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Report No: PAD2399

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF

SDR 10.7 MILLION (US\$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TOGO

FOR THE

ECONOMIC GOVERNANCE PROJECT

September 12, 2017

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective July 31, 2017)

Currency Unit = CFA Franc (CFAF)

US\$1.00 = CFAF 618.156

SDR\$1.00 = US\$0.71035340

FISCAL YEAR

January 1– December 31

ABBREVIATIONS AND ACRONYMS

AE	Multi-year Commitment Authority
CdC	Court of Accounts (<i>Cour des Comptes</i>)
CPF	Country Partnership Framework
CSO	Civil Society Organization
DGE	General Directorate of Economy (<i>Direction Générale de l'Economie</i>)
DLI	Disbursement-Linked Indicator
DPPD	Multi-year Expenditure Programming Documents (<i>Documents de Programmation Pluriannuelle des Dépenses</i>)
DPO	Development Policy Operation
DRM	Domestic Resource Mobilization
EEP	Eligible Expenditure Program
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
ICB	International Competitive Bidding
IFR	Interim Financial Report
IPF	Investment Project Financing
IGF	General Finance Inspection (<i>Inspection Générale des Finances</i>)
IMF	International Monetary Fund
OECD	Organization for Economic Co-operation and Development
MDA	Ministry, Department, and Agency
MPD	Ministry of Development Planning
MEF	Ministry of Economy and Finance
NCB	National Competitive Bidding
OTR	Togolese Revenue Authority (<i>Office Togolais des Revenus</i>)
PAP	Annual Performance Plan
PCC	Budget Spending Plan (<i>Plan de Consommation des Crédits</i>)
PCU	Project Coordination Unit
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management

PIM	Public Investment Management
PIMA	Public Investment Management Assessment
PIP	Public Investment Program
PEMFAR	Public Expenditure Management and Financial Accountability Review
PPM	Annual Procurement Plan
PMU	Project Management Unit
PPA	Project Preparation Advance
PPP	Public-Private Partnership
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
SCAPE	Strategy for Accelerated Growth and Employment Creation (<i>Stratégie de Croissance Accélérée pour la Promotion de l'Emploi</i>)
SCD	Systematic Country Diagnostic
RAP	Annual Performance Report
RBF	Results-Based Financing
SOE	State-Owned Enterprise
SP-PRPF	Permanent Secretariat for the Monitoring of Policy Reforms and Financing Programs (<i>Secrétariat Permanent pour le suivi des Politiques de Réformes et des Programmes Financiers</i>)
SYSCOHADA	Accounting system of French speaking countries sharing the common business law (<i>Système comptable des pays membres de l'Organisation pour l'Harmonisation du Droit des Affaires</i>)
TA	Technical Assistance
TFA	Trade Facilitation Agreement
TOFE	Government's Financial Operation Table (<i>Tableau des Opérations Financières de l'Etat</i>)
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

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**BASIC INFORMATION**

Is this a regionally tagged project?	Country(ies)	Financing Instrument
No		Investment Project Financing
<input checked="" type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints		
<input type="checkbox"/> Financial Intermediaries		
<input type="checkbox"/> Series of Projects		
Approval Date	Closing Date	Environmental Assessment Category
03-Oct-2017	31-Oct-2022	C - Not Required
Bank/IFC Collaboration		
No		

Proposed Development Objective(s)

The project development objective is to improve public investment management, domestic revenue mobilization and public accountability and monitoring mechanisms for better service delivery in priority sectors.

Components

Component Name	Cost (US\$, millions)
Management of Public Investments and Public-Private Partnerships	6.06
Supporting Domestic Resource Mobilization	7.20
Increasing Public Accountability and Citizen Engagement	3.98
Project Implementation Support	2.56
Unallocated	0.80

Organizations



Borrower : Ministry of Economy and Finance

Implementing Agency : Ministry of Finance

PROJECT FINANCING DATA (IN USD MILLION)

<input type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit <input type="checkbox"/> Crisis Response Window <input type="checkbox"/> Regional Projects Window	<input checked="" type="checkbox"/> IDA Grant <input type="checkbox"/> Crisis Response Window <input type="checkbox"/> Regional Projects Window	<input checked="" type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost:		Total Financing:		Financing Gap:	
20.60		20.60		0.00	
		Of Which Bank Financing (IBRD/IDA):			
		15.00			

Financing (in US\$, millions)

Financing Source	Amount
European Commission Development Fund - TF	5.60
IDA Grant	15.00
Total	20.60

Expected Disbursements (in US\$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	1.05	1.21	2.03	3.73	4.52	2.47
Cumulative	1.05	2.25	4.29	8.01	12.53	15.00



INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Macro Economics & Fiscal Management

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Low
8. Stakeholders	● Substantial



9. Other

10. Overall

● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

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

Legal Covenants

Sections and Description

The Recipient shall establish not later than three months after Effective Date, and thereafter maintain at all times during the implementation of the Project, the Project Steering Committee, with composition, mandate and resources satisfactory to the Association, as further detailed in the Project Implementation Manual. (reference Schedule 2, I, A, 2, a)

Financing source: Counterpart funds



Sections and Description

The Recipient shall establish not later than three months after Effective Date, and thereafter maintain at all times during the implementation of the Project, the Project Implementation Unit within the PFMCU with staff, terms of reference and resources satisfactory to the Association ("Project Implementation Unit"). To this end, the Recipient shall recruit a Project manager, responsible for the overall project coordination, and key staff responsible for implementation of Project activities, including: a monitoring and evaluation specialist, a financial and administrative officer, a procurement specialist, and a public accountability and citizen participation expert. (reference Schedule 2, I, A, 3, a)

Financing source: Project Preparation Advance

Sections and Description

Not later than three (3) months after the Effective Date, the Recipient shall set up within PCU a computerized accounting system to support Project implementation and generate financial statements. (reference Schedule 2, IV)

Financing source: Project Preparation Fund

Conditions

Type Effectiveness	Description The Recipient has prepared and adopted the Project Implementation Manual, in form and substance satisfactory to the Association (reference Article V, 5.01, a)
Type Effectiveness	Description The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity (reference Article V, 5.01, b)
Type Effectiveness	Description The Project Agreement has been executed on behalf of the Association and the Project Implementing Entity, where the Association agrees to sign the Project Agreement on the date it signs this Agreement (reference Article V, 5.01, c)
Type Disbursement	Description The Association has received the first Competitive Grant Agreement in form and substance satisfactory to the Association under Category 2 (reference Section III 2,b)



Type	Description
Disbursement	The Association has received from the Independent Verifiers, the EEP Spending Reports confirming that the DLI has been achieved and containing a proposal for disbursement under each Withdrawal under category 3 (Reference Section III 2,c)

PROJECT TEAM

Bank Staff			
Name	Role	Specialization	Unit
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Keith W. McLean	Team Leader	Governance	GGO13
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Adakou Sylvie Assiongbon Nenonene	Team Member	Citizen engagement	AFREC
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Extended Team

Name	Title	Organization	Location
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TOGO
ECONOMIC GOVERNANCE TECHNICAL ASSISTANCE

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I. STRATEGIC CONTEXT

A. Country Context

1. **Togo is a fragile state in western Sub-Saharan Africa with a population of 6.7 million and a per capita gross domestic product (GDP) of US\$669 in 2014.** The country has started evolving into a multiparty democracy, having transformed its political system from one-party rule. In 2006, following the death of President Gnassingbe Eyadema, the leading political interest groups reached a political accord that paved the way for parliamentary elections in 2007 and donor reengagement. Since then, multiparty elections have been held, and a more inclusive political system and open economy regime has emerged.
2. **Despite the global recession, over the past three years, GDP growth has averaged approximately 5 percent, which is higher than the average observed in Sub-Saharan Africa.** While Togo has been subject to several negative shocks such as the lower commodity prices of its main exports (phosphates and clinker) because of the economic decline in Nigeria, the Government adopted an ambitious Public Investment Program (PIP) that helped sustain aggregate demand in 2015 and 2016. However, the fiscal deficit grew from 5.8 percent of GDP in 2013 to over 9 percent of GDP during this period, and the Central Government reported the accumulation of about CFAF 60 billion in arrears at the end of 2016, representing 2.5 percent of GDP. Concurrently, the public debt to GDP ratio grew rapidly to an estimated 77¹ percent of GDP, which is the highest in West Africa and greater than the agreed threshold of 70 percent of GDP within the West African Economic and Monetary Union (WAEMU).
3. **On the supply side, the main drivers of economic growth have been agricultural production and extractive industries, as well as trading.** Agricultural production, which accounts for approximately half of the country's GDP and over 60 percent of its employment, has benefitted from good climatic conditions and recent initiatives that have led to an increase in the productivity of cereals, cash crops, and livestock. Extractive industries, especially the production of clinker/cement; trading activities as well as transport and communications have also contributed to growth over the past few years. Growth is expected to remain in the range of 5.0–5.5 percent over the next three years with gradual adjustment of the fiscal deficit and public debt to sustainable levels. Inflation is projected to level off at less than 2 percent within the next three years.²

B. Sectoral and Institutional Context

Country Economic Governance Strategy

4. **The Government program is summarized in its Strategy for Accelerated Growth and Employment Creation, better known by its French acronym SCAPE (*Stratégie de Croissance Accélérée pour la Promotion de l'Emploi*).** This strategy has five strategic axes: (a) investing in pillars with high potential for growth; (b) reinforcing economic infrastructure; (c) developing human capital, social

¹ Togo draft Country Partnership Framework (CPF) FY17–FY20.

² <http://www.worldbank.org/en/country/togo/overview#1>.



protection, and employment; (d) improving governance; and (e) promoting sustainable and participatory development. SCAPE acknowledges serious challenges inherent in the governance system. These challenges result in interrelated problems of inadequate control of corruption and low government effectiveness with respect to policies that support private sector development, poor fiscal governance, and poor delivery of public goods and services. To help address these challenges, the cross-cutting governance pillar of the CPF focuses on (a) addressing transparency and efficiency of public financial management (PFM), domestic resource mobilization (DRM), and public investment management (PIM), including public-private partnerships (PPPs); (b) strengthening the performance of state-owned enterprises (SOEs); (c) decentralizing service delivery to bring decision making closer to citizens; (d) enhancing citizen engagement in monitoring of budget execution in key sectors; and (e) combating corruption through more effective public oversight institutions capable of implementing their mandates.

PFM Challenges: Low Efficiency, Budget Execution, and Narrow Tax Base

5. **Public investment efficiency in Togo is low.** Public investment in Togo has significantly increased since 2010 to a level comparable to the average of Sub-Saharan African countries. It rose sharply, from an average of 2.5 percent of GDP in 2009 to 8.2 percent of GDP from 2010 to 2015. However, public investment efficiency in Togo is still poor. The public investment management assessment (PIMA) conducted by the International Monetary Fund (IMF) and the World Bank in May 2016 revealed weaknesses in the management process, which seriously limit the efficiency and impact of these investments. According to the PIMA, Togo's efficiency gap compared to that of the best-performing countries, stands at 70 percent; that is, about two-thirds of the potential impact of the investment in the country is lost due to the inefficient public investment process. This efficiency gap is higher than the average observed in countries of Sub-Saharan Africa, which stands at 57 percent. Much needed improvements relate to multi-year programming, ex ante evaluation of projects, selection of projects, multi-year protection of investments, availability of funding, and transparency and timely processing of procurement and award of government contracts. These weaknesses are inherent to the management of public investments irrespective of the source of financing (government or donor).

6. **Inadequate budget preparation and execution negatively affect development outcomes.** The execution rate of Togo's capital budget, mainly financed by donors, fell remarkably, declining from 58 percent in 2012 to 40 percent in 2013. It improved significantly in 2014 and reached 73 percent in 2014. The average rate of capital expenditure implementation was 60 percent. The Public Expenditure Management and Financial Accountability Review (PEMFAR) conducted in 2016 shows that a significant part of the investment budget is not spent as intended because of weaknesses in budget preparation and execution processes. Some of the key bottlenecks include (a) the lack of technical and financial maturity of investments selected, (b) a disconnect between the annual budget cycle and the multi-year nature of many capital budget projects and commitments that cannot be funded, (c) lack of monitoring of investment projects and delays in execution, (d) inadequate use of the PIP as a planning tool, (e) cash flow constraints, and (f) lengthy procurement processes with huge delays (on average: 248 calendar days (8 months), which is 48.38 percent longer than the 120-day period indicated by the Organisation for Economic Co-operation and Development [OECD]). Weaknesses in skill levels of the various actors and the lack of modern PFM tools limit the efficiency of civil servants working on financial planning, procurement, and budget execution.

7. **Broadening the tax base and improving tax collection capacity are crucial for increasing**



domestic resources needed to ensure the budget credibility. In the past four years, the Government has been actively investing in strengthening DRM, and at 20 percent in 2013, the tax-to-GDP ratio in Togo is one of the highest in the region. Notably, Togo is also one of the first Francophone countries to have created a semiautonomous revenue authority, integrating the Tax and Customs Department in the Togolese Revenue Authority (*Office Togolais des Recettes*, OTR). Recent increases in tax revenue collection, however, have largely resulted from a combination of legal and regulatory changes³ rather than more effective revenue administration. To increase taxpayer compliance, ensure a level-playing field across taxpayers, and to take advantage of the institutional reform that created a single revenue agency, further work is needed on enhancing the OTR's capacity to better leverage the integration of tax and customs functions and on strengthening the compliance management programs of the OTR. Further strengthening of the operations of the OTR and modernization of revenue and tax administration is expected to improve Togo's capacity to mobilize domestic resources and widen the tax base. With respect to tax policy, the formation of the proposed Tax Policy Unit in the Ministry of Economy and Finance (MEF) is a critical complement to the creation of the OTR and will be critical to strengthening Togo's legal framework for revenue collection, rationalizing the multiple exemptions accorded through a range of instruments, and widening the tax base.

8. The 2016 Public Expenditure and Financial Accountability (PEFA) assessment revealed the following main weaknesses in Togo's PFM system: (a) poor budget credibility due to major variations between forecasts and results of budget execution and changes made in the initial composition of the expenditure, particularly through supplementary budgets, and underestimating tax expenditure forecasts; (b) the high level of off-budget operations (over 10 percent of total expenditures); and (c) poor predictability and inadequate supervision of budget execution. The Treasury's single account system is still not in place in Togo, the annual cash flow plans are developed but they are not systematically updated and are 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 changes made.

9. The institutional framework for PFM was recently improved with the adoption of Organic Law No. 2014-013 of June 27, 2014, to bring budgeting in line with the WAEMU Directives. This new 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 therefore (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 institution presidents) 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

³ The increase of the corporate tax rate for industries to 29 percent from 27 percent; institution of a minimum income tax of 1 percent on sales and a special tax on car sales.



performance.

10. The overall public financial system in Togo has to be modernized to ensure effective results-based budget management and to comply with the new directives of the WAEMU, applicable in 2019.

Treasury cash management and procurement processes, among other obstacles to budget execution, need to be resolved to ensure adequate service delivery and tangible development outcomes. Multi-year budget programming documents will have to be integrated into the budget process and relevant and measurable results and performance indicators need to be selected to establish clear links between allocated resources and expected results.

Weak Public Administration Accountability for Service Delivery

11. Togo suffers from persistently limited public service delivery outcomes, resulting in part from inadequate accountability mechanisms and widespread corruption in the public sector. As highlighted by the 2016 PEFA and PEMFAR reports on Togo, public expenditures are poorly prioritized, and failures in public service delivery are linked to inadequate investments in key sectors such as agriculture, water supply and sanitation, education, and health and electricity, with consequences for societal well-being and equality of opportunity for the poor, especially women, children, and the rural population. Although the Government has made efforts to improve the budget process through publication of quarterly expenditure, there is limited transparency around the preparation and execution of sector budgets. Reporting on budget execution is not supported by performance analysis and there is limited opportunity for citizens' participation in the budget process, including in sectors that are of pressing concern to the public and civil society. Budget controls are ineffective because of inadequate capacity of control institutions and lack of adequate tools. This problem is exacerbated by inadequate formal mechanisms for public participation in policy processes, particularly in monitoring the delivery of public services.

12. Corruption and impunity are generally viewed as widespread in Togo. In the Transparency International's 2014 Corruption Perception Index, Togo ranked 126 (out of 175 countries), scoring 29 out of 100 possible points. This assessment suggests a relatively weaker performance compared to Togo's performance in the previous year, in which the country ranked 123 (out of 177 countries). Corruption in Togo's public sector is perpetuated by poor transparency and inadequate institutional capacity. The Government's recent programs aimed at fighting corruption have focused on awareness-raising activities and independent audits of government agencies, resulting in an increased number of corruption allegations presented to the court. However, there have not been any prosecutions or indictments. The Government has created a National Anticorruption Commission, but the agency lacks capacity and authority to enforce sanctions.

Relevance and Scope of Proposed Components

13. The design and scope of this project exploits important synergies with both the Government program and other donor activities, to maximize impact. Togo is a fragile state that is still emerging from the effects of years of isolation and donor disengagement, as well as economic mismanagement that deteriorated the fiscal situation and weakened the financial management (FM) system. While the IMF's program supports the authorities' efforts with respect to fiscal consolidation and debt and cash management, to restore fiscal space and reduce the debt burden and accumulation of arrears, this operation aims to strengthen PFM and DRM and to improve government effectiveness. These focus areas



are essential to unlock the growth potential of Togo and support long-term fiscal sustainability, and they are consistent with the findings, challenges, and recommendations of various diagnostics conducted in 2016 (especially PIMA and PEMFAR). The proposed operation would help increase public investment efficiency, domestic revenue mobilization, government accountability, and citizen engagement in the delivery of public services in key sectors that are aligned with the strategic priorities of the Government.

14. In addition, in line with the objectives of IDA 18, this project seeks to help the government to create an enabling environment for diversification and structural transformation through a mobilization of private sector resources. Strengthening the framework for transparent selection of Public and Private Partnership and improving government effectiveness and accountability mechanisms will help to de-risk the economy, and facilitate the introduction of the Cascade approach by increasing Togo's attractiveness for the private sector to finance public investments.

15. The Government of Togo, through SCAPE and the preparation of a National Development Plan 2018–2022 seeks to promote strong and high-quality growth to improve the living conditions of Togolese while putting the country on the path of sustainable development. However, the delivery of these results depends on significant improvements in terms of the ability of the public sector to plan, budget, spend, and account for public resources efficiently and effectively. Components 1 and 2 aim to increase fiscal space for public investment and streamline budget execution and procurement processes. By strengthening civil society participation upstream in the budget preparation process and downstream in monitoring of budget execution and public services, Component 3 will foster transparency in public funds management and dialogue and feedback around public sector service delivery outcomes and consolidate accountability mechanisms.

C. Higher Level Objectives to which the Project Contributes

16. **The proposed Economic Governance Project is consistent and aligned with the strategic objectives of the Government's National Development Plan.** In line with Vision 2030, the National Development Plan's medium-term strategic objectives are (a) improving the well-being and development of the population; (b) boosting the productivity and competitiveness of growth sectors; (c) strengthening infrastructure to support growth; (d) promoting sustainable management of the territory, the environment, and living standards; and (e) strengthening governance and consolidating peace. The governance pillar focuses on reinforcing the capacity of local and national actors; mobilizing resources and strengthening the management of public finances; and creating strong institutions and partnerships, notably public and private; promoting civics, citizenship, patriotism, and entrepreneurship; strengthening human rights and democratic principles; strengthening justice, executive and legislative services and their financial and administrative autonomy.

