (iii) améliorer le recouvrement des recettes et mobiliser les ressources extérieures ; (iv) réécrire et mettre en œuvre dans toutes ses

fonctionnalités le SIGFIP et son extension à tous les ministères, institutions et régions, afin d'améliorer la coordination.

Réformes au niveau de l'environnement des affaires

15. Pour améliorer l'environnement des affaires nécessaire pour accompagner la mise en œuvre du PND et la promotion du secteur privé, l'action du gouvernement sera orientée vers : (i) la poursuite à un rythme soutenu des réformes pour l'amélioration du climat des affaires ; (ii) le renforcement du cadre de dialogue permanent entre les acteurs du secteur privé et l'Etat ; (iii) la préservation de la stabilité du cadre macroéconomique ; (iv) l'élaboration des textes d'application du nouveau code foncier et l'établissement de sites pilotes dans chaque région, (v) l'adoption du texte sur le permis de construire ; (vi) l'actualisation de la loi portant concurrence au Togo ; (vii) la poursuite de la réduction des coûts liés au démarrage d'une entreprise ; (viii) l'attraction de 5 sièges d'institutions d'affaires majeures ; (ix) la poursuite de la réforme du secteur de la justice ; (x) l'amélioration de la flexibilité du marché du travail ; (xi) la poursuite de l'assainissement du secteur des banques et de la microfinance pour améliorer le taux de bancarisation à plus de 50% à l'horizon 2022 ; (xii) le renforcement des actions de lutte contre la fraude, la corruption et le blanchiment des capitaux et (xiii) l'amélioration de la qualité de la main d'œuvre.

Réformes dans le secteur agricole

16. Le gouvernement est convaincu qu'il faut promouvoir une agriculture orientée « agrobusiness » permettant d'attirer les investissements privés, d'accroître le rendement, de professionnaliser les acteurs, et de créer des milliers d'emplois dans le secteur et les services connexes. Ainsi, le gouvernement s'est doté d'une agence pour la promotion du développement des agropoles dont le rôle est de nouer des partenariats public-privé qui s'adosent au Plan national d'investissement agricole et de sécurité alimentaire et nutritionnelle (PNIASAN) couvrant la période 2017-2026. De même, la création des instituts de formation pour l'agro développement (IFAD) s'inscrit dans la dynamique de professionnalisation et de compétitivité. Par ailleurs, il sera mis en place un mécanisme innovant de financement des chaînes de valeur agricoles basé sur le partage des risques et la garantie visant à accroître l'afflux de capitaux privés dans l'agrobusiness.

Réformes dans le secteur énergétique

17. La poursuite de l'assainissement de la situation financière de la Compagnie Energie Electrique du Togo (CEET) est une priorité pour le gouvernement. Ainsi, le gouvernement s'attachera, à moyen terme, à mettre en œuvre sa stratégie qui vise à réduire la dépendance en matière d'approvisionnement et à favoriser l'accès des populations à des services énergétiques fiables et modernes et à un coût abordable. Pour satisfaire les besoins énergétiques des populations et de l'économie, l'ambition du gouvernement est de réduire la dépendance en énergie électrique, d'augmenter le taux d'accès à l'électricité au niveau national et réduire le taux de pertes sur le réseau. Pour y arriver, le gouvernement devrait : (i) renforcer le cadre institutionnel, politique et juridique du secteur de l'énergie ; (ii) renforcer les capacités de production et de distribution de l'énergie électrique ; (iii) d'accroître les capacités de stockage et de distribution des hydrocarbures. Concernant le paiement régulier des factures de la CEET afin de ne plus accumuler les arriérés, le mécanisme de centralisation des factures de l'administration centrale va se poursuivre, la diligence dans le paiement de ces factures va être observée. Pour les sociétés d'Etat, la mise en œuvre du programme de compteurs intelligents, les réflexions en cours dans les sociétés concernées pour honorer les engagements envers la CEET dans les délais, vont réduire le risque d'accumulation des arriérés. Un programme d'apurement de la dette de ces entités est mis en place et sera respecté. La

loi sur l'énergie renouvelable et le programme d'énergie solaire lancé par le Chef de l'Etat entrent dans la mise en œuvre de la politique du gouvernement.

Réformes dans le secteur des TIC

18. L'ambition du gouvernement est de faire du numérique un véritable levier de la modernisation de l'économie et de la société. La politique du secteur de l'économie numérique vise à permettre au Togo de disposer à court et à moyen termes, de services des TIC compétitifs et accessibles au plus grand nombre de citoyens et à long terme, bâtir les fondamentaux d'une digitalisation économique porteuse de valeurs, créatrice d'emplois et de richesses et stimulatrice de développement, rendre l'internet et les TIC accessibles, sans discontinuité, à tous et financièrement abordables. Le développement du numérique se fera à travers : (i) la réduction de la fracture numérique ; (ii) la diffusion et l'intégration des TIC dans tous les secteurs de l'économie nationale ; (iii) le renforcement des incubateurs et la mise en place d'une plateforme de financement ; (iv) la garantie de la souveraineté numérique nationale y compris la cybercriminalité et la protection des services ; (v) l'amélioration de la qualité et la diversification des services des TIC.

Réformes structurelles : nouveau Plan national de développement

19. En dépit des progrès notables enregistrés dans la mise en œuvre de la SCAPE (2013 – 2017), des défis importants persistent en termes d'inégalités sociales et spatiales, de faiblesse du système productif national, de ressources humaines et de gouvernance. A cet effet, le Plan national de développement (PND) pour la période 2018-2022 met l'accent sur le renforcement de la stabilité macroéconomique, la transformation de l'économie en une plate-forme logistique et une place financière régionale, la promotion d'une croissance inclusive et la réduction du chômage et de la pauvreté. Le PND s'articule autour de trois axes stratégiques, à savoir : (i) la Mise en place un hub logistique d'excellence et un centre d'affaires de premier ordre dans la sous-région ; (ii) le Développement des pôles de transformation agricole, manufacturiers et d'industries extractives et (iii) la Consolidation du développement social et renforcer les mécanismes d'inclusion.

