

OFFICIAL DOCUMENTS

GRANT NUMBER D2670-TG

Financing Agreement

(Fiscal Management and Infrastructure Reform Development Policy Financing)

Between

TOGOLESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D2670-TG

FINANCING AGREEMENT

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

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to thirty-seven million Special Drawing Rights (SDR 37,000,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement.
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

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

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister at the time responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministère de l'Economie et des Finances
Immeuble CASEF
B.P.387
Lomé - Togo; and

(b) the Recipient's Electronic Address is:

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

- 6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

TOGOLESE REPUBLIC

By



Authorized Representative

Name: Sani Yaya

Title: Minister of Economy and Finance

Date: December 21, 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Joelle Dehaene

Title: Country Manager

Date: December 21, 2017

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. **Actions Taken Under the Program**. The actions taken by the Recipient under the Program include the following:
1. The Recipient has: (a) completed an audit of tax exemptions to identify irregularities and eliminate them; and (b) reduced tax exemptions, including on VAT, in the 2018 Budget Act, both as evidenced through: (i) the Recipient's 2018 Budget Act approved by the Recipient's council of ministers (including a budget line showing that tax exemptions have reduced in the 2018 Budget Act) and; (ii) a report identifying irregularities in tax exemptions.
 2. The Recipient has launched: (a) a new system for electronic tax filing by companies under the Large Taxpayers Department of the Togo Revenue Authority; and (b) a program for micro and small enterprises to enable tax payments through mobile phones, both as evidenced through: (i) the service note No. 3357/2016/OTR/CG (dated November 24, 2016) signed by the general commissioner of OTR, compelling large enterprises to issue tax declarations online as from January 1, 2017; (ii) the service note No. 037/2017/OTR/CG/CSG/DITI (dated October 31, 2017) signed by the general commissioner of OTR, facilitating tax payments through mobile phones and; (iii) the service note No. 036/2017/OTR/CG/CSG/DITI (dated October 31, 2017) signed by the general commissioner of OTR, facilitating customs duties and taxes payments through mobile phones.
 3. 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, as evidenced through the Recipient's inter-ministerial ordinance No. 0026/MPD/MEF, dated November 2, 2017, signed by the Recipient's minister responsible for development planning and minister responsible for economy and finance.
 4. The Recipient has settled all outstanding obligations to the involved Commercial Banks through the issuance of securities with longer maturities and lower interest rates, as evidenced through: (a) the cancellation of irrevocable payment instructions issued by the Central Bank of West African States (BCEAO), on behalf of the Recipient, to the Commercial Banks, dated August 11, 2017 and; (b) the prompt release of certifications issued by the Commercial Banks on the settlement of Recipient's arrears.

5. The Recipient has ensured regularization of the payment obligations of the general government to the CEET and of the CEET's payment obligations to CEB through: (a) offsetting central government payment arrears to CEET at end-2016 against tax arrears and; (b) agreeing with two (2) commercial banks to provide bridge financing in 2017 for cash payment directly to CEB on behalf of CEET, both as evidenced through: (i) a table, dated November 21, 2017, signed by CEET's director general, showing the amount of arrears due by the Recipient's general government to CEET as of December 31, 2016 and the mechanism by which the Recipient shall settle its arrears towards CEET in 2017; (ii) two (2) compensation agreements signed between the Recipient's minister responsible for economy and finance and CEET's director general, dated January 6, 2017 and October 2, 2017, respectively; (iii) a credit notification signed between a commercial bank "BSIC TOGO" and CEET's director general, dated September 28, 2017, for the provision of a credit partially settling CEET's arrears towards CEB; (iv) a credit notification signed by a commercial bank "ORABANK TOGO", dated November 16, 2017, for the provision of a credit partially settling CEET's arrears towards CEB and; (v) a transfer order No. 2543/CEB/DG/DFC/SF/HF/17 issued by CEB's director general and chief financial officer to the attention of "ORABANK TOGO", dated October 30, 2017.
6. The Recipient has established, through its ministry responsible for economy and finance, a centralized system for the payment of the statutory fuel subsidy and electricity bills of the Recipient's general government, as evidenced through the 2018 Budget Act adopted by the Recipient's council of ministers (including a centralized budget line for the payment of all Recipient's electricity bills to CEET).
7. The Recipient has: (a) adopted an ICT sector policy including a plan of priority actions (comprising, *inter alia*, 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 ICT sector over the period 2018-22, as evidenced through: (i) the sector policy document issued by the Recipient's ministry responsible for postal services and digital economy, dated October 2017; (ii) Decree No. 2017-119/PR dated October 20, 2017, adopting the sector policy document for digital economy (2018-22); (iii) a contract No. 00432/2017/ED/MPEN/PI/ART&P entered into between the Recipient's minister responsible for postal services and digital economy and an international consulting firm (Michael Page Africa), approved by the Recipient's minister responsible for economy and finance on June 28, 2017, for the provision of assistance in the recruitment of ARCEP's director general and; (iv) a contract No. 00405/2017/AMI/MPEN-WARCIP/PI/IDA-BM entered into between the Recipient's minister responsible for postal services and digital economy and an international consulting firm (AFRICSEARCH Togo / ICEA), approved by the

Recipient's minister responsible for economy and finance on June 2, 2017, for the provision of assistance in the operational implementation of ARCEP.