17. **The proposed Economic Governance Project is equally aligned with the cross-cutting governance pillar of the World Bank Group CPF (2017–2021) for Togo (Report No. 112965), and the Systematic Country Diagnostic (SCD) (Report No 108184).** The CPF highlights the importance of investing in both demand and supply side governance to enhance service delivery. Key challenges highlighted in the CPF include improving the transparency and efficiency of PFM and DRM; efficiency of PIM, including PPPs; strengthening the performance of SOEs; decentralizing service delivery to bring decision making closer to citizens; enhancing citizen engagement in monitoring of budget execution in key sectors; and reducing



corruption through more effective public oversight institutions capable of implementing their mandates. In addition, the SCD highlights the fundamental link between governance and the constraints to poverty reduction such as poor fiscal governance, and lack of effective prioritization for public service delivery. The proposed project seeks to help the Government in building an upright economic governance system across the following dimensions: strengthening the macroeconomic and fiscal framework, institutions, and citizen engagement.

18. This operation is positioned in a context of solid reengagement and effective coordination among donors to address critical economic governance challenges. It complements other operations that address fiscal consolidation and improve management of public debt, such as the proposed Development Policy Operation (DPO) (P159844 in annex 8) and the IMF program. The Economic Governance Project builds on the first pillar of the World Bank's budget support operation that focuses on increasing fiscal space and PIM and supporting effective implementation of proposed fiscal policy and PPP Units which are seen as important for strengthening relevant policies. In addition, the European Union (EU) is cofinancing this Economic Governance Project and there is a technical assistance (TA) program with the IMF that will support PFM reforms related to budget preparation and reporting, as well as debt and cash management.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

The project development objective is to improve public investment management, domestic revenue mobilization and public accountability and monitoring mechanisms for better service delivery in priority sectors.

B. Project Beneficiaries

19. The project will benefit the citizens of Togo as a whole by enhancing citizen participation and monitoring of the performance of public services and the primary beneficiaries will be government units involved in the management of public resources particularly at the Central Government level and civil society organizations (CSOs) that will be engaged in feedback and monitoring of services. Creditworthy taxpayers (taxpayers in good standing) and private sector associations will also benefit from the project given the expected positive impact of tax modernization on the cost of doing business. Improved public sector transparency and accountability and strengthening civil society capacity to monitor public sector performance will contribute to enhancing the management and use of government funds and improving service delivery by introducing feedback information from the ultimate beneficiaries of government programs.

20. The key stakeholders for project activities will be the following:

- (a) Key line ministries, departments, and agencies (MDAs): Ministry of Development Planning (MPD), Ministry of Economy and Finance (MEF), Ministry in charge of Health, Ministry of Primary and Secondary Education (*Ministère des enseignements primaire, secondaire* (MEPS), Ministry in charge of Agriculture, Water and Sanitation, Ministry in charge of Infrastructure, and the OTR



- (b) The General Directorates of the MPD and MEF, notably the following: Planning, Budget, Treasury, Fiscal Policy Unit, PPP Unit, Financial Control and Public Accounting, Directorate of Public Procurement, and Information Systems
- (c) Internal audit and external oversight bodies: the Office of the General Inspector of Finances (*Inspection Générale des Finances*, IGF) and the Court of Accounts (*Cour des Comptes*, CdC);
- (d) The platform of CSOs including media on fiscal transparency and service delivery in targeted sectors
- (e) The Public Procurement Regulatory Body (*Autorité de régulation des marchés publics*) and procurement units in selected line ministries

C. PDO-Level Results Indicators

21. The expected outcomes of the project are increased effectiveness in PIM, domestic revenue mobilization, and a wider fiscal space as well as improved public accountability and monitoring mechanisms for service delivery in priority sectors. With respect to the resource mobilization component, work on tax administration will be captured through disbursement-linked indicators (DLIs), the PDO-level results indicators for this component thus only relate to the work on the Policy Unit at the MEF. The key results are as follows:

22. **Key performance indicators defined at the level of the PDO are**

- (a) Public investment projects approved for financing that have been appraised in line with Public Investment Management appraisal guidelines (an increase of 50 percent);
- (b) Share of total registrants post taxpayer census in Lomé increased by 15 percent and 30% increase in regular filing income taxpayers with a turnover exceeding CFA F 10 million;
- (c) Satisfaction of large taxpayers with the responsiveness of OTR (an increase from 43.8% to 60%), and
- (d) Citizens satisfied with quality and access to basic services in maternal and child health, primary education, and urban water supply (an increase of 15 percent).

23. **Intermediate results indicators will include** predictability in planning and budget execution of public investments, domestic revenue mobilization, and improved citizen-oriented measures to enhance government accountability, proactive disclosure of information, and systematic citizen engagement. The results are captured by

- (a) Systematic use of economic and cost-benefit analyses for appraisal of major public investments including PPPs (for projects valued at over CFAF 2 billion);



- (b) Difference between the PIP, sectoral medium-term budget framework (Multiyear Expenditure Programming Documents [*Documents de Programmation Pluriannuelle de la Dépense*, DPPD]) and Finance Laws in priority sectors;
- (c) Reduction of national tax instruments (from 29 to a maximum of 15);
- (d) OTR operational staff are qualified and deployed for field audits (15 percent of OTR qualified operational staff);
- (e) Full automation of cross checking of taxpayer returns for VAT and customs declarations;
- (f) Reduced length of time to address taxpayer requests (by 50%);
- (g) Regular publication of citizens' national budget;
- (h) Introduction of citizen report cards to provide MDAs with citizen feedback on quality and access of service delivery for maternal and child health, primary education, and urban water supply; and
- (i) Number of Government and CSO staff trained in new accountability, citizen engagement mechanisms, and PFM, of which at least 20 percent are women.

24. The project combines a standard TA, for which disbursements will be based on inputs, with results-based financing (RBF), that links disbursements to the achievement of agreed-upon performance indicators (DLIs). The Eligible Expenditure Programs (EEP) to be financed under Subcomponents 2.2 and 2.3 of the project supports the OTR's compliance management, revenue risk analysis and enforcement capacity, to sustainably improve revenue collection. Recent increases of tax revenue collection have largely resulted from a combination of legal and regulatory changes rather than improved administration effectiveness. Informal economic activity and unfair competition from semi-informal businesses competing on tax avoidance are a significant constraint for both tax administration and business community. The OTR is well organized with qualified staff and has proven to be an authority that carries out its mandate effectively. Applying the RBF to the two subcomponents whose activities will be directly implemented by the OTR will not only reinforce its operational capacity but also incentivize the OTR to take fully advantage of the synergies from the merger of the Tax and Customs departments and enhance revenue mobilization by improving the effective operational integration of tax and customs functions, audit efficiency and taxpayer services.

DLIs	Targets ⁴	Amount Allocated (US\$)	Amount in SDR ⁵	Indicative timeline for DLIs disbursements
DLI 1: Increased in tax revenue	DLI 1.1: full automation of cross-checking of taxpayer	500,000	355,000	May 2018

⁴ Targets will be assessed on the data/information presented by December 31st of each year.

⁵ US\$1 = SDR 0.70981389 as of March 31st, 2016



DLIs	Targets ⁴	Amount Allocated (US\$)	Amount in SDR ⁵	Indicative timeline for DLIs disbursements
through audits	returns for VAT and customs declarations			
	DLI 1.2: 15 percent of OTR qualified operational staff who are deployed for field audits	500,000	355,000	May 2019
DLI 2: Increase in registered and filing taxpayers in Lome	DLI 2.1: Completion of general taxpayer census in Lome	500,000	457,000	May 2019
	DLI 2.2: Increase in registered taxpayers by 15 percent (PDO indicator)	1,000,000	710,000	May 2020
	DLI 2.3: Increase in filing by income taxpayers with a turnover exceeding 10 million CFAF by 30 percent	500,000	355,000	May 2022
DLI 3: an increase in taxpayer satisfaction	DLI 3.1: Set up an electronic system of taxpayer filing and documentation	500,000	355,000	May 2020
	DLI 3.2: Reduced average length of time to address taxpayer requests from 12 days to 6 days	700,000	395,000	May 2021
	DLI:3.3: Increased satisfaction of large taxpayers with the responsiveness of OTR 43.8% to 60% (PDO indicator)	800,000	568,000	May 2020
	Total Financing Allocated	5,000,000	3,550,000	

The disbursements will be made against identified EEPs, and the triggers will be the actuals values of predefined DLIs. Decisions over compliance and disbursement against indicators will be made on the basis of annual reports prepared by the OTR. An Independent Verification Agent will be responsible for the verification of the annual EEP Spending and Results Reports. The agent will issue an annual opinion on the accuracy and fair view of the information presented by the OTR on the EEP and DLI. This certificate should be sent to the World Bank by the end of March following each implementing year to determine the amount to be reimbursed to the OTR which should not exceed the actual value of the EEPs that generate the results or DLI levels to be paid.



III. PROJECT DESCRIPTION

A. Project Components

25. **The proposed operation is a five-year TA grant** which seeks to enhance the effectiveness and efficiency of public resource mobilization and use by improving (a) the implementation of PIM; (b) DRM (especially tax collection);⁶ and (c) public accountability by formal oversight bodies and citizen engagement in the budget process and service delivery in selected sectors. Closing persistent implementation gaps and setting up effective reforms require involving key stakeholders in the identification of problems and fostering collaboration among them to develop long-term solutions to critical governance and implementation challenges. The project will thus place a high premium on multi stakeholder collaboration, to forge consensus on key actions, and build joint action plans to prioritize and implement critical reforms. This is particularly critical in a low-capacity, fragile environment, to ensure that implementing agencies and units are aligned on reforms and receive the support necessary to achieve expected results.

26. The three components are interlinked and address various aspects of government effectiveness. Components 1 and 2 aim at increasing fiscal space for public investment and streamlining budget execution and procurement processes. By strengthening civil society participation upstream in the budget preparation process and downstream in monitoring of budget execution and public services, Component 3 will facilitate and foster transparency in PFM and dialogue and feedback around public sector service delivery outcomes and consolidate accountability mechanisms to fight fraud and corruption. The introduction of customer service orientation through simplification of tax procedures and taxpayer services will create conditions for a more accessible tax administration to citizens and better tax compliance and underscores the importance of citizen engagement in DRM based on international experience. PIM will be strengthened initially in the same sectors which are being targeted for citizen feedback in service delivery, thereby creating a feedback loop that could help inform investment prioritization by sector ministries and other relevant public service providers.

Component 1: Management of Public Investments and Public Private Partnerships (SDR 4.3 million; US\$6.06 million equivalent including US\$ 0.56 million from EU TF)

27. This component aims to improve the effectiveness of PIM in Togo to support the realization of the ambitious objectives of the National Development Plan 2018–2022 and Togo Vision 2030. Through close collaboration between the Ministry of Planning of Development, the Ministry of Economy and Finances and key ministries—Education, Health, and Agriculture and Infrastructure, the component will help strengthen inter-ministerial coordination and appraisal methodologies necessary to (a) improve the alignment between public investment planning and revenue estimates, (b) improve the quality of technical and nontechnical preparation and hence the maturity of priority public investment projects, and (c) strengthen the contract management and monitoring and evaluation (M&E) mechanisms for public investments at the sectoral level as well as for the whole Government. These aims will be achieved

⁶ Tailored support to customs administration support is being provided under the Trade and Logistics Services Competitiveness Project (P158982). TA for the OTR under this project is more focused on tax administration and on leveraging customs and tax information for coordinated compliance management.



through three subcomponents: (1.1) Enhancing Planning of Public Investments including Public-Private Partnerships, (1.2) Ensuring the Selection and Budgeting of High Quality Public Investments, and (1.3) Enhancing the Implementation of Investment Projects.

Subcomponent 1.1: Enhancing Planning of Public Investments including Public-Private Partnerships (US\$3.06 million including US\$ 0.56 million from EU TF)

28. **Objective.** This subcomponent aims to enhance due diligence in the selection of investment projects and to improve the operating efficiency of the PIP and turn it into a multi-year planning tool in line with the sectors' DPPD and used for the preparation of the adopted budget. It aims also at supporting the efforts of the Government of Togo to set up a transparent PPP selection and supervision framework.

29. Togo is about to embark on the preparation of the National Development Plan 2018–2022 which will continue the actions of SCAPE. The effectiveness of this plan can be improved significantly by creating clear links between planning, programming, and budgeting. To provide adequate support resource allocation, the National Development Plan 2018–2022 should be consistent with the list of mature projects provided in its baseline scenario. In addition, the Government intends to develop PPPs and projects that can be implemented as PPPs are being identified.

30. This subcomponent will fund (a) support to the investment committee (PIP Committee) to improve effective coordination between sectors and planning and budget units; (b) development of tools for the management of public investments such as directives and clear instructions on the identification, selection criteria including gender and climate impacts, presentation of project profiles, and M&E; (c) standardized analysis of cost benefits of projects to be registered with the PIP and publication of results; (d) reorganization and provision of adequate tools to entities in charge of public investments planning and programming in the selected key sectors and effective coordination between the MPD and the MEF (e) setup of a sustainable professional development system to increase the number of professionals in the areas of planning and public investment; and (f) support of a TA facility to strengthen the public investment planning chain, including strengthening the framework for transparent selection and supervision of PPPs.

Subcomponent 1.2: Ensuring Selection and Budgeting of High Quality Public Investments (US\$1 million)

31. The objective of this subcomponent is to ensure that criteria for the selection and prioritization of projects can lead to the budgeting of mature and high-priority projects and reduce deviation between the PIP and annual budget allocations and to set up an adequate system that secures medium-term investments by providing a multi-year commitment authority (AE) for overall project costs and the carryover of appropriations.

32. The activities planned to improve the selection of projects relate to (a) providing support for the identification of a comprehensive pipeline of investment projects that have been meticulously examined and are eligible for financing from the study funds set up by the Government, to have a pipeline of mature projects; (b) securing the budgets allocated to investment projects by effectively adopting budgeting in commitment appropriation and payment allocations, supporting the development of annual performance plans (PAPs), annual procurement plans (PMPs), annual work plans, and plans for the utilization of appropriations (*Plan de Consommation de Crédits*, PCCs) and annual performance reports (RAPs) of



selected ministries; and (c) adapting the information management system to the new requirements.

Subcomponent 1.3: Enhancing the Implementation of Public Investments (US\$2 million)

33. This subcomponent aims at strengthening procurement and cash flow management capacities, which are the major bottlenecks in the public investment implementation phase. The overall objective of this subcomponent is (a) to improve public procurement practices by enhancing the efficiency, performance, and accountability of procurement process in education, health, agriculture and infrastructure and (b) strengthen the management of cash to ensure that cash is available to meet commitments and obligations for service delivery and eliminate arrear accumulation and long delays of payment.

34. The project will support line ministries: Education, Health, and Agriculture and Infrastructure, to establish functional procurement units appropriately staffed with trained procurement personnel from the civil service to enhance procurement practice. The activities to be financed will include the following:

- (a) **TA to contracting authorities.** Sub-activities include (i) developing and disseminating techniques and procedures for the use of new procurement tools, in particular, contracts under framework agreements and multiyear contracts and building capacity of the actors to improve application of these tools; (ii) developing electronic systems to enable information tracking systems of investment projects of the contracting authorities; (iii) improving the contracts database for statistics and archiving purpose; and (iv) establishing procurement-compliant review and auditing mechanisms.
- (b) **Professionalization of the procurement function.** A consultant will support the Procurement Regulatory Body to conduct a procurement capacity and training needs assessment and implement a professionalization scheme to introduce minimum required qualifications for the procurement function and a certification process to ensure standard qualification and increase the number of procurement professionals. Possibilities of partnership with training institutions will be developed to provide sustainable public procurement training.
- (c) **Cash management tools.** Development of cash management tools to improve forecasts of cash requirements from MDAs and speed up the payment process of investment expenditure. These tools will focus on ensuring that the forecast cash flow plan is supported by credible procurement plans and credit consumption plans which are updated quarterly to provide inputs in quarterly Treasury plans. This intervention will be coordinated with TA operation from the IMF and EU that supports cash and debt management.

Component 2: Supporting Domestic Resource Mobilization (SDR 5.12 million; US\$7.2 million equivalent including US\$ 1.2 million from EU TF)

35. **Objective.** This component seeks to support DRM by strengthening tax policy and its implementation. The Government is keen on improving performance of the newly created OTR and streamlining the tax code. The component combines TA, for which disbursements will be based on inputs with RBF, linking disbursements to the achievement of agreed-upon performance indicators (DLIs). The



work on tax and customs administration at the OTR is entirely structured as an RBF. The work on enhancing tax policy at the level of the MEF is delivered under the standard TA approach.

Subcomponent 2.1: Strengthening Capacity for Tax Policy (US\$2.2 million)

36. The subcomponent will provide TA to strengthen tax policy formulation at the level of the MEF with the goal of strengthening the Togolese legal framework for revenue collection. The project would help in the operationalization of the Tax Policy Unit newly established.

37. Activities that are supported include the formation of the Tax Policy Unit, training and analytical support to review and address specific tax policy challenges. More specifically, the subcomponent will be aimed at helping the Tax Policy Unit determine priorities and develop steps to implement policy reforms. Specific outputs that will be supported include (a) a review of fiscal incentive policy, covering both direct and indirect tax instruments; (b) guidance on potential simplification of the tax system; (c) an assessment of all para-fiscal charges introduced by line ministries or local authorities; (d) a review of risk areas for the erosion of the tax base linked to international taxation; (e) TA, targeted trainings, and study tours for staff in the Policy Unit covering core functions of the unit such as revenue forecasting and economic impact assessments.

Subcomponent 2.2: Broadening Tax Base through Improvements in Tax Administration (US\$3 million)

38. This subcomponent aims at enhancing the operational capacity of the OTR. The component supports the OTR's compliance management, revenue risk analysis, and enforcement capacity, to improve taxpayer compliance and widen the tax base.

39. **Activities to be financed.** Support for strengthening the OTR's capacity needs to be closely coordinated with activities of other development partners. Sub-activities include the following:

- (a) **Tax Registration campaign.** The project will support a tax registration campaign aimed at identifying informal economic operations. The identification exercise will draw on a combination of site visits by the OTR teams in different predetermined zones (blocks) and systematic reviews of other relevant information sources. The objective is to identify non-registered businesses and offer targeted services to taxpayers that are identified during the campaign. The focus of the exercise will be on activities above subsistence level to ensure its cost-effectiveness and to minimize the disruption of micro-entrepreneurs.
- (b) **Data management and analysis to strengthen risk-based audit selection.** This activity will support efforts at the OTR to integrate customs and tax information more effectively in the newly created data warehouse with the objective of supporting joint tax and customs audit activity and an integrated risk analysis. The initial focus is on allowing for an automated matching of information from value added tax (VAT) returns and customs declarations. The activity also aims at the effective integration of external information sources from other public institutions and third-party providers.
- (c) **Improving audit effectiveness and consistency.** The project will support targeted capacity building for auditors at the OTR. Specific activities include trainings on (i) sector-specific



audits; (ii) valuation approaches; (iii) management of exemption schemes and the Free Zone to minimize related revenue leakage; (iv) strengthening of capacity to deal with international taxation, in particular, with respect to the administration of transfer pricing and related anti-abuse measures; (v) the implementation of effective international exchange of information to inform audit activity; and (vi) the development of audit manuals and administrative guidance in these areas.