IV. Programme de réforme de la gestion fiscale et de la viabilité financière des infrastructures et de fourniture de service (PRGFVFIFS)

Objectifs généraux

Le PRGFVFIFS vise à (i) accroître l'espace fiscal et budgétaire à travers une amélioration de l'efficacité et la transparence dans la mobilisation des recettes, la gestion de la dette publique, la gestion des investissements publics et créer un environnement favorable à l'investissement privé en améliorant la viabilité financière du secteur de l'énergie et en promouvant la concurrence dans les secteurs de l'énergie et des télécommunications. Le programme est structuré autour de deux (02) axes à savoir :

- ✓ L'amélioration de la gestion fiscale et de l'accroissement de l'efficacité de la dépense publique et de la gestion de la dette : cet axe vise une meilleure coordination par le ministère de l'économie et des finances de la mise en œuvre des réformes fiscales à travers la rationalisation du système fiscal et la réduction des exonérations, l'amélioration de la performance de collecte des impôts par l'office togolais des recettes (OTR), le

renforcement de la gestion des investissements publics à travers l'utilisation des analyses et des mécanismes transparents de sélection de projets et l'amélioration de la gestion de la dette.

✓ l'amélioration de la viabilité financière et la fourniture des services des secteurs d'infrastructures clés énergie et télécommunications : cet axe vise à (i) promouvoir l'offre de l'électricité à un coût abordable à travers le rétablissement de la viabilité financière du secteur énergie et l'identification des projets prioritaires ; (ii) promouvoir l'offre de l'électricité à un coût abordable à travers : (i) le rétablissement de la viabilité financière du secteur énergie ; et (ii) l'identification des projets prioritaires. En matière des TIC, l'objectif est d'améliorer la qualité des services tout en réduisant les coûts et en renforçant la compétitivité du secteur.

Reformes soutenues par le programme et les résultats attendus

20. Mobilisation de ressources internes et amélioration de la gestion des investissements publics et de dette publique: les principales réformes concernent :

- ✓ l'adoption du nouveau code des impôts pour réduire le nombre de taxes de 26 à 17 conformément aux directives fiscales de l'UEMOA afin de simplifier le système de taxation et accroître les recettes fiscales : le projet de code des impôts et du Livre de procédures fiscales a été adopté en Conseil des ministres le 1^{er} février 2018 et est actuellement en étude à l'Assemblée nationale ;
- ✓ le rattachement du cadastre à OTR dans le bus d'accroître la mobilisation des recettes fiscales : par arrêté n° 011 /MEF/SG du 2 février 2018, le cadastre et la conservation foncière ont été rattachés à l'OTR ;
- ✓ la numérisation des titres fonciers : au 31 août 2018, 99,04% des titres fonciers existants sont numérisés (46 875 sur 47 326) ; Le processus de production des titres fonciers numériques pour tout nouveau titre est effectif depuis juin 2018 ;
- ✓ le recensement foncier pour la capitale Lomé afin d'identifier les zones et voisinage à fort potentiel de revenu : débuté vers fin mai 2018, les activités de recensement fiscal sont réparties en trois zones pour une durée de cinq. Actuellement, la collecte de données est terminée dans les deux premières zones et a débuté dans la troisième zone. La fin des collectes est prévue pour fin octobre 2018. L'apurement de la base de données, la tabulation et la rédaction du rapport final sont des activités à venir pour la suite de cette opération. La durée estimative de ces activités est de deux (02) mois à compter de la fin de l'opération de collecte. Le rapport du recensement fiscal devrait donc être disponible en fin décembre 2018 ;
- ✓ la publication d'un nouveau manuel de sélection, d'hierarchisation et de programmation des projets d'investissements publics (PIP) : Une mission d'assistance technique d'AFRITAC de l'Ouest du Fonds monétaire international (FMI) a été réalisée en août 2018 pour appuyer les autorités togolaises dans la finalisation du manuel. Le manuel provisoire a été transmis par la mission et les observations y relatives ont été formulées et communiquées aux consultants. Le rapport définitif est attendu d'ici fin septembre 2018. Ce rapport sera transmis dès réception à la Banque mondiale. Le manuel sera publié sur le site web www.togoreforme.com ;
- ✓ la prise de décision visant à inclure dans le budget que des projets ici du PIP : par note circulaire, le Ministre de l'économie et des finances a rappelé à tous les ministères sectoriels

et institutions que seuls les projets contenus dans le PIP seront inclus dans le budget 2019. Cela a été repris dans la lettre de cadrage du Premier Ministre pour le budget 2019 ;

- ✓ publication d'une nouvelle stratégie de la gestion de la dette à moyen terme visant à assurer la viabilité de la dette et à minimiser les coûts du service de la dette : une mission conjointe de la Banque mondiale et du FMI est en cours actuellement afin d'aider la Direction de la dette publique et du financement à améliorer le projet de stratégie pour la période 2019-2021. Le rapport final de la stratégie sera transmis à la Banque et publié sur le site web www.togoreforme.com.

21. **Amélioration de la viabilité et fourniture des services des infrastructures :** principales réformes dans le secteur d'énergie visent : (i) la prise d'un arrêté interministériel sur une nouvelle méthodologie de détermination et d'actualisation annuelle des tarifs de détail de la CEET basée sur : le coût moyen pondéré de l'énergie de gros fournis par la CEB et les producteurs indépendants à la CEET et à la production propre de la CEET, le coût de transit de l'énergie de la CEET à travers le réseau de transport de la CEB et le coût de distribution de l'énergie à travers le réseau de la CEET et incorporé un mécanisme qui permet au ministère des finances de fournir une subvention au cas où les coûts des services ne peuvent pas pleinement être supportés par les consommateurs ; (ii) la prise d'une décision approuvant un programme de protection des revenus qui prévoit le déploiement de compteurs intelligents et un mécanisme de suivi ; (iii) la publication d'un contrat de performance pour la CEET qui comprend des objectifs d'amélioration de l'efficacité de la gestion et une clause de publication des rapports de suivi et des rapports annuels. Toutes ces mesures ont été déjà réalisées.

22. **Concernant le secteur des TIC,** les réformes visent : (i) l'approbation d'une offre de référence de TOGO TELECOM définissant les termes et conditions qui assurent un accès aux services de vente de gros de la bande passante juste, non discriminatoire et transparent ; (ii) l'approbation d'un projet de loi visant à ouvrir à une participation minoritaire privée « active » et a lancé un processus d'appel d'offres international neutre, transparent et non discriminatoire pour améliorer l'efficacité de la gestion de TOGOCOM et attirer de nouveaux investissements.

23. **Les principaux résultats attendus du PRGFVFIFS sont :** (i) l'augmentation des recettes fiscales ; (ii) l'amélioration du taux d'exécution du PIP ; (iii) l'amélioration de la notation PIMA sur l'efficacité de la dépenses d'investissements publics ; (iv) l'amélioration de la gestion de la dette ; (v) l'augmentation de la viabilité financière du secteur de l'énergie ; (vi) le renforcement de l'offre d'électricité à des coûts plus compétitifs ; et (vii) le renforcement de la gestion financière de la CEET ; (viii) l'amélioration de l'efficacité de la gestion de TOGOCOM .

