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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED CREDIT

IN THE AMOUNT OF EUR 138.3 MILLION
(US$150 MILLION EQUIVALENT)

TO THE REPUBLIC OF TOGO

FOR

TOGO'S FIRST SUSTAINABLE AND INCLUSIVE DEVELOPMENT POLICY FINANCING

August 3, 2023

Macroeconomics, Trade And Investment Global Practice
Western And Central Africa Region

Republic of Togo

GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of June 30, 2023)

Currency Unit = = CFA Franc (CFAF)

US$1.00 = CFAF 600,75

US$1.00 = Euro 0.921

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFD	*Agence Française de Développement* (French Development Agency)
BCEAO	*Banque Centrale des Etats de l'Afrique de l'Ouest* (Central Bank of West African States)
BTCI	*Banque Togolaise pour le Commerce et l'Industrie* (Togolese Bank for Commerce and Industry)
CCDR	Country Climate and Development Report
CEET	*Compagnie Energie Electrique du Togo* (Togo Electric Power Company)
CPIA	Country Policy and Institutional Assessment
CPF	Country Partnership Framework
CSO	Civil Society Organization
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
ECF	Extended Credit Facility
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPV	Intimate Partner Violence
LDP	Letter of Development Policy
MEF	Ministry of Economy and Finance
NDC	Nationally Determined Contribution
OHADA	Organization for the Harmonization of Business Law in Africa

PBA	Performance-Based Allocation
PDO	Program Development Objective
PER	Public Expenditure Review
PFM	Public Financial Management
PforR	Program for Results
PIA	*Plateforme Industrielle d'Adétikope* (Adétikope Industrial Park)
PPA	Performance and Policy Action
PPP	Public-private Partnership
PURS	*Programme d'urgence pour la région des Savanes* (Emergency Plan for the Savanes)
PV	Present Value
RSPM	*Registre Social des Personnes et des Ménages* (National Social Registry)
SCD	Systematic Country Diagnostic
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SML	Shorter Maturity Loan
SOE	State-owned Enterprise
SUW	Scale-up Window
UNFPA	United Nations Population Fund
UNDP	United Nation Development Program
USAID	United States Agency for International Development
UTB	*Union Togolaise de Banque* (Togolese Union Bank)
WAEMU	West Africa Economic and Monetary Union
WB	World Bank
WBG	World Bank Group

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REPUBLIC OF TOGO

TOGO'S FIRST SUSTAINABLE AND INCLUSIVE DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic	If programmatic, position in series
P179294	Yes	1st in a series of 2

Proposed Development Objective(s)

Support green, inclusive and resilient development in Togo by (i) promoting sustainable agriculture, rural electrification and climate mitigation; (ii) boosting human capital and resilience to shocks, and (iii) rebuilding fiscal space for priority interventions.

Organizations

Borrower:	REPUBLIC OF TOGO
Implementing Agency:	Ministry of Economy and Finance

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Financing	**150.00**

DETAILS

International Development Association (IDA)	150.00
IDA Credit	135.40
IDA Shorter Maturity Loan (SML)	14.60

INSTITUTIONAL DATA

Climate Change and Disaster Screening

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

Overall Risk Rating

Substantial

Results

Indicator Name	Baseline 2021	Target 2025
PILLAR 1 – PROMOTE SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE MITIGATION		
1.A: Maize yield in Planned Agriculture Development Zones (tons / hectares)	1.5	3.0
1.B: Share of female farmers in Planned Agriculture Development Zones (percent)	30	40
2.A: Additional rural households connected to electricity (number)	-	+150,000
2.B: Share of renewable energy in installed electricity capacity (percent)	34	40
3: Registered investment projects eligible for carbon credits (number)	0	5
PILLAR 2 – BOOST HUMAN CAPITAL AND RESILIENCE TO SHOCKS		
4.A Households with a female designated as recipient of social safety net programs registered in the national social registry (number)	0	300,000
4.B Share of households benefiting from the flagship social safety net program (percent)	3.15	5.7
5.A: Goodness of fit between the number of teachers and students across primary schools (coefficient of determination)	0.54	0.70
5.B: Share of students achieving basic literacy in grade 2 (percent)	24.5 (2019)	35
6. GBV survivors having benefited from at least one support service **(number)**	2,799	4,500
PILLAR 3 – REBUILD FISCAL SPACE FOR PRIORITY INTERVENTIONS		
7. Tax expenditures in percentage of overall revenues (percent)	16.6	13
8. Share of public guarantees subject to credit risk evaluations (percent)	0	100