Subcomponent 2.3: Enhancing Taxpayer Services to Promote Voluntary Compliance (US\$2 million including US\$1.2 million from EU TF)

40. This subcomponent aims at enhancing voluntary compliance of Togolese taxpayers by providing clarity and predictability of tax rules for relevant taxpayer segments and sectors and by instituting an effective feedback mechanism to improve taxpayer services.

41. The project will finance the implementation of surveys to better target and monitor the OTR's taxpayer services. These surveys will provide gender-disaggregated data (where feasible as in the case of individual taxpayers). The first survey will be completed in the first year of implementation of the project and will be used to establish a baseline for the level of satisfaction of taxpayers and the quality of the OTR's services. Information captured in the survey will be analyzed to better address taxpayer grievances and survey results and an ensuing action plan will be published on the OTR's website. To increase taxpayer certainty, the component will support the development of implementing regulations and administrative guidance at the OTR. The project will also support the development and implementation of a targeted outreach and information campaign. This will include the development of tailored information material and a range of education and communication activities aimed at increasing voluntary compliance among specific taxpayer groups. Seminars will, for instance, be developed for large, medium, or small business taxpayers as well as tax professionals and industry organizations in Togo.

42. The project will also finance the implementation of an electronic system of taxpayer filing and documentation to reduce the length of time to address taxpayer requests. The project will support the electronic archiving of taxpayer files and online easy access to the documentation. Specific activities include (i) the centralization of all the tax documentation in a unique platform, (ii) user-friendly online access to the system by taxpayers and interaction with the OTR, and (iii) tracking system of mails and taxpayer requests.

Component 3: Increasing Public Accountability and Citizen Engagement (SDR2. 829 million; US\$3.98. million equivalent including US\$ 2.48 million from EU TF)

43. This component aims to increase public accountability and citizen engagement in Togo by strengthening formal public accountability mechanisms, citizen engagement in the budget preparation and execution processes, and citizen feedback on the quality and accessibility of public services in three priority subsectors (primary education, maternal and child health, and urban water supply). Specifically, this component will (a) strengthen the internal audit capacity of the IGF; (b) reinforce the external audit capacity of the CdC, and the budgetary oversight capacity of the Parliamentary Finance and Economic Development Committee of the National Assembly; and (c) introduce platforms and mechanisms through which civil society and citizens groups can provide feedback and engage in dialogue with the Government on budget priorities, budget execution, and citizens can provide feedback on the quality and accessibility



of public services in targeted subsectors.

Subcomponent 3.1: Strengthening Capacity of Formal Oversight and Accountability Institutions (US\$1.3 million including US\$ 0.8 million from EU TF)

44. This subcomponent aims to strengthen the capacity of the IGF and the CdC to conduct high-quality and timely financial audits and facilitate effective implementation of the audit recommendations; develop the capacity of the Finance and Economic Development Committee of the National Assembly to conduct ex post reviews of the Government's Financial Operation Table (*Tableau des Opérations Financières de l'Etat*, TOFE); and also facilitate the public access to information about the National Assembly.

45. Key activities will include (a) developing an Internal Audit Framework and Strategy; (b) introducing a risk-based approach and executing multiyear strategic audit plans built on risk mapping of key line ministries; (c) strengthening internal audit capacity in conducting systematic audit follow-ups on audit recommendations; (d) supporting the elaboration and effective implementation of the development strategic plan of the CdC; (e) reviewing current methods of informing the civil society about committee proceedings to enhance citizen relations; and (f) building capacity of members of the *Commission des Finances*, through seminars, workshops, and study tours, to implement the new PFM directives and carry out reviews of the quarterly Government TOFE.

Subcomponent 3.2 Strengthening Civil Society Engagement in the Budget Process (US\$0.56 million from EU TF)

46. This subcomponent aims to build the capacity of government and civil society to enter into a constructive and evidence-based dialogue on overall budget priorities linked to the National Development Plans and Vision 2030, as well as on budget execution. The subcomponent will build government capacity to provide transparent and easily accessible data to the public that can be easily accessed and used for analysis and advocacy by civil society groups. The component will also build CSOs' capacity to analyze macro-budget and sectoral budget data.

47. Key activities under this subcomponent would include (a) the production and dissemination of a citizen's budget, to be issued annually, that simplifies the overall national budget, provides a clear overview of sectoral allocations, and is disseminated widely to citizens by the Government in collaboration with CSOs and (b) training for CSOs and government officials on the use of the BOOST⁷; expenditure monitoring and analysis tool which was developed for Togo.; and (c) capacity building for CSOs in budget tracking and monitoring of budget execution.

Subcomponent 3.3 Citizen Engagement in Priority Sectors (US\$2.12 million including US\$ 1.12 million from EU TF)

48. Under Subcomponent 3.3, support will be provided to the Ministries of Education, Health and Agriculture, and Water Supply and CSOs to introduce evidence-based feedback on quality and accessibility of key services in maternal and child health, primary education, and urban water supply and to develop a platform for dialogue and joint problem solving. While there is an informal engagement mechanism with

⁷ BOOST provides well-classified and highly disaggregated budget data available for policy makers and practitioners within government, researchers, and civil society and promotes their effective use for improved budgetary decision-making, analysis, transparency and accountability.



civil society at the level of the Ministry of Education, within that sector, and across the range of services in Togo, citizen feedback on service delivery is very limited and the overall quality of service delivery is low. The report cards and service delivery monitoring and feedback systems can be extended to other subsectors later, based on lessons learned and client demand.

49. Key activities will include (a) development of citizen report cards for key subsectors within the three subsectors, urban water supply, maternal and child health, and primary education; (b) design and implementation of a framework for discussion and dissemination of report card results and for follow-up joint action plans led by concerned MDAs and involving all key government and nongovernment stakeholders; (c) competitive grants provided to civil society to implement innovative proposals and methodologies for report cards, monitoring of budget execution, open contracting in sectors, and sector specific tracking of inputs and outputs from National Government budgets to front-line service providers.

Component 4: Project Implementation Support (SDR 1.82 million; US\$2.56 million equivalent including US\$ 0.56 million from EU TF)

50. The objective of this component is to establish an effective and efficient project coordination and administration function during the implementation of the project.

Subcomponent 4.1: Project Management and Reform Coordination (US\$1.5 million)

51. This subcomponent is to support a coordination function that will provide leadership and management of the overall governance program including this project and to ensure that the specific project objectives are met on time, ensuring quality, and in line with the allocated funds. It will also be responsible for providing technical leadership in articulating, guiding, and monitoring the overall PFM reforms across the Government of Togo. The PFM Reform Coordination Unit (PFMCU) established under the MEF will be the focal point for coordinating the PFM reforms under the PFM reform strategy.

52. Key activities to be financed will include TA support to the implementing units and PFMCU, consultancies, goods, including computers and accessories expenses, operational expenses, project coordination, procurement of goods and services, FM, and training/sensitization.

Subcomponent 4.2: Monitoring, Evaluation, Independent Review, and Communication (US\$1.06 million including US\$ 0.56 million from EU TF)

53. **Objective.** This subcomponent is to enhance project performance through effective tracking of project activities to allow continuous assessment of the overall performance of the project and provide quality feedback to the project institutional coordination mechanism and stakeholders.

54. Activities to be financed under the subcomponent will include (a) strengthening the M&E capacity to coordinate work plans and identify key indicators of progress for each activity and report to management and focal points on implementation of all activities; (b) conducting regular independent reviews of the project; (c) strengthening communication, including outreach to media stakeholders to raise stakeholder awareness on important project results, interlinkages across project activities, and enhance reform momentum; and (d) supporting areas of slow progress with appropriate change management activities.



B. Project Cost and Financing

55. **Lending instrument.** The project will be financed using the Investment Project Financing (IPF) instrument of the World Bank and will complement other financing sources (budget support operations of the World Bank as well as other partners' support) which also focus on instilling policy and institutional changes to improved economic governance and citizen engagement. The choice of IPF as the financing instrument is the most appropriate response to the specific economic governance and citizen engagement needs of the Government, especially during the current reengagement period.

56. The project is estimated to cost a total of US\$20.6 million equivalent, as detailed in the summary cost table (table 1), financed by the IDA up to US\$15 million as well as through an European Union (EU) financed Trust Fund which is being established for an amount of approximately Euros 5 million, US\$5.6 million equivalent.⁸ In addition, the Government will provide a contribution in kind by providing the premises of the Project Coordination Unit (PCU) and covering the operating costs of the Steering Committee.

57. The European Commission has confirmed the establishment of a trust fund and its administration by the Association for an amount of five million Euros (€5,000,000), US\$5,600,000 equivalent. The trust fund grant is expected to be available for disbursement no later than March 31, 2018 and will finance in parallel some activities as presented in the table below.

Table 1. Summary Cost Table (in US\$)

	Project Components	Project Cost	IDA Financing	EU Financing
1.	Management of Public Investments and Public-Private Partnerships	6,060,000	5,500,000	560,000
	1.1. Enhancing Planning of Public Investments including Public-Private Partnerships	3,060,000	2,500,000	560,000
	1.2. Ensuring the Selection and Budgeting of High Quality Public Investments	1,000,000	1,000,000	
	1.3 Enhancing the Implementation of Investment Projects	2,000,000	2,000,000	
2	Supporting Domestic Resource Mobilization	7,200,000	6,000,000	1,200,000
	2.1: Strengthening Capacity for Tax Policy	2,200,000	2,200,000	
	2.2. Broadening Tax Base through improvements in tax administration	3,000,000	3,000,000	
	2.3. Enhancing Taxpayer Services to Promote Voluntary Compliance	2,000,000	800,000	1,200,000
3.	Increasing Public Accountability and Citizen Engagement	3,980,000	1,500,000	2,480,000
	3.1: Strengthening Capacity of Formal Oversight and Accountability Institutions	1,300,000	500,000	800,000

⁸ Please refer to Annex 6 for a description of the arrangements for parallel-financing with EU under the project.



	Project Components	Project Cost	IDA Financing	EU Financing
	3.2: Strengthening Civil Society Engagement in the Budget Process	560,000		560,000
	3.3: Citizen Engagement in Priority Sectors	2,120,000	1,000,000	1,120,000
4.	Project Implementation Support	2,560,000	2,000,000	560,000
	4.1: Project Management and Reform Coordination	1,500,000	1,500,000	
	4.2: Monitoring, Evaluation, Independent Review, and Communication	1,060,000	500,000	560,000
	Unallocated	800,000		800,000
	Total	20,600,000	15,000,000	5,600,000

Note: The total cost of the project including the EU TF is US\$ 20,6 million but the expected disbursement table in the data sheet is only related to the IDA contribution since the grant agreement of the TF has not been signed yet.

Project Components	Project Cost	IBRD or IDA Financing	Trust Funds	Counterpart Funding
Total Costs				
Total Project Costs	20.6	15	5.6	
Front-End Fees				
Total Financing Required	20.6	15	5.6	

C. Lessons Learned and Reflected in the Project Design

58. **The importance of political economy analysis cannot be overlooked, particularly in a fragile and conflict-affected environment in which political commitment and reform momentum remain fluid.** Experience in implementing both DPOs and investment lending highlights the importance of political commitment from the top down for ensuring sustainable reform. The lack of high-level commitment on the part of a reform champion left reforms unfinished. Implementation of the ongoing PFM actions plan stalled in part because of a lack of ownership and the absence of a real strategy for implementing reforms with short- and medium-term funding provided for the achievement of expected results. Such slowdowns in program implementation demonstrate the importance of working closely with reform champions in areas where there is traction. Embedding thoughtful, practical political economy analysis upstream and change management activities in the economic governance program are important to ensure effective implementation on time and sustainably. Keeping the project focused so as not to overwhelm client capacity and focus on reform areas where there is consensus for action is also critical.

59. **Sequencing and adopting a gradual approach are critical to moving forward on a fragile and**



volatile environment. Given the generally limited public sector capacity in this small, fragile, and conflict-affected state, a sequenced and gradual approach offers the best chance of achieving results without straining client resources. It will be important for this operation to start with a small number of sectors when a process has been agreed and momentum achieved, expansion to other sectors is feasible and additional learning benefits may accrue. In addition, a Project Preparation Advance (PPA) has been provided for this operation to ensure that institutional arrangements, implementation staff, and project manuals are in place before project effectiveness, making sure to lay the groundwork for implementation to avoid delays once the project gets off the ground.

60. **Going beyond the formal and de jure rules and focusing on the de facto actual practice.** The sector and institutional context is characterized by a huge gap between written rules and practice (de jure versus de facto) due to flaws in the enforcement of the former. The legal and governance environment is generally satisfactory on paper but the rules are not rigorously enforced. The principal challenge of any governance program is the effective enforcement of the adopted laws and implementing decrees, which require the definition of technical solutions as well as a change management strategy to have an impact on behaviors and thus obtain tangible results. Critically, incentives have to evolve for behaviors to adjust. There is, therefore, a need to assist the Government to operationalize the laws and decrees through improved capacity building, development of mechanisms to support improved tracking and assessment of implementation of the law, and changes in incentives for the individuals involved, through greater emphasis on transparency and credible enforcement actions.

61. **High-level political commitment and dedicated teams for implementation are necessary ingredients for success.** The implementation of PFM reforms remains fragmented among various units of the MEF and the lack of coordination units and dedicated teams slows down their implementation and has an adverse impact on the success of reforms. It will be important that the PCU, including through the Steering Committee, engages all key stakeholders to promote increased coordination and cooperation, in particular, with the nontraditional actors such as CSOs. Another significant factor of success is the execution of detailed annual work programs' designation by dedicated implementation teams.

62. **Intensive supervision and on-the-ground expertise are the key to achieving sustainable results.** World Bank Group interventions in Togo have been most successful and sustainable in areas where specialists were regularly present in-country to provide TA, interact frequently with counterparts, and resolve problems as they arose. Continued efforts to maximize the sustainability of project impact will require adequate allocations of budget and staff resources.

63. **Constructive engagement between the state, citizens, and civil society must be promoted.** Collaboration rather than confrontation is seen as a critical success factor in social accountability initiatives globally. The project is encouraging partnerships and links between state and civil society and service delivery feedback loops to obtain the view of citizens on key services. It has been designed to minimize tensions between civil society and the Government and to emphasize synergy, partnerships, and constructive engagement.



IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

64. The project will be implemented under the overall leadership of the MEF. The project will be housed within the Permanent Secretariat for the Monitoring of Policy Reforms and Financing Programs (*Secrétariat Permanent pour le suivi des Politiques de Réformes et des Programmes Financiers*, SP-PRPF) created by Decree No. 2008-031/PR on February 15, 2008. A PCU will be established to manage the day-to-day implementation of project activities.

65. A Project Steering Committee (PSC) will be set up to provide overall policy guidance for the Economic Governance Technical Assistance Project. The PSC will be chaired by the Permanent Secretary of Policy Reforms and Financing Programs and will comprise all key stakeholders involved in the project, including representatives of the line ministries and CSOs. The PSC will meet every semester to (a) discuss the strategic direction and orientation of the governance program, including progress in meeting PDOs; (b) review the implementation status of the components and critical activities; (c) provide guidance and address policy-related issues; (d) approve the budget and annual work plans; and (e) review and approve the publication of annual progress reports and audited financial statements of the project within six months after the end of each fiscal year.

66. **The PCU** will be in charge of the day-to-day implementation of the activities and handle the procurement and FM, including the disbursement aspects of the project, and will be responsible for overall coordination of the project. A Project Manager who is familiar with public sector reform will be appointed to be responsible for the overall project coordination. The manager will lead a project management team comprising key staff responsible for implementation of project activities: M&E Specialist, Financial and Administrative Officer, Procurement Specialist, PFM Expert, and a Public Accountability and Citizen Participation Expert. Key beneficiary units such as the MPD, Ministry of Agriculture, Ministry of Health, Ministry of Primary and Secondary Education, and main CSOs will designate focal points fully dedicated to handle technical aspects and the coordination and monitoring of their respective work programs in the project.

67. **The OTR will implement Subcomponents 2 and 3 of Component 2 - Results-based Financing for Domestic Resource Mobilization.** It will designate a focal point/Project Manager who will be responsible for timely delivery of planned activities and will be the main counterpart for coordinating the internal team responsible for achieving progress toward agreed results.

68. **An implementation support strategy has been developed as part of the design of the project to enable the World Bank and EU task team members to play a crucial facilitation role in Togo's implementation of the project.** On a semiannual basis, the World Bank and EU task team will conduct thorough implementation review and support missions whose terms of reference will include guidance and technical advisory support to the various implementing entities under the project across all components, subcomponents, and activities. The task team members will also follow up on the status of implementation of agreed actions, geared to delivery of results that will constitute a cardinal focus of all implementation support missions. Provision is also being made for a staff member to be on the ground to ensure close monitoring of the work of the various implementation teams and to facilitate a continuous



dialogue between the authorities, the World Bank, and the EU on project implementation and follow-up of the recommendations of the biannual visits.

B. Results Monitoring and Evaluation

69. **Progress toward the PDO will be monitored through reporting on the PDO-level and intermediate-level results indicators given in Section VII Results Framework.** The M&E function for the project under the leadership of the Project Manager will be primarily responsible for collecting and maintaining the primary data and other information necessary for recording progress with the M&E indicators. In section VII the Results Framework provides the baselines, annual targets, frequency of data collections, data source and methodology, and responsible institutions for data collection for all indicators.

C. Sustainability

70. **The design of the project includes an in-built sustainability arrangement.** The reform activities, whose implementation the project will support are essentially Government-led and are mainstreamed within a broad range of stakeholders whose capacities and ownership of the reforms will be strengthened: key public sector ministries, the National Assembly, public accountability institutions, and civil society. The proposed project will also develop and nurture the basic capacity in FM and procurement through rigorous implementation and strategic deployment of resources in priority areas. The package of training and change management activities included in the design of the project for all stakeholders (state and non-state actors) will help ensure that adequate capacity is retained after the project closure.

D. Role of Partners

71. The World Bank developed a holistic approach which considers its wide experience and expertise in supporting interventions in the areas of PIM, Domestic Revenue Mobilization, and citizen engagement across jurisdictions. The comparative advantage of the World Bank compared to other development partners is its ability to accompany both supply and demand sides of economic governance for enhanced transparency, accountability, and service delivery, involving civil society. The value addition of the World Bank's engagement is found in the balance and multidimensional support. Therefore, the World Bank is in possession of instruments to support (a) Government effectiveness through PFM and procurement, (b) rule of law and the quality of regulatory, and (c) voice and accountability mechanisms. The EU will bring in its previous years' experience in supporting PFM in Togo and more broadly its experience in institutional support in the framework of state institutions' consolidation. Its value added will be also in the complementarity and synergies that it will bring with other ongoing EU projects in the field of justice and the fight against corruption, strengthening of CSOs, as well as with other PFM related donor projects dealing with budget formulation, debt management, and cash management.

V. KEY RISKS



A. Overall Risk Rating and Explanation of Key Risks

72. **Political and governance.** The political and governance risk is rated as Substantial because Togo is considered a fragile country, given long-standing political fragility which has recently resurfaced. While there was significant stabilization following the Global Political Accord of 2006, and the Government has delivered some reforms, political and social tensions increased around the re-election in 2015 of President Faure Gnassingbe for the third time. Trade unions, opposition parties, students, and civil society frequently staged strikes and called for a deepening of democracy. As tensions increase, failure to reach a satisfactory resolution could threaten overall social and political stability, which, if persistent, would adversely affect project implementation. In particular, it would create implementation difficulties for the Citizen Engagement and Public Accountability in Budget Processes and Priority Sectors Component, which is built around constructive engagement between the Government and citizens, including civil society, and provides opportunities to improve the Government's credibility and transparency on the use of public resources and to engage citizens meaningfully.

