PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)

CONCEPT STAGE

Report No.:PIDISDSC19439

Date Prepared/Updated: 18-Jul-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Togo	**Project ID:**	P158078
		Parent Project ID *(if any)*:	
Project Name:	Economic Governance Technical Assistance (P158078)		
Region	AFRICA		
Estimated Appraisal Date:	29-May-2017	**Estimated Board Date:**	21-Aug-2017
Practice Area (Lead):	Governance	**Lending Instrument:**	Investment Project Financing
Borrower(s)	Ministry of Economy and Finance		
Implementing Agency	Ministry of Finance		
Financing (in USD Million)			

Financing Source	**Amount**
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	15.00
Total Project Cost	15.00

Environmental Category:	C-Not Required
Concept Review Decision:	Track II - The review did authorize the preparation to continue
Is this a Repeater project?	No
Other Decision (as needed):	The proposed operation is a five-year technical assistance grant which seeks to ensure public investment efficiency and domestic revenues mobilization by strengthening institutional capacities and accountability. Closing persistent implementation gaps require involving key stakeholders in the identification of problems and having them work together to build long-term solutions. To this end, the project will put a high premium on consensus building and the Rapid Results Initiative approach in the implementation. This is particularly critical in a low-capacity environment in ensuring that implementing units receive the necessary support to achieve expected results. Transparency and accountability will also be greatly promoted.

B. Introduction and Context

Country Context

Togo is one of the smaller Sub-Saharan West African countries. It has an estimated land surface area of 56 600 square km and shares borders with Ghana to the west, Burkina Faso to the north, and Benin to the east. Its population is estimated at 6.2 million with an annual population growth of about 2.6 percent. The country has started evolving into a multi-party democracy, having transformed its political system from one-party rule under Gnassingbe Eyadema's 38 years rule.

Togo recorded strong economic performance in the first two decades after its independence in 1960, but is now among the poorest countries in the world. Since 1980, when Togo's real income per capita peaked, the country has fallen behind many previously poorer countries in terms of living standards and social indicators, including Ghana directly to its west with its level of GDP per capita almost three times that of Togo. Togo's ranking in the UN's Human Development Index has fallen from 95th in the world in 1980 (among the 124 countries with data in that year) to 166th out of 187 countries in 2013, and extreme poverty ranks among the highest in Africa at over 52 percent (measured at $1.25 per capita consumption per day in 2005 PPP dollars).

Beginning in the late 1970's, Togo's political system evolved into a military-supported autocracy and its economic governance deteriorated markedly. Togo's economic expansion of 7 percent per year between independence to 1980 was driven by prudent economic policies, high international prices for coffee and cocoa, expansion of phosphate mining, and open trade. Political and economic shifts introduced in late 1970's led to a pattern of narrowly based, state-led growth spells, followed by periods of fiscal crisis. Structural adjustment measures, introduced in the eighties to deal with the collapse of commodity prices and increased debts, briefly restored economic growth.

In 1990, the advent of the multi-party democratic movement that swept through Africa led to a long political deadlock that paralyzed Togo for more than a decade. The lack of a global political accord and consensus between President Gnassingbe Eyadema's regime and the opposition perpetuated tensions and civil strife in the country. Civil liberty and democracy were strongly curtailed as the regime sought to maintain by all means the status quo and not give up or share power as was happening in neighboring countries. As a consequence, multilateral donors withdrew their support and kept Togo in isolation, all which led to a severe disruption of normal functioning of institutions, mounting arrears, extra-ordinary financing, and mismanagement of state enterprises. Average real GDP per capita growth declined by 1.7 percent in the period 1991-2005

In 2006, following the death of President Gnassingbe Eyadema, the leading political elites reached a global political accord which paved the way to a parliamentary election in 2007 and donor reengagement. Since then, a semblance of multi-party elections have been held, and a somewhat more inclusive political system and open economy regime is taking place.

Sectoral and Institutional Context

To make up for the long period of economic decline, Togolese authorities have elaborated a Strategy for Accelerated Growth and Employment Creation, better known by its French acronym SCAPE (Stratégie de Croissance Accélerée pour la Promotion de l'Emploi) that puts a strong emphasis on economic infrastructure renewal. Inadequate infrastructure is viewed as the major binding constraint for growth. The Government has thus launched the development of a number of key transformational projects including transportation (the expansion of the port of Lomé, the transport corridors to Ghana, Benin and Burkina Faso, the rehabilitation of the airport, the railway); energy (the Adjarala dam);

telecommunications; water; financial and telecommunication services.

