

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.: PIDISDSC17077

Date Prepared/Updated: 06-Feb-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Togo	Project ID:	P158982
		Parent Project ID (if any):	
Project Name:	Trade and Logistics Services Competitiveness Project (P158982)		
Region:	AFRICA		
Estimated Appraisal Date:	27-Feb-2017	Estimated Board Date:	04-May-2017
Practice Area (Lead):	Trade & Competitiveness	Lending Instrument:	Investment Project Financing
Borrower(s):	Republic of Togo		
Implementing Agency:	Ministry of Economy, Finance, and Development Planning		
Financing (in USD Million)			
	Financing Source		Amount
	BORROWER/RECIPIENT		0.00
	IDA Grant		18.00
	Total Project Cost		18.00
Environmental Category:	B - Partial Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		
Other Decision (as needed):			

B. Introduction and Context

Country Context

1. Togo, classified as a fragile state, has been able to achieve relatively high level of growth

over the past five years despite the global recession: compared to 2.4 percent and 3.4 percent respectively in 2008 and 2009, the last five years have marked an average over 5 percent growth (4.5 percent in 2011, 5.9 percent in 2012, 5.1 percent in 2013, 5.7 percent in 2014 and 5.5 percent in 2015). This achievement is largely due to the fast pace of public investment, however, it has come with a repercussion of a pronounced increase in public debt and current account deficit. Public debt has increased from 46 percent of GDP in 2012 to 58 percent in 2014. The current account deficit widened from 7.5 percent of GDP in 2012 to 13 percent of GDP in 2013¹⁴. According to IMF, Togo's top priority today is to improve fiscal balances and complete the implementation of key fiscal reforms, address financial sector weaknesses, and promote structural transformation to foster more inclusive growth.

2. The on-going preparation of Systematic Country Diagnostics (SCD) follows a similar argument. The steady economic growth in recent years has not translated into a measurable improvement of living conditions of the majority of the population. About 62 per cent of the population lives below the poverty line and income inequality has increased. Against this background, the country desperately needs to improve its domestic resource mobilization, and to do so, more private investments are needed. And in order to support the private sector development, the government needs to improve the economic governance to create an environment where businesses can flourish.

3. The conclusion of draft SCD is still consistent with the strategic vision laid out in the Growth and Poverty Reduction Strategy Paper (GPRS) 2013-2017 for Togo. The strategy paper lays out a vision for making the country an emerging economy in 15-20 years. According to the scenario in the paper, in order to achieve economic emergence by 2030, the country requires sustained annual growth of 7.1 percent for 2013-2017 period. To reach this objective, the strategy puts a strong emphasis on creating conditions favorable to private-sector development. It should be noted that, so far the level of growth achieved since 2013 is not enough to reach the economic emergence by 2030, and Togo needs to look to additional sources of growth.

4. Analysis of the relative shares of the various sectors in real GDP reveals that between 1990 and 2011 the primary sector remained dominant, accounting for an average of 36.8 percent, followed by the services sector at 26.0 percent. Most of Togo's goods exports consists of capital intensive sectors – in particular, crude materials, mineral fuels, and lightly processed primary exports – with cement clinker topping the list at over \$165 million USD in 2013. This is followed by cotton, and then a variety of processed and manufacturing products. Commercialization of agriculture is low. There are only 4 formal firms (SCD 2015).

5. Importance of the logistics service sector either in the sheer size, growth potential, or employment opportunity (even better, if all three). Info on the size of logistics services export as a percentage of GDP, in comparison to neighbors. growth rate by sector.

6. Tertiary firms form the vast majority of firms, with trading representing 1100 out of 3347 companies making tax declaration and building and public works 288, whereas there are only 43 firms belonging to the category of industry. 40% of workers are found in services, which is second to agriculture at 42%.

7. GPRS cites the following sectors with strong growth potential: agriculture, commerce, services, mining, and manufacturing. The government is counting strongly on Togo's relative

advantages to become a development corridor in the sub-region and has prepared the national strategy for the transport sector, which is supposed to be adopted by the Council of Ministers in the next few months. Investment in the improvement of the quality of transport and logistics services is particularly strategic for Togo, given that it also affects the efficiency and competitiveness to move goods to the market – be it agricultural produce, manufactured goods or minerals.

Sectoral and Institutional Context

8. The Port of Lomé in Togo is the only port along the West African coast with a natural depth of 14 meters. During the crisis in Côte d'Ivoire and by the realignment of the traffics to the landlocked countries, the positioning of Port of Lomé has become more strategic: the volumes the Port of Lomé handled increased three-fold between 2001 and 2013, mostly driven by the increasing share of transit to the landlocked countries, particularly Burkina Faso, but also coastal Ghana, thanks to the creation of a cement factory just across the border.