Suivi et évaluation du programme

24. Le Ministère de l'Economie et des Finances est chargé de la mise en œuvre générale du programme soutenu par le Programme de réformes de la **gestion fiscale et de la viabilité financière des infrastructures et de fourniture de service (PRGFVFIFS)**. Le suivi quotidien et l'évaluation du programme sont de la responsabilité du Secrétariat Permanent pour le suivi des Politiques de Réformes et des Programmes Financiers (SP-PRPF). Cette structure coordonne la mise en œuvre des politiques de réformes et des programmes financiers du Gouvernement et est assisté par un comité de suivi des programmes et des réformes. Le Gouvernement fournira des

rapports semestriels à la Banque Mondiale sur les progrès dans la réalisation du programme, mesurés par rapport aux calendriers et aux indicateurs de performance convenus.

Requête de financement

25. Les perspectives de croissance de l'économie togolaise sur la période 2018-2019 restent favorables avec des taux réels de croissance du PIB projeté en moyenne à 4,9%. Pour l'année 2018, le cadrage macroéconomique projette un niveau des recettes totales (hors dons) de 606,21 milliards de F CFA contre des dépenses totales de 825,36 milliards FCFA (y compris les paiements des arriérés). Le besoin de financement se situerait donc à 219,15 milliards de FCFA. Les financements identifiés y compris l'appui sollicité à la Banque mondiale permettraient d'équilibrer le budget, gestion 2018.

Veillez agréer, Monsieur le Président, l'assurance de ma considération distinguée.



Sani YAYA

**MINISTRE DE L'ECONOMIE
ET DES FINANCES**

SECRETARIAT PERMANENT POUR LE SUIVI
DES POLITIQUES DE REFORMES ET DES
PROGRAMMES FINANCIERS

SERVICE DE SUIVI DES RELATIONS BM & BAD

N° _____/MEF/SP-PRPF/BM&BAD



**REPUBLIQUE TOGOLAISE
Travail-Liberté-Patrie**

Lomé, _____

The Minister of Economy and Finance

To

Mr. Jim Yong Kim
President of the World Bank Group
1818 H Street NW
Washington DC 20433

USA

Subject: Letter of Development Policy.

Mr President,

This Letter Development Policy (LDP) shows Togo's progress in implementing its national development strategy as well as the outlook for 2018-2021. It describes the development objectives and policies set by the government to prepare their reform agenda aimed at consolidating economic growth and reducing poverty. To achieve these objectives, the government continues to seek the technical and financial support of all the different technical and financial partners such as the World Bank through the Fiscal Management and Infrastructure Reform program (PRGFVFIS), which is in its second operation.

I. Socio-economic context

1. Due to socio-political tensions since August 2017, economic activity has slowed down in the tertiary sector, which has been most affected by political protests. Thus, the growth rate fell from 5.1% in 2016 to 4.4% in 2017 according to estimates. This underperformance is expected to be rectified in 2018 thanks to the combined effects of fairly good rainfall and productivity gains from the transformation of the agricultural sector and improved transport network. As a result of the successful implementation of the National Investment Programme for Agricultural, Food Security and Nutrition (PNIASAN), the primary sector contributed 1.5 point to growth compared to 1.1 point for the secondary sector and 1.4 point for the tertiary sector. For 2018 and 2019, the projected growth is 4.9% and 5.1% respectively, driven by the dynamism of all sectors and in particular the primary sector through the continued implementation of PNIASAN as well as the building of major infrastructure and the achievement of projects included in the National Development Plan (PND). Inflation remained subdued, reaching 1.1% at the end of March 2018 after having dropped below

zero percent in November 2017, which is below the Community ceiling of 3.0%, mainly due to a sharp drop of food and energy products price and the slowdown in domestic demand. However, the Government remains committed to reducing the public debt, which was 80.8% of GDP in 2016, to 67.8% by 2020 to move closer to the WAEMU convergence criterion, which sets the debt ceiling at 70% of GDP. As such, the Government ended the practice of pre-financing which has increased the domestic debt. Reflection is under way to substitute part of the domestic debt for external debt on more favourable terms to **alleviate debt servicing**.

The overall fiscal deficit excluding grants (cash basis) widened to reach 7.7% of GDP in 2016 compared to 7.5% of GDP in 2015. This deficit improved to 5.3% in 2017 and is projected to 5.2% in 2018.

2. An analysis conducted in May 2018 during the Second Review of the IMF Extended Credit Facility (ECF) indicates that at the end of December 2017, the ratio of external debt to GDP was 19.9%, and the ratio of domestic debt to GDP was 58.8%. Total debt service accounted for 24% of budget revenues in 2017. The ECF-supported program currently provides for a zero ceiling for non-concessional debt, Togo's risk of external debt distress is considered "moderate", and non-zero ceilings are therefore acceptable for non-concessional borrowing provided that they do not result in a deterioration of the risk rating of external debt distress. However, for reprofiling to result in an improvement in the overall profile of the public debt, it should preserve or reduce the present value of the total public debt, taking into account all costs, such as fees and expenses. The operation must be limited to a scale that allows Togo to maintain, with a sufficient margin, its moderate risk rating for external debt distress (that is a ratio of less than 30% between the net present value of external debt and GDP). Currently, this ratio is projected at 18.2% for the end of December 2018.

II. Implementation of the Strategy for Accelerated Growth and Employment Promotion

3. The implementation of the Strategy for Accelerated Growth and Employment Promotion (SCAPE 2013-2017) was completed in December 2017. A report reviewing its implementation was approved in August 2018. For the period of its implementation, strategic axes are presented as follows:

4. Concerning the **development of sectors with high growth potential**, the performance indicators show a steady evolution over the period (2013-2017) in the sector of industrial, artisanal and service development. The good results of the agricultural sector are due to the implementation of PNIASA projects and a regular rainfall well distributed over time and space. Thus, the agricultural GDP went from -4.3% in 2013 to 7.7% in 2017 with a peak of 9.2% in 2014. The coverage rate of national needs in cereals products is on average at 116.36% over the period 2013 - 2017 and that of livestock products increased from 52% of national needs in 2013 to 58% in 2017. In the services sector, the balance of goods and services, in percentage of GDP indicates an improvement in the deficit which went from -19.8% in 2013 to -9.7% in 2017 with a significant decrease in 2015 which is at -22%. Regarding industrial development, the Harmonised Index of Industrial Production (HIPI) regressed in early 2013 with 103.9 before rising in 2014 to 129.