73. **Mitigation measures.** Extensive consultation and participation of key stakeholders which was initiated during the design phase of the project will continue to be a key approach in implementing the project. The project components and major activities will be thoroughly discussed with stakeholders. The project is designed to foster stronger collaboration between the Government and civil society in a number of areas, in a bid to give voice to citizens to hold the Government accountable.

74. **Macroeconomic.** The macroeconomic risk is assessed as Substantial. This is because Togo is facing a major macroeconomic instability due to increased accumulation of public debt and prefinancing operations that constitute a major risk on fiscal sustainability and growth. There is some uncertainty with respect to the Government's ability to deal with the deterioration of public finances. Delays in payment of arrears and cash constraints represent a major risk to the development outcome related to the PIM. In addition, the macro-fiscal framework counts on substantial increases in revenue and capital expenditure savings but fiscal consolidation may lower growth, in particular, if monetary conditions are less favorable and/or transshipment issues persist.

75. **Mitigation measures.** In early 2017, the Government—aware of the need to restore fiscal and debt sustainability—launched a new economic program anchored on a three-year agreement with the IMF, approved in May 2017. The program is based on a sharp cut in fiscal spending and an increase in public revenue, necessary to restore fiscal space and reduce the debt burden. This operation will contribute to the success of the fiscal aspects of the program through better management of public investment and domestic revenue mobilization.

76. **Sectoral strategies and policies.** The risk is assessed as Substantial as there is a risk that lack of multi-sectoral coordination and lack of oversight by the MEF in the implementation of the design may undermine the ability of the Government to complete proposed reforms on time, which could weaken the expected results. Issues emanating from resistance to process and system changes could also undermine intended project outcomes.

77. **Mitigation measures.** The key selected reforms are based on the Government's own priorities and commitments reflected in the PFM and economic governance actions plan. In addition, a Steering Committee chaired by the Minister of Finance includes members from different departments and actors



and representatives of other ministries to ensure that issues are discussed and consensus is built. Some change management activities have been designed and will be implemented to minimize resistance to changes and foster collaboration and coordination between various stakeholders. Continued donor coordination will also help maintain reform momentum.

78. **Institutional capacity for implementation and sustainability.** The risk is assessed as Substantial due to lack of relevant internal capacity in areas of expertise needed in key activities under the core components. For example, the introduction of DLIs under Component 2 represents an opportunity for Government of Togo to build capacity for results-based support. Component 3 aims to strengthen public accountability and citizen engagement in service delivery, which are two areas where there is relatively little experience in Togo. These are important innovations that respond to some of the important insights from the SCD and the new CPF.

79. **Mitigation measures.** A fully dedicated PCU will be appointed to provide TA to the implementing agencies and oversee the overall implementation of project activities. The Public Sector Reform Expert and the Public Accountability and Citizen Participation Specialist will be responsible for the implementation of activities under his/her responsibility and will be instrumental in working closely with beneficiary agencies and civil society groups to build both their capacity and momentum for implementation. The World Bank team will also provide close and intensive implementation support to the PCU, SP-PRPF to facilitate timely achievement of project results.

80. **Fiduciary.** Fiduciary risk is substantial. Interference in selection of consultants can undermine fair and transparent procurement process. Weaknesses in controls and lapses in rigorous follow-up on annual audit findings can weaken the fiduciary environment. The addition of new players who may not be very familiar with procedures to follow when implementing the project may raise risks.

81. **Mitigation measures.** A Project Implementation Manual, acceptable to IDA, will be introduced to strengthen systems and controls. A project launch workshop will be held to develop shared understanding of roles and responsibilities of all stakeholders, and it will be supplemented by continuous capacity building on key areas deemed necessary to institutionalize fiduciary good practices.

82. **Stakeholders.** The risk is assessed as Substantial due to the number of stakeholders involved in the execution of this project. Lack of ownership by stakeholders and lack of substantive involvement of spending ministries and different directorates of the MEF in the implementation of the design may undermine the ability of the Government to complete the implementation on time and could weaken the potential for wider ownership.

83. **Mitigation measures.** The PSC, which will be set up to provide overall policy guidance for the project, will have a key role in helping to ensure strategic coordination and alignment among the various stakeholders and beneficiaries of the project and to create the authorizing environment of effective implementation of the components. In addition, the dedicated PCU within the SP-PRPF will work full time with all key stakeholders involved in the project and monitor and support implementation.

84. **The overall risk is rated as Substantial** because of the substantial residual risk in six of the risk categories that could substantially affect the PDO. At the operating environment level, capacity constraints in implementing agencies, resistance to change within the Government, poor decision-making



process, and lack of openness to citizen engagement pose substantial risks.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

85. In demonstrating the viability of the project, a financial analysis on a few quantifiable benefits of Component 2, on increasing fiscal space, was undertaken against the RBF Component. Activities proposed during the first year of the project implementation to improve the efficiency of tax administration will increase VAT and corporate income tax collections by at least two points per year through an improvement of the VAT collection procedures, an increasing contribution of the formal sector, and better rationalization of the informal sector. The conclusion of this partial analysis, are summarized in table 2. When accounting for these partial quantifiable benefits expected from the implementation of the proposed project, 'net benefits' in the form of 'net cash flow' amount to about US\$9 million.

Table 2. Summary Analysis of Net Benefits Against Costs

Estimated Benefits and Costs (US\$)	2018	2019	2020	2021	2022	Total
Increase in VAT collection through improved tax administration		2,355,815	2,402,932	2,450,990	2,500,010	9,709,747
Increase in corporate income tax through improved administration		1,358,798	1,385,979	1,413,693	1,441,967	5,600,437
Investment costs	(1,000,000)	(1,500,000)	(2,000,000)	(1,000,000)	(500,000)	(6,000,000)
Net Cash Flow	(1,000,000)	2,214,613	1,788,911	2,864,683	3,441,977	9,310,184
PV of net cash flow (12% discount rate)						

86. **The economic dividend from closing the public investment efficiency gap could be substantial.** According to the IMF PIMA Methodology, Making Public Investment More Efficient, moving from the lowest quartile where Togo is now with a public investment efficiency of 30 percent to the highest quartile could double the impact of that investment on growth. Recent public investment in Togo represents an average of 8.2 percent of GDP, totaling around US\$350 million yearly. The execution rate of this investment is roughly 50 percent of allocated funds. Increasing this execution to 90–100 percent level will add 3 to 4 percentage points of GDP, which is currently between US\$130 million and US\$175 million per year, to the rate of the annual public investment. Given the level of the public investment efficiency of the overall investment (2010–2016), this could add 0.4 and 0.6 percentage points to the annual GDP growth.

87. **The project is expected to yield positive economic returns for Togo.** The current public investment system is characterized by incomplete project preparation and cost analysis, poor investment decisions, significant project delays, and time and budget overruns. This ultimately limits the effectiveness of government investments in stimulating economic growth and places unnecessary pressure on finite budgetary resources. The project's efforts to improve efficiencies across the PIM expenditure chain and



strengthen accountability in the management of public investments are expected to lower transactions costs for the private sector and raise the marginal productivity of private human and physical capital. Improving investment efficiency would also create fiscal space by providing better infrastructure at lower cost and releasing resources for more investment or growth-enhancing recurrent expenditure and reductions in marginal taxes. This will mean that (a) with better value for money, more impact will be possible in the investment areas and (b) stronger institutions of accountability will contribute to reducing mismanagement and loss of public funds. Because the sectors being targeted for support will directly benefit the poor, such as provision of health, education, and water supply, improving the outcomes of PIM projects under this project will have a positive impact on service delivery to the poor. In addition to quantifiable benefits and drawing from the World Bank's experiences in supporting interventions in the areas of PFM and citizen engagement across jurisdictions, the key sources of benefits come from the following progress: (a) efficient, transparent, and accountable fiscal and budget management contributing to economic growth and poverty reduction; (b) better program implementation and service delivery and additional benefits such as lower supplier prices and deterring corruption; and (c) direct pecuniary benefits resulting from improved probity and transparency in the use of public resources.

B. Technical

88. The design of specific subcomponents is informed by international 'best practices' to identify the 'best fit' (for example, supporting the supply and demand side for enhanced transparency, feedback mechanism for policy and service delivery, and involving civil society monitoring in the implementation of the anticorruption law). Suitability of these practices for local conditions was validated through a participatory process used in the preparation phase, which involved regular consultation with key civil society actors.

C. Financial Management

89. The overall FM risk rating is assessed as Substantial and mitigation measures proposed (FM Action Plan in annex 2) will strengthen the internal control environment and maintain the continuous timely and reliability of information produced by the PCU and an adequate segregation of duties.

D. Procurement

90. Regulations for IPF Borrowers only apply for Components 1, 3, and 4 and Subcomponent 2.1. Procurement for goods, non-consulting, and consulting services for the project will be carried out in accordance with the procedures specified in the World Bank Procurement Regulations for IPF Borrowers, dated July 1st, 2016, (Procurement Regulations) and the World Bank's Anti-Corruption Guidelines: Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement. All procuring entities as well as bidders and service providers, that is, suppliers, contractors, and consultants, shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 3.32 and Annex IV of the Procurement Regulations.



91. For Subcomponent 2.2 and 2.3 with the Eligible Expenditure Program (EEP), the OTR's procurement procedure will apply.

92. **Strategy.** A Project Procurement Strategy for Development (PPSD) was prepared by a hired consultant with TA from the World Bank, which describes how procurement activities will support project operations for the achievement of PDOs and deliver value for money.

93. **Assessment.** An assessment of the capacity of the SP-PRPF under the MEF was conducted on March 21, 2017. The assessment reviewed the organizational structure for the implementation of the project and the procurement capacity of the Permanent Secretary. The assessment revealed that the new Procurement Management Unit (PMU) will be created and devoted for this project. It was noted that bidding documents, the Procurement Manual, and procurement rules currently used are not yet acceptable to the World Bank; hence, no special exception may be stipulated in the Development Financial Agreement with respect to IDA regulations and bidding document use. Procurement will be undertaken using the World Bank's Standard Bidding Documents for all International Competitive Bidding (ICB) contracts. National Competitive Bidding (NCB) can be undertaken using National Bidding Documents if satisfactory to the World Bank; these documents will be submitted to the World Bank for prior review. For ICB, the World Bank's sample of a bidding evaluation report will be used. The standard Request for Proposal and the Sample Form of an Evaluation Report for the Consultant, as developed by the World Bank, will be used for appointment of consultants. Most of the issues/risks concerning the procurement component for implementation of the project have been identified.

94. The project procurement risk before the mitigation measures is Substantial. The risk is reduced to a residual rating of Moderate upon consideration of successful implementation of the mitigation measures detailed in annex 2.

E. Social (including Safeguards)

95. The project is expected to have a positive social impact by improving the citizen's confidence in economic governance through interventions that will increase their ability to monitor and provide feedback on budget execution and service delivery in key sectors, as well as interventions which aim to increase transparency, public accountability, to improve the efficiency of public investments. Because there are no civil works or other activities that potentially involve land acquisition, social safeguards are not triggered.

F. Environment (including Safeguards)

96. Moreover, as an IPF category 'C', it does not incorporate any issues related to environmental management. Consequently, the World Bank's environmental safeguards are not triggered.

G. Other Safeguard Policies



97. No other safeguard policies are triggered for the project.

H. World Bank Grievance Redress

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project 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/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Togo

TOGO Economic Governance

Project Development Objectives

The project development objective is to improve public investment management, domestic revenue mobilization and public accountability and monitoring mechanisms for better service delivery in priority sectors.

Project Development Objective Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Public investment projects approved for financing that have been appraised in line with Public Investment Management appraisal guidelines		Percentage	0.00	50.00	Annual	<p>PIM manual will define appraisal guidelines, processes and formats for project identification, design, costing and sequencing, monitoring and evaluation and reporting</p> <p>Public Investment Program (PIP) and annual public investment execution reports</p>	PIP Committee
Description: Increased public investment projects approved for financing that have been appraised in line with Public Investment Management appraisal guidelines							



Indicator Name	Corpo rate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Share of total registrants post taxpayer census increased in Lome		Percentage	0.00	15.00	Annual	Taxpayer registry OTR activity report Independent verification	OTR
Increase in filing taxpayers in Lome with a turnover exceeding 10 million CFAF		Percentage	0.00	30.00	Annual	Taxpayer registry OTR activity report Independant verification	OTR
Description: Share of additional registrants added post taxpayer census in Lome and regular filing income of taxpayers with a turnover exceeding CFA 10 million							
Name: Satisfaction of large taxpayers with the responsiveness of OTR		Percentage	43.80	60.00	Annual	Surveys	OTR
Description: Increased satisfaction of large taxpayers with the responsiveness of OTR							
Name: Citizens satisfied with quality and access to basic services in maternal and child health, primary education, and urban water		Percentage	0.00	15.00	Annual	Surveys CSOs'activity reports	Line ministries and selected CSOs



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
supply						Monitoring reports	
Description: Improvement of citizens satisfied with quality and access to basic services in maternal and child health, primary education, and urban water supply							

Intermediate Results Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Systematic use of economic and cost-benefit analyses for appraisal of major public investments including PPP (programs superior to 2 billion FCFA)		Percentage	0.00	30.00	Annual	PIM Manual including cost-benefit analyses PIP Appraisal reports	PIP Committee



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Prioritized public investment with systematic use of cost-benefit analysis for appraisal of major public investments including PPP							
Name: Difference between Public Investment Program, Sectoral Medium Term budget framework DPPD and Finance Law in priority sectors		Percentage	15.00	5.00	Annual	PIP Annual Budget DPPD	PIP Committee Directorate of Budget
Description: Reduced gap between PIP, Sectoral Medium Term Budget and Annual Finances Law							
Name: Reduction of national tax instruments		Number	29.00	15.00	Annual	General Tax Code Annual Fiscal Law Independent Verification	Fiscal policy unit within the Ministry of Economy and Finances
Description: Consolidation of tax instruments							
Name: OTR operational staff are qualified and deployed for field audits		Percentage	6.00	15.00	Annual	OTR activity report	OTR



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						Independent Verification	
Description: Increased audit efficiency by deploying adequate qualified operational staff for field audits							
Name: Full automation of cross checking of taxpayer returns for VAT and customs declarations		Yes/No	N	Y	Annual	OTR activity report Tax and custom information management systems Independent Verification	OTR
Description: Increased audit efficiency through a cross-checking of taxpayer returns for VAT and customs declarations							
Name: Reduced length of time to address taxpayer requests		Days	12.00	6.00	Annual	OTR activity report Independent Verification	OTR
Description: Targeted services for the indicator on reduced length of time to address taxpayer requests are: VAT exemption, Financial Activities exemption, tax discharge, tax and non tax certificates, compensation, free registration certificate, VAT credit reimbursement and IS and IR deposits							



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Publication of citizens national budget		Yes/No	N	Y	Annual	Budget Management Information System	Directorate of Budget
Description: Citizens' budget provides simplified information on the national budget, showing information on allocations according to regions and sectors							
Name: Introduction of citizen report cards to provide MDAs with citizen feedback on quality and access of service delivery for maternal and child health, primary education, and urban water supply		Number	0.00	6.00	Annual	Activity reports	Contracted CSOs
Description: The Community Score Card will be piloted and rolled out based on community interest and support							
Name: Government and CSO staff trained in new accountability, citizens engagement mechanisms and PFM		Number	0.00	400.00	Quarterly	PCU Monitoring report	Project Coordination Unit
Women trained in new accountability, citizens engagement mechanisms and PFM		Percentage	0.00	20.00	Quarterly	PCU Monitoring report	PCU



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Enhancement of the technical efficiency and capacity of the government, accountability institutions and CSOs							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Public investment projects approved for financing that have been appraised in line with Public Investment Management appraisal guidelines	0.00	0.00	10.00	25.00	40.00	50.00	50.00
Share of total registrants post taxpayer census increased in Lome	0.00	0.00	5.00	12.00	15.00	15.00	15.00
Increase in filing taxpayers in Lome with a turnover exceeding 10 million CFAF	0.00	0.00	0.00	10.00	20.00	30.00	30.00
Satisfaction of large taxpayers with the responsiveness of OTR	43.80	43.80	45.00	50.00	55.00	60.00	60.00
Citizens satisfied with quality and access to basic services in maternal and child health, primary education, and urban water supply	0.00	0.00	5.00	8.00	12.00	15.00	15.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Systematic use of economic and cost-benefit analyses for appraisal of major public investments including PPP	0.00	0.00	10.00	15.00	25.00	30.00	30.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
(programs superior to 2 billion FCFA)							
Difference between Public Investment Program, Sectoral Medium Term budget framework DPPD and Finance Law in priority sectors	15.00	15.00	12.00	10.00	8.00	5.00	5.00
Reduction of national tax instruments	29.00	29.00	29.00	25.00	20.00	15.00	15.00
OTR operational staff are qualified and deployed for field audits	6.00	6.00	15.00	15.00	15.00	15.00	15.00
Full automation of cross checking of taxpayer returns for VAT and customs declarations	N	Y	Y	Y	Y	Y	Y
Reduced length of time to address taxpayer requests	12.00	12.00	10.00	8.00	6.00	6.00	6.00
Publication of citizens national budget	N	N	Y	Y	Y	Y	Y
Introduction of citizen report cards to provide MDAs with citizen feedback on quality and access of service delivery for maternal and child health, primary education, and urban water supply	0.00	0.00	2.00	4.00	6.00	6.00	6.00
Government and CSO staff trained in new accountability, citizens engagement mechanisms and PFM	0.00	50.00	200.00	300.00	350.00	400.00	400.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Women trained in new accountability, citizens engagement mechanisms and PFM	0.00	0.00	5.00	8.00	15.00	20.00	20.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY : Togo TOGO Economic Governance

Component 1: Management of Public Investments and Public-Private Partnerships (US\$6.06 million)

1. This component aims to improve PIM effectiveness in Togo. Through coordinated support across the Ministry of Planning and some key sectors such as Education, Health, Agriculture and Infrastructure, the component will (a) improve the planning and programming of important public investments, (b) improve the maturity of investment projects, (c) strengthen the M&E mechanisms at sectoral level, and (d) improve overall coordination of public investments. These aims will be achieved through three subcomponents: (1.1) Enhancing Planning of Public Investments, including Public-Private Partnerships; (1.2) Ensuring the Selection and Budgeting of High-Quality Public Investments; and (1.3) Enhancing the Implementation of Investment Projects.

Subcomponent 1.1: Enhancing Planning of Public Investments including Public-Private Partnerships (US\$3.06 million)

2. **Objective.** This subcomponent aims to improve the operating efficiency of the PIP and turn it into a multi-year planning tool in line with the sectors' DPPD and used for the preparation of the Finance Law. It seeks to ensure that the investment proposals are in keeping with the country's strategic priorities for development, the projects meet the criteria of eligibility for the PIP, and the most appropriate funding mechanisms were reviewed. Moreover, support should also be provided to ensure compliance with the schedule of the PIPs, Medium-Term Expenditure Framework (DPPD), and the preparation and submission of the budget to Parliament.

3. **Status.** The PIP, which is neither compliant with nor connected to the annual budget, does not provide institutions and ministries with predictability for their medium-term investment projects. An absolute deviation of 15 percent was noted between the 2016 tranche of the PIP for November 2015 and the 2016 budget estimates submitted to Parliament. Because the ex ante evaluation of major projects with domestic funding is not systematic, good quality cannot be guaranteed. The absence of procedures and criteria for the selection and prioritization of projects can lead to the budgeting of immature and low-priority projects, in a context of limited resources. Medium-term investments are not sufficiently protected because there is no system providing for an AE for overall project costs and the carryover of appropriations.