Public investments have skyrocketed and are now the most important budgetary outlay. The budget for investment jumped from 3.4 percent of GDP in 2009 to 11.2 percent in 2013. Yet, low budget execution rates of normal public investments, outside the extra-ordinary pre-financing scheme for priority projects which have much higher execution rates , suggest the presence of inefficiencies in public investment that imply that investment does not fully translate into effective public capital because of leakages and capacity constraints. Togo's budget execution rate has been falling remarkably, declining from 72% in 2008 to 61 % in 2010, and to 66 percent in 2011. The rate of capital expenditure implementation was 52% in 2008, which increased to 61% in 2010, and 64% in 2011.

To improve efficiency of public investments and ensure value for money, the Government has requested a technical assistance from donors. It is in this context that a joint IMF-World Bank team recently conducted a public investment management assessment (PIMA) of Togo, which revealed areas of severe weaknesses related to multi-annual programming, project appraisal, project selection, multi-year protection of investment credits, funding availability, transparency and speed in the execution of public contracts. Key recommendations for improvement were proposed and reflected in an action plan with short and medium-term targets.

Public investment efficiency in Togo is low. The difference in efficiency of Togo compared to the best performing countries is around 70%. This implies that about two thirds of the potential impact of investment in the country is lost in the public investment process. The Government clearly wants to address the issue of public investment inefficiency especially in the face of rising indebtedness. Whereas following HIPC and MDRI debt relief in 2010 total debt was reduced to 32.1 percent of GDP, it had reached 58.4 percent of GDP in 2014 and is expected to total 62.5 percent at end-2015.

To reduce its strong reliance on borrowing and continue supporting its ambitious investment program, the Government has sought to strengthen its domestic revenues collection and management. Thus, it set up in 2012 the Togolese Revenue Authority (OTR), which now integrates the Tax General Directorate (DGI) and the Customs General Directorate (DGD) into a single institution. OTR has realized relative success in increasing domestic revenues, which have reached the tax/GDP ratio of 21% in 2015 from 18.8% in 2013. Yet, there are still many challenges that hamper OTR's performance, particularly the narrow tax base, low recovery of VAT, underperformance of customs and low tax payment by state own enterprises. Addressing these constraints will certainly greatly enhance domestic revenue mobilization. The Government has thus sought technical assistance from donors in this regard.

Togo suffers persistent limited outcomes of public services, resulting in part from structural weaknesses in the budget process and prevalence of corruption in the public sector. As highlighted by the 2016 PEFA and PEMFAR report on Togo, public expenditures are poorly prioritized, and failures in public services are manifested in inadequate investments in key sectors like agriculture, health and electricity, with consequences for the well-being and equality of opportunity of 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 budget. Reporting on budget execution and performance are inadequate and there is limited opportunity for citizens' participation in the budget process. Budget controls are ineffective due to inadequate mechanisms to promote effectiveness of budget and weak capacity of control institutions. This problem is exacerbated by inadequate formal mechanisms for public participation in policy process, particularly in monitoring the delivery of public services.

Over the last several years, the Government has implemented reforms to improve accountability and oversight of public finance management. The elements of these reforms include the publication of quarterly budget execution reports and procurement newsletter, and the creation of oversight bodies such as the Court of Accounts and the Office of the General Inspector of Finances (IGF- Inspection Générale des Finances). The Government has also established institutional arrangements for coordinating, monitoring, and evaluating its development policies, through (i) the National Council for Overseeing Development Policies; (ii) the Technical Secretariat of the Poverty Reduction Strategy; (iii) Sector Committees; and (iv) regional and local participatory monitoring committees. Despite these efforts, monitoring the management of public resources is severely constrained by limited access to disaggregated government expenditure and weak operational effectiveness of the internal and external national oversight institutions.

Corruption also affects greatly effective implementation of reforms in Togo. Corruption is on the rise 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), scoring 29 out of 100. Corruption in Togo's public sector is perpetuated by poor transparency and weak institutional capacity, which are manifested in poor formulation and implementation of public policies. Government's recent programs aimed at fighting corruption have focused on awareness-raising activities and independent audits of government agencies, resulting in increased number of corruption allegations presented to the court. But there has been no prosecution or indictment. The Government has created a national anti-corruption commission, but the agency lacks capacity and authority to bring sanctions. The proposed project will assist the government to improve public accountability, by improving capacity of key institutions and promoting greater transparency in public resource management.

As requested by the Government, the proposed operation would help to ensure public investment efficiency, higher domestic revenue collection, and stronger accountability. These areas of intervention are critical for economic growth and long-term fiscal sustainability, and are consistent with the findings and recommendations of the recently conducted Togo Systematic Country Diagnostic (SCD). Togo faces key constraints in governance, and high and distortionary taxation for achieving sustained economic growth and poverty reduction.