5. As far as the **development of human capital, social protection and employment** is concerned, progress has been made, including in education, health and employment sectors and, despite these efforts, Togo is still ranked in the last quintile of the Human Development Index (HDI). The HDI 2017 remains low with a score of 0.487, ranking Togo 162 out of 188 countries. Net primary school enrolment ratio (TNS) improved to reach 94.3% in 2015. The incidence of poverty decreased from 58.7% in 2006 to 55.1% in 2015 and extreme poverty did not improve substantially. The Gini index improved from 0.393 to 0.380 between 2011 and 2015 (SDG 10). Despite the progress of the past five years, spatial and gender inequalities persist. In rural areas, nearly 7 out of 10 Togolese are poor and the rate of availability of curative care services fell from 41% in 2014 to 37.7% in 2015.

6. Concerning **infrastructure strengthening**, significant progress has been made. In fact, the continuation of the policy of major road infrastructure works has made it possible to improve the percentage of roads covered with a fairly good level of service almost continuously over the period, from 60% to 64% in 2016 and 2017. Thus, the average duration of a truck crossing along the National Highway No. 1 (NHI) has increased from 72 hours in 2012 to 48 hours in 2016. The national electrification rate has increased from 26.57% in 2013 to 35.8% in 2016 and 38.1% in 2017. The penetration rate of fixed and mobile telephony has increased from 77.5% in 2016 to 87.5% in 2017, as Broadband penetration rose from 20.8% to 27.8% in 2017.

7. In terms of promoting **participatory, balanced and sustainable development**, the evaluation carried out in 2017 indicates that most of the indicators have improved steadily over the 2013-2017 period. In terms of grassroot development, 77 multifunctional platforms (PTFM) were installed compared with 60 in 2016. From 2013 to 2016, the volume of micro-credit granted to support grassroots communities has increased from 8.8 billion to 25.7 billion. Concerning the number of development poles created, the government has sought to stimulate the creation of wealth at the local level from the potential of each region. Public action also aims to develop agricultural poles, industrial clusters and service poles.

8. Concerning strengthening governance, progress is also being made in strengthening the judiciary system, promoting human rights and business climate. The CPIA indicator went from 3.55 in 2013 to stagnate at 3 from 2014 to 2016 and 3.1 in 2017. Nevertheless, Togo has recorded an increase in policies to fight social exclusion. and promoting equity with the score of 3.4. The 2017 Mo Ibrahim report on the assessment of global governance in Africa shows that Togo ranks 33rd out of 54 countries evaluated with a score of 48.5 out of 100. Notwithstanding the weakness of the overall ranking, Togo is ranked among the "top 3" of the best reforming countries in governance in Africa. Transparency International's 2016 report ranks Togo 116th out of 176 with a Corruption Perception Index (CPI) of 32 versus 29 in 2014 on a scale of 0 (high corruption) to 100 (very low corruption).

III. The outlook 2018-2021

9. The National Development Plan (NDP), adopted by the Council of Ministers on August 3 2018, will guide the government's policies in the coming years to stimulate growth and fight against poverty. This plan

covers the period 2018-2022, succeeding the Strategy for Accelerated Growth and Employment Promotion (SCAPE), which came to an end in 2017. The NDP stems from the General Government's policy statement. It is also inspired by the 2030 Agenda for Sustainable Development, the 2063 Agenda of the African Union and the 2020 Vision of the Economic Community of West African States (ECOWAS). The main objectives of this plan are to pave the way for a structural transformation of the Togolese economy through the establishment of a leading logistics platform, a dynamic regional financial center, and a solid manufacturing base. accompanied by inclusive and social policies.

Government Reforms over 2018-2021: Governance and Transparency

10. The Government is committed to further improving public financial management in the context of economic and financial governance. To this end, assessments (PEFA, PEMFAR, PIMA and DeMPA) were carried out in 2016 and made it possible to update the action plan of public finance management reforms over the period 2017-2021. In view of the operationalisation of programme budgets, the draft decrees on the attributions and profiles of Directors of Administrative and Financial Affairs, Directors of Planning and Monitoring and Evaluation, Program Managers and Credit Authorizing Officers have been adapted to the new vision of governance and are in the process of being adopted.

11. The Government is committed to continuing the fight against corruption and fraud as well as the establishment of a judicial and regulatory environment conducive to economic activity. In order to take into account WAEMU directives on public financial management and to bring the control bodies up to international standards, the texts governing these bodies have been updated by a committee set up for this purpose and are being adopted as well. In addition, the government launched awareness programmes for the population and introduced the National Commission against Corruption and Related Crimes.

12. In addition, the 2018 budget has been revised to take into account the low level of revenue compared to forecasts and the unfavourable political situation. Thus, to correct the underperformance in revenue collection, efforts are under way to identify tax loopholes and improve the collection of property tax. For this purpose, the current tax census will help to achieve this objective. The state budget is implemented from the Integrated Public Finance Management System (SIGFIP) taking into account the economic and administrative aspects. The budget 2019, which is being drafted aims to give a budgetary content to the commitments that emerge from the NDP. The government intends to carry out the first activities of the three axes of the NDP with a view to structurally transforming the Togolese economy to achieve strong, sustainable, resilient, inclusive growth, creating decent jobs and leading to a better social welfare. On the instructions of the Minister of Economy and Finance and reaffirmed by the Prime Minister's letter of cadrage, the 2019 budget only takes into account the projects included in the Public Investment Program (PIP 2019-2021).

13. The Government remains committed to reducing the public debt to bring it back to the level of WAEMU convergence criterion, which sets the debt ceiling at 70% of the GDP, by 2019. To this end, the Government undertakes to centralize the debt management functions, organise the debt management unit with

a front office, a middle office and a back office so as to improve its efficiency. Reflection is under way to replace part of our domestic debt with external debt on more favourable terms.

14. The Government also undertakes to: (i) consolidate public procurement reform; (ii) strengthen the control of public financial management; (iii) improve revenue collection and mobilise external resources; (iv) rewrite and implement in all its functionalities, the SIGFIP and its extension to all ministries, institutions and regions, in order to improve coordination.