IDA PROGRAM DOCUMENT FOR PROPOSED CREDIT TO THE REPUBLIC OF TOGO

1. INTRODUCTION AND COUNTRY CONTEXT

1.1. **The proposed Development Policy Financing (DPF) aims to support sustainable and inclusive development in Togo following a series of unprecedented shocks.** Since the COVID-19 pandemic, Togo has faced significant headwinds ranging from the fallout from Russia's invasion of Ukraine on energy and food prices, terrorist threats, food insecurity, slowing external demand and tighter financing conditions. Growth has been resilient mostly thanks to a significant increase in public spending, but vulnerable populations have been adversely impacted by recent shocks, while significant disparities in economic opportunities and access to basic services continued to hamper progress in reducing poverty and inequality. Climate change will likely amplify these disparities as most exposed populations are in underserved rural areas with higher poverty and fragility risks. Against this backdrop, the proposed operation's Program Development Objectives (PDO) are to support green, inclusive, and resilient development in Togo by (i) promoting sustainable agriculture, rural electrification and climate mitigation; (ii) boosting human capital and resilience to shocks; and (iii) rebuilding fiscal space for priority interventions. This operation, which is the first in a programmatic series of two DPFs in the amount equivalent to US$150 million in IDA credits, seeks to maximize opportunities for vulnerable populations in underserved rural areas, including in Northern regions where factors of fragility concentrate. It is aligned with Paris Agreement commitments, supporting mitigation and adaption efforts, reducing the risk of exposure to climate hazards, and avoiding risks of locking in carbon-intensive patterns.

1.2. **The reform program supported by this operation addresses some of the key constraints to faster growth and poverty reduction identified in recent World Bank diagnostics.**[1] Modernization of the agricultural sector and faster rural electrification are critical to support structural transformation and help reduce the rural/urban divide. Moreover, the high reliance on rain-fed agriculture contributes to the high exposure of rural population to climate shocks, particularly in poorer northern regions where droughts are more frequent. This operation thus supports reforms encouraging sustainable agriculture intensification, access to agricultural land among women, renewable energy generation and investments in climate adaption and mitigation. Boosting human capital and the resilience of vulnerable populations to shocks is another critical objective to improve welfare. Reforms supported by this operation aim at improving learning opportunities for students in underserved areas, more effective social protection programs, and women and girls' empowerment. Finally, rebuilding fiscal space and alleviating debt sustainability risks are foundational for the government to meet its development objectives. This operation focuses on increasing revenue mobilization through the rationalization of tax exemptions and actions to improve performance and reduce fiscal risks associated with state owned enterprises.

1.3. **Despite large fiscal financing needs in the short term and increasingly tight financing conditions, the macroeconomic policy framework remains adequate and external debt sustainable.** A significant increase in public spending driven by the response to multiple shocks led the fiscal deficit to a three-decade high of 8.3 percent of GDP in 2022, and public debt to 65.8 percent of GDP. The deficit is expected to decline to 6.4 percent in 2023 and reach 3.3 percent by 2025, driven on the expenditure side by a drop in capital spending and transfers and on the revenue side by improved tax collection and the rationalization of tax expenditures supported by this operation. External debt distress risks remain moderate reflecting the low level of external debt and its high degree of concessionality. Yet, the overall risk of debt distress is high, reflecting liquidity pressures and rollover risks from domestic debt. Despite

[1] Notably the Systematic Country Diagnostic Update (2022), the Country Economic Memorandum (2021), the Country Private Sector Diagnostic (2022), the Poverty and Gender Assessment (2022), the Jobs Diagnostic (2022), the Public Expenditure Review (2022), and the Climate Risk Country Profile (2021).

past efforts to repay most expensive domestic obligations and continued support of external development partners, local currency debt still accounted for around 80 percent of interest payments in 2022. The government remains committed to reforms supporting prudent macroeconomic policies and improved debt management. Togo's membership in the West Africa Economic and Monetary Union (WAEMU) provides a robust anchor for price, exchange rate and financial stability, but delayed fiscal adjustments in many WAEMU countries are exacerbating fiscal vulnerabilities while increasing regional financing needs and reducing reserve buffers. A new Extended Credit Facility (ECF) program with the International Monetary Fund (IMF) is under preparation and a request could be brought to the IMF Executive Board in the third quarter of 2023. This program should help anchor the government's fiscal consolidation strategy, contribute to meet fiscal financing needs, and support structural reforms.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

