



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 12-Dec-2022 | Report No: PIDC34930



**BASIC INFORMATION**

**A. Basic Project Data**

Country Togo	Project ID P179294	Project Name Togo's Rural Transformation and Resilience DPF1 (P179294)	Parent Project ID (if any)
Region WESTERN AND CENTRAL AFRICA	Estimated Board Date Jul 31, 2023	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry of Economy and Finance		

**Proposed Development Objective(s)**

The Program Development Objectives (PDO) of the proposed operation are to (i) foster sustainable rural development; (ii) boost human capital and resilience to shocks, and (iii) rebuild fiscal space.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	100.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	100.00
World Bank Lending	100.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context

**The proposed Development Policy Financing (DPF) aims to support reforms accelerating rural transformation and boosting resilience to shocks.** Growth in Togo has generally been robust over the last decade, driven by capital accumulation in the form of large public and private investments, but did not translate into broad-based gains in income and poverty reduction in rural areas, where 75 percent of the poor reside. Modest progress in modernizing agriculture at scale, accelerating rural electrification, improving learning outcomes, strengthening resilience to shocks, and offering



equal opportunities for man and women have left large parts of the rural population either in poverty or at risk of falling into poverty. Recent health, energy, food and climate shocks have exacerbated fragility risks while emergency spending triggered by the fallout from the conflict in Ukraine and growing insecurity in the Northern part of Togo have led to a significant increase in borrowing needs in 2022 and has reduced available resources for priority interventions. Against this backdrop, the proposed operation's Program Development Objectives (PDO) are to (i) foster sustainable rural development; (ii) boost human capital and resilience to shocks, and (iii) rebuild fiscal space.

**Despite higher-than-expected fiscal and external financing needs in the short term, the macroeconomic policy framework is adequate for this operation.** With the budget deficit only expected to narrow gradually in coming years, overall debt dynamics has worsened but external debt distress risks remain firmly in the moderate category reflecting the low initial level and high degree of concessionality of external debt. The government continued to implement reforms supporting a sustainable macroeconomic policy framework in recent years, as reflected in a rising CPIA score for economic policy and public sector management and institutions. Togo's membership of the West Africa Economic and Monetary Union (WAEMU) is providing the country with a robust anchor for price, exchange rate and financial stability. The authorities have requested a successor ECF program with the IMF, and discussions remain ongoing with the next mission scheduled for the first quarter of 2023. An agreement would help to anchor the fiscal consolidation strategy and bring the budget deficit back to the 3 percent WAEMU target by 2025/26.

#### Relationship to CPF

**All three pillars of the Togo CPF FY17-FY20 are supported by the reforms in this operation.** The DPF supports directly CPF Focus Area I on Private Sector Performance and Job Creation by fostering private sector investment in agriculture, energy, and export-oriented value chains and boosting economic empowerment of women. It also supports the CPF Focus Area II on Inclusive Public Service Delivery by improving access to quality education, reinforcing social protection, and increasing available fiscal space through improved domestic revenue mobilization and reducing the fiscal drag from SOEs. Finally, the DPF supports the CPF Focus Area III on Environmental Sustainability and Resilience through the promotion of climate-smart agriculture, better land management, preservation of forest areas, as well as the alignment of Special Economic Zone legislation with climate adaptation and mitigation commitments. The reforms are also consistent with the adjustments to the CPF proposed in the 2019 Performance and Learning Review (PLR) and the Completion and Learning Review (CLR), which notably highlighted that agriculture and rural development, poverty reduction, and education were core development priorities, emphasized the importance of focusing on regional integration, and capitalizing on the Government's commitment to reform to design operations.

### C. Proposed Development Objective(s)

The Program Development Objectives (PDO) of the proposed operation are to (i) foster sustainable rural development; (ii) boost human capital and resilience to shocks, and (iii) rebuild fiscal space.

#### Key Results

**The proposed DPF is structured around three pillars.** The first pillar aims at stimulating green growth in rural areas, notably through support for climate smart and more productive agriculture, faster and greener rural electrification, and more private investments in agricultural value chains. The second pillar aims at improving learning opportunities in primary and secondary schools, increasing the coverage and effectiveness of social assistance programs, and preventing gender-based discrimination in economic activities. The third pillar includes reforms to improve the management of tax expenditure, reinforce the oversight of SOEs and reduce risks associated with public guarantees and on-lending to SOEs.