Key Constraint 1 of the SCD is that Togo's system of governance has not evolved in a manner that is conducive to strong accountability to all sectors of the Togolese population. The system of governance results in the inter-related problems of weak control of corruption and low government effectiveness in formulating and implementing policies towards private economic activity, poor fiscal governance, and low government effectiveness in setting priorities for and delivery public goods and services. Thus the focus on improving public investment efficiency is consistent with Pathway 3 of the SCD, which is about improved value for money in the provision of public goods.

High and Distortionary taxation (Binding Constraint 4) creates a major barrier to investment, formalization, firm growth, and thus to increasingly productive employment. The tax base remains narrow, with only 20 companies paying two-thirds of corporate tax revenue. Because the burden of enterprise taxation falls on a small part of the economy, it represents a severe distortion for the perspective of an actual or potential formal enterprise. Broadening the tax base would lead not only to high domestic revenue collection, but also to an alleviation of the high tax burden, which currently appears to fall, directly or indirectly, on the poor.

As highlighted in the SCD, two sectors in which investment programs and reforms have the potential to biggest impact for the achievement of twin goals in Togo are: agriculture and health. Agriculture is the primary activity for over half of the country's working population and employs the vast majority of the poor. Yet, Togolese agriculture suffers severely from variants of the constraints of the wider economy arising from weak policy formulation and implementation, onerous taxation, and inefficient and limited investments. Regarding the health sector, which is critical for well-being and accessing life's opportunities, the results are poor relative to spending. Although presenting less binding constraint than the health and agriculture sectors, infrastructure, in particular road and electricity, merit equal attention given the impact that they have on fiscal sustainability.

The Government has demonstrated commitment on some institutional reforms which have yielded relative success, especially in the business environment and domestic revenues mobilization. Togo was named a Top Reformer by Doing Business in 2015 for significant improvements in the costs of starting a business, registering property, protecting minority investors, and paying taxes, jumping from 164th in the rankings in 2014 to 152nd in 2015 and then to 150th out of 189 countries in 2016. Other steps to increase transparency have been taken recently and indicators of democratic governance have improved. For example, Togo's ranking in the Economist Intelligence Unit Democracy Index improved from 164th out of 167 countries in 2006 to 130th in 2015. Togo's recent efforts to reform its tax collection procedures appear to have resulted in improved integrity and transparency. An estimated 50 percent of firms filing tax declarations report an improvement in the clarity of procedures and obligations (with 15 percent saying they are worse). Hence, it is reasonable to expect that the Government will stay committed on the resources mobilization agenda and public sector efficiency. Yet, the challenges of control of corruption and accountability will nonetheless persist and shall call for more attention and creative support.

Relationship to CAS/CPS/CPF

The proposed project is directly relevant to the government's (i) National Strategy for Sustainable Development (SNDD—Stratégie Nationale de Développement Durable -2015-2030); (ii) SCAPE - 2013-2017; and (iii) the Public Financial Management Reform Action Plan

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The government's National Strategy for Sustainable Development seeks to strengthen the economic recovery, boost development of the social sectors and environmental and natural governance among others. The government's medium-term economic policy towards the attainment of the SNDD objectives is oriented toward new priorities, namely: (i) boosting growth; (ii) employment and inclusion; (iii) strengthening governance; (iv) reducing regional disparities and promoting grassroots development

The proposed project is aligned with the objectives of the government's National Strategy for Sustainable Development, the Strategy for Boosting Growth and Promoting Employment and the Public Financial Management Reform Action Plan. The component on public finance management aims to improve budget effectiveness and credibility and revenue performance, which are important conditions for sustaining economic growth and poverty reduction. The promotion of accountability contributes to improving the business environment

In the SCD just prepared by the Bank and which is guiding the design of CPF, strengthening economic governance is emerging as a fundamental priority for poverty reduction and shared prosperity in Togo. There is no CAS for the moment and the last ISN which was prepared in 2012 has a strong focus on PFM and governance improvement

C. Proposed Development Objective(s)

Development Objective(s) (From PCN)

The project development objective is to improve efficiency of public investment management, enhance domestic revenues mobilization,and accountability.

Key Results (From PCN)

The project development objective is to improve efficiency of public investment management, enhance domestic revenues mobilization, and accountability.