8. The Recipient has issued a standard model and guidelines (*cahier des charges*) to be used for the granting of ISP authorizations which specify limited and reasonable restrictions to service provision and geographic coverage, as evidenced through: (a) the Recipient's draft standard model and guidelines (dated November, 2016) used for the granting of an ISP license to an operator and; (b) a call for tender, issued by the Recipient's ministry responsible for postal services and digital economy, dated November 2016, for the attribution of ISP licenses to two (2) operators, which incorporates standard model and guidelines used for the granting of the licenses.

Section II. Availability of Financing Proceeds

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

Allocations	Amount of the Grant Allocated (expressed in SDR)
Single Withdrawal Tranche	37,000,000
TOTAL AMOUNT	37,000,000

- C. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied:
 1. with the Program being carried out by the Recipient; and
 2. with the adequacy of the Recipient's macroeconomic policy framework.
- D. **Audit.** Upon the Association's request, the Recipient shall:
 1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case, not later than six (6) months after the date of the Association's request for such audit; a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
 3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.
- E. Closing Date.** The Closing Date is December 31, 2018.

APPENDIX

Section I. Definitions

1. "2018 Budget Act" means the Recipient's budget, adopted by its Council of Ministers, dated November, 2017, setting the Recipient's national revenues and expenses for the following fiscal year.
2. "ARCEP" means the Recipient's authority regulating electronic communications and postal services "*l'Autorité de Régulation des Communications Electroniques et des Postes*", established pursuant to : (i) Law n°99-004 dated March 15, 1999 on postal services, as amended through Laws n°2002-023 dated September 12, 2002 and n° 2004-011 dated May 3, 2004; and (ii) Law n°2012-018 dated December 17, 2012 on electronic communications, as amended through Law n°2013-003 dated February 19, 2013; and (iii) Decree n°2015-091/PR on the organization and functioning of ARCEP, dated November 27, 2015.
3. "Commercial Banks" means ORABANK TOGO; DIAMOND BANK TOGO; BANQUE INTERNATIONALE POUR L'AFRIQUE TOGO; ECOBANK TOGO; SOCIETE GENERALE TOGO; UNION TOGOLAISE DE BANQUE; BANK OF AFRICA TOGO; and BANQUE ATLANTIQUE TOGO, a list of commercial banking institutions based in the Recipient's territory, referred to in Section I.A.4 of Schedule 1 to the Financing Agreement.
4. "CEB" means *Communauté Electrique du Bénin*., the Benin/Togo generation and transmission power utility), established on July 27, 1968, pursuant to the international agreement on the Benin-Togolese code of electricity.
5. "CEET" means the *Compagnie Energie Electrique du Togo*, a Recipient-owned power company established pursuant to the Recipient's *Ordonnance no. 63-13 du 20 mars 1963* and operating pursuant to the Recipient's *Decret no. 613-152 du 11-12-63 portant approbation des status de la Compagnie Energie Electrique du Togo*.
6. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Development Policy Financing", dated July 14, 2017.
7. "ICT" means information and communications technology.
8. "ISP" means internet service providers.

9. "Large Taxpayers Department" means the Recipient's department responsible for collecting taxes of large enterprises and dealing with their tax-related matters, within the Togo Revenue Authority.
10. "MoF" means the Recipient's ministry responsible for finance, and any successor thereto.
11. "OTR" mean the Recipient's national revenue authority established pursuant to the Recipient's Law N. 2012-016 dated December 14, 2012, *portant création de l'Office Togolais des Recettes*.
12. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 22, 2017 from the Recipient to the Association, declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.
13. "Public Investment Committee" means the committee referred to in Section I.A.3 of Schedule 1 to the Agreement, established through the Recipient's *Arrêté Interministeriel n°. 0026/MPD/MEF*.
14. "Sector Policy" means the Recipient's ICT policy referred to in Section I.A.7 of Schedule 1 to the Agreement.
15. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
16. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
17. "Togo Revenue Authority" means the entity in charge of collecting domestic taxes and customs, established pursuant to Law N°. 2012-016, dated December 10, 2012.
18. "VAT" means value-added tax.