

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA30647

Project Name	Togo: Mining Governance and Development Project Preparation - Phase I (P149277)
Region	AFRICA
Country	Togo
Sector(s)	Other Mining and Extractive Industries (100%)
Theme(s)	Other environment and natural resources management (40%), Managing for development results (35%), Other public sector governance (20 %), Export development and competitiveness (5%)
Lending Instrument	Investment Project Financing
Project ID	P149277
Borrower(s)	Ministry of Mines and Energy
Implementing Agency	Ministry of Mines and Energy
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	30-Jul-2015
Date PID Approved/Disclosed	10-Feb-2015, 31-Jul-2015
Estimated Date of Appraisal Completion	28-Jan-2015
Estimated Date of Board Approval	19-Nov-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

1. Togo's fiscal stance and debt profile have remained sustainable since the country reached the Heavily Indebted Countries (HIPC) completion point and qualified for additional debt relief under the Multilateral Debt Relief Initiative (MDRI). Togo's economy has grown steadily in recent years. The GDP growth rate increased from 4.1 percent in 2010 to 5.4 percent in 2013 and is projected to remain stable at 5.4 percent through 2014. Per capita income growth is also projected to hold steady at 2.9 percent in 2014. Economic growth recent years has been driven by a combination of agriculture, construction and public works. Growth in the primary sector is largely based on natural resource extraction and agricultural production. In the past two years, Togo's main exports are phosphates, clinker cement, Portland cement and cotton.

2. Though impressive, Togo's overall growth performance masks persistently high levels of poverty and rising income inequality. According to a 2011 household survey the poverty rate declined from 62 percent in 2006 to 59 percent in 2011. However, the returns to growth have not

been evenly distributed, as shown by the Gini coefficient which rose from 0.37 in 2006 to 0.4 in 2011, and both the depth and severity of poverty increased. Togo is among the countries with a low Human Development Indicator (HDI). The global report on the Togo HD 2012 ranked 159th rank out of 187 countries, with an index of 0.459. Per capita income level was reported at US\$530 in 2013. Poverty manifests itself in various forms: lack of income and productive resources sufficient to ensure sustainable livelihoods, poor access to social services (health, housing, education, drinking water, etc.).

3. The government has made significant efforts to accelerate growth and surmount the legacy of political instability. Nevertheless, more remains to be done if the government is to achieve its stated objectives for sustainable, inclusive development and broad-based poverty reduction.

4. The business environment remains in need of substantial reform. Togo has made meaningful progress in recent years, however, it is still among the most difficult places in the world to do business, ranking 149th out of 189 countries in 2015. There is considerable scope for improvement in protecting investors' rights, enabling access to financing and enforcing contracts. In this context, the recent launch of a one-stop shop for business licensing, which became operational in July 2014, seems to be a positive development. The proposed project aims at simplifying regulatory requirements for the mining sector to improve transparency in the allocation of mining titles and improve access to key mining data. With assistance from the Bank, Togo's new mining legislation (draft) guarantees life-of-mine fiscal security to investors, which will possibly be included into a broader standard mining agreement umbrella, the terms of which would apply to all investors alike.

Sectoral and institutional Context

5. The mining sector is critical to the economic development of Togo, and as such is a priority area for policy support by the Government. The Government has adopted SCAPE (Accelerated Growth Strategy and Employment Promotion) which sets out their priorities for sectors with high growth potential, including the mining sector. With SCAPE, the Government aims to address the challenge of governance, transparency and environmental protection. Likewise, it aims to establish an enabling environment for private sector development.

6. The mining sector has historically been dominated by state ownership in phosphate mining. However, increasingly, private sector investment is diversifying mineral production away from phosphates. Indeed, today limestone, iron and dolomitic marbles also make a significant contribution to the GDP and export earnings. In 2014, Togo had 29 mining operators of various origins. Eighteen of these are involved in the exploitation of industrial minerals deposits and mainly produce construction materials. Gold is being mined using artisanal mining techniques. So far two companies, Tech-mines and Panafrikan Gold Corporation, hold gold artisanal and small-scale mining (ASM) licenses, which were granted in 2011. The number of small-scale mines (SSM) is also increasing..

7. The demand for mining and exploration permits of various minerals is increasing steadily. By the end of 2014, Togo had recorded a total of 56 exploration permits and 35 mining exploitation licenses, up from 27 and 38, respectively, only four year earlier, which corresponds to an average increase of five new mines and nine new exploration licenses every year. There is growing interest from investors in various mineral such as uranium, rare earths, zinc, nickel, precious minerals,

manganese, etc.

8. Phosphates. The exploitation of the country's huge phosphate deposits has been the main mining activity in Togo for decades. As evidenced above, this trend is on the decrease with a large number of new minerals now being mined in Togo. Togo's vast phosphate reserves include a carbonated phosphate deposit, with a life expectancy estimated to be more than 100 years, even with a significant extraction rate per annum. In 2013, phosphates represented 10% of the country's total exports. However, phosphates sector's contribution to GDP remained a mere 0.1% in 2013. This can partially be explained by a decline in world phosphate prices, as well as the lack of tangible positive production outcomes from investments made by the State National Phosphate Company (SNPT).