The expected key results of the project are as follows

(i) Improved investment budget execution
(ii) Improved internal revenues collection
(iii) Evidence of improved accountability and monitoring of public resources

D. Concept Description

The project development objective is to improve efficiency of public investment management, enhance domestic revenues mobilization, and accountability. As such, it has four components as described below:

Component 1: Public investment planning and execution (US$ 5.0 million)

Sub-component 1.1: Planning of public investments (US$2 million)

Enhancing due diligence in the selection of investment projects will ensure efficiency and effectiveness of capital expenditures. Weak institutional capacity and limited external "gate-keeping' mean that investment projects proposed for inclusion in the PIP are generally not sufficiently developed - they tend to be in the early stages of conception. Consistent with international good practice, project appraisals have to be independently reviewed, to confirm the integrity of the project appraisal and ensure value. Some of the activities envisaged by the project to address these issues include:

(a) Review of recently approved project investments to assess whether they are viable and have followed strict guidelines for their approval and funding. Following this review, recommendations will be made on projects continuation, restructuring, or closing down.
(b) Elaboration of a PIM manual to serve as a mandatory reference framework for the preparation and implementation of investment projects. The manual will include guidelines for conducting feasibility studies, preparing concept notes and carrying out appraisal, supervision, and contract management. It will also include guidelines and information on the vetting of projects, PIPs, and recurrent expenditures. There will be warnings and actions against ministries or units that fail to meet required PIM standards.
(c) Workshop and training programs on: (i) investment decision-making; (ii) project ranking and selection based on assessments of economic and social returns - a process that is critical for the optimization of finite budget resources, (iii) project restructuring and closing of under-performing projects; and (iv) project evaluation and audit, including performance auditing.
(iv) Capacity building on proper use of budget preparation tools introduced by the new budget law in order to secure adequate annual provisions for the selected investment projects. This should include fiscal strategy development and fiscal risks analysis and reporting linked to public investments especially regarding emerging financing mechanisms such as the PPP and the pre-financing mechanism

Sub-component 1.2: Enhancing the implementation of Public investments (US$3million)

Improving procurement units to reduce delays and boost the implementation rate of investment projects. This sub-component will target procurement units in the central Ministry of Finance as well as in key selected line ministries that carry out heavy investment programs. It will assure the advanced preparation of procurement plans (PPMs), annual work plan (PTAs), and credits consumption plans (PCCs) in time for the submission of the budget to Parliament. Active involvement of the General Directorate of Public Procurement (DNCMP) in the preparation of the budget will be emphasized and a practical guidance manual clarifying the roles and responsibilities of each layer of the procurement chain will be financed under the supervision of the Procurement Regulation Authority (ARMP). The following other activities are envisaged:

(a) Technical assistance to help project teams in selected line ministries to prepare PPMs, PTAs, and PCCs to be presented before submission of the Finance Law to the Parliament;
(b) Development of the electronic management of tender processes (e-procurement) as provided by the Procurement Law and introduction of a bidder pre-qualification process and a categorization of enterprises;
(c) Recruitment of short terms consultants who will help in strengthening the professional capacity of the selected procurement units (preparation of good bidding documents and quality improvement of evaluation reports);
(d) Support the setting-up of procurement strategy including the introduction in the procurement method of contract management mechanism for greater effectiveness; and
(e) Establishment of procurement compliant review and auditing mechanisms.

Component 2: Domestic revenue mobilization (US$ 5.0 million)

Sub-component 2.1: Support to the Revenue Authority

Enhancing tax and customs revenue mobilization by improving the operational capacity of the National Revenue Authority. Since other donors are financing the integrated revenue information system, the project will focus on the enhancement of operational capacity of OTR and revenue risks management in order to sustainably increase the tax to GDP ratio. So far, the good result achieved by OTR in increasing tax revenues has mainly resulted from the combination of these legal and regulatory changes: the increase of the corporate tax rate for industries to 29% from 27%; institution of a mandatory 1% sales tax and a 1% special tax on car sales. Going forward, the priority is now on enhancing OTR’s capacity to conduct and implement broader and more impactful tax policy and management reforms. The following activities are envisaged by the project:

(a) Broadening and enhancing reliability of the Tax Base by especially setting-up an urban national land register system for Lomé,
(b) Capacity building in the effective use of the supervisor module of SYDONIA WORD and the ASYPM module;
(c) Technical assistance for the rationalization in the use of customs surveillance agents for better results; and
(d) Feasibility studies to determine and probably support the return to Togo Customs Administration of some customs tasks that had been externalized such as customs value determination, transit and scanning operations.

Sub-component 2.2: Support to the Public Treasury in the collection of non-fiscal revenue
Over the recent years, collection of non-fiscal revenue was not efficient due to lack of appropriate

procedures and regulation, and adequate operational capacity. The project is envisaging to support:

(a) The improvement of existing procedures and regulations and some capacity building sessions on those rules, and
(b) The procurement of small equipment that will ease the collection and improve controls on non-fiscal revenue.