Reforms in the business environment

15. To improve the business environment needed to support the implementation of the NDP and the promotion of the private sector, the Government's action will be directed towards: (i) pursuing at a steady pace reforms to improve business climate; (ii) strengthening the permanent dialogue framework between the private sector actors and the State; (iii) preserving the stability of the macroeconomic framework; (i) the drafting of the texts of application of the new land code and the establishment of pilot sites in each region, (ii) the adoption of the text on the construction permit; (iii) the updating of the competition law in Togo; (iv) further reducing the costs of starting a business; (v) the attraction of 5 seats of major business institutions; (vi) further reform of the justice sector; (vii) improving the flexibility of the labor market; (viii) further consolidation of the banking and microfinance sector to improve the banking rate by more than 50% by 2022; (ix) strengthening of actions to fight against fraud, corruption and money laundering and (x) improving the quality of the workforce.

Reforms in the agricultural sector

16. The Government is convinced of the need to promote "agribusiness"-oriented agriculture to attract private investment, increase output, professionalise actors, and create thousands of jobs in the sector and related services. Thus, the government created an agency for promoting the development of agricultural parks whose role is to establish public-private partnerships that build on the National Agricultural Investment Programme, Food Security and Nutrition (PNIASAN) over the period 2017-2026. Similarly, the creation of training institutes for agro-development (IFAD) is part of the dynamics of professionalisation and competitiveness. In addition, an innovative mechanism for financing agricultural value chains based on risk sharing and guarantees to increase the flow of private capital into agrobusiness will be put in place.

Reforms in the energy sector

17. The further consolidation of the financial situation of the National Electricity Company (CEET) is a priority for the government. In the medium term, the government will focus on implementing its strategy aimed at reducing dependence on supply and improving people's access to reliable and modern energy services at an affordable cost. To meet the energy needs of the population and the economy, the government's ambition is to reduce the dependence on electricity, increase the rate of access to electricity at the national level and reduce the rate of losses on the network. To

achieve this, the government should: (i) strengthen the institutional, political and legal framework of the energy sector; (ii) strengthen the production and distribution capacities of electric power; (iii) increase hydrocarbon storage and distribution capacities. Concerning the regular payment of CEET's invoices to avoid further accumulation of arrears, the mechanism of centralisation of the invoices of the central administration will continue, the diligence in the payment of these invoices will be observed. For state-owned companies, the implementation of the smart metering programme, the ongoing discussions in the companies concerned to honour the commitments to CEET in time will reduce the risk of accumulation of arrears. A debt clearance program for these entities is put in place and will be implemented. The renewable energy law and the solar energy program launched by the Head of State is part of the implementation of government policy.

Reforms in the ICT sector

18. The government's ambition is to make digital a real lever for the modernisation of the economy and society. The policy of the digital economy sector aims to enable Togo to have competitive and accessible ICT services in the short and medium term, and to reach the greatest number of citizens in the long term, to build the fundamentals of a profitable economic digitalisation conveying values, creating jobs and wealth and stimulating development; to make Internet and ICTs accessible, without discontinuity and affordable to all. Digital development will be achieved through: (i) reducing the digital divide; (ii) diffusion and integration of ICTs in all sectors of the national economy; (iii) strengthening incubators and setting up a financing platform; (iv) guarantee of national digital sovereignty including cybercrime and the protection of services; (v) improving the quality and diversification of ICT services.

Structural Reforms: The New National Development Plan

19. Despite significant progress in the implementation of SCAPE (2013 - 2017), significant challenges remains in terms of social and spatial inequalities, of weak national productive system, human resources and governance. For this reason, the National Development Plan (NDP) 2018-2022 focuses on strengthening macroeconomic stability, transforming economy into a logistics platform and a regional financial centre, promoting inclusive growth and reducing unemployment and poverty. The NDP is structured around three strategic axes, namely: (i) Establishment of a logistics hub of excellence and a first-rate business centre in the sub-region; (ii) development of agricultural processing, manufacturing and extractive industries; and (iii) consolidation of social development and strengthening of inclusion mechanisms.

II. Reform programme of the fiscal management and the financial viability of the infrastructures and Provision of Service (PRGFVFIS)

General objectives

The PRGFVFIS aims to (i) increase fiscal and budgetary space through improved efficiency and transparency in revenue mobilization, public debt management, public investment management and create an enabling environment for private investment by improving the financial viability of the

energy sector and promoting competition in the energy and telecommunications sectors. The programme is structured around two (02) pillars namely:

- ✓ improvement of tax management and increasing efficiency of public spending and debt management: this axis aims at better coordination by the Ministry of Economy and Finance of the implementation of fiscal reforms through the rationalisation of tax system and reduction of exemptions, improvement of tax collection performance by the Togolese Revenue Authority (OTR), strengthening of the management of public investments through the use of transparent analysis and project selection mechanisms and improved debt management.
- ✓ Improvement of the financial viability and service delivery of key energy and telecommunication infrastructure sectors: this axis aims to (i) promote affordable electricity supply through the restoration of the financial viability of energy sector and the identification of priority projects; (ii) promote affordable electricity supply by: (i) restoring the financial viability of the energy sector; and (ii) identification of priority projects. Concerning ICT, the aim is to improve the quality of services while reducing costs and strengthening the competitiveness of the sector.

Reforms supported by the programme and expected results

20. **Mobilisation of internal resources and improvement of the management of public investments** and public debt: the main reforms concern:
- ✓ the adoption of the new tax code to reduce the number of taxes from 26 to 17 in accordance with the WAEMU tax guidelines to simplify the tax system and increase tax revenues: the draft Tax Code and tax procedures handbook was adopted by the Council of Ministers on 1 February 2018 and is currently under consideration by the National Assembly;
 - ✓ the move of the cadastre to OTR with the aim of increasing the mobilization of tax revenues: by order No. 011 / MEF / SG of 2 February 2018, the cadastre and land conservation have been attached to the OTR;
 - ✓ digitisation of land titles: as of August 31, 2018, 99.04% of existing land titles are digitised (46875 out of 47326); The process of producing digital titles for any new title has been effective since June 2018;
 - ✓ the land census for Lome to identify areas and neighbourhoods with high revenue potential: started in late May 2018, tax census activities are divided into three areas for a period of five years. Currently, data collection is completed in the first two areas and has started in the third area. The end of data collection is scheduled for the end of October 2018. The clearance of the database, the tabulation and the writing of the final report are future activities for the continuation of this operation. The estimated duration of these activities is two (02) months from the end of the data collection phase. The tax census report should therefore be available by the end of December 2018;
 - ✓ the publication of a new manual for the selection, prioritisation and programming of public investment projects (PIP): A mission of AFRITAC technical assistance from the International

Monetary Fund (IMF) was conducted in August 2018 to support the Togolese authorities in finalising the manual. The draft manual was transmitted by the mission and the related observations were made and communicated to the consultants. The final report is expected by the end of September 2018. This report will be transmitted upon receipt to the World Bank. The manual will be published on the website www.togoreforme.com.

