

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC3769

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	DGMG
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	25-Feb-2014
Date PID Approved/ Disclosed	10-Sep-2014
Estimated Date of Appraisal Completion	07-Nov-2014
Estimated Date of Board Approval	11-Mar-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Togo is among the countries with a low Human Development Indicator (HDI) . The global report on the Togo DH 2012 ranked 159th rank out of 187 countries , with an index of 0.459 . In fact, over 60% of the Togolese population lives below the poverty line. The poverty index is very high in rural households where 3 out of 4 against 2 of 5 poor in urban areas. That 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. .) , Social exclusion and lack of participation in decision-making . Sovereign state since April 27, 1960 , Togo is today at its fourth republic. It has since 1992 a democratic constitution which enshrines the separation of three powers : executive, legislative and judicial . The country is stable, the practice known as " political " peaceful democracy . With the recent elections , the country is firmly on a path of

structural reforms based on strong principles of good governance, transparency and rigor , guaranteeing a sustainable economic development. He is a member of the UN , the African Union , ECOWAS and UEMOA.

Among the major challenges that the Government proposes to increase under the implementation of the SCAPE (Accelerated Growth Strategy and Employment Promotion) prominently the challenge of governance / transparency and the challenge of environmental protection . It has , moreover, to establish an enabling environment for private sector development . Indeed, the Government is convinced that the business environment has a significant influence on private sector development , economic growth , job creation and wealth. It is in this context that the Presidential Council for Investment in Togo (CPIT) was established since March 2011 to provide a framework for discussion and direct consultation between the Government and the private sector. The aim is to promote the emergence of a strong and responsible civil society , built on a system of responsibility and accountability in all acts of governance . The SCAPE includes a number of cross-cutting issues among which human rights are , population, employment, gender, and climate change and natural disasters environment.

Sectoral and Institutional Context

The mining sector is an essential element of policy support for economic development by the Togolese government. Phosphates, limestone , iron and dolomitic marbles are to date the key links of the process to the extent that they can contribute to a significant proportion of GDP and export earnings . Knowledge of the geology and mineral potential of Togo is not substantive despite exploration work since the pre-colonial period to the present day , and the results obtained (deposits and major indices) are the assets of the Togolese State mainly due to assistance received to date from France , Germany , EU, UNDP, World Bank. Apart from geological mapping , Togo has begun strategic geochemical survey with the aim to cover some 40,000 square kilometers of the country (80%) , and also the tactical exploration (sometimes surveys) on some promising targets (gold, diamond Precambrian phosphates , zinc, nickel , platinum) . But the geology coverage is very old (mid 80s.) and was conducted with the compass and hammer (the GPS did not exist at the time) , using very old topographic maps (1963-1965) . The works are to be updated using more efficient use of modern techniques.

The ministry in charge of mines , is involved in a complex institutional environment , characterized by a great diversity of stakeholders. Therefore , any ability to properly complete and efficiently missions remains partly dependent on the content and level of formalization of its interrelations with other actors, including the State.

The formalization of coordination mechanisms or clarifying the content of interrelations with different actors, contribute greatly to increase the operational capacity of the department at the same time as those of the actors. An adequate training program for capacity building to improve management would include state officials as well as those of state companies such SNPT) will be developed and implemented by the project. Institutional reform will result from a strategic organizational audit to be undertaken by the project prior to assisting Togo in establishing the right framework to modernize public administration. The project institutional audit will permit an estimate of available competencies and the skill gap to be filled in the mining sector of Togo.

The inter-ministerial complex governing mining activities in Togo and the role played by each institution is highlighted next:

- The Ministry of Finance intervenes in taxes and customs. The consensus with the Ministry of Mines on the benefits to be granted to mining companies has never been questioned , since the development of the Mining Code 1996/2003 .
- The Ministry of Commerce is the must for all investors , through the Chamber of Commerce and Industry .
- The Ministry of Security and Emergency Preparedness: mining companies , whatever their rank, must always report their presence to local administrative authorities , which are the state representatives (prefects, canton chiefs , village chiefs) .
- The Ministry of Environment is involved in the environmental and social impact assessments (ESIA) .
- EITI is one of the agencies attached to the Ministry , the technical secretariat of the institution is involved in the facilitation of the implementation of the new EITI standards to improve the collection of various taxes and duties in relation to activities in extractives. EITI's goal is to contribute greater transparency and governance in the extractive activities, but has not been successful almost worldwide in achieving that outcome.
- The University of Lomé through its Department of Geology's Earth sciences. This department has trained graduates in earth sciences some of which have integrated DGMG, SNPT etc.

The Ministry of Mines has also developed interfaces with other departments such as Employment (when necessary to recruit staff), soils and agriculture (in the case of agro-minerals) , Water resources (in the boreholes) , Public works (works could provide geological information , for example when building new roads) , Industry (especially when processing is envisaged) , Social Affairs (where the interests of local communities are involved) .