4. The project proposals are generally presented in project profiles (partially filled), with the backing of studies where relevant. No clearly defined and standardized methodology has been set forth for the project proposals. As a result, investment projects do not systematically undergo cost-benefit or cost-effectiveness analyses. Yet, most of the sectoral ministries have central planning directorates, which are responsible for preparing and examining the project proposals submitted by technical directorates of sectoral ministries.

5. In addition, Togo does not have a transparent framework for the consideration, selection, and



supervision of PPPs. It also lacks an appropriate legislative and regulatory framework for PPPs. The law of October 2014 relating to the modernization of public action in favour of the economy simply provides general orientation on the PPP. The creation of the special unit in charge of examining PPP contracts attached to the MEF, provided for by this law, has not yet materialized. There is no specific procedure to monitor commitments made and guarantees granted within the framework of PPP agreements. In addition, all PPPs have so far had over-the-counter contracts. There are no procedures for the systematic evaluation of PPP projects.

6. The absence of appropriate institutions for the preparation and supervision of PPP agreements generates financial and operational risks. Currently, only four PPP operations are being implemented in the port, energy, and tourism sectors, but the overall cost of these operations exceeds CFAF 650 billion (about 26 percent of GDP). The Government intends to develop PPPs and operations that can be implemented as the PPPs are being identified. Difficulties concerning one or several operators or insufficiently analysed contractual clauses may lead to budgetary risks. These risks have increased substantially in the absence of PPP supervision criteria and a monitoring structure.

7. **Activities to be funded.** The following activities will be funded under this subcomponent: (a) implementation support to investment committee (PIP committee) to ensure effective coordination between sectors, planning, and budget units; (b) development of tools for the management of public investments such as directives and clear instructions on the identification, selection criteria including gender and climate impacts, presentation of project profiles, monitoring, and evaluation; (c) standardized analysis of cost benefits of projects to be registered with the PIP and publication of results; (d) reorganization and provision of adequate tools to structures in charge of public investments planning and programming in the selected key sectors and effective coordination between the MPD and the MEF; (e) set up a sustainable professional development system to increase the number of professionals in the areas of planning and public investment; and (f) TA support to strengthen the public investment planning chain, including strengthening the framework for transparent selection and supervision of PPPs. .

8. M&E is also vital to assess project results in relation to set goals with a view to drawing lessons that would help improve the design of future projects. The planned activities relate to the development of tools to monitor public investment projects and ex post evaluation guide for investment projects and periodic reviews.

9. **Expected outcomes.** Have effective multi-year capital expenditure planning tools to assign public investments to appropriate sectors and projects.

Subcomponent 1.2: Ensuring Selection and Budgeting of High-Quality Public Investments (US\$1 million)

10. **Objective.** It is vital to ensure that only mature projects under the PIP are selected for entry into the annual budget cycle for full funding.

11. **Status.** The PIP is not yet an effective multi-year capital expenditure planning tool. During the budget discussions, attention was focused on Year n+1 of the PIP alone. In addition, because the PIP is prepared annually, its programming from Year n+2 to Year n does not serve as a reference during the preparation of the following PIP. Even the investment planning for Year n+1 is neither in line with the Medium-Term Budgetary Framework of the same year nor with the comparative versions of the



framework letter of the draft budget for Year n+1 and the promulgated Year n+1 budget.

12. The project selection practices are not very efficient. The criteria used for project programming in the PIP do not lead to their prioritization (P1: high, P2: average, or P3: weak). This does not limit the number of projects or facilitate budgeting. The absence of procedures and criteria for the selection and prioritisation of projects can lead to the budgeting of immature and low-priority projects, in a context of limited resources.

13. In addition, Parliament votes on the appropriations of investment projects in annual tranches. Although the Organic Law on Financial Legislation (*Loi Organique relative aux Lois des Finances*) authorizes the carryover of appropriations, the latter is not put to practice. Projects launched in one year are often not continued in the next year, in spite of this provision, and are often deferred, creating implementation challenges, and, significant payment delays and overall uncertainty about completion, especially for the completion of projects that need to be implemented over multiple years.

14. **Activities to be funded.** The activities planned to improve the selection of projects relate to (a) providing support for the identification of a comprehensive pipeline of investment projects that have been meticulously examined and are eligible for financing from the Government's study funds, to have a pipeline of mature projects; (b) securing the budgets allocated to investment projects by effectively adopting budgeting in commitment appropriation and payment allocations, supporting the development of PAPs, PMPs, annual work plans, and PCC and RAPs of selected ministries; and (c) adapting the information management system to be in line with program budgeting regulations.

15. **Expected outcomes.** Allocate resources to mature and priority projects selected on the basis of objective criteria and secure the budgets of projects being implemented.

Subcomponent 1.3: Enhancing the Implementation of Public Investments (US\$2 million)

16. This subcomponent is intended to strengthen procurement and cash flow management capacities which are the major bottlenecks in the public investment implementation phase.

17. **Status.** The unavailability of funds delays the implementation of projects, thus putting some of them at risk. The cash rationing slows down the implementation of projects. It causes serious payment delays that extend the project's delivery time. The contracting authorities do not comply with the contractual payment schedules. This situation is due, on the one hand, to the long procedures for checking and validating statements of accounts and the slow discharge of tasks by the different actors involved and, on the other hand, to cash constraints which make it difficult to settle invoices within a reasonable time. The late payment of co-contractors, especially for statements relating to periodic work, has a negative impact on the completion of the work by contractors with relatively low financial capacities.

18. In addition, overdue public procurement leads to serious delays in the implementation of public investments. Even though the existing procurement system is considered satisfactory on the legislative, regulatory, and institutional level, its efficiency and performance can be seriously challenged because of the way in which actors of the contracting authorities behave and, to a certain extent, the poor training quality. The main bottleneck of the procurement chain in Togo is the abnormally long procurement process. With regard to the call for tender procedures, statistics show that it takes an average of 248



calendar days (8 months) between the submission of the tender documents and the date of approval of the contract, that is, exceeding, by 48.38 percent, the deadline prescribed by OECD indicators, which is 120 days.

19. To improve investment implementation rates, there is a need to adopt measures to further professionalize the procurement function and improve the procurement practices and streamline public purchasing by instituting, at the level of implementing and control bodies, an approach based not only on compliance with the processes but on the culture of results and performance.

20. **Activities to be funded.** The project will assist the line ministries: Education, Health, and Agriculture and Infrastructure to reinforce the functionality of their units responsible for procurement, provided with agents trained accordingly to enhance the procurement function. It will, among other things, (a) provide TA to contracting authorities for the development and dissemination of techniques and procedures for the use of new procurement tools in particular, contracts under framework agreements and multiyear contracts and the strengthening of actors' capacities to improve the application of these tools, (b) develop electronic systems to track the procurement files at the contracting authorities' level and manage the procurement timelines, and (c) professionalize the procurement function. A consultant(s) will support the Procurement Regulatory Body to conduct a procurement capacity and training needs assessment and implement professionalization scheme to introduce minimum required qualifications for the procurement function and a certification process to ensure standard qualification and increase the number of procurement professionals. Possibilities of partnership with training institutions will be developed to provide sustainable public procurement training.

21. The project also intends to improve cash flow management tools to improve forecasts of cash requirements from MDAs and speed up the payment process for investment expenditure. These tools will focus on ensuring that the forecast cash flow plan is supported by credible Procurement Plans and credit consumption plans which are updated quarterly to provide inputs in quarterly Treasury plans. Activities would also strengthen the service in charge of providing this information. To maximize synergies and effectiveness, this intervention will be coordinated with the TA operation from IMF and EU that supports cash and debt management.

22. **Expected outcomes.** Increase the effectiveness of public investments through the expeditious implementation of selected projects.

Component 2: Supporting Domestic Resource Mobilization (US\$7.2 million)

23. **Objective.** This component seeks to support DRM by strengthening tax policy and its implementation. The Government is keen on improving performance of the newly created OTR and streamlining the tax code. The component combines TA, for which disbursements will be based on inputs with RBF, linking disbursements to the achievement of agreed-upon performance indicators (DLIs).

Subcomponent 2.1: Strengthening Capacity for Tax Policy (US\$2.2 million)

24. **Objective.** Subcomponent 2.1 provides TA to strengthen tax policy formulation at the level of the MEF with the goal of strengthening the Togolese legal framework for revenue collection.



25. **Status.** With the creation of the OTR as an autonomous revenue agency comes a de facto separation of the development of tax policy and the administration of the tax regime in Togo. This approach is sensible because the skills required for the OTR to effectively administer taxation differ from those required for the designing of tax policy, such as drafting tax legislation and forecasting revenue and wider economic impacts of policy changes, the latter examples being among the core functions of the MEF. Because of limited resources and capacity at the ministry, the analysis of tax policy issues is still largely left to the OTR staff.

26. A Tax Policy Unit has formally been established which is an important complementing piece for the ongoing institutional reforms in Togo. Returns on administrative improvements at the OTR and investments in technical capacity risk being reduced if major reforms to the legal framework are not addressed in parallel. The newly established Policy Unit at the MEF will thus need to provide advice on alternative tax policy options, supporting senior management decision making, and, based on close consultation with the OTR, on the practical implications of implementing new tax policy proposals

27. A critical tax policy issue for initial attention is the current practice of relying on generous tax incentives to incentivize investment. With multiple exemptions accorded through a range of instruments, the playing field for current and potential investors in Togo is not level and the tax base remains very narrow. The OTR estimates the total revenue losses linked to tax and customs expenditure amounted to CFAF 328.4 billion (US\$530 million) from 2012–2015, amounting to 11.5 percent of total revenue collected and 2.4 percent of GDP in 2015. High and distortionary taxation are also highlighted by the business community as an important constraint (AGET 2015). The newly created Tax Policy Unit would therefore need to help guide policy reforms aimed at rationalizing tax expenditures and thereby contributing to a more efficient administration, broadening of the tax base, and reducing tax evasion.

28. Significant scope also exists for the simplification of the current tax policy approach. Currently, the Togolese tax regime consists of 29 instruments, with 10 instruments accounting for more than 95 percent of revenue collected by OTR in 2016. A consolidation of similar instruments on the same tax base could be envisaged to increase administrative efficiency and reduce taxpayer compliance costs. Similarly, the multiplicity of non-fiscal charges issued by line ministries and the local administration is frequently highlighted as a major burden on firms in Togo and its administration is inefficient and risks being cost-ineffective for the Government.

29. Finally, the Government of Togo has decided to fill legal loopholes and strengthen administrative gaps to counter potential tax base erosion risks linked to cross-border activities. Togo became a member of the Global Forum on Exchange of Information and Tax Transparency in October 2016 and made initial revisions to the legislation regarding transfer pricing in January 2017. However, the Togolese legal framework remains incomplete and does not include a range of common anti-abuse options. A detailed review of erosion risks by the new Tax Policy Unit would help guide the development of targeted policy measures needed for effective OTR administration of Multinational enterprises operating in Togo.

30. **Activities to be financed.** Activities that are supported include the formation of the Tax Policy Unit and training and analytical support to review and address specific tax policy challenges. More specifically, the subcomponent will be aimed at helping the Tax Policy Unit determine priorities and develop steps to implement policy reforms. Specific outputs that will be supported include the following:



- (a) **A review of fiscal incentive policy.** The activity encompasses a cost-benefit analysis of the current use of tax incentives, provided for in the income tax code, investment code, Free Zone Law, and concession agreements, with a view to identifying and abolishing redundant instruments. It will also support the development of a process to assess the merit of potential tax expenditures and the establishment of a process for increasing the transparency of the fiscal incentive policy. This work entails a separate assessment of policy options and guidance with respect to potential directions for enhancing the effectiveness and minimizing revenue leakages linked to the Togolese Free Zone regime.
- (b) **Strategy and guidance for simplification of the tax system.** An analytical report needs to be prepared to develop a strategy for a revenue-neutral consolidation of tax instruments. This work will provide options for streamlining the current system based on 29 tax instruments with a view to consolidate tax handles and thereby increase administrative efficiency of the OTR and reduce taxpayer compliance costs.
- (c) **An assessment of all para-fiscal charges introduced by line ministries or local authorities.** The program will support the development of a reform strategy for the current para-fiscal regime in Togo, with a view to combine as many para-fiscal taxes applied to the business sector as possible into one simple business tax, to be administered and collected by a single agency. This will include an inventory of all current para-fiscal instruments, the definition of clear criteria to streamline these instruments, and the development of transfer mechanisms to ensure sufficient resource flows to line ministries and local institutions. At the administrative level, necessary accompanying institutional reforms will be assessed.
- (d) **A review of risk areas for the erosion of the tax base linked to international taxation.** This activity will include a thorough analysis of the extent and potential drivers of corporate base erosion risks in Togo. The analysis will be based on a review of the composition of the tax base and identifying any peculiarities of the Togolese tax system that open scope for aggressive tax planning and profit shifting by multinationals at the international level and for entities benefiting from preferential tax treatment domestically. The envisaged output will be a strategy paper, illustrating options on how to achieve the dual objective of protecting the tax base while at the same time maintaining an attractive investment climate.
- (e) **TA, targeted trainings, and study tours for staff** in the Policy Unit covering core functions of the unit such as revenue forecasting, economic impact assessments, and study tours to learn best practices, and so on will be conducted.

31. **Expected outcome.** By the end of the project, the Tax Policy Unit at the MEF will have the technical capacity to lead the policy formulation process effectively and will have developed the analytical underpinnings necessary to develop policy priorities and provide specific recommendations to strengthen Togo's tax policy framework. The unit will also have monitoring and oversight responsibilities with respect to the OTR's performance.

Subcomponent 2.2: Broadening Tax Base through Improvements in Tax Administration (US\$3 million)

32. **Objective.** Subcomponent 2.2 is aimed at enhancing the operational capacity of the OTR. The



component supports the OTR's compliance management, revenue risk analysis, and enforcement capacity, to sustainably improve revenue collection.

33. **Status.** Over the last four years the Government has been actively investing in strengthening DRM. Notably, Togo is one of the first Francophone countries to have created a semiautonomous revenue authority, integrating the tax and customs department in the OTR. Recent increases of tax revenue collection, however, have largely resulted from a combination of legal and regulatory changes,⁹ rather than improved administrative effectiveness. To take advantage of the institutional reform of creating a single revenue agency, further work is needed to enhance the OTR's capacity to better leverage the integration of tax and customs functions and to strengthen the compliance management programs of the OTR.

34. To date, the OTR has not fully taken advantage of the synergies from the merger of the Tax and Customs Departments. Enhancing revenue mobilization by improving the effective operational integration of the two services has the potential for important short-term gains in revenue collection. For instance, while a single data warehouse has been established with assistance from the African Development Bank, automated cross-checking of information of VAT and customs return information has not yet been implemented. Cross-checking of taxpayer information across different information sources thus remains a manual and sporadic procedure.

35. Furthermore, audit capacity of the OTR needs to be strengthened. Efficiency gains from automatic cross matching can be expanded by improving risk analysis for audit selection. The OTR is currently receiving TA from Africa Regional Technical Assistance Center (AFRITAC) to design risk scores, but also needs additional support to access and integrate all relevant internal and external information sources to strengthen risk analysis and audit programming. Moreover, additional efforts are needed to enhance the OTR's human resources dedicated to the audit function. There are currently 18 qualified field auditors at the large taxpayer office and 25 at the medium taxpayer office. The overall share of field auditors (both tax and customs) among total OTR staff is 6 percent and thus significantly below the regional average of 15 percent). Targeted trainings to increase audit capacity at the OTR are needed to increase the effectiveness of its enforcement function.

36. Informal economic activity and unfair competition from semi-informal businesses competing on tax avoidance are an important constraint for both the tax administration and the business community.¹⁰ Smuggling is pervasive and closely linked to the persistent informal retail trade. In 2016, more than 50 percent of respondents to the World Bank's Enterprise Survey highlighted practices of competitors in the informal sector as critical constraints for operations in Togo. Currently, there are about 45,000 registered taxpayers below the mandatory VAT threshold of CFAF 50 Million and less than 2,000 taxpayers above the threshold (OTR 2016). The OTR plans to launch targeted registration campaigns to identify a larger share of small- and medium-size entrepreneurs, which are currently operating without tax registration. Given the importance of informal economic activity for the livelihood of many micro-entrepreneurs, it will be important to target these registration campaigns toward small businesses to avoid creating uncertainties

⁹ The increase of the corporate tax rate for industries to 29 percent from 27 percent; institution of a minimum income tax of 1 percent on sales and a special tax on car sales.

¹⁰ See: AGET - Association Des Grandes Entreprises du Togo, Livre Blanc L'Economie Togolaise Vue Par L'AGET, 2015.



and additional costs for those micro-entrepreneurs that operate at subsistence level.

37. With only 20 companies accounting for two-thirds of corporate income tax revenue, the OTR's priorities with respect to income taxes are twofold. First, as discussed above, the OTR intends to broaden the base by extending the current taxpayer base and reducing informal economic activity. Second, the OTR aims to avoid erosion of the tax base by effectively applying anti-abuse measures. There are currently active multinational affiliates operating in Togo and audit staff at the large taxpayer office report frequent challenges with related party service charges, the valuation of capital inputs in the extractive sector,¹¹ and related party financing arrangements. These challenges are observed with respect to both international and domestic transactions, where taxpayers benefit from preferential treatment. Current rules and administrative capacity are insufficient to effectively address transfer mispricing and related erosion risks. The OTR has thus decided to strengthen its capacity in this area and is in the process of setting up a dedicated unit to conduct transfer pricing audit cases more systematically.

38. **Activities to be financed.** Four key sets of activities are proposed which support efforts to broaden the tax base. These are (a) a registration campaign, (b) data management and analysis for risk-based audits, (c) improvement of audit effectiveness and efficiency, and (d) setting up of an electronic system for taxpayer filing and documentation. These activities are coordinated and aligned with activities of other development partners, most notably the IMF¹² and the African Development Bank.

- (a) **Registration campaign.** The project will support a registration campaign aimed at identifying informal economic operations. The identification exercise will draw on a combination of site visit by OTR teams in different predetermined zones (blocks) and systematic reviews of other relevant information sources. The exercise will be launched with a pilot in two out of the six main administrative districts of the city of Lomé and then be followed by campaigns in the remainder of the city of Lomé as well as regional centers of economic activity. The objective is to identify non-registered businesses and offer targeted services to taxpayers that are identified during the campaign. The focus of the exercise will be on activities above subsistence level to ensure its cost-effectiveness and to minimize the disruption of micro-entrepreneurs.
- (b) **Data management and analysis to strengthen risk-based audit selection.** This subcomponent will support efforts at the OTR to integrate customs and tax information more effectively in the newly created data warehouse with the objective of supporting joint tax and customs audit activity and an integrated risk analysis. The initial focus is on allowing for an automated matching of information from VAT returns and customs declarations. The activity also aims at the effective integration of external information sources from other public institutions and third-party providers. To strengthen risk analysis, the OTR will continue to work on refining risk criteria to improve audit targeting and audit yield, with the

¹¹ These are typically imported under a special concession agreement providing an exemption from customs duties. As a result, scrutiny of valuation at the stage of import is often minimal, creating a risk of long-term erosion of the base for profit tax linked to inflated depreciation amounts.

¹² Linked to its three-year extended credit facility to Togo, the IMF is supporting PFM, including TA to improve the efficiency of OTR operations.



aim of assigning at least 50 percent of audit cases in the large and medium taxpayer office automatically based on transparent risk criteria.