21. **Improvement of the viability and provision of infrastructure services:** The main reforms in the energy sector are aimed at: (i) the adoption of an inter-ministerial decree on a new methodology for the determination and annual updating of the retail tariffs of CEET based on: the weighted average cost of wholesale energy supplied by CEB and the independent producers to CEET and CEET's own production, CEET's energy transit cost through the electricity network. CEB transport and the cost of distributing energy through the CEET network and incorporated a mechanism that allows the Ministry of Finance to provide a subsidy in case the costs of the services cannot be fully borne by the consumers ; (ii) making a decision approving an revenue protection programme that provides for the deployment of smart meters and a monitoring mechanism; (iii) the publication of a performance contract for CEET which includes objectives for improving management effectiveness and a provision for publication of monitoring reports and annual reports.

22. **Concerning the ICT sector,** the reforms are aimed at: (i) the approval of a TOGO TELECOM reference offer defining the terms and conditions that ensure a fair, non-discriminatory and transparent access to wholesale services of bandwidth ; (ii) the approval of a draft law to open up an "active" private minority shareholding and launched a neutral, transparent and non-discriminatory international competitive bidding process to improve the efficiency of the management of TOGOCOM and attract new investments.

23. **The main expected results of PRGFVFIFS are:** (i) increased tax revenues; (ii) improvement of the implementation rate of the PIP; (iii) improvement of the PIMA rating on the efficiency of public investment expenditure; (iv) improvement of debt management; (v) improvement of the financial viability of the energy sector; (vi) strengthening of the supply of electricity at more competitive costs; and (vii) strengthening the financial management of CEET; (vii) improving the effectiveness of TOGOCOM management .

Programme monitoring and evaluation

24. The Ministry of Economy and Finance is responsible for the overall implementation of the programme supported by the Fiscal Management and Infrastructure Reform program (PRGFVFIFS). The daily **monitoring** and evaluation of the programme is the responsibility of the Permanent Secretary for the Monitoring Reform Policies and Financial Programs (SP-PRPF). This structure coordinates the implementation of the Government's reform policies and financial programmes and is assisted by a programme monitoring and reform committee. The Government will provide semi-annual reports to the World Bank on progress in programme delivery, measured in relation to agreed timelines and performance indicators.

Funding request

25. Togo economy growth outlook over 2018-2019 remain favourable with real GDP growth projected at an average of 4.9%. For 2018, the macroeconomic framework projects a total revenue (excluding grants) of CFAF 606.21 billion against total expenditures of CFAF 825.36 billion (including payments of arrears). The financing requirement would therefore be CFAF 219.15 billion. The identified financing including the requested support to the World Bank would balance the 2018 budget.

Please accept, Mr. President, the insurance of my highest consideration.

Sani YAYA



INTERNATIONAL MONETARY FUND



Press Release No. 18/240

International Monetary Fund
Washington D.C. 20431 USA

IMF Executive Board Completes Second Review under the Extended Credit Facility, and Approves US\$35.5 Million Disbursement for Togo

June 15, 2018

- Completion of the review enables the disbursement of US\$35.5 million.
- Togo's program aims to reinforce fiscal and financial stability and to promote inclusive growth.
- Program implementation under the ECF arrangement has been good, against the backdrop of weakening economic activities due to the continuing socio-political tensions.

On June 15, 2018 the Executive Board of the International Monetary Fund (IMF) completed the second review of Togo's economic performance under the program supported by an Extended Credit Facility (ECF) arrangement. Completion of the review enables the disbursement of SDR25.17 million (about US\$35.5 million), bringing total disbursements under the arrangement to SDR75.51 million (about US\$106.5 million). Program performance has been good. The Executive Board granted a modification of three performance criteria.

Togo's three-year arrangement was approved on May 5, 2017 (see Press Release No. 17/151) for SDR176.16 million (120 percent of quota or about US\$241.5 million at the time of approval of the arrangement) to support the country's economic and financial reforms. The program aims to reduce the overall fiscal deficit substantially upfront to ensure long-term debt and external sustainability; refocus policies on sustainable and inclusive growth through targeted social spending and sustainably-financed infrastructure spending; and resolve the financial weaknesses in the two public banks.

Following the Executive Board’s discussion on Togo, Mr. Mitsuhiro Furusawa, Acting Chair and Deputy Managing Director, made the following statement:

“Togo’s performance under the ECF-supported program has been broadly satisfactory despite a difficult political and economic environment. The fiscal position improved significantly, driven mainly by expenditure reduction and public debt has declined. However, the medium-term outlook faces risks due to socio-political uncertainty and unfavorable global financial conditions. Strong commitment to the program and maintaining the reform momentum remains critical to preserving macroeconomic stability, improving social protection, safeguarding long-term debt sustainability, and boosting the country’s growth potential.

“It is important that fiscal policy continues to focus on reducing public debt and preserving fiscal sustainability. The authorities should pursue reforms to address the weak revenue collection, prevent new arrears, improve the cost-effectiveness of public investment projects, and contain public expenditure. The authorities are undertaking a review of expenditure to improve its efficiency and they have started implementing measures to improve public debt management. Ensuring debt reduction remains key for macroeconomic stability.

“It is important that the authorities continue to make progress toward adherence to the WAEMU convergence criteria so as to help maintain strong regional reserves. Restructuring of the two public banks, including adequate recapitalization, addressing non-performing loans, and strengthening governance, is an important step towards restoring financial stability.

“The finalization of the National Development Plan and Togo’s admission to the Compact with Africa are commendable. Swift and decisive implementation of the structural reforms outlined in these two policy documents, which are consistent with the ECF-supported program, would help Togo achieve stronger and more inclusive growth.”