2.1. **Togo's economy has been resilient, but recent shocks have frustrated efforts to reduce poverty.** Since the late-2000s, Togo has entered a period of sustained economic expansion supported by economic reforms, infrastructure spending, and the reengagement of both development partners and private investors, which pushed up real GDP growth to an average of 6.1 percent over the period 2010-16 (3.4 percent in per capita terms). However, this growth spurt was accompanied by a sharp increase in public investment and debt levels, followed by a period of rapid fiscal consolidation from 2017 to 2019 in response to fiscal sustainability concerns. At the same time, business climate reforms continued to support dynamic private investment and helped maintain real GDP growth at an average of 4.7 percent between 2017 and 2019 (2.3 percent in per capita terms). Despite severe disruptions associated with the COVID-19 pandemic in 2020, Togo was able to prevent a recession thanks to a strong counter-cyclical fiscal policy response, with growth slowing to 2 percent, before rebounding rapidly to 6.0 percent in 2021, notably supported by a recovery in private consumption and a sharp and synchronized increase in global demand (Table 1). Challenges intensified again in 2022 as Russia's invasion of Ukraine contributed to a sharp uptick in energy, fertilizer and food prices, while global demand decelerated, and financing conditions tightened. Yet, growth remained robust at 5.8 percent in 2022 as a significant increase in public spending helped counterbalance the adverse impact of weakening export revenues, rising inflation, and decelerating consumer spending. Despite robust activity, the uptick in food price inflation in 2021-22 likely resulted in rising poverty rates while the number of people facing acute food insecurity (crisis phase in the Integrated Food Security Phase Classification) increased in 2022 and is expected to remain elevated in 2023 (affecting an estimated 8 percent of the population nationwide and 19 percent in the *Savanes* region). The current account deficit widened to 3.0 percent of GDP in 2022, reflecting the rising cost of energy and food price imports and decelerating exports. However, it remained well below an average of 5 percent during the pre-crisis decade and is stronger than implied by fundamentals and desirable policy settings.

2.2. **Fiscal buffers have been exhausted by a large counter-cyclical fiscal policy response since 2020.** The fiscal deficit jumped to 7 percent of GDP in 2020, from a surplus of 1.7 percent in 2019, mainly driven by a 6.1 percentage points increase in public capital spending. However, due to a quick recovery in tax revenues and a reduction in public investment, the deficit narrowed to 4.7 percent of GDP in 2021. In 2022, global headwinds, high domestic inflation, and growing insecurity in the *Savanes* region have prompted the government to significantly ramp up spending again, including higher subsidies for fertilizers and fuel prices, public sector wage increases, and new military and security spending. Reflecting these fiscal measures, the deficit increased to 8.3 percent of GDP in 2022, its highest level since 1993. Tax expenditures, which include all measures granting tax exemptions, tax credits and reduced rates, reached 2.2 percent of GDP in 2022. This operation is seeking to help rationalize those exemptions to strengthen resource mobilization and efficiency. Gross domestic financing reached a record of 12.1 percent of GDP in 2022, mostly originating from regional bond issuances, which translated into net flows of 7.1 percent of GDP as domestic debt repayment reached 5.0 percent of GDP (Table 2). Gross external financing amounted to 5.2 percent of GDP, which translated to net flows of 3.7 percent as external debt repayment reached 1.5 percent of GDP.