Component 3: Strengthening Public Accountability and Monitoring (US$ 4.0 million)

Sub-component 3.1: Reframe and reinforce national oversight institutions (US$ 1.5 million)

This sub- component will support institutional capacity building to foster improved auditing, monitoring and accountability of public funds. It will contribute in strengthening the accountability mechanism in the country by contributing in the rationalization of the interventions of national oversight institutions, such as the General Inspectorate of State and General Inspectorate of Finance, and their professionalization. The strengthening of operational capacity of internal audit institutions will greatly support preventing and addressing governance issues in sectors since the quality of their reports and advice will positively impact the effectiveness of sectorial internal control systems (greater transparency and accountability which will push performance improvement). This is essential for service delivery improvement, spending quality and value for money spent so that savings of resources resulting from the quality of auditing activities allow greater allocation for poverty fighting and addressing equity issues in sectorial expenditures. The practical reinforcement of national oversight institutions will then push for more accountability and eases the fight again fraud, corruption and impunity. Proposed activities to be financed include:

(a) Support of conducting value for money audits;
(b) Risks maps for the main sectorial ministries and reinforcement of internal control systems set-up for sectorial operations;
(c) Capacity building sessions and technical mentoring;
(d) Reinforcing interaction between Parliament and the Supreme Audit Institution, and
(e) Reinforcing Public Access to Information about the Parliamentary Oversight Committee works.

Sub-component 3.2: Improving disclosure on public resource management (US$ 1.0 million)

This subcomponent will promote Government accountability through improved information disclosure and transparency on the national budget. Informed citizens are better empowered to hold policymakers accountable for their performance and management of public resources. Activities to be funded include

(a) Capacity for public expenditure analysis and reporting;
(b) Framework for a systematic development and dissemination of citizen budget;
(c) Strengthening capacity of civil society organizations (CSOs) to foster constructive engagement between Government and CSOs in the national budget process, including budget monitoring;
(d) Support to the Parliament Finance Committee; and
(e) Support to professional media with training on public investments and procurement.

Sub-component 3.3: Enhancing Citizens Monitoring of Public Services (US$ 1.5 million)

This sub-component will provide support to develop a dynamic platform to stimulate constructive engagement of citizens with government, and foster demand for accountability through citizen feedback. Procurement transparency andeffective public services delivery will be the main themes which will crystalize the development of citizen engagement capacity. Envisaged activities include:

(a) Basic capacity building sessions to CSO on procurement and social accountability mechanism;
(b) Awareness of the government officials and civil society organizations on good examples of social accountability mechanisms that have improved procurement and the quality of public service delivery in other countries so that the lessons learnt help Togo in designing an effective model of citizens report cards to be gradually implemented in key sectors (education, infrastructure, and health);
(c) Support piloting of Citizens Report Card (CRC) that will provide summative feedback on the binding constraints (e.g. institutional, regulatory, capacity, governance etc.) of public services delivery for different categories of beneficiaries. The results will lead to a realistic image of the comparative disposition of service performance and governance issues across regions, districts, gender, and occupation, with particular focus on the poor. With the support of an experienced international NGO, a platform for Policy Dialogue, facilitated by a Consortium of stakeholders could then be established and will lead the development and implementation of national action plan with concrete, measurable and attainable commitments to address the governance and public service challenges in selected sectors.

Component 4: Support for Project Implementation (US$1.0 million)

This component will support the Project Coordination Unit (PCU) in coordinating and managing the implementation of the Project. Activities will include:

(a) The development of annual work programs and corresponding procurement plans;
(b) The management of fiduciary and monitoring activities;
(c) The coordination of technical work and the provision of support services to technical units within the relevant Ministries; and
(d) The monitoring of and reporting on the implementation of the project's activities. The Project will provide the funding necessary for the acquisition of office equipment and accounting software, as well as for the payment of activities related to project coordination and monitoring.

II. SAFEGUARDS

A. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

B. Borrowers Institutional Capacity for Safeguard Policies

C. Environmental and Social Safeguards Specialists on the Team

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	

Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

E. SAFEGUARD PREPARATION PLAN

1. **Tentative target date for preparing the Appraisal Stage ISDS:**

2. **Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.**

III. Contact point

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V. Approval

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Approved By:		
Safeguards Advisor:	Name: Maman-Sani Issa (SA)	Date: 01-Mar-2017
Practice Manager/Manager:	Name: Chiara Bronchi (PMGR)	Date: 02-Mar-2017
Country Director:	Name:Joelle Dehasse Businger (CD)	Date:22-Mar-2017

[1] Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.