9. The position of the Port of Lomé was further strengthened by the modernization project realized by the two concessions, which became operational in 2014 – the development of a new greenfield container terminal, Lomé Container Terminal (LCT), and the conversion and extension of the existing container berths into a second terminal. These concessions transformed the Port of Lomé into a modern port capable of handling the large container vessels that shipping lines need to deploy to face competitive pressure on costs. The LCT was developed as the West Africa hub port for MSC operations, and Lomé became the sole West Africa port served in the Asia West Africa service, all other ports being connected by a series of regional feeder services. This service is operated by the largest vessels ever deployed on the West Africa coast, of a capacity of 6,500 TEUs, with the intent to further increase vessel size in future. This unique characteristic gives a definite connectivity advantage to Togo, as the pressure on the freight rates will be felt more intensely than in the other ports served either by lower capacity services, or through transshipment.

10. To capitalize on this opportunity, the Government of Togo has also worked on a number of reform initiatives to boost the competitiveness of the port and its associated transport logistics services, namely, implementation of Single Windows, adoption of the new Customs Code, improvement of roads, implementation of risk assessment system, removal of check points, and the introduction of the Customs software ASYCUDA+++. These are all formidable work that helps the competitiveness of the country.

11. All of these points together present a significant game changer in terms of Togo's economic activities, and make possible to achieve the Government's vision to establish Lomé as the logistics hub for West Africa. With the increased volume of traffic, more private investment and job creation opportunities should open up. Private terminal operator, LCT, sees strong potentials for further private investments around the port such as warehouse, cold chains, and fabrication, in the future.

12. However, the Port of Lomé faces tough competition in the region: with the end of conflict, Port of Abidjan is re-gaining its positioning as a primary port of the region and ports of Cotonou, Tema, and Abidjan are all introducing their port expansion and improvement plans to position themselves as the port of choice on the coast of West Africa. Lomé has the window of 2 to 3 years before the expansion and rehabilitation of these ports are completed, to consolidate its position as the logistics hub. The decline of the traffic to Lomé in 2015 somewhat support this

concern.

13. The modernization of ports is only a part of increased competitiveness in trade facilitation. To illustrate this point, World Bank Group's Performance Logistics Index measures six areas: 1) efficiency of customs and border clearance; 2) quality of trade and transport infrastructure; 3) ease of arranging competitively priced shipments; 4) competence and quality of logistics services ? trucking, forwarding and customs brokerage; 5) ability to track and trace consignments; and 6) frequency in which shipments reach consignees within scheduled or expected delivery time. In addition to the port infrastructure, the functioning of overall administrative procedure ? be it customs or other clearance and checking ? and the professionalization of transport and trucking industry in general are critical.

14. Togo's position in the Performance Logistics Index (PLI) is challenging compared to its neighboring competitors, like Ghana, Cote d'Ivoire and Benin. Togo is ranked 139, whereas Cote d'Ivoire 79, Ghana 100, and Benin 109. Togo consistently performs poorly on all the six dimensions. Given that the report was published in 2014 whereas many development reforms happened more recently, it is possible that certain number of improvements will be noted in the next report. However, suffice to say, some more work remain. [Note: the new report will come out in April 2016, based on which this assessment may need to be adjusted].

15. Perhaps one of the most important indicators of the performance of the sector is the profitability of road transport operators. The sector is 80-90 percent informal, according to an estimate. The few that decided to operate formally are running unprofitable business: some have closed down their businesses or are in the process of doing so. The reason of this poor performance can be attributed to a number of factors. On the revenue side, it is understood that there is not enough volume of international cargo business to reach the level of profitability, at the same time, given the competitive pressure, the price charged by the transport operators is relatively low. Over-control of freight market is frequently cited as one of several reasons behind the infrequent traffic: like in many corridors in West Africa, the bilateral cargo-sharing agreements between Burkina Faso and Togo governs the market. According to the agreement, transporters from landlocked countries have the right to carry two thirds and transporters from the portcountry one third of the transit cargo. The agreement makes the market inefficient by preventing competition based on price and quality, and dis-incentivizing companies to gain efficiency. Furthermore the peculiar history of the agreement created a system where the allocation of freight is controlled by the road transporters' union (L'Union National des Transporteurs Routiers du Togo, UNATROT) in a non-transparent and non-competitive manner, making it difficult for ?non-preferred? operators to do business. It is not the role of an entity like UNATROT to allocate freights, but in the vacuum of a clear legal and regulatory framework about the role of different actors in the sector, UNATROT plays the role.