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior actions	Significant positive or negative environment effects (yes/no/to be determined)	Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)
Pillar 1. Improving Fiscal Management: Tax Revenue Efficiency and Mobilization; and Public Investment and Debt Management		
Prior Action 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 council of ministers to simplify the tax system and increase revenues.	No	No
Prior Action 2. The Recipient has modernized and enhanced its tax revenue mobilization by moving the land register to the OTR, and the OTR has computerized land titles, carried out a land census in Lomé to identify zones and neighborhoods with large revenue potential.	No	No
Prior Action 3. To strengthen medium-term investment planning, the Recipient has: (i) published a new manual to guide the selection of projects to be included in the Public Investment Plan (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 into the budget.	No	No
Prior Action 4. To enhance debt management, the Recipient has published a new Medium-term Debt Management Strategy (MTDS) geared to ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.	No	No
Pillar 2. Improving Financial Viability and Service Delivery in Key Infrastructure Sectors: Energy and ICT		
Prior Action 5. To enhance commercial viability in the electricity sector, the Recipient has issued an inter-ministerial order setting the principles of a new methodology for	No	Yes

periodically determining and updating the <i>Compagnie Energie Electrique du Togo</i> (CEET) (Togo Electric Power Company) 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.		
Prior Action 6. To strengthen the management of medium-voltage, high consumption low-voltage, and public- sector customers, the CEET has approved through its board a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism.	No	No
Prior Action 7. To strengthen financial management in CEET, the Supervision Committee of the CEET has approved through its resolution a revised performance contract for the company that includes targets on management efficiency improvements and a provision to disclose the monitoring reports.	No	No
Prior Action 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 from TOGOCOM providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.	No	Yes
Prior Action 9. To improve effectiveness in the management of TOGOCOM and attract new investment, the Recipient’s council of ministers has approved a draft law to open the company for an “active” minority private shareholding and stipulating that	No	No

this will be done through a neutral, transparent and non-discriminatory international bidding process.		
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ANNEX 5: REVISIONS TO DPF PROGRAM

Indicative Triggers for DPF-2 Agreed in DPF-1	Proposed Prior Actions for DPF-2	Comments
Pillar 1. Improving Fiscal Management: Tax Revenue Mobilization and Public Investment Efficiency		
Trigger 1. To simplify the tax system, the Recipient has amended the Tax Code to rationalize taxes in line with WAEMU fiscal directives (on corporate tax, VAT and excise tax), without any loss of tax revenue.	Prior Action 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 council of ministers to simplify the tax system and increase revenues.	<i>Minor adjustment in formulation.</i>
Trigger 2. To broaden the tax base, the Recipient has: (i) increased property tax revenues by reducing inefficiencies in land administration, including computerizing the land registry; and (ii) improved the identification and monitoring of taxpayers (firms) by harmonizing the Customs and Domestic Taxes databases.	Prior Action 2. The Recipient has modernized and enhanced its tax revenue mobilization by moving the land register to the OTR, and the OTR has computerized land titles, carried out a land census in Lomé to identify zones and neighborhoods with large revenue potential.	<i>Revised to be more precise and substantive. Harmonization of tax and customs databases has been completed and the new system will enter into operation on September 10, 2018.</i>
Trigger 3. To strengthen medium-term investment planning, the Recipient has included in the 2019 Budget Act a three-year rolling Public Investment Plan with priority projects, including PPPs, established by the Public Investment Committee in coordination with the PPP unit, based on proper feasibility, cost-benefit, and value-for-money analysis.	Prior Action 3. To strengthen medium-term investment planning, the Recipient has: (i) published a new manual to guide the selection of projects to be included in the Public Investment Plan (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 into the budget.	<i>Revised to reflect that 2019 budget will not be ready given desire to advance timetable for DPO2.</i>
	Prior Action 4 (New). To enhance debt management, the Recipient has published a new Medium-term Debt Management Strategy (MTDS) geared to ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.	<i>Introduced to support the potential debt reprofiling exercise.</i>
Pillar 2. Improving Financial Viability and Service Delivery in Key Infrastructure Sectors: Energy and ICT		
Trigger 4. To enhance commercial viability of the energy sector, the	Prior Action 5. To enhance commercial viability in the	<i>Revised to reflect critical policy action and longer</i>

<p>Recipient has agreed with CEET and CEB on a five-year plan with yearly targets for efficiency improvements and adjustments in tariff structure to ensure a better partitioning of the tariff among the distribution and transmission companies.</p>	<p>electricity sector, the Recipient has issued an inter-ministerial order setting the principles of a new methodology for periodically determining and updating the <i>Compagnie Energie Electrique du Togo</i> (CEET) (Togo Electric Power Company) 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.</p>	<p><i>time needed to prepare full cost study.</i></p>
<p>Trigger 5. To ensure continued discipline in the use of and payment for electricity, the Recipient has implemented an effective plan for enhancing energy efficiency in the General Government and ensured that no new arrears to CEET have been incurred.</p>	<p>Prior Action 6. To strengthen the management of medium-voltage and high consumption low-voltage customers, the CEET has approved through its board a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism.</p>	<p><i>Indicative trigger 5 dropped to reflect that energy efficiency measures have already been taken and no further plan is under preparation. New arrears from CEET to CEB have occurred in 2018 as existing tariffs and subsidies have not been sufficient to cover the increase in costs. This is being addressed in PA5. Original trigger 6 divided into two prior actions (6 and 7).</i></p>
<p>Trigger 6. To strengthen the management of high-voltage and medium-voltage customer accounts, the CEET has approved a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism, and a management contract has been established with the Ministry of Economy and Finance.</p>	<p>Prior Action 7. To strengthen financial management in CEET, the Supervision Committee of the CEET has approved through its resolution a revised performance contract for the company that includes targets on management efficiency improvements and a provision to disclose the monitoring reports.</p>	<p><i>Trigger 6 split into two per above.</i></p>
<p>Trigger 7. To improve sector planning and governance, the Recipient has adopted a least-cost methodology to guide the expansion of power generation that integrates both domestic and regional supply options.</p>		<p><i>Dropped as this was more a policy of intent and the effect of this action is already taken into consideration in Prior Action 5.</i></p>

<p>Trigger 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 from TOGO TELECOM providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.</p>	<p>Prior Action 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 from TOGOCOM providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.</p>	<p><i>No change (other than name of SOE).</i></p>
	<p>Prior Action 9 (New). To improve effectiveness in the management of TOGOCOM and attract new investment, the Recipient’s council of ministers has approved 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 bidding process.</p>	<p><i>This reflects a major policy change.</i></p>