- (c) **Improving audit effectiveness and consistency.** The project will support targeted capacity building for auditors at the OTR. Specific activities include training on (i) sector-specific audits; (ii) valuation approaches; (iii) management of exemption schemes and the Free Zone to minimize related revenue leakage; (iv) strengthening of capacity to deal with international taxation, in particular, with respect to the administration of transfer pricing and related anti-abuse measures; and (v) implementation of effective international exchange of information to inform audit activity.

39. **Expected outcome.** By the end of the project, OTR compliance management and, in particular, audit capacity will be strengthened. Risk analysis will be automated and based on integrated internal and external information. The staffing structure will reflect strengthened audit competency at the OTR and administrative guidelines will be developed in all key areas of the OTR's enforcement operations.

Subcomponent 2.3: Enhancing Taxpayer Services to Promote Voluntary Compliance (US\$2 million)

40. **Objective.** Subcomponent 2.3 was designed to enhance voluntary compliance of Togolese taxpayers by providing clarity and predictability of tax rules for relevant taxpayer segments and sectors and by instituting an effective feedback mechanism to improve taxpayer services. It introduces an important element of stakeholder engagement in the context of Togo's tax administration.

41. **Status.** Currently, more than 40 percent of Togolese firms perceive tax administration as an obstacle to doing business, according to the Enterprise Survey conducted by the World Bank in 2016. Uncertainty with respect to applicable provisions, lack of implementing regulations, and insufficient administrative guidance are contributing to taxpayer compliance costs and uncertainty in Togo. While a new tax code is under development, implementing guidelines for several existing provisions have not yet been developed. Moreover, there is significant scope for enhancing taxpayer outreach. Brochures and publications on most tax topics should be prepared alongside the development of a new tax code, to present a professional image of the OTR while at the same time providing content that clarifies common questions and issues for taxpayers. Taxpayers can use these publications as written reference and such information is particularly useful for newly registered entities. Therefore, a tailored outreach effort including specific material aimed at small taxpayers should accompany the OTR's planned registration campaign.

42. An important objective for any revenue service is that taxpayer assistance is service oriented, is trusted, and facilitates voluntary taxpayers' compliance. At the moment, the OTR solicits feedback from taxpayers only sporadically and regular, structured interaction with taxpayers is lacking. Going forward, the OTR should develop a customer satisfaction policy to better measure and monitor the impact of its taxpayer service outreach on taxpayer awareness, trust of the OTR, and changes in voluntary compliance. Taxpayer surveys could be used to help refine service strategies; set standards (performance targets); and determine the quality, accuracy, consistency, and timeliness of the taxpayer service function.

Activities to be financed:



- (a) The project will finance the implementation of surveys to better target and monitor the OTR's taxpayer services. These surveys will provide gender-disaggregated data (where feasible as in the case of individual taxpayers). The first survey will be completed in the first year of implementation of the project and will be used to establish a baseline for improved satisfaction of taxpayers. Information captured in the survey will be analyzed to better address taxpayer grievances and survey results and an ensuing action plan will be published on the OTR's website.
- (b) To increase taxpayer certainty, the component will support the development of implementing regulations and administrative guidance at the OTR. The project will also support the development and implementation of a targeted outreach and information campaign. This will include the development of tailored information material and a range of education and communication activities aimed at increasing voluntary compliance among specific taxpayer groups. Seminars will, for instance, be developed for large, medium, or small business taxpayers as well as tax professionals and industry organizations in Togo.
- (c) The implementation of an electronic system of taxpayer filing and documentation. The project will support the electronic archiving of taxpayer files and easy access to the documentation online. Specific activities will include (i) consolidation of all the tax documentation in a unique platform, (ii) user-friendly online access to the system by taxpayers and interaction with the OTR, and (iii) tracking system for mail and taxpayer requests

43. **Expected outcome.** As a result of these activities, the OTR will improve the effectiveness of its taxpayer information services, outreach, and engagement. The taxpayer service function in the OTR will have the knowledge and skills to deliver targeted services that address core concerns of different taxpayer segments and facilitate voluntary compliance by taxpayers and reduce the length of time to address taxpayer requests.

Component 3: Increasing Public Accountability and Citizen Engagement (US\$ 3.98 million)

44. **Objective.** This component aims to increase public accountability and citizen engagement in Togo by strengthening formal public accountability mechanisms, citizen engagement in the budget preparation and execution processes, and citizen feedback on quality and access to public services in three priority subsectors: urban water supply, primary education, and maternal and child health. Specifically, this component will (a) strengthen the internal audit capacity of the IGF; (b) strengthen the external audit capacity of the CdC; (c) reinforce the oversight capacity of the Parliamentary Finance and Economic Development Committee; and (d) introduce mechanisms through which civil society groups can provide feedback and engage in dialogue with the Government on budget priorities, budget execution, and through which citizens can provide feedback on quality and accessibility of public services in targeted subsectors.

Subcomponent 3.1: Strengthening Capacity for Formal Oversight and Accountability Institutions (US\$1.3 million)

45. **Objective.** This subcomponent aims to strengthen the capacity of the IGF and the CdC to conduct



high-quality and timely financial audits and to review and take action to facilitate effective implementation of the audit recommendations and the capacity of the Parliamentary Finance and Economic Development Committee for effective parliamentary oversight.

46. **Status.** The CdC of Togo is a constitutionally mandated body that is established as an independent unit with responsibility for external audit of public institutions in Togo. This includes public accounts of the state, and public enterprises. It assesses the accuracy of the public accounts and their compliance with the Law on Public Finances and supports the National Assembly (specifically the Parliamentary Finance and Economic Development Committee) and the Government of Togo in ensuring conformity of budget execution with the law. The CdC is relatively new and does not yet have capacity to undertake financial or compliance audits, though it does produce budget execution reports. In the most recent PEFA assessment, the CdC received a 'C' on independence, while it was deemed too early to assess other criteria associated with implementation of audits. Also, the Parliamentary Finance and Economic Development Committee has not yet built up any capacity to be fully in line with the requirements of the WAEMU PFM directives in terms of legislative oversight.

47. While the IGF and the General Inspectorate of the Government are in place, the internal audit capacity of the Government of Togo has been assessed as weak in the most recent PEFA assessment. Togo's overall PEFA score on internal audit is D+. While the Government of Togo scores relatively well on implementation of internal audits and reporting (B), there are significant weaknesses in terms of coverage of internal audits, nature of internal audits and standards applied, and government responsiveness to internal audits, all of which are judged as D. This has significant implications for the quality of internal controls on budget execution.

48. Through this subcomponent, the project will provide technical support to the IGF to build its capacity to implement internal audits and enhance overall coverage, standards and types and follow up on internal audit recommendations. The subcomponent will use a phased approach, beginning with the rollout of new internal audit processes in priority sectors.

49. **Activities to be financed.** The main activities to be financed will be (a) development of Internal Audit Framework and Strategy, (b) introduction of the risk-based approach and executing multiyear strategic audit plans built on risk mapping of key line ministries, (c) strengthening of internal audit capacity in conducting systematic audit follow-ups on audit recommendations; (d) support for the elaboration and effective implementation of the development strategic plan of the CdC; (e) review of current methods of informing the civil society about *Commission des Finances* proceedings to enhance citizen relations; and (f) capacity building of members of the *Commission des Finances*, through seminars, workshops, and study tours, to implement the new PFM directives and carry out the reviews of the quarterly Government's TOFE.

50. **Expected outcome(s).** Formal oversight and accountability institutions executing their mandates for internal and external audits of public expenditures more effectively, thereby improving the consistency, efficiency, and effectiveness of budget execution, budget transparency, and reducing corruption.

Subcomponent 3.2: Strengthening Civil Society Engagement in the Budget Process (US\$0.56 million)



51. **Objective.** This subcomponent aims to facilitate public access to financial information and build the capacity of government and civil society to enter into a constructive and evidence-based dialogue on budget priorities including sector expenditures. The subcomponent will build government capacity to provide transparent and easily accessible data to the public that can be used for analysis and advocacy by civil society groups. It will also build the capacity of CSOs to analyze and use budget data. This will help facilitate effective dialogue among national stakeholders on National Development Plans and Vision 2030 and informed feedback on budget execution in priority sectors.

52. **Status.** BOOST provides well-classified and highly disaggregated annual budget and expenditure data available for policy makers and practitioners within the Government, researchers, and civil society and promote their effective use for improved budgetary decision making, analysis, transparency and accountability. The Togo BOOST contains disaggregated line item budget and expenditure data from 2009 until 2015, comprising economic, administrative, geographic (partial), and sector classifications. The platform was used as analytical input for the 2014 Public Expenditure Review and Togo was the first Francophone African country to publicly disseminate this information in 2014.

53. **Activities to be financed.** Main activities to be financed under this subcomponent include

- (a) The production of a citizen's budget, to be issued annually, that simplifies and summarizes the overall national budget, provides a clear overview of sectoral allocations, and is disseminated widely to citizens by the Government in collaboration with CSOs;
- (b) Training for CSOs and government officials on the use of the BOOST expenditure monitoring and analysis tool which was developed for Togo; and
- (c) Training for CSOs on tools to track budget execution in sectors.

54. **Expected outcome(s):** Improved dissemination of information on the management of public resources and increased public awareness of budget priorities; enhanced civil society capacity to analyze the macro and sector budget data and to monitor budget execution; and capacity of the Government and civil society to have a constructive dialogue with respect to budget priorities enhanced.

Subcomponent 3.3: Citizen Engagement in Priority Sectors (US\$2.12 million)

55. **Objective.** This subcomponent will strengthen the important accountability loop between the Ministries of Education, Health and Agriculture, and Water Supply and civil society groups and target beneficiaries of relevant services. It will introduce systematic, evidence-based citizen feedback on quality and accessibility services in three subsectors (urban water supply, primary education, and maternal and child health) and develop a platform for dialogue between relevant policy makers and beneficiary groups and joint problem solving of key constraints to service delivery at all levels. The citizen report cards and service delivery monitoring and feedback systems can be extended to other subsectors later, based on lessons learned and client demand.

56. **Status.** Togo has a limited history of citizen engagement, and systematic feedback loops on key services is relatively new to the context. Some ministries have informal consultations with civil society and other stakeholders such as unions and discuss macro-level sector issues. However, feedback on actual



quality of services from the front-line intended beneficiaries, that is credible, structured, and actionable, is relatively new. The three ministries have all expressed strong interest in receiving support under this project to build an effective citizen engagement interface that would provide them with critical insights that can inform their policy making, including budget allocation decisions. In addition, civil society groups in Togo are diverse, with a range of interests, capacities, and skills. These range from think tanks with analytical capacity with respect to budgets, advocacy groups, CSOs that work on the front lines to provide services at the local level, and groups that monitor sector outcomes. Capacity is highly variable among CSOs and support is needed to strengthen their overall capacity to use data systematically and have a dialogue with the Government on key priorities in a structured manner. CSOs are interested in receiving support under the project to open up the feedback channels as well as strengthen their analytical capacity.

57. **Activities to be financed.** Key activities will include the following:

- (a) Development of citizen report cards for three priority subsectors sectors, urban water supply, maternal and child health, and primary education and a framework for follow-up joint action plans led by the concerned MDAs and involving all key stakeholders.
- (b) Competitive grants provided to civil society groups to implement innovative proposals and methodologies for (i) monitoring of budget execution in priority sectors; (ii) monitoring of public procurement, and promoting open contracting in sectors; and (iii) sector-specific tracking of inputs and outputs for the National Government to front-line service providers. Eligible grants will include financing of incremental training and staff needed to implement the proposals. Grant selection criteria and approval processes, and legal and technical eligibility criteria for grant recipients will be articulated in a project implementation manual (PIM) acceptable to IDA, and these criteria will be made publicly available for potential grant recipients, citizens, and other interested stakeholders to ensure transparency.
- (c) Multi-stakeholder technical fora for citizens' groups, CSOs, media, sector ministries and other relevant agencies, to jointly review findings of report cards and service delivery tracking and to discuss lessons learned and follow-up actions/next steps.

58. **Expected outcome(s).** Institutionalization of citizen report cards in education, health, and agriculture and urban water, to better capture and understand citizen views on sector service delivery, and generate actionable data for sector stakeholders and policy makers. CSO capacity to monitor budget execution in three sectors will be enhanced, as well as their capacity to enter into evidence-based dialogue with the Government of Togo on service delivery performance.

Component 4: Project Implementation Support (US\$2.56 million)

59. The objective of this component is to establish an effective and efficient project coordination and administration function during the implementation of the project.

Subcomponent 4.1: Project Management and Reform Coordination (US\$1.5 million)

60. Objective: This subcomponent is to support a coordination function that will provide leadership and management of the overall governance program including this project and to ensure that the specific



project objectives are met on time, ensuring quality, and in line with the allocated funds. It will also be responsible for providing technical leadership in articulating, guiding, and monitoring the overall PFM reforms across the Government of Togo. The PFM Reform Coordination Unit (PFMCU) established under the MEF will be the focal point for coordinating the PFM reforms under the PFM reform strategy.

61. **Status:** The current framework for supervising public financial management reforms can still be improved because it is not based on a real strategy for implementing reforms with short- and medium-term funding provided for the achievement of expected results. Faced with the new challenges of modernizing public financial management, redefining and formalizing the roles of existing institutions will be necessary to put a system in place to ensure greater effectiveness

62. Key activities to be financed will include TA support to the implementing units and PFMCU, consultancies, goods, including computers and accessories expenses, operational expenses, project coordination, procurement of goods and services, FM, and training/sensitization.

Subcomponent 4.2: Monitoring, Evaluation, Independent Review, and Communication (US\$1.06 million)

63. **Objective.** This subcomponent is to enhance project performance through effective tracking of project activities to allow continuous assessment of the overall performance of the project and provide quality feedback to the project institutional coordination mechanism and stakeholders.

64. **Status:** The project will be housed within the SP-PRPF created by Decree No. 2008-031/PR on February 15, 2008. A PCU will be established to manage the day-to-day implementation of project activities.

65. Activities to be financed under the subcomponent will include (a) strengthening the M&E capacity to coordinate work plans and identify key indicators of progress for each activity and report to management and focal points on implementation of all activities; (b) conducting regular independent reviews of the project; (c) strengthening communication, including outreach to media stakeholders to raise stakeholder awareness on important project results, interlinkages across project activities, and enhance reform momentum; and (d) supporting areas of slow progress with appropriate change management activities.



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY : Togo TOGO Economic Governance

Project Institutional and Implementation Arrangements

1. The project will be implemented under the overall leadership of the MEF. The project will be housed within the SP-PRPF created by Decree No. 2008-031/PR on February 15, 2008. A PCU will be established to manage the day-to-day implementation of project activities.
2. A PSC will be set up to provide overall policy guidance for the Economic Governance Project. The PSC will be chaired by the Permanent Secretary of Policy Reforms and Financing Programs and will comprise all key stakeholders involved in the project, including representatives of the line ministries and CSOs. The PSC will meet every semester to (a) discuss the strategic direction and orientation of the governance program, including progress in meeting PDOs; (b) review the implementation status of the components and critical activities; (c) provide guidance and address policy-related issues; (d) approve the budget and annual work plans; and (e) review and approve the publication of annual progress reports and audited financial statements of the project within six months after the end of each fiscal year.
3. **The PCU** will be in charge of the day-to-day implementation of the activities and handle the procurement and FM, including the disbursement aspects of the project, and will be responsible for overall coordination of the project. A Project Manager will be appointed, who will be responsible for the overall project coordination. The manager will lead a project management team comprising key staff responsible for implementation of project activities: M&E Specialist, Financial and Administrative Officer, Procurement Specialist, PFM Expert, and a Public Accountability and Citizen Participation Expert. Key beneficiary units such as the MPD, Ministry of Agriculture, Ministry of Health, MEPS, and main CSOs will designate focal points fully dedicated to handle technical aspects and the coordination and monitoring of their respective work programs in the project. Each focal point will make brief monthly presentations during their meetings, regarding the progress of the project activity under the jurisdiction of his/her organization. Each focal point will advise the PCU on any issues of project implementation that have been encountered. The focal point is expected to have also brought the matter to the attention of his/her department and speak on his/her organization's behalf.
4. **The OTR will directly implement Subcomponents 2 and 3 of Component 2 - Results-based Financing for Domestic Resource Mobilization.** It will designate a focal point/Project Manager and team that will be responsible for timely delivery of planned activities and will be the main counterpart who will coordinate the internal team responsible for achieving progress toward agreed results.

Financial Management

5. An FM assessment of the SP-PRPF, in which the PCU will be established, was carried out in March 2017. The objective of the assessment was to determine whether this implementing entity has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with



due attention to the consideration of economy and efficiency. The FM assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Board on March 1, 2010, and retrofitted on February 4, 2015.

6. The FM arrangements are acceptable if they are capable of accurately recording all transactions and balances, supporting the preparation of regular and reliable financial statements, and safeguarding the project's assets, and they are subject to auditing arrangements acceptable to the World Bank. These arrangements should be in place when project implementation starts and be maintained as such during project implementation. The assessment concluded that the FM of the PCU satisfies the World Bank's minimum requirements under OP/BP 10.00 and therefore is adequate to provide, with reasonable assurance, accurate and timely FM information on the status of the project, as required by the World Bank.

7. The overall fiduciary risk rating is assessed as Substantial and mitigation measures proposed (see FM Action Plan) will strengthen the internal control environment and maintain the continuous timely and reliability of information produced by the PCU and an adequate segregation of duties.

Table 2.1. FM Action Plan

Issue	Remedial Action Recommended	Responsible Entity	Completion	Effectiveness Conditions
Staffing	Recruit an FM team comprising (a) a qualified and experienced financial officer and (b) a qualified and experienced accountant.	PCU	Under PPA financing	N
Information system accounting software	Set up a 'multiproject' computerized accounting system to fit project needs and generate useful information and financial statements.	PCU	Three months after effectiveness	N
Administrative, Accounting, and Financial Manual of Procedures	Develop a Project Implementation Manual including administrative, financial, and accounting procedures that also includes detailed procedures describing the system to pay recurrent expenditure with specific sections on anticorruption aspects.	PCU	Under PPA financing By effectiveness	Y
External financial auditing and DLIs verification	Appoint an external auditor acceptable to IDA and an Independent Verification Agent on RBF mechanism, funded by project Component 2.	PCU	Six months after effectiveness	N

8. **Staffing and training.** The PCU will retain staffing resources that are adequate for the level of project operations and activities and are sufficient to maintain accounting records relating to project financed transactions and to prepare the project's financial reports. The FM function will be carried out by a team including (a) a qualified and experienced FM expert in charge of the supervision of all project FM activities managed by this ministry and (b) a qualified and experienced accountant. This staff will be recruited through a competitive process in compliance with World Bank's rules. The teams will have the overall FM responsibility over budgeting, accounting, reporting, disbursement, internal control, and



auditing. The FM staff will have their capacity reinforced over the project implementation as compared to the rollout of the training plan that includes training on IDA disbursement procedures and training on IDA financial reporting arrangements, among others.

9. **Budgeting.** The FM unit of the PCU, in close collaboration with other involved technical units, will prepare an annual work plan and budget for implementing project activities considering the project's objectives. The work plan and budgets will identify the activities to be undertaken and the role of respective parties in implementation. Annual work plans and the budgets will be submitted to the World Bank for no-objection not later than November 30 of each year preceding the year the work plan should be implemented.