Table 1. Main Macroeconomic Indicators

	2019	2020	2021	2022	2023	2024	2025
					Projections		
Income and Economic Growth							
Real GDP growth, at constant market prices	4.9	2.0	6.0	5.8	4.9	5.3	5.5
Real GDP per capita growth (annual %)	2.4	-0.4	3.5	3.4	2.5	2.9	3.2
GDP per capita- nominal (US$)	848	877	965	932	1005	1067	1136
Private Consumption (% of GDP)	76.4	74.2	76.0	73.7	74.2	74.4	74.3
Public Consumption (% of GDP)	13.2	13.2	12.8	13.0	12.6	12.4	12.1
Gross Fixed Investment (% of GDP)	17.8	21.4	19.9	23.1	22.4	22.3	22.5
Gross Fixed Investment - Private (% of GDP)	14.6	12.1	11.7	13.3	13.8	15.2	16.7
Gross Fixed Investment - Public (% of GDP)	3.2	9.3	8.2	9.7	8.6	7.1	5.8
Inflation and exchange rate							
Inflation (Consumer Price Index)	0.7	1.8	4.5	7.5	5.3	3.5	3.0
Nominal Exchange Rate (Period average)	586	575	554	623	623	623	623
Fiscal Acounts							
Overall Fiscal Balance- including Grants (% of GDP)	1.7	-7.0	-4.7	-8.3	-6.4	-4.7	-3.3
Primary Fiscal Balance (% of GDP)	3.8	-4.7	-2.5	-5.9	-4.0	-2.3	-0.9
Total Public Debt (% of GDP)	53.6	60.1	63.0	65.8	66.8	66.8	66.3
External Public Debt (% of GDP)	18.3	23.1	23.0	25.6	25.0	24.7	24.3
External Accounts							
Export Growth (%, yoy)	3.4	6.5	5.3	-1.1	4.9	5.8	6.8
Import Growth (%, yoy)	3.1	1.6	6.9	5.1	3.7	5.8	6.1
Current account balance (% of GDP)	-0.8	-0.3	-0.9	-3.0	-3.1	-3.0	-2.1
Population and Poverty							
Poverty headcount ratio (% of population)	27.6	28.8	29.6	30.6	30.7	30.1	29.5
Population Growth (annual %)	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Memo							
Nominal GDP (FCFA billion)	4097	4253	4621	5136	5665	6163	6696
GDP nominal in US$ (millions)	6993	7400	8338	8250	9100	9899	10757

Source: BCEAO, INSEED, IMF, and World Bank.
Note: Forecasts starting in 2023 are those of the World Bank and may differ from the assessment of national authorities. The poverty rate is calculated at the new international extreme poverty line of US$2.15 per person per day based on 2017 Public-private Partnership (PPPs).

2.3 **Monetary policy of the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest,* BCEAO) is gradually tightening but remains broadly accommodative.** Togo is a member of the WAEMU and its monetary and exchange rate policies are managed by the BCEAO, maintaining a peg between the CFA Franc and the Euro. To counter inflation across WAEMU countries, the BCEAO raised policy interest rates by a cumulative 100 since the start of 2022 but will likely need to accelerate tightening in 2023 in line with other major central banks, and as foreign exchange reserves have declined, and inflation remains well above the target range of 1-3 percent. The

BCEAO's international reserves declined to four months of imports in the first quarter of 2023, down from 5 percent in the first quarter of 2022.