Relationship to CAS

The proposed activity is in line with the CAS for Togo and Africa Regional Strategy, which puts great emphasis on the following pillars: (i) Sustained Equitable Growth; (ii) Poverty Alleviation and Equity of Opportunity; and (iii) Environment and Natural Resource Management. The proposed engagement under the ISN considered a base lending volume with an increasingly active IFC program and lending objectives (in the range of US\$50 million per year.)

The country's close engagement with the Bank, under the framework of the CPS period, has placed Togo as an important part of AFCF2 portfolio in the Bank Group. With 17 active projects, covering a wide variety of sectors (education, social protection, rural development, environment, and budget support), the Bank has built a solid basis in all pillars of the ARS. However, there remains a need to strengthen the governance sector in key economic activities in Togo.

This project is lined to the first and second pillars of sustainable growth and poverty alleviation as well with the sub-pillar of Environment and Natural Resource Management, in that it focuses on both improved governance and better management of the fast growing sector and abundant mineral resources. It also has links to other existing pillars, since it also aims at enhancing opportunities and strengthens the competitiveness of the Extractive Industries (EI) sector. The activity is also aligned with the Government of Togo's objective of creating a favorable climate to promote investments for the sector as mining is a critical part of the government's long term economic development plan.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

To strengthen the capacity of key institutions to manage the minerals sector, improve the conditions for increased investments in and revenues from mining, and facilitate an effective and efficient spending of mining revenues.

The specific development objectives and activities of a possible second project would be defined on the basis of the experiences and lessons learned from the implementation of this Project.

Key Results (From PCN)

The establishment of enabling conditions to increase the mining sector's contribution to growth and sustainable development at the national and local levels while improving significantly mineral governance. Increased quality and sizeable private sector involvement and improved organizational and institutional structure. Improved transaction and licensing transparency and putting in place modern skills and operational systems. Attracting private sector capital while also encouraging the involvement of nationals through innovative local procurement initiatives. Provision of modern institutional tools in order to enable the government to play its catalytic role for investment mobilization and improve governance in the sector to deliver in its developmental potential. Improvement in the organization of the artisanal mining sector is also anticipated, greater accountability and sustainability of mining operations, and more substantive impact on macro-economics and decentralization efforts through mine site community development are the expected outcomes.

III. Preliminary Description

Concept Description

The proposed project is consistent with the overall objective of developing the mining sector in a context of transparency and good governance. The implementation of the project will contribute ultimately to a major overhaul of the mining sector in its quest to be one of the main pillars on which the government intends to use to achieve the objectives of boosting growth on a sustainable basis .

A. Component 1: Ensure access to resources. This component of the EITI value chain is the fundamental barriers to access to resources and to promotion of mining activities in Togo. The project will focus on (i) developing an infrastructure of geological and mining data and on evaluation of the country's mineral resources and their potential value, and in (ii) developing a modern mining cadastre .

B. Component 2: Building Sector Management Capacity. This component will address the limited capacity of the current Government's sector management, monitoring its performance and enforcement of rules of law. In this regards, the project aims at: (i) building capacity in key oversight institutions, (ii) strengthening the capacity to negotiate contracts and manage portfolio, and (iii) developing human resources in the mining sector. Particularly regarding human resources capacity, the project will build on the existing Earth Sciences Faculty at the University of Lomé as regards its academic training program and plans to equip the faculty program of an additional new Center for training in technical mine professions.

C. Component 3. Improve Transparency and Accountability. The Project will support activities aimed at: (i) improving and promoting transparency and setting-up sound monitoring mechanisms in commercial transactions, sector and revenue management (eg the EITI process), (ii) strengthening awareness of the tax administration system and tax collection systems, (iii)

establishing a broad platform for dialogue and accountability involving various stakeholders in the mining sector, (iv) helping to create community development committees; and (v) developing effective tools for modern management of the mining sector of Togo.

D. Component 4. Sustainable Development and the Development of Side stream Activities around mining activities. The project will: (i) define and develop business to promote the creation of national SMEs capable of producing inputs to be used by the local mining industry and hence generating a more significant macroeconomic impact of the mining industry. Similarly, the component will support: (ii) the management of social and environmental issues in the mining sector, (iii) artisanal and small-scale mining, and (vi) full integration of the mining sector into broader national development efforts.

E. Component 5. Coordination and Project Management. This component will support the Project Implementation Unit, based in the Ministry of Mines, in the management of fiduciary activities, project monitoring and evaluation and the implementation of activities.

Issues and recommendations of the project will be used by the government in the development of global or sectoral policies to improve the management of mineral resources of the country and contribute to job creation and the improvement of the conditions of livelihoods of rural people.

IV. Safeguard Policies that might apply

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

V. Financing (in USD Million)

Total Project Cost:	10.00	Total Bank Financing:	10.00
Financing Gap:	0.00		
Financing Source		Amount	
BORROWER/RECIPIENT		0.00	
International Development Association (IDA)		10.00	
Total		10.00	

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