16. The decline in the cargo traffic going through Togo is also partially attributed to the rise in the cost of electronic cargo tracking note. Since the change of a concession for the management of the electronic cargo tracking note, the tariff has increased ten-fold. Recognizing the challenge, the government is currently re-negotiating with the concession company to reduce the tariff.

17. It is generally considered that the application of UEMOA Axle-load regulation has further reduced the profitability of the transport operators. The regulation enforces axle-load

limits to counter the accelerated degradation of West African roads resulting from overloaded trucks. However, according to the stakeholders in Togo, its neighboring countries are not enforcing the regulation to the same extent, which gives the transport companies in these countries and other corridors an unfair advantage.

18. On the cost side, a number of issues are raised: the cost of fuel is still on the high side despite the recent fall in oil price; given the age of trucks the maintenance and repair expenses are high; all the administrative fees – formal and informal - associated with trade logistics add up to be burdensome; duties and taxes on the purchase of trucks are considered high especially for the level of revenue stream in the current sector performance; and for formal operators other tax obligations are quite heavy.

19. Transport operators are only a part, though a very important one, of the logistics value chain. Other key private sector actors include shippers, freight forwarders, shipping line representatives, and handlers whose better performance contributes to improved competitiveness of Togo as a preferred choice for logistics services in West Africa. In order to upgrade the overall efficiency and quality of the logistics services sector, the following business environment challenges have been identified. The first is the challenge of border crossing. Joint border posts at three principal borders – Cinkassan with Burkina Faso, Noepe with Ghana and Hillaconjee with Benin – are not yet operational. The lack of stable internet was frequently cited as the reason for delay in border crossing.

20. Another challenge is the coverage of the Single Window for trade (Societe d'Exploitation du Guichet Unique pour Commerce Exterieur, SEGUCE). SEGUCE is established under a concession agreement given to the consortium of Bureau Veritas Bivac and SOGET to establish and manage the Single Window for Togo. Since its launch in 2015, the operation is considered successful, in terms of reducing the number of procedures and time for administrative procedures. However, SEGUCE needs further work, especially to integrate private sector partners into the SEGUCE circuit, namely shipping line representatives and handlers. The reason for the lack of progress for integration is, explained by the private sector, due to the lack of an appropriate legal and regulatory framework defining the guarantee and liability of entities when such an administrative procedure is computerized. On the other hand, some entities, such as customs, have not yet dropped the use of manual flow, which creates parallel circuit and takes away the effectiveness of SEGUCE. The maintenance of the manual flow is explained by the lack of full computerization within the customs.

21. Customs has received a technical assistance (TA) from World Customs Organization, with the financial support of the World Bank, to improve performance between 2012 and 2014. The TA, which introduced clear performance indicators and track them on a monthly basis, resulted in a notable improvement of performance, as measured by indicators such as volume of activities (number of manifestos, container, etc), risk management, performance of verification (efficiency, tax collected, etc.), and performance of other partner service providers. However, since the end of the TA, the performance declined.

22. Togolese government is a signatory to the Bali Accord and has started the process of implementation. A committee to oversee the implementation is being established, however, the authority is concerned the lack of capacity and resources for the implementation.

Box 1: Key Guiding Documents for the Design of the Project

There is no shortage of analyses to illustrate the challenges of trade facilitation in West Africa, including Togo. The present project is informed by the following diagnostics.

- ? Transport and Logistics Costs on the Lomé-Ouagadougou Corridor (USAID 2012)
- ? Growth and Poverty Reduction Strategy Paper 2013-2017 (Government of Togo, published by IMF)
- ? Interim Country Strategy (World Bank 2013)
- ? Logistics Cost Study of Transport Corridors in Central and West Africa (Nathan Associates commissioned by USAID 2013)
- ? Performance Logistics Index (World Bank 2014)
- ? Study on Customs Procedures and Operations of the Lomé-Ouagadougou Corridor (JICA 2014)
- ? Project Appraisal Document for Regional Trade Facilitation and Competitiveness Development Policy Operation (World Bank 2015)
- ? Draft Systematic Country Diagnostics for Togo (World Bank 2015)
- ? Fragility Assessment (World Bank 2015)
- ? Connecting Food Staples and Input Markets in West Africa (World Bank 2015)
- ? Poverty and Social Impact Assessment of Road Transport Reforms along the Abidjan-Ouagadougou Corridor (World Bank 2015)

Relationship to CAS/CPS/CPF

23. The proposed Trade and Logistics Services Competitiveness Project is consistent with the WBG strategy currently guiding the activities in Togo, which is Interim Strategy Note (ISN) for FY12-13, Growth and Poverty Reduction Strategy 2013-2017 and Draft Systematic Country Diagnostics (2015). These strategy documents emphasize the following areas: governance and public sector capacity, stable macroeconomic policies and improved investment climate to attract investment. The proposed WBG assistance is aimed at strategic technical assistance interventions with the objective of increasing competitiveness in the targeted sector. The project also comes at the time when the World Bank's intervention for regional integration through Abidjan-Lagos Corridor Trade and Transport Facilitation Project (P096407) comes to an end. The government expressed interest to have the proposed project provides some follow-on support.