Table 2. Fiscal Accounts and Financing Needs

Percent of GDP	2019	2020	2021	2022	2023	2024	2025
					Projections		
Total Revenues and Grants	18.2	16.6	17.1	17.6	17.2	16.9	16.8
Tax Revenues	13.5	12.5	14.0	13.9	14.2	14.6	15.0
Taxes on Goods and Services	4.0	3.9	4.2	3.6	3.9	4.0	4.1
Direct Taxes	3.1	2.8	3.6	3.8	3.8	3.9	4.0
Taxes on International Trade	6.3	5.7	6.2	6.5	6.5	6.7	6.9
Non-Tax Revenues	1.8	1.6	1.3	1.2	1.1	1.1	1.1
Grants	3.0	2.5	1.8	2.5	1.9	1.2	0.7
Other Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures							
Total Expenditures	16.6	23.7	21.8	25.9	23.6	21.6	20.1
Current Expenditures	13.4	14.4	13.6	16.2	15.0	14.6	14.3
Wages and Compensation	5.2	5.5	5.4	5.0	5.1	5.0	4.9
Goods and Services	3.1	3.1	2.9	3.4	3.2	3.0	3.0
Interest Payments	2.1	2.4	2.2	2.4	2.4	2.4	2.3
External Interest Payments	0.2	0.3	0.3	0.4	0.7	0.7	0.5
Domestic Interest Payments	1.9	2.0	1.8	2.1	1.7	1.7	1.8
Current Transfers	3.0	3.4	3.1	5.3	4.4	4.0	4.0
Capital Expenditures	3.2	9.3	8.2	9.7	8.6	7.1	5.8
Fiscal Balance							
Overall Fiscal Balance (including grants)	1.7	-7.0	-4.7	-8.3	-6.4	-4.7	-3.3
Primary Fiscal Balance (including grants)	3.8	-4.7	-2.5	-5.9	-4.0	-2.3	-0.9
Financing							
Total financing	3.5	8.3	7.3	10.8	7.8	4.7	3.3
Domestic financing (net)	-3.2	0.6	4.5	7.1	3.9	2.0	1.7
Repayment of T-Bonds	-7	-6.4	-5.7	-5	-5.7	-3.1	-5.7
Other domestic financing (net)	3.8	7	10.2	12.1	9.5	5.1	7.3
External financing (net)	6.7	7.7	2.8	3.7	3.9	2.7	1.6
Grants	3.0	2.5	1.8	2.5	1.9	1.2	0.7
Budget support loan	1.3	0.7	0.2	0.8	1.9	1.2	0.6
Of which: World Bank	1.1	0.5	0.0	0.6	1.6	1.0	0.9
Debt reprofiling	1.0	1.5	0.0	0.0	0.0	0.0	0.0
Project loans	1.5	2.9	1.6	1.9	1.8	2.0	1.9
Amortization (incl. IMF repayments)	-0.7	-0.7	-0.8	-1.5	-1.6	-1.7	-1.7
Exceptional financing	1.0	2.1	0.2	0.0	0.8	1.3	1.0
IMF-ECF	1.0	1.9	0.0	0.0	0.8	1.3	1.0
DSSI	…	0.2	0.2	…	…	…	…
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BCEAO, INSEED, IMF, and World Bank.
Note: Forecasts starting in 2023 are those of the World Bank and may differ from the assessment of national authorities.

Table 3. Balance of Payment and External Financing Needs

Percent of GDP	2019	2020	2021	2022	2023	2024	2025
					Projections		
Current account balance	-0.8	-0.3	-0.9	-3	-3.1	-3	-2.1
Capital account, net	4.1	5	5.7	5.4	4.8	3.8	3.1
Financial account, net	0.3	1.2	2.6	2.6	1	1.2	1.5
Net Foreign Direct Investment	-4.3	-0.7	-0.3	-0.3	-0.4	-0.4	-0.4
Net Portfolio Investment	5.8	1.1	-0.3	-0.3	-0.2	-0.2	-0.1
Net Govt Foreign Borrowing	-6.1	-6.9	-2.7	-3.6	-3.2	-2.5	-1.2
Net All Other Flows	4.9	7.7	5.9	6.8	4.8	4.3	3.2
Overall balance	3.1	3.5	2.3	-0.2	0.8	-1.4	-1.1
Change in reserve assets	2.1	1.4	2.0	-0.2	0.8	-1.4	-1.1
External Financing Gap	1.0	2.1	0.2	0.0	0.0	0.0	0.0

Source: BCEAO, INSEED, IMF, and World Bank.

Note: Forecasts starting in 2023 are those of the World Bank and may differ from the assessment of national authorities.

2.4 **The banking sector is generally resilient, but a few institutions face insolvency risks**. Three out of the eleven banks in Togo have solvency risks above prudential norms. However, excluding banks with negative equity, the solvency ratio stood at 14.3 percent in December 2022, well above the minimum solvency ratio of 11.25 percent. The ongoing process of privatization of state-owned banks that have been historically undercapitalized remains a priority. The privatization of Togolese Bank for Commerce and Industry (*Banque Togolaise pour le Commerce et l'Industrie,* BTCI) was completed in December 2021, with the sale to IB Holding of 90 percent of the State's shares. By December 2022, the State's share was further reduced to 4 percent. With regard to the remaining state-owned bank Togolese Union Bank (*Union Togolaise de Banque*, UTB), discussions are underway with potential investors. After deteriorating during the COVID-19 crisis, the loan portfolio of banks and financial institutions operating in Togo improved in 2021 and 2022. The ratio of non-performing loans dropped from 16.1 percent of total credit in January 2021 to 8 percent in December 2022, slightly lower than the WEAMU average.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.5 **Growth is projected to remain robust but moderate somewhat in 2023, before recovering again in 2024-25.** According to World Bank projections**,** growth should moderate slightly to 4.9 percent in 2023, as an uptick in consumer spending supported by subsiding energy and food price inflation is offset by decelerating public spending and subdued external demand. The decline in public investment will be significant in 2023, but mostly driven by a reduction in military and security equipment purchases following a sharp uptick in 2022. The fiscal multiplier of such spending is likely small given its limited focus on productive capacity and large import content. As the global economy regains momentum in 2024-25, growth in Togo is projected to strengthen moderately as well, reaching 5.3 percent in 2024 and 5.5 percent in 2025. An expected retrenchment of capital spending by the government should be offset by a pickup in private investment driven by ongoing reforms, the development of the Adétikope Industrial park (*Plateforme Industrielle d'Adétikope*, PIA), and renewable energy projects. While poverty is expected to remain elevated in 2023, at 30.7 percent based on the international poverty line of US$2.15 per capita per day, it is projected to slightly decline to 30.1 percent in 2024 and 29.5 percent in 2025 as GDP per capita growth increases to 3 percent on average, but it would remain above pre-crisis levels (27.6 percent in 2019). Medium-term prospects remain positive, with growth projected to stabilize around 5.5 percent over the period 2025-30, which is close to Togo's estimated potential.