Disbursements

10. Table 2.2 summarizes the project's disbursement arrangements.

Table 2.2. Project's Disbursement Arrangements

Category	Amount of the Financing Allocated (expressed in \$US)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Operating Costs under the Project, except for Parts B.2, B.3 and C.3(b)	13,800.00	100%
(2) Competitive Grants under Part C.3(b) of the Project	500.00	100% of amounts disbursed
(3) Payments under Eligible Expenditure Programs under Parts B.2 and B.3 of the Project	5,000.00	100% of amounts allocated to DLIs as set out in Schedule 3 of this Agreement and as reported under the EEP Spending Reports for each Withdrawal
(4) Refund of Preparation Advance	500.00	Amount payable pursuant to Section 2.07 of the General Conditions
Unallocated	800.00	
TOTAL AMOUNT	20,600.00	

Note: The total cost of the project including the EU TF is US\$ 20,6 million but the expected disbursement table in the data sheet is only related to the IDA contribution since the grant agreement of the TF has not been signed yet.

11. For Category 2 (Components 1, 3, and 4), one Designated Account will be established at the West African Central Bank under the fiduciary responsibility of the SP-PRPF. World Bank financing for these components will be 100 percent for goods, non-consulting services, consultants' services, incremental operating cost, training, and workshops. Disbursement under these components would be transaction based. In addition to making advances to the Designated Account, other disbursement methods



(reimbursement, direct payments, and special commitment) will be available for use. Further instructions on the withdrawal of proceeds will be outlined in the Disbursement Letter.

12. The disbursements for components 2.2 and 2.3 will be made against achievement of DLIs targets. A certain amount of grant proceeds has been allocated to each DLI, referred to as the DLI price, which is the amount that the SP-PRPF can claim as disbursements against EEPs if that DLI has been achieved and verified. These EEPs are a part of the OTR's recurrent expenses of the eligible activities, clearly identifiable in the OTR's financial statements, and shall primarily comprise OTR's staff salaries or other operational costs of the program. The price for each DLI has been agreed.

13. This mode of disbursement will mainly involve reimbursement of certified EEPs supported with achieved DLIs' and other relevant documentation. The disbursements will be made against identified EEPs, and the triggers will be the actuals values of predefined DLIs. Decisions over compliance and disbursement against indicators will be made on the basis of annual reports prepared by the OTR and submitted to the Independent Verification Agent with necessary documentation assuring that they have been satisfied. The World Bank will receive the EEP spending and DLI assessment report by the end of March following each implementing year and will finally advise on the amount to be reimbursed to the OTR which should not exceed the actual value of the EEPs that generate the results or DLI levels to be paid. Disbursements against EEPs and DLIs will flow to a special account to be opened.

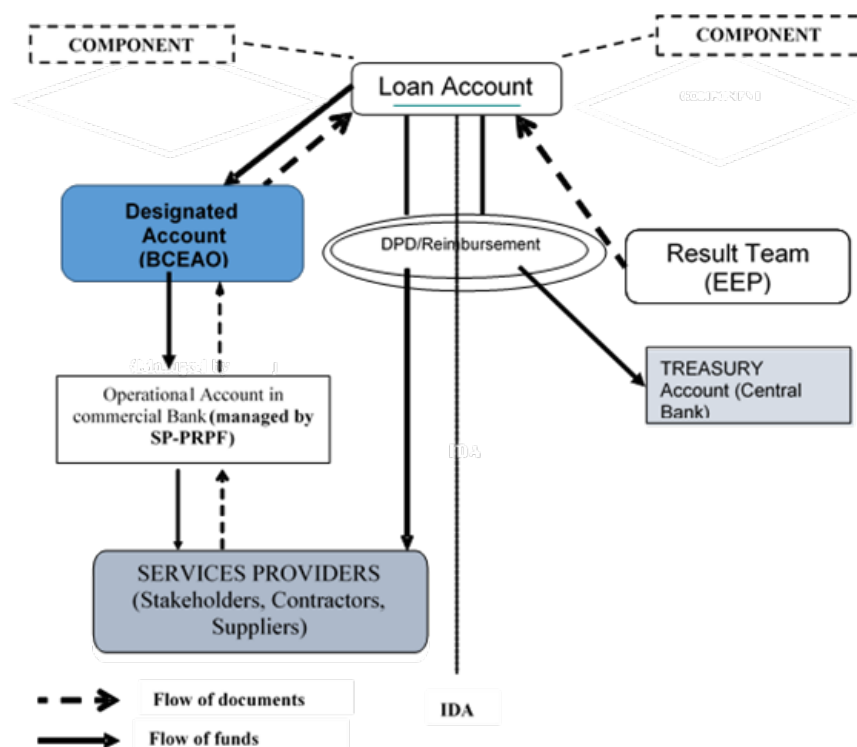
14. **Carryforward of amounts not disbursed.** If the World Bank has received only partial evidence of compliance under the DLIs and/or the recipient has not presented enough eligible expenditures under the EEPs to disburse the full planned disbursement amounts, only part of the full planned amount will be disbursed. The World Bank may, at its discretion, authorize that the unwithdrawn portion of the financing resulting from this lack of evidence be carried forward to the subsequent withdrawals, provided that this occurs, the amount to be disbursed by the World Bank, in the aggregate under all subsequent withdrawals, shall not exceed 100 percent of the sum of the total amounts of EEPs incurred at that time.

15. **Distribution of carried forward disbursements.** The amounts carried forward for subsequent withdrawals because of the nonachievement of DLIs may be disbursed only if at the time of the subsequent withdrawal, (a) the applicable DLIs have subsequently been achieved and (b) the recipient has submitted documentation of eligible expenditures in the amount at least equal to the withdrawal amount requested. The amounts carried forward due to lack of documentation of eligible expenditures in the amount at least equal to the amount requested for withdrawal may be disbursed at the time of the subsequent withdrawal only if such amount of eligible expenditures is then submitted.

16. **Final disbursement.** If any amount allocated to Component 2 remains to be withdrawn from the loan balance due to partial evidence of compliance with the DLIs and/or lack of documentation of eligible expenditures, the Association may, at its discretion, authorize this remaining amount to be disbursed as an exceptional disbursement, before the closing date, in accordance with the DLI formula, and provided the recipient has submitted documentation of eligible expenditures in the amount at least equal to the withdrawal amount requested.

17. A total of three DLIs will be financed from the US\$5 million allocated to EEPs. The tentative disbursement schedule is set out in Annex 4.

Figure 2.1. Flow of Funds



18. **Accounting and reporting.** SYSCOHADA (Système comptable des pays francophones membres de l'Organisation pour l'Harmonisation du Droit des Affaires) is the assigned accounting system in West and Central African Francophone countries. Project accounts will be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the PCU in accordance with the SYSCOHADA requirements but considering specificities related to external financed investment projects. Accounting and control procedures will be documented in the FM Manual. Every quarter, and within 45 days of the end of the reporting period, the PCU will submit a withdrawal application for IDA grant along with IFRs and DLI results report to the World Bank for disbursements and documentation of expenditure. The template of IFRs will be agreed and will be used to document advances and actual project expenditure incurred against the eligible expenditure supported by the World Bank under the program. The PCU will purchase an acceptable accounting software with multi-project and multi-donor features for managing the project.

19. **Internal control and internal auditing arrangements.** The PCU's FM and administrative procedures will document the FM and disbursement arrangements, including internal controls, budget process, assets safeguards, and clarify roles and responsibilities of all the stakeholders.

20. **Annual financial audit and DLI verification.** An external independent and qualified private sector auditor will be recruited to carry out the audit of the project's financial statements. The auditor will express an opinion on the Annual Financial Statements and perform the audit in compliance with International Standards on Auditing. The auditor will be required to prepare a Management Letter



detailing observations and comments, providing recommendations for improvements in the accounting system and the internal control environment. The audit report on the annual project financial statements and activities of the DA will be submitted to IDA within six months after the end of each project fiscal year.

21. An Independent Verification Agent will be responsible for the verification of the annual EEP Spending and Results Reports. The agent will issue an annual opinion on the accuracy and fair view of the information presented by the OTR on the EEP and DLI. This certificate should be sent to the World Bank by the end of March following each implementing year.

22. The OTR's external audit reports together with Management Letters should be submitted to the World Bank within six months after the end of the OTR's each fiscal year, which is December 31.

Procurement

23. **Regulations for IPF Borrowers** only apply for Components 1, 3, and 4 and Subcomponent 2.1; procurement for goods, non-consulting, and consulting services for the project will be carried out in accordance with the procedures specified in the World Bank Procurement Regulations for IPF Borrowers, dated July 1st, 2016 (Procurement Regulations) and the World Bank's Anti-Corruption Guidelines: Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement. All procuring entities as well as bidders and service providers, that is, suppliers, contractors, and consultants, shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 3.32 and Annex IV of the Procurement Regulations.

24. **Strategy.** A PPSD was prepared by a hired consultant with TA from the World Bank, which describes how procurement activities will support project operations for the achievement of PDOs and deliver value for money.

25. **Procurement documents.** All goods and non-consulting services for Components 1, 3 and 4 and Subcomponent 2.1 will be procured in accordance with the requirements set forth in Section VI of the Procurement Regulations, and the consulting services will be procured in accordance with the requirements set forth in Section VII of the Procurement Regulations, the PPSD, and Procurement Plan approved by the World Bank. The Procurement Plan, including its updates, shall include for each contract (a) a brief description of the activities/contracts, (b) the selection methods to be applied, (c) the cost estimates, (d) time schedules, (e) the World Bank's review requirements, and (f) any other relevant procurement information. The Procurement Plan covering the first 18 months of the project implementation, dated August 11, 2017 was submitted for the World Bank's and approved during negotiations. Any updates shall be submitted for the World Bank's approval. The recipient shall use the World Bank's online procurement planning and tracking tools to prepare, clear, and update its Procurement Plans and conduct all procurement transactions.

26. For Subcomponents 2.2 and 2.3 with EEP, the OTR's procedure will apply.

27. An assessment of the capacity of the SP-PRPF under the MEF was conducted on March 21, 2017. The assessment reviewed the organizational structure for the implementation of the project and the



procurement capacity of the Permanent Secretary. The assessment confirmed that the new PCU would be created and dedicated to implementation of this project. It was noted that bidding documents, the Procurement Manual, and procurement rules currently used are not yet acceptable to the World Bank; hence, no special exception may be stipulated in the Development Financial Agreement with respect to IDA regulations and bidding document use. Most of the issues/risks concerning the procurement component for implementation of the project have been identified. The corrective measures which have been agreed upon are mentioned in the next section.

(a) Mitigating Measures Proposed

28. An action plan to address the identified weaknesses has been developed. The key mitigation measures on this plan are given in table 2.4

Table 2.3. Mitigation Measures Proposed

Procurement Risk	Mitigation Measure	Responsibility and Deadline
Absence of an experienced Procurement Specialist	1. Recruit a Procurement Specialist among the PMU staff.	Permanent Secretary
The procurement procedures of the current project will be reflected in the Implementation Manual.	2. Elaborate a Project Implementation Manual including procurement arrangements planned for this project.	Permanent Secretary Before effectiveness
Inadequate capacity of the Procurement Specialist, the Procurement Commission, the Procurement Control Commission, the National Procurement Control Directorate in NPF procedures	3. Capacity building will be provided by the World Bank on NPF procurement.	Permanent Secretary and World Bank During project implementation

(b) Procurement Risk Rating

29. The project procurement risk before the mitigation measures is Substantial. The risk is reduced to a residual rating of Moderate upon consideration of successful implementation of the mitigation measures.

30. **Selection Methods and arrangements and market approach options.** The borrowers will use the selection methods and arrangements and market approach options in accordance with the Procurement Regulations. Open National Market Approach is a competitive bidding procedure normally used for public procurement in the country of the borrower and may be used to procure goods, works, or non-consultant services, provided they meet the requirements of paragraphs 5.3 to 5.6 of the Procurement Regulations. The thresholds for particular market approaches and selection methods and the World Bank's prior review thresholds are indicated in table 2:



Table 2.4. Thresholds,^a Procurement Methods, and Prior Review

No.	Expenditure Category	Contract (C) Value Threshold ^a [eq. US\$]	Selection Methods and Arrangements and Market Approach Options	Contracts Subject to Prior Review/[eq. US\$]
2	Goods, IT, and non-consulting services	$C \geq 500,000$	Open Competition International Market Approach	$\geq 2,000,000$
		$100,000 < C < 500,000$	Open Competition National Market Approach	None
		$C \leq 100,000$	Request for Quotations	None
3	Consultant firms	All values	a. Quality- and Cost-Based Selection (QCBS) b. Selection Based on a Fixed Budget (FBS) c. Least Cost-Based Selection (LCS) d. Quality-Based Selection (QBS) f. Direct Selection	$\geq 1,000,000$
		Selection Based on Consultants' Qualifications (CQS): $C \leq 300,000$	e. Selection Based on Consultants' Qualifications (CQS)	
4	Selection of individual consultants	All values	All approaches	$\geq 300,000$

Note: The thresholds are for all countries unless indicated otherwise for specific items.

a. These thresholds are for the purposes of the initial Procurement Plan for the first 18 months. The thresholds will be revised periodically based on re-assessment of risks. All contracts not subject to prior review will be post reviewed. The short list may comprise entirely national consultants, if the assignment is below US\$100. In case of engineering and construction supervision, this threshold is below or equal to US\$200

Environmental and Social (including safeguards)

31. The proposed project is a TA grant that will finance consultancy services and equipment but will not involve any civil works or other activities that are likely to involve land-take or have adverse environmental impacts. Consequently, no environmental or social safeguards are triggered.

32. The project is expected to have a positive social impact through its strong emphasis on citizen engagement in priority sectors, budget execution, and the engagement of CSOs in both service delivery and national budget monitoring. It is expected to increase public awareness of budget issues and budget literacy through the dissemination of the citizens' national budget, as well as improve feedback from the poor and vulnerable and marginalized groups and regions with respect to quality and accessibility of services



Monitoring and Evaluation

33. A set of indicators to be monitored and documented to assess performance and progress toward meeting the project objectives are described in the Results Framework (RF) in Section VII (Results Framework and Monitoring). There is an overall RF to measure progress of each component with customized annual targets. Results will be reported annually in the Implementation Status Reports (ISRs). PCU M&E specialist will lead the monitoring and evaluation of the project implementation. As noted in Section VII, most indicators rely on existing tools of the implementing entities for evaluating compliance and progress to minimize the burden of data collection. Data sources are mentioned in the section VII and the PCU M&E specialist will establish a mechanism for ensuring the quality of the data.

34. M&E in OTR has been developed as a tool for results-based management, to ensure that data and information on the project's progress—or lack of progress—toward the outcomes under the Results Based Financing and that corrective measures can be taken in time if necessary.

35. **Monitoring and Evaluation Activities.** Monitoring and Evaluation activities will: (i) generate information on the project's progress; (ii) analyse and aggregate data generated at the national, and sectoral levels; and (iii) document and disseminate key lessons to users and stakeholders across implementing entities together with the coordination function of the PCU. The project-level M&E will draw on and strengthen implementing entities systems to monitor results and needs across beneficiaries, consistent with the PFM Reform unit mandate. The project will put special emphasis on mapping project interventions and results and overlay with key development indicators.

36. **Planning for Monitoring & Evaluation Use.** The implementation of the M&E framework will be tracked during implementation, and will be a central part of project supervision. The opportunity of the mid-term review will be used to also assess some fundamental M&E design issues, and make adjustments accordingly. There will be a strong results-orientation during supervision, with adequate attention devoted to progress with data collection, data quality and the actual use of data in tracking project implementation in Aide Memoires and Implementation Status Reports (ISRs).

37. Annual review meetings, organized under the joint review of the PFM reform strategy would provide a forum for sharing implementation experiences, proposing recommendations on programmatic changes, and generating additional demands for information and analysis. The opportunity of the Mid Term Review will be used proactively to: (i) assess progress to date and continued relevance/realism of the targets; (ii) review the experience with definition of indicators, data collection systems, analysis, and other methodological aspects.

Role of Partners (if applicable)

38. **An implementation support strategy has been developed in Annex 3 as part of the design of the project** to enable the World Bank and EU task team members to proactively facilitate Togo's implementation of the project. On a semiannual basis, the World Bank and EU task teams will conduct thorough implementation review and support missions whose terms of reference will include guidance and technical advisory support to the various implementing entities under the project across all components, subcomponents, and activities. Between the formal semiannual implementation reviews, specialized advice on issues related to the overall development objective of the project will also be provided to the MEF and the various implementation teams.



The task team members will respond to any challenges they may face and provide ample guidance accordingly. The task team members will also follow up on the status of implementation of agreed actions, geared to delivery of results that will constitute a cardinal focus of all implementation support missions.



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY : Togo TOGO Economic Governance

1. **Background.** The World Bank has some responsibility through its task teams to provide adequate implementation support to the project. Such support will aim at helping the Government increase the development impact of the project through (a) improved results, (b) better implementation and risk management, and (c) increased institutional development while ensuring compliance with Financing Agreements of the operation.
2. As such, implementation support will revolve around two main dimensions:
 - Providing high-quality technical advice by which the World Bank brings added value to the Government through providing TA and policy advice on capacity-building activities, which could lead to improved results at the project level or the sector being supported by the project.
 - Compliance oversight by which the World Bank will monitor and provide advice as necessary to the Government, to implement the project with due diligence to achieve its intended development objectives in conformity with the project's Financing Agreement.

Strategy and Approach for Implementation Support

3. **An implementation support strategy has been developed as part of the design of the project** to enable the World Bank and EU task team members to proactively facilitate Togo's implementation of the project. On a semiannual basis, the World Bank and EU task teams will conduct thorough implementation review and support missions whose terms of reference will include guidance and technical advisory support to the various implementing entities under the project across all components, subcomponents, and activities. Between the formal semiannual implementation reviews, specialized advice on issues related to the overall development objective of the project will also be provided to the MEF and the various implementation teams. The task team members will respond to any challenges they may face and provide ample guidance accordingly. The task team members will also follow up on the status of implementation of agreed actions, geared to delivery of results that will constitute a cardinal focus of all implementation support missions.
4. The implementation support team will focus on critical risks to achieving the project results and how those risks can be managed through monitoring or addressed during implementation. Specific risks they will address will revolve around the following factors:
 - Stakeholder risk factors to maintain reform momentum, collaboration across ministries and other implementing agencies and with civil society, and consensus on important reforms and areas of additional assistance during project implementation.



- Operating environment factors such as risks posed by a country's politics, governance, or economic or fiscal issues. Further, the team members will also focus on ownership, commitment aspects, and governance issues at the sectoral level.
- Implementing agency factors such as project management capacity, adequacy of arrangements to monitor and evaluate progress, and agility to quickly respond to capacity support needs of key ministries and agencies with responsibility for driving sector and subcomponent level results.
- Project design factors such as nature and size of project activities, project technicality, policy and institutional complexity, degree of innovation, and the degree of project decentralization.

5. Apart from the EU and the World Bank's semiannual review missions in the field, the regular implementation support visits by the task team leader and other specialist members of the task team, the following will serve as the basis of the arrangement and approach for supporting the implementation of the project.