This will help rebuilding fiscal space to improve public service delivery and will limit sources of regressive transfers and contingent liabilities associated with loss-making SOEs.

#### D. Concept Description

**The first pillar aims to support a more sustainable rural economy, with a particular view to supporting opportunities in the agriculture sector.** This is fully aligned with Togo's 2025 Roadmap objectives to make agriculture an engine of growth and job creation and establish the country as a trade hub for the region. Reforms supported in this pillar are aimed at stimulating climate-smart intensification of agriculture production by promoting more modern techniques for smallholder farmers, better land management, and natural resource preservation. Faster rural electrification will also be supported by providing more stable revenue streams for the rural electrification and renewable energy agency, more consistent government interventions to support grid and off-grid connectivity, and reforms of the national utilities company CEET. This will have the combined benefits of stimulating income-generating activity, accelerating the transition towards renewable energy, and reducing greenhouse gas emissions through alternative lighting systems (candles, oil lamps, etc.). These reforms will be complemented by efforts to increase the attractiveness of private investments in export-oriented agricultural value chains, which have a high potential to support jobs and value creation in rural areas. This will be done by improving the regulatory and institutional framework for investments in special economic zones, which will have the added benefit of improving land-use, environmental, and labor standards.

**The second pillar aims at increasing human capital and resilience to shocks by improving learning opportunities for students, strengthening social protection systems, and reducing gender-based discriminations.** This will support the government's ambition to improve public services access for all with a particular emphasis on improving the quality of education and social protection. Reforms under this pillar seek to ensure better learning opportunities by improving the production and distribution of school textbooks and incentives to attract and retain quality teachers in underserved areas, increase the effectiveness of social safety net programs through the establishment of a unique social registry, and prevent gender-based discrimination in economic activities, notably in access to finance. They will reduce sources of multidimensionally poverty, particularly in rural areas and among households headed by women, which are particularly exposed to risks.

**The third pillar seeks to rebuild fiscal space by mobilizing additional domestic resources and by reducing the fiscal drag from SOEs.** The government has increased public spending by close to 6 percentage point of GDP between 2019 and 2022, which has put significant strains on the budget and contributed to rising public debt levels. An ambitious domestic resource mobilization strategy, efforts to mitigate contingent liabilities, and prudent borrowing policies will be essential to rebuild the necessary fiscal space while continuing to support critical infrastructure and social spending programs. This pillar includes reforms to improve the management of tax expenditures, reinforce the performance and oversight of SOEs, and reduce risks associated with public guarantees and on-lending. This supports the government goal of ensuring fiscal sustainability through strengthened revenue mobilization and reinforcing SOEs performance and oversight.

#### E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

##### Poverty and Social Impacts

**The policy and institutional reforms supported under the proposed DPF are expected to support a resilient economy and have positive social impacts.** This DPF has significant potential to improve both monetary and non-monetary well-being. Boosting agriculture productivity and resilience to climate shocks has significant potential to accelerate income growth for the rural poor. Generating wider access to electricity at affordable fees for the poor will also improve economic opportunities and reduce non-monetary deprivation rates, while stimulating investment in export-oriented agriculture



value chains will generate positive social impact through jobs and value creation. Reforms supporting learning opportunities for students in underserved areas, greater efficiency of social safety net programs, stronger safeguards against gender-based discrimination are expected to increase human capital accumulation and social inclusion and therefore reduce inequality.

#### Environmental, Forests, and Other Natural Resource Aspects

**Reforms under the first pillar of the proposed operation are expected to support the country's environment, forests, or other natural resources.** The first pillar of the proposed operation aims primarily at accelerating rural development through more productive and greener agriculture, rural electrification through renewable energy sources, and climate-smart investments in agricultural value chains. In particular, the sustainable intensification of agriculture through more modern and climate-smart practices, better safeguards for forests and other protected ecosystems in agriculture land management, greater use of renewable energy sources and improved access to electricity for rural populations are expected to reinforce environmental sustainability. Residual risks to related to increased water consumption, energy consumption and pollution potentially associated with the expansion of activity will be mitigated through commitments under Togo's updated Nationally Determined Contribution plan.

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**APPROVAL**

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**Approved By**

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