2.8. **Consumer price inflation and the current account deficit are expected to gradually decline in 2023-25.** While domestic food prices have been the most important driver of inflationary pressures in 2022, the rising cost of imported goods and second round effects on domestic value chains have kept headline inflation around 6-7 percent during the first half 2023. In this context, inflation is expected to average 5.3 percent in 2023 and only converge to 3 percent by 2025. The current account deficit is projected to narrow gradually to reach 2.1 percent in 2025, supported by terms-of-trade improvements and stronger global demand. Net foreign direct investments and portfolio inflows are expected to stabilize (Table 3).

2.7 **Fiscal deficits are projected to narrow in 2023-25, largely driven by prospects of decelerating capital spending and subsidies.** The fiscal deficit is expected to decrease from 8.3 percent of GDP in 2022 to 6.4 percent in 2023, mostly due to the scaling back of security-related capital spending following a sharp uptick in 2022. On the financing side, regional bond issuances are expected to remain a primary source of financing, while net external financing from grants, project loans, budget support operations and other external sources are expected to increase to 3.9 percent of GDP (including 1.6 percent from this operation). Borrowing conditions on regional debt markets have tightened since the beginning of the year but yields remain close to pre-crisis levels and are not expected to increase further under baseline assumptions. The fiscal deficit is expected to gradually decline in coming years, reaching 3.3 percent in 2025, mostly driven by a drop in capital spending and a retrenchment in transfers and subsidies (Table 2). On the revenue side, the tax-to-GDP ratio is projected to increase to 15 percent in 2025, up 1.1 percentage point of GDP from 2022, notably supported by the rationalization of tax expenditure encouraged by this operation, as well as improvements in property tax collection, further digitalization, and implementation of the new action plan to strengthen tax compliance based on the conclusions of the recently completed tax census. The emergency program for the *Savanes* region is expected to be mostly financed through reallocations of donor financing and of the government budget, while military spending is expected to remain moderate, assuming no further escalation of terrorist threats. Net external borrowing is projected to provide about half of net financing needs in coming years. The IMF ECF program currently under discussion with authorities will help anchor the government's fiscal consolidation strategy, as the previous program did over the period 2016-19.

2.9 **The macroeconomic outlook is subject to downside risks.** Uncertainty related to the evolution of global demand, energy, food prices, financing conditions, security risks and climate change imply that the balance of risks to the outlook is largely tilted to the downside in the short term. The baseline scenario assumes that recent shocks associated with Russia's invasion of Ukraine gradually recede in 2023 while the tightening of global financing conditions and the slowdown in global trade remain orderly. Deeper disruptions to global trade, commodity, and financial markets could have a severe knock-on effect on a small, open, and relatively indebted country like Togo. In particular, a sharper deterioration on regional debt markets could lead to financing risks given high rollover needs from domestic sovereign debt. Under an alternative scenario of persistent headwinds reflected in lower export growth (-2 percentage point below baseline projections in 2023-25), higher domestic inflation (+1 percentage point) and tighter financing conditions on local currency debt (+150 basis points), growth would be expected to slow down to an average of 4.2 percent over the period 2023-25 (-1.1 percentage point below baseline projections), the budget deficit to stay above 4.5 percent of GDP until 2025 and public debt to peak at 67.4 percent of GDP in 2025. Additional downside risks include rising security risks that could further weigh on investment, trade, and public finances. Risks over the medium term are more balanced, as the implementation of ambitious structural reforms, including those supported by this operation, could lead to higher-than-expected private investment, productivity, and job creation, which could support stronger and more inclusive recovery.

2.10 **External debt distress risks are moderate, but domestic debt is a source of vulnerability.** The above-mentioned fiscal consolidation scenario is consistent with the public debt-to-GDP ratio peaking at 66.8 percent of GDP in 2024 before subsiding gradually thereafter. The April 2023 pre-mission Debt Sustainability Analysis (DSA) confirmed that external debt is firmly into the moderate risk category, as the debt service-to-revenue ratio only approaches the risk threshold without crossing it under any envisaged stress tests (Figure 1).[2] This reflects a relatively low level of external debt and highly concessional financing terms. On the other hand, the overall risk of debt distress remains high, as the present value (PV) of the public debt-to-GDP ratio exceeds the 55 percent threshold under the baseline until 2026, before decreasing below that threshold afterwards (Figure 2). The debt-service-to-revenue ratio is expected to remain elevated in coming years, which could cause some concerns if additional shocks materialized. Contingent liability risks associated with the financial sector, non-financial state-owned enterprises (SOEs), and the PPP portfolio were considered in the stress scenarios, amounting respectively to 5.0, 2.0 and 6.8 percent of GDP. Even in those extreme scenarios,[3] external debt indicators remain clear of their respective risk thresholds. Under an alternative scenario where persistent headwinds result in real GDP growth moderating to an average of 4.2 percent over the period 2023-25 and average interest rates on domestic debt increasing by a 150 basis above the baseline until 2025, the budget deficit would narrow at a significantly slower pace and the projected decline in the PV of the debt to GDP ratio below the risk threshold would be delayed until 2028 but the overall assessment regarding debt sustainability risks would not be fundamentally altered. Regarding the use of Shorter Maturity Loan (SML) in the financing of this operation (US$14.6 million in SML), a DSA incorporating the maximum amount of SMLs available in IDA20 (both performance-based allocation (PBA) SML and scale-up window (SUW-SML) confirmed that SML financing does not have a noticeable impact of Togo's external debt risks.

2.11 **Despite rising fiscal and external financing needs in the short term, the macroeconomic policy framework is adequate for this operation.** Rising fiscal financing needs since the outset of the COVID-19 pandemic have been met mostly through regional bond issuances and the support from development partners, including budget support operations and the mobilization of the IMF Special Drawing Rights (SDR) allocation. This DPF series will support the government's fiscal consolidation strategy by encouraging domestic resource mobilization and will help limit contingent liability risks associated with the poor financial health of the Togo Electric Power Company (*Compagnie Energie Electrique du Togo,* CEET) and other SOEs, as well as by limiting regressive energy and fertilizer subsidies. In recent years, the government has demonstrated a continued commitment to reforms aimed at improving public financial management, and debt sustainability, as evidenced by CPIA score improvements. With the support of reforms backed by recent DPF operations and the Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPAs), Togo's debt-management framework has improved, notably through the publication of a Medium-Term Debt Strategy, an Annual Borrowing Plan, an Annual Report on Public Debt, Fiscal Risk Statement, and a Public Debt Portal on the Ministry of Economy and Finance (MEF) website. Efforts to reduce debt-service costs and extend debt maturity on Togo's large domestic debt remain critical as refinancing needs are expected to average about 5 percent of GDP over the period 2023-25. Togo's WAEMU membership helps limit exchange and financial instability risks but delayed fiscal adjustments in many member countries, exacerbating fiscal vulnerabilities while increasing regional financing needs and reducing reserve buffers.

[2] While the mechanical results point to a low risk of external debt distress, judgement was applied in the DSA given Togo's elevated exposure to domestic debt and currency-based classification implying that some regional loans are considered to be domestic loans.

[3] Regarding financial sector contingent liabilities, the 3 percent of GDP recapitalization cost of IB Togo and UTB is smaller than the size of the shock. All SOE debt has been included in the DSA, with the additional 2 percent of GDP shock used to assess the contingent fiscal liability from SOEs charging below-cost tariff. While Togo has a high stock of PPPs, half of them is linked to the Port of Lomé and they do not create contingent fiscal risk as the port is highly profitable. Nevertheless, a PPP stock shock of 6.8 percent GDP is included in the DSA to account for this risk.