- A full-time in-country assignment of a qualified and experienced World Bank staff assisted by other staff with deep country knowledge will be made based at the World Bank office. He/she will provide continuous support and guidance to the project implementing agencies and strengthen the World Bank's oversight of compliance with the implementation covenants. The individual will also serve as the point of contact for, and coordination interface with, the Togo counterparts on project-related issues and represent the task team leader at coordination meetings between the donor partners as part of the donor PFM working group. He/she will also serve as facilitator of the dialogue between the Government, the World Bank, and the EU, and the Government on issues related to the areas covered by the project.
- Regular technical meetings arranged when necessary, by audio and video conference between formal missions, between the Togo counterparts and the task team and the EU will be put in place to discuss matters affecting implementation risks and bottlenecks, enhanced by continuous communication between Government counterparts and the World Bank.
- Regular one-to-one interactions between in-country task team members and the implementing agencies to cater to ad hoc support requirements will be put in place.
- Synthesis of feedback on the outcome of meetings of Togo's SP-PRPF Steering Committee will also be put in place.
- Prior reviews of procurement actions falling within the threshold as determined in the Procurement Plan as well as recurring reviews of procurements subject to post review will be conducted.
- Regular reviews of M&E reports and milestones achieved will also be put to use.
- IFRs and progress reports and annual audited financial statements of the project will also be used to discern progress and risks and where action is required.



6. All these arrangements will be further strengthened through the World Bank's enhanced implementation support of the project by a team of well-qualified and experienced professionals, including consultants, in the areas of citizen engagement and PFM, working on the World Bank team.

7. The implementation support strategy also recognizes the need to exercise reasonable flexibility during project implementation, allowing for fine-tuning of the scope, pace, and substance of the reforms or support activities in response to changing circumstances. Such changes will be agreed between the World Bank and EU team and the Togo counterparts bearing in mind the objective of achieving the PDO and achieving sustainable outcomes.

8. As part of the implementation, governance, and coordination arrangement designed under this project, a Project Implementation Manual will be prepared which will facilitate the implementation of this project. The manual will articulate the rules and guidelines, responsibilities, and roles of all key stakeholders, as required for effective implementation of the project. The MEF will, before each formal World Bank task team implementation support mission, provide a comprehensive progress report on the project's activities, results attained as well as an updated annual work plan, budget, and Procurement Plan consistent with the project work plan and related costs as agreed at the outset. Lessons learned from the previous projects' implementation call for more intensive supervision and client support during, at least, the first 24 months of project implementation. This will be preceded by a launch workshop where the expectations and final articulation of the approved project design, rules, and guidelines will be disseminated to all stakeholders and implementing agencies.

Specific Responsibilities

9. On the Government side, arrangements will be made to kick-start management of risks and assist with implementation by

- Establishing organizational arrangements, including adequate FM systems, and
- Appointing key staff and consultants.

10. On the World Bank side, the task team will also attempt to

- Closely monitor performance of actions implemented by Togo to strengthen the FM system and provide technical advice based on relevant international experience on ways to carry out needed improvements;
- Organize training events on relevant topics for key staff working on the project; and
- Support analytical work that could lead to better institutional performance in the long run.

11. To maximize resources provided for implementation support, the World Bank and EU task team will take advantage of its strategic alliances in Togo to leverage opportunities for its implementation support efforts by doing the following:

- Involving project beneficiaries in verifying project outputs where necessary



- Establishing transparent, accessible complaint and dispute resolution mechanisms
- Involving other development partners to organize more site visits, collaborate on project reporting, or share the provision of TA where necessary

12. Coordination among the development partners will also be key to achieving complementary results on the ground. The development partners have already formed a coalition through an existing PFM Donors Group whose role has been, among others, to harmonize and align their reform interventions to avoid duplications, sequence their support within the overall framework as defined in the holistic PFM Actions Plan, and share information on all facets of their respective country programs affecting economic governance to assist optimize results and bring about change.

13. Sustaining high-quality implementation support throughout the project life will be critical to assuring the achievement of outcomes (not merely outputs) within the project's five-year implementation period. The task team will be led by vastly experienced and seasoned professional in economic governance and citizen engagement staff and will have a skill mix that is adequate and draws on a rich tapestry of world-class knowledge on the various subjects relevant for implementation support of this TA project. The team will include Governance Public Sector Specialist, PFM Specialist, Tax Specialist, M&E Specialists, and FM and Procurement Specialists—all with experience in supporting governance projects in environments like Togo and beyond.

Frequency of Procurement Implementation Support

14. In addition to the prior review as indicated in the Procurement Plan, the preliminary capacity assessment of the implementing agencies recommended supervision missions to visit the field twice a year and to carry out post review of procurement actions once annually.

Financial Management

15. Based on the outcome of the FM risk assessment, the following implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout its life.

Implementation Support Plan and Resource Requirements

Table 3. 1. FM Activity and Frequency

FM Activity	Frequency
Desk Reviews	
IFR review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports	Continuous as they become available
On-site Visits	



Review of overall operation of the FM system (Implementation Support Mission)	Two per year
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audits, and other reports	As needed
Transaction reviews	As needed
Capacity-building Support	
FM training sessions	During implementation and as and when needed

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months		FAR/PSI	18 staff weeks	Implementation Support
12-48 months		FAR/PSI	12 staff weeks	DLIs monitoring
Other				

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
PFM and Public Sector Specialists	18	2 per year	

Partners

Name	Institution/Country	Role
European Union	Togo	Donor



Annex 4: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

DLIs	Target ¹³	Amount Allocated (US\$)	Amount in SDR ¹⁴	Indicative timeline for DLI achievement-planned disbursements				
				Year 1 (2018)	Year 2 (2019)	Year 3 (2020)	Year 4 (2021)	Year 5 (2022)
DLI 1: Increase in tax revenue assessed through audits	DLI 1.1: full automation of cross-checking of taxpayer returns for VAT and customs declarations	500,000	355,000	500,000				
	DLI 1.2: 15 percent of OTR qualified operational staff who are deployed for field audits	500,000	355,000		500,000			
DLI 2: Increase in registered and filing taxpayers in Lomé	DLI 2.1: Completion of general taxpayer census in Lomé	500,000	457,000		500,000			
	DLI 2.2: Increase in registered taxpayers by 15 percent (PDO indicator)	1,000,000	710,000			1,000,000		
	DLI 2.3: Increase in filing by income taxpayers with a turnover exceeding	500,000	355,000					500,000

¹³ Targets will be met by December 31st of each year.

¹⁴ US\$1 = SDR 0.70981389 as of March 31st, 2016



DLIs	Target ¹³	Amount Allocated (US\$)	Amount in SDR ¹⁴	Indicative timeline for DLI achievement-planned disbursements				
				Year 1 (2018)	Year 2 (2019)	Year 3 (2020)	Year 4 (2021)	Year 5 (2022)
	10 million CFAF by 30 percent							
DLI 3: An increase in taxpayer satisfaction	DLI 3.1: Set up an electronic system of taxpayer filing and documentation	500,000	355,000			500,000		
	DLI 3.2: Reduced average length of time to address taxpayer requests from 12 days to 6 days	700,000	395,000				700,000	
	DLI:3.3: Increased satisfaction of large taxpayers with the responsiveness of OTR from 43.8% to 60% (PDO indicator)	800,000	568,000					800,000
	Total Financing Allocated	5,000,000	3,550,000	500,000	1,000,000	1,500,000	700,000	1,300,000



Annex 5: Results Chain

Togo: Economic Governance Project (P158078)

The PDO is to improve public investment management, domestic revenue mobilization and public accountability and monitoring mechanisms for better service delivery in priority sectors.

Long-term Outcomes	Medium-term/Short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
Enhanced public investment efficiency	<p>Component 1: Public Investment Planning and Execution</p> <ul style="list-style-type: none"> Improved alignment of PIP with medium-term budget framework Systematic use of economic and cost-benefit analysis for appraisal of major public investments including PPPs Strengthened linkage between planning, multiyear budgeting, and annual budget Enhanced budgeting processes and procedures for capital investments Professionalization of the procurement function Reduced delays in procurement and payment Enhanced procurement and cash management processes and procedures 	<p>Subcomponent 1.1: Enhancing Planning of Public Investments including Public-Private Partnerships</p> <ul style="list-style-type: none"> High-quality Public Investment Plan used as a multi-year planning tool in line with the sectors' DPPD Transparent PPP selection and supervision framework Projects selected based on objective criteria including the results of feasibility studies Increased number of projects appraised according to PIM appraisal guidelines Pipeline of mature projects eligible for PPP 	<ul style="list-style-type: none"> Support for effective coordination of investment planning between sectors, and planning and budget units Development of tools for the management of public investments Elaboration of a PIM including selection criteria Standardized analysis of cost-benefits of projects to be considered Support for improved monitoring of investment projects Support for sustainable professional development system to increase the number of planning and public investment professionals Support to set up a framework for transparent selection and supervision of PPP 	US\$3.06 million



Long-term Outcomes	Medium-term/Short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
		Subcomponent 1.2: Ensuring Selection and Budgeting of High Quality Public Investments <ul style="list-style-type: none"> • Strategic allocation of resources (budgeting mature, high-quality, high-priority projects) • Budgeting system that secures medium-term investments - AE and payment allocations • Enhanced budgeting processes and procedures for investments 	<ul style="list-style-type: none"> • Support for identification of a pipeline of mature projects • Development of tools to secure the funding of investment projects • Support for development of PAP, annual work programs, Procurement Plans, cash flow plans, and annual performance reports of priority sectors • Support for adapting the information management system to the new requirements of program budgeting and devolution of commitment authority 	US\$1 million
		Subcomponent 1.3: Enhancing the Implementation of Public Investments <ul style="list-style-type: none"> • Functional procurement units in target sectors • Procurement Code and implementing texts revised • Increased number of procurement professionals • Improved cash management and cash flow forecasting 	<ul style="list-style-type: none"> • Development and dissemination of techniques and procedures for the use of new procurement tools • Development of information tracking systems within the contracting authorities to speed up the procurement process • Establishment of procurement compliant review and auditing mechanisms • Support for certification process to professionalize the procurement function • Development of cash management tools and cash flow forecasting 	US\$2 million



Long-term Outcomes	Medium-term/Short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
Increased fiscal space	Component 2. TA and Results Based Financing for Domestic Revenue Mobilization <ul style="list-style-type: none"> Strengthened tax policy formulation and legal framework for revenue collection Enhanced compliance management, revenue risk analysis, and enforcement capacity by the OTR Widened tax base Increased voluntary taxpayer compliance 	Subcomponent 2.1. Strengthening Capacity for Tax Policy <ul style="list-style-type: none"> Reduction of national tax instruments Rationalization of tax exemptions and tax expenditures Tax Code and implementing texts adopted and disseminated Improved field capacity to implement risk-based tax audits 	<ul style="list-style-type: none"> Review of the fiscal incentive policy Support for simplification of the tax system Assessment of all para-fiscal charges Review of risk areas for the erosion of tax base linked to international taxation Targeted training for staff in the Policy Unit covering revenue forecasting and economic impact assessments 	US\$2.2 million
		Subcomponent 2.2. Broadening Tax Base through Improvements in Tax Administration <ul style="list-style-type: none"> Increase of registered taxpayers and regular income taxpayers Automated cross-checking of taxpayer returns for VAT and customs declaration Increased audit efficiency 	<ul style="list-style-type: none"> Support for the registration campaign Support for integration of customs and tax information for a joint tax and customs audit activity and an integrated risk analysis Support target capacity building for auditors (sector-specific audits, valuation approaches, and management of exemptions) Setting up of an electronic system of taxpayer filing and documentation 	US\$3 million
		Subcomponent 2.3. Enhancing Taxpayer Services to Promote Voluntary Compliance	<ul style="list-style-type: none"> Support to establish a baseline for the level of satisfaction of taxpayers Support for implementation of action plans resulting from the 	US\$2. million



Long-term Outcomes	Medium-term/Short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
		<ul style="list-style-type: none"> Institutionalized feedback mechanism to address taxpayer grievances 	surveys to address taxpayer grievances and survey results <ul style="list-style-type: none"> Development and implementation of a targeted outreach and information campaign 	
Improved public accountability service delivery in priority sectors	Component 3: Citizen Engagement and Public Accountability in Budget Processes and Priority Sectors <ul style="list-style-type: none"> Increased internal and external audit capacity Improved parliamentary budget oversight CSOs' capacity to analyze budget data enhanced Institutionalized citizen feedback mechanisms in priority sectors 	Subcomponent 3.1: Strengthening Capacity of Formal Oversight and Accountability Institutions <ul style="list-style-type: none"> Increased capacity of formal oversight bodies to conduct high-quality and timely financial audits Effective implementation of audit recommendations Improved budgetary oversight capacity of the Parliamentary Finance and Economic Development Committee 	<ul style="list-style-type: none"> Risk mapping of target sectors Implementation of risk base approach and execution of multiyear strategic audit plans Support the elaboration and implementation of the strategic plan of the newly created CdC TA to support Inspector General of Finance on internal audits Support for training and study tours of the Commission of Finances to implement new PFM regulations 	US\$1.3 million
		Subcomponent 3.2: Strengthening Civil Society Engagement in the Budget Process <ul style="list-style-type: none"> Increased Government capacity to provide transparent and easily accessible data to the public Increased civil society capacity to analyze macrobudget and sectoral budget data 	<ul style="list-style-type: none"> Support the elaboration and dissemination of citizens' budget Training for CSOs and the Government on the use of BOOST Support capacity-building activities for the CSOs in budget tracking and monitoring of budget execution 	US\$0.56 million
		Subcomponent 3.3: Citizen Engagement in Priority Sectors	<ul style="list-style-type: none"> Development of citizen report cards 	US\$2.12 million



Long-term Outcomes	Medium-term/Short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
		<ul style="list-style-type: none">Increased evidence-based feedback on quality and accessibility of key services in health, education, water, and sanitationFramework for citizen and CSO dialogue on services with ministries and other service providers	<ul style="list-style-type: none">Design and implementation of a framework for discussion and dissemination of report card resultsCompetitive grants to implement innovative proposals and methodologies for monitoring of budget execution, services, open contracting in sectors, and so onTools developed to support action planning between the Government and CSOs to address service delivery challenges	



Annex 6: Parallel Financing Arrangements with EU under Economic Governance Project

1. The Economic Governance Project provides for elaborate collaboration between the Bank and the European Union. Specifically, the project will closely coordinate the support provided from the EU (parallel funding).
2. EU Financing. The EU contribution will be managed by the Bank, and transferred to the GoT through Designated Account managed by the PCU in addition to a portion which will be directly executed by the Bank.
3. EU Financing Arrangements. A trust fund agreement between the Bank and the EU under the existing framework agreement in support of the Economic Governance Project will be established before March 31, 2018 to provide administrative arrangements for the transfer of funds from EU to the Bank and then to the DA to be opened at the PCU and dedicated for EU funds. The trust fund is required to make it possible to finance Components 1, 3 and 4 of the project, which uses institutional and implementation arrangements described in annex 2. The EU will also contribute to the results-based financing (RBF), that links disbursements to the achievement of agreed-upon performance indicators (DLIs). More specifically EU will finance the electronic archiving of taxpayer files and easy access to the documentation online. Specific activities will include (i) consolidation of all the tax documentation in a unique platform, (ii) user-friendly online access to the system by taxpayers and interaction with the OTR, and (iii) tracking system for mail and taxpayer requests. The DLI 3.1 and 3.2 (which has a target to reduce the length of time to address taxpayer requests from 12 days to 6 days) are linked to EU contribution to the RBF.
4. The Bank will have the fiduciary responsibility for the funds provided by EU as per existing World Bank-EU framework agreement arrangements. By managing the funding made available by the EU, the Bank will also ensure (i) the timely and reliable transfer of funds to the Government in accordance with the principles of the economic governance project, and (ii) the necessary fiduciary oversight of the resources through financial reporting, auditing and additional project audit as per Bank policies.
5. An implementation support strategy has been developed as part of the design of the project to enable the World Bank and EU task team members proactively facilitate Togo's implementation of the project. On a semiannual basis, the World Bank and EU task teams will conduct thorough implementation review and support missions whose terms of reference will include guidance and technical advisory support to the various implementing entities under the project across all components, subcomponents, and activities. Between the formal semiannual implementation reviews, specialized advice on issues related to the overall development objective of the project will also be provided to the MEF and the various implementation teams.



Annex 7: Donors Support Matrix on Economic Governance Reforms

Togo: Economic Governance Project

	Ongoing Activities	Activities Planned	Donors	Budget
Fiscal consolidation	Support fiscal consolidation, debt management and cash management, an audit of stock of expenditures arrears including SOEs' arrears, and a repayment plan	—	IMF Extended Credit Facility approved in May 2017	US\$241.5 million
Budget credibility and comprehensiveness	—	Support planning of public investment, budget preparation, and execution in line with WAEMU Directives and Debt management	EU/IMF EU/World Bank	US\$2.22 million US\$ 4.0 million
Domestic revenue mobilization	Support the modernization of the information system of the OTR (Revenue Mobilization and Institutional Capacity Building Project)	—	African Development Bank	Not disclosed
		Strengthen the capacity of the Tax Policy Unit and support administrative measures of the OTR to broaden tax base and taxpayer service to promote voluntary compliance	World Bank/EU	US\$7.2 million
Policy-based budgeting		Support budget programs and capacity building	EU/IMF	Not disclosed
		Support budget processes in priority sectors	World Bank	US\$2.5 million
Predictability and control of budget execution and reporting		Strengthen budget execution processes; enhance the performance of the internal oversight systems, through an operational internal audit function.	World Bank/EU	US\$2.06 million



	Ongoing Activities	Activities Planned	Donors	Budget
		Support the Government in better handling of the procurement function and cash management.		
	—	Develop capacity of civil society in the budget process.	World Bank/EU	US\$0.56 million
	Improving legal framework and strengthening capacity of formal oversight and accountability institutions	Strengthen the capacity of IGF and CdC to conduct high-quality and timely financial audits and effective implementation of audit recommendations. Build capacity of members of the Parliamentary Finance and Economic Development Committee	EU World Bank	Not disclosed US\$1 million
External audit and citizen oversight	—	Capacity building of CSOs to introduce evidence-based feedback on quality and accessibility of key services in education, health, and water supply and sanitation	World Bank/EU	US\$2.12 million



Annex 8: Bank Engagements Complementary with the Project

Togo: Economic Governance Project

Sector	Project ID	Project Name	Status (Board Approval Date)	Activities or Reforms Planned
Macroecomics and Fiscal Policy Management	P159844	Togo Fiscal Reform Credit (DPO)	Pending (December 2017)	Fiscal management and public spending efficiency strengthening through (i) enhanced/leadership role of the MEF on tax policy design; (ii) implementation of tax reforms aimed at streamlining/simplifying the taxation system and reducing tax exemptions; (iii) improvement in the tax collection performance of the OTR; and (iv) improvement in the management of the PIP through transparent and efficient decision-making mechanisms. Promotion of the sustainability and efficiency of the electricity sector through (i) restoring the financial viability of the energy sector and (ii) identifying the priority projects. Promotion of increased access and more competitive pricing in the information and communication technology sector through (i) restructuring Togo Telecom and TogoCell, (ii) strengthening the regulatory framework, and (iii) increasing competition in the provision of Internet access.
Trade and Competitiveness	P158982	Trade and Logistics Services Competitiveness Project	Active (May 4, 2017)	The project aims at helping Togo implement the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO) to achieve higher-quality trade logistics services, further improve customs processing services to compliant traders and logistics services providers, promote stakeholders' dialogue, and improve governance. Component 2 will provide support for the implementation of the WTO's TFA for the improvement of the enabling environment to achieve higher-quality trade logistics services, including the necessary support to enhance the efficiency of the customs administration (OTR) and other border and trade management agencies to improve overall trade facilitation. The Economic Governance Project focuses on the non-customs revenue (mainly taxes) side of the OTR's mandate.