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed project aims to improve the financial sustainability of the logistics services sector in Togo. The project intends to support selective, targeted, and integrated interventions to improve the business environment for the logistics services sector, and strengthen the capacity of both public and private sector actors in the industry.

Key Results (From PCN)

25. The success in achieving the PDO will be measured by the following outcome indicators: (i) volume of traffic carrying goods by road from Lomé to hinterland destinations, (ii) number of businesses in logistics services sector registered; and (iii) profitability of formal road transport operators.

D. Concept Description

26. The project is informed by a number of analyses and strategy documents as mentioned

above (see Box 1). In addition, the project is also inspired by the recent experience of the regional development policy operation to improve trade facilitation on the Abidjan-Ouagadougou Corridor. The present project intends to support selective, targeted, and integrated interventions to improve the business environment for the logistics services sector, strengthen the capacity of both public sector actors and the domestic private sector in the said industry, with the view to position Lomé as the choice of logistics hub for West Africa. The proposed project will include the following three components with preliminary estimates of allocations: (1) Strengthening the Institutional and Enabling Environment to Improve Logistics Services Competitiveness (US\$2 million); (2) Support Private Sector Operators in the Logistics Services Industry (US\$4 million); and (3) Project Coordination, Monitoring and Evaluation (US\$1 million). It should be highlighted that there will be a Bank-executed TA on the trade facilitation (registered under IFC advisory) to run in parallel, which brings a wealth of experience in dealing with investment climate dialogue with the Togolese authorities as well as an additional capacity building support. Both projects are under the management of Trade and Competitiveness Global Practice and the two will be implemented in a well-integrated manner.

COMPONENT 1. Strengthening the Institutional and Enabling Environment to Improve Logistics Services Competitiveness

27. This component will focus on the improvement of trade facilitation such as: support the integration of more users into SEGUCE circuit, support the computerization of customs system, implementation of performance management system for customs, implementation and fine tuning of joint-border posts, implementation support for the Bali Accord and capacity building for wide-ranging actors – both public and private – operating in the logistics services industry such as freight forwarders, shippers, customs, and other sectoral ministries involved in the administrative procedures for trade with the view to improve the quality of services provided throughout the value chain.

COMPONENT 2. Support Private Sector Operators in the Logistics Industry

28. The objective of this component is to improve the performance of the road transport sector by opening the road transport market, professionalizing the trucking industry and building capacity of the private sector so that they generate and implement new ideas and grow their businesses. This will include: (i) creation of a legal and regulatory framework of the road transport sector to clarify the role of various actors in the sector in such a way to allow for transparency and fair competition; (ii) encourage formalization of road transport and other logistics services sector; (iii) opening of the freight market by allowing the meeting of supply and demand; (iv) support entrepreneurs in the sector to generate new business ideas to expand the logistics value chain; and (iv) capacity building and re-skilling of private sector actors in order to meet today's market demand.

COMPONENT 3. Project Coordination, Monitoring, and Evaluation

29. A small project coordination unit will be established to coordinate the implementation of project activities, fiduciary management, monitoring and evaluation and reporting. At this point, it is too early to say the most appropriate location of this unit. Please see more discussion in the institutional arrangement section.

II. SAFEGUARDS

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

The project is a TA to support the regulatory reforms to improve trade facilitation and governance of the transport sector.

B. Borrower's Institutional Capacity for Safeguard Policies

The capacity of the government to deal with any adverse effects of the regulatory reforms has not been assessed yet. It will be done during the project preparation.

C. Environmental and Social Safeguards Specialists on the Team

Abdoul Wahabi Seini (GSU01)

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 PAD Stage ISDS

15-Apr-2016

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 PAD-stage ISDS.

This is a Category C project.

III. Contact point

World Bank

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V. Approval

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<i>Approved By</i>		
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Practice Manager/ Manager:	Name: Rashmi Shankar (PMGR)	Date: 07-Sep-2016
Country Director:	Name: Pierre Frank Laporte (CD)	Date: 06-Feb-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.