9. In the phosphate sector, large investments have been recorded by the state, but total production still remains far below expectations. Total production increased marginally by 9.8 percent in 2013, compared to the 25 percent increase in 2012, but still far below the production levels less than 10 years ago.

10. Other Minerals. While the mining sector in Togo is dominated by the production of phosphate, there has been increasing production of other minerals including gold and iron ore. Over the past five years, Togo has received a large and growing number of requests for prospecting and exploration licenses for all ores. In fact, there is significant evidence confirming the existence of large high-quality deposits, especially of gold, iron, manganese, limestone, zinc, lead, barium, cadmium, nickel, industrial ores, and construction materials such as marble. Mineral production is increasingly diversified with the production of the clinker and cement. This demonstrates growing interest by investors in Togo's EI sector. However, it does not guarantee transparency in the licensing process, a key issue linked to governance, which the project aims to resolve.

11. Artisanal and Small-scale Mining (ASM). Broadly speaking, the artisanal and small-scale mining sector in Togo is very active but not formalized. ASM activities related to gold are on the increase. Prior to 2010, ASM involved largely building materials. During this same period, artisanal mining of gold was extremely limited, with ASM miners using rudimentary equipment and inadequate tools. It is only starting in 2011 that the Government began to issue small-scale mining permits as some license applicants began to show interest in gold and small machinery to increase ore recovery. The GoT has approached the Bank to support in organization and supervision of ASM activities in order to improve production and to mitigate the negative impacts which have been seen in other countries in the sub-region.

12. Sector Challenges. For the country's very significant mining potential to be realized, Togo needs to set out a strong foundation for the transparent and efficient management of its mining sector, in particular for its phosphate resources. It is expected that the award of contracts and licenses will be conducted through open, transparent processes. The major challenges for Government include (i) weak governance of the extractive industries, which in turn affects proper management of the extractives industry including ability to anticipate and plan infrastructure and social needs associated with EI operations; (ii) overlapping roles and weak capacities of sector institutions; (iii) unclear roles of authorities in charge of revenue collection; (iv) lack of reporting on reliable data on mineral production and revenues generated by the EI Sector, including ASM and SSM production; and (v) weak corporate accountability of the State-owned phosphates company, Société Nouvelle des Phosphates du Togo (SNPT).

II. Proposed Development Objectives

To streamline the institutional arrangements of key organizations in the EI sector to increase their efficiency and accountability for effective management of the sector.

III. Project Description

Component Name

Component A: Mining Governance, Transparency, Oversight, and Efficiency

Comments (optional)

- A1. Mining Cadaster and Geological Database
- A2. Transaction Advisory Services
- A3. Mineral Production and Revenue Oversight
- A4. Organizational Development and Modernization of MME
- A5. Corporate Governance Strengthening of SNPT
- A6. Artisanal and Small-scale Mining Support

Component Name

Component B: Environmental, Social and Economic Development from Mining Operations

Comments (optional)

- B1. Education Sector Support and Public Access to Information about Mining Operations
- B2. Environmental and Social Management of Mining Operations and Support to Community Engagement Platforms
- B3. Infrastructure and Economic Linkages from Mining

Component Name

Component C: Project Coordination and Management, including Preparatory Project Financing

Comments (optional)

- C1. PIU Operational costs
- C2. Preparatory Project Facility

IV. Financing (in USD Million)

Total Project Cost:	15.00	Total Bank Financing:	15.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			15.00
Total			15.00

V. Implementation

The project will use three-tier institutional and implementation arrangements with the aim of ensuring better coordination among all relevant government agencies. The project is designed to ensure that a wide range of stakeholders (government, industry, civil society) are actively participating in promoting transparency and accountability. The key project implementation and oversight structure will consist of the following:

- 1) Inter-ministerial Strategic Coordination Committee (SCC), comprised of high-level representatives of the relevant ministries (including at a minimum the Ministry of Mines, Ministry

of Finance, and ANGE), will ensure inter-ministerial coordination and provide strategic guidance on the implementation of project activities. One critical responsibility of the SCC will be to ensure maximized ownership of the agencies involved in the project, both regarding the governance and institutional reform process and the implementation of program activities.

2) Ministry of Mines and Energy (MME): The MME will be responsible for the overall coordination and implementation of the Project, including the drafting of annual work programs and budgets of the Project (for final approval by the SCC).

3) A dedicated Project Implementation Unit (PIU) will be established within the Ministry of Mines and Energy (MME) and will be responsible for day-to-day Project management activities, including procurement, disbursement, financial management, and monitoring and evaluation.

In addition to this, the project will establish an “Accountability Forum” of stakeholders from government, civil society and operators group will be organized (possibly under the auspices of the Extractive Industry Transparency Initiative Multi-Stakeholder Group (EITI MSG) in order to review impact of project activities on beneficiaries and offer inputs to the continued relevance of the project design. As such, this forum will ensure the linkage between project beneficiaries outside government structures and the implementing agencies. Details on the structure of the group will be determined during project implementation.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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