Figure 1: External debt service to revenue ratio (percent)

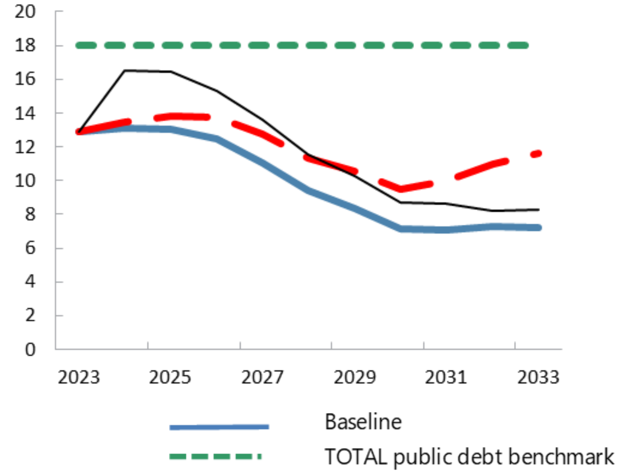
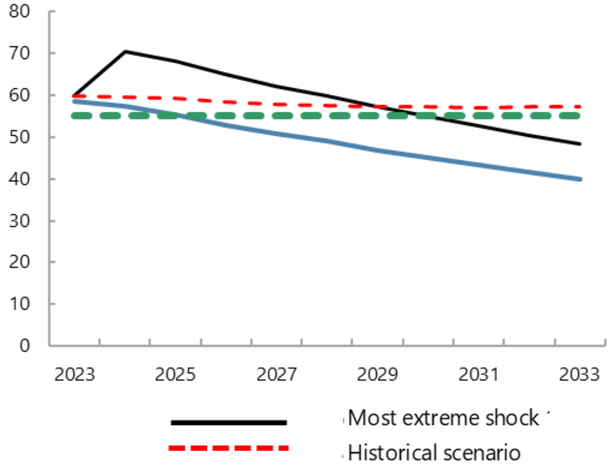


Figure 2: Present value of overall public debt (percent of GDP)



Source: IMF, World Bank.

2.3. IMF RELATIONS

2.12 **The authorities have expressed interest in an IMF financial arrangement under the ECF.** A three-year ECF arrangement was successfully completed in April 2020. The authorities expressed interest in a successor 40-month IMF-supported program, but the reform of state-owned banks have only made slow progress, complicating program discussions. In September 2021, the authorities obtained the WAEMU Banking Commission's conditional approval for the proposal to privatize the BTCI and concluded the privatization in November 2021, but BTCI is still undercapitalized. The privatization of the UTB, the remaining and still insolvent state-owned bank, is pending. IMF staff visited Togo in February-March 2023 to explore options for a new IMF-supported program. A negotiation mission is planned to take place in September 2023, and a program request should be brought to the IMF Executive Board by the end of 2023. As part of the 2021 SDR scale-up, Togo received an allocation of US$200 million (2.4 percent of GDP), which helped reduce the amount of debt to be issued on regional markets. The IMF assessment letter is presented in Annex 2.

3. GOVERNMENT PROGRAM

3.1 **The Togo 2025 Roadmap adopted in October 2020 sets out the government's vision for development across economic, social, and environmental dimensions.** The overall goal of the strategy is to build a modern and peaceful country through sustainable and inclusive economic growth. It consists of three complementary axes: (i) strengthening inclusion and social harmony and consolidating peace (health, education, social protection and access to basic services such as water and electricity; security and justice); (ii) boosting job creation by building on the strengths of the economy (agriculture, logistics, extractive industries, and processing); and (iii) modernizing the country and strengthening its structures (strengthening governance and public finance management, sustainable development, and resilience to future crises). Each of these axes includes a series of thematic ambitions, detailed with individual projects and reform priorities. In parallel, the government has developed an emergency plan for the *Savanes* (*Programme d'urgence pour la région des Savanes,* PURS) as this region has been significantly impacted by terrorist threats and growing fragility risks. The plan is focusing on (a) improving access to basic social services; (b) reinforcing capacity for income generating activities; and (c) supporting territorial administrations. The program is being extended to other localities beyond the *Savanes* region.