ANNEX 6: ANALYTICAL UNDERPINNINGS

Prior Actions	Analytical Underpinnings
Pillar 1. Improving Fiscal Management: Tax Revenue Mobilization and Efficiency; and Public Investment and Debt Management	
<i>A. Tax Revenue Efficiency and Mobilization</i>	
<p>Prior Action 1. The Recipient has reduced the number of taxes from 26 to 17 in line with WAEMU fiscal directives in a new draft tax code adopted by its council of ministers to simplify the tax system and increase revenues.</p>	<p>IMF: Tax Policy Study (January 2017).</p> <ul style="list-style-type: none"> • Nine out of the 26 existing taxes account for 95 percent of total tax revenues and it is increasingly costly to monitor implementation of so many taxes. • The amount of tax exemptions increased dramatically from CFA 15 billion in 2012 to 91 billion in 2016. The rationalization of tax exemptions would support revenue mobilization and efficiency.
<p>Prior Action 2. The Recipient has modernized and enhanced its tax revenue mobilization by moving the land register to the OTR, and the OTR has computerized land titles and carried out a land census in Lomé to identify zones and neighborhoods with large revenue potential.</p>	<p>World Bank: West Africa Tax Policy Study (2018 preliminary)</p> <ul style="list-style-type: none"> • Despite slight improvement in recent years, Togo's tax revenues remain well below what is needed to finance the government's ambitious development plan. • Property taxes are negligible and should be enhanced. <p>IMF: Staff Reports for First and Second ECF Reviews (2017, 2018)</p> <ul style="list-style-type: none"> • A large revenue shortfall calls for measures to improve tax administration and strengthen the collection of underutilized taxes but with large potential revenues such as the property tax.
<i>B. Public Investment and Debt Management</i>	
<p>Prior Action 3. To strengthen medium-term investment planning, the Recipient has: (i) published a new manual to guide the selection of projects to be included in the 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 into the budget.</p>	<p>IMF Technical Assistance Report on PIMA, (2016)</p> <ul style="list-style-type: none"> • The efficiency of public investment in Togo is low. Compared to the top performers, about two-thirds of the potential impact of investing in the country is lost because of inefficient public investment processes. This efficiency gap is larger than the average in SSA countries. • Public investment management processes in Togo present significant weaknesses, particularly in the areas of programming and project selection and the management of public-private partnerships. The lack of rigorous procedures and criteria for project selection and prioritization can lead to the

	<p>budgeting of non-mature, low-priority projects in a context of limited resources.</p> <p>World Bank: PEMFAR (2016)</p> <ul style="list-style-type: none"> • Budget coverage and transparency is constrained by the high level of extrabudgetary operations (over 10 percent of total expenditures) and the lack of integration of some externally-financed project operations into the budget.
<p>Prior Action 4. To enhance debt management, the Recipient has published a new Medium-term Debt Strategy (MTDS) geared to ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.</p>	<p>World Bank: Togo SCD (2016)</p> <ul style="list-style-type: none"> • Togo’s system of governance suffers from poor fiscal and debt management. <p>World Bank: Technical Assistance Report on Debt Management Performance Assessment (2016)</p> <ul style="list-style-type: none"> • Borrowing procedures involve several actors and entities with complex exchange information mechanisms. In addition, coordination between debt management entities is weak, leading to low efficiency in debt management operations. • Important elements of a sound MTDS are missing, particularly the guidelines for the preferred direction of specific indicators for interest rates, refinancing and foreign currency risks. There are no policy guidelines or limits on debt levels. There is no consideration of the issuance of Treasury bills which might increase the refinancing and interest rate risks. <p>IMF/World Bank: Joint Technical Assistance Report on Medium Term Debt Strategy (2017)</p> <ul style="list-style-type: none"> • The Ministry of Economy and Finance has prepared a draft MTDS covering the period 2017-2020. While the MTDS aims to reduce the refinancing risk associated with domestic debt, it does not provide guidance on how to achieve this and does not contain a target of risk indicators that would have facilitated implementation. and evaluation of the chosen strategy. • To reinforce the debt management framework, the National Public Debt Committee (CNDP) should be operationalized quickly to monitor the implementation of the MTDS, facilitate the exchange of information, and ensure coherence between fiscal and debt policies. It will also be

	<p>important to reorganize the services of the Public Debt Department (PDD), according to the model of "front, middle, and back office" to improve the effectiveness of debt management.</p>
<p align="center">Pillar 2. Improving Financial Viability and Service Delivery in Key Infrastructure Sectors: Energy and ICT</p>	
<p align="center"><i>A. Energy Sector Financial Viability</i></p>	
<p>Prior Action 5. To enhance commercial viability in the electricity sector, the Recipient has issued an inter-ministerial order setting the principles of a new methodology for periodically determining and updating <i>the Compagnie Energie Electrique du Togo</i> (CEET) (Togo Electric Power Company) 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.</p>	<p>World Bank: Togo SCD (2016)</p> <ul style="list-style-type: none"> • The high price of electricity service is a serious constraint to private sector competitiveness. • Poor governance of Togo’s electricity distribution company and lack of an independent regulation of the sector undermine its ability to operate in a financially sustainable manner. <p>World Bank: PAD on Togo Energy Support and Investment Project (2017):</p> <ul style="list-style-type: none"> • Though high, the average tariff (USc\$19/KWH) is below the generation cost (USc\$29/KWH). This unbalance is unsustainable and threatens the financial viability of the sector.
<p>Prior Action 6. To strengthen the management of medium-voltage, high consumption low-voltage, and public- sector customers, the CEET has approved through its board a Revenue Protection Program which provides for the deployment of smart meters and a monitoring mechanism.</p>	<p>World Bank: PAD on Togo Energy Support and Investment Project (2017):</p> <ul style="list-style-type: none"> • CEET has insufficient autonomy and commercial orientation, affecting its cost efficiency and financial discipline. It requires a Management Improvement Plan (MIP) to reform internal processes, create a revenue protection program and lay the basis for a sector performance contract with the Government. The implementation of such a plan will contribute to improving the financial equilibrium of the sector. <p>CEET Annual Report (2016):</p> <ul style="list-style-type: none"> • Total Losses (non-technical and technical) in 2014 were 17.39 percent, in 2015 16.8 percent, and in 2016 16.3 percent.

<p>Prior Action 7. To strengthen financial management in CEET, the Supervision Committee of the CEET has approved through its resolution a revised performance contract for the company that includes targets on management efficiency improvements and a provision to disclose monitoring reports.</p>	
<p><i>B. ICT Sector Competition and Service Delivery</i></p>	
<p>Prior Action 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 from TOGOCOM providing the terms and conditions which will ensure fair, non-discriminatory and transparent access to wholesale broadband services.</p>	<p>World Bank: Togo SCD (2016)</p> <ul style="list-style-type: none"> • Lack of competition in the Togo’s information and communication sector increases the cost of services (mobile technology and internet) and undermine the development of the private sector.
<p>Prior Action 9. To improve effectiveness in the management of TOGOCOM and attract new investment, the Recipient’s council of ministers has approved 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 bidding process.</p>	<p>IMF Staff Report first and second Review (2017, 2018)</p> <ul style="list-style-type: none"> • Broader structural reforms are essential to boost productivity, competitiveness and growth. In this line it is essential to improve the business climate including by opening-up some key sectors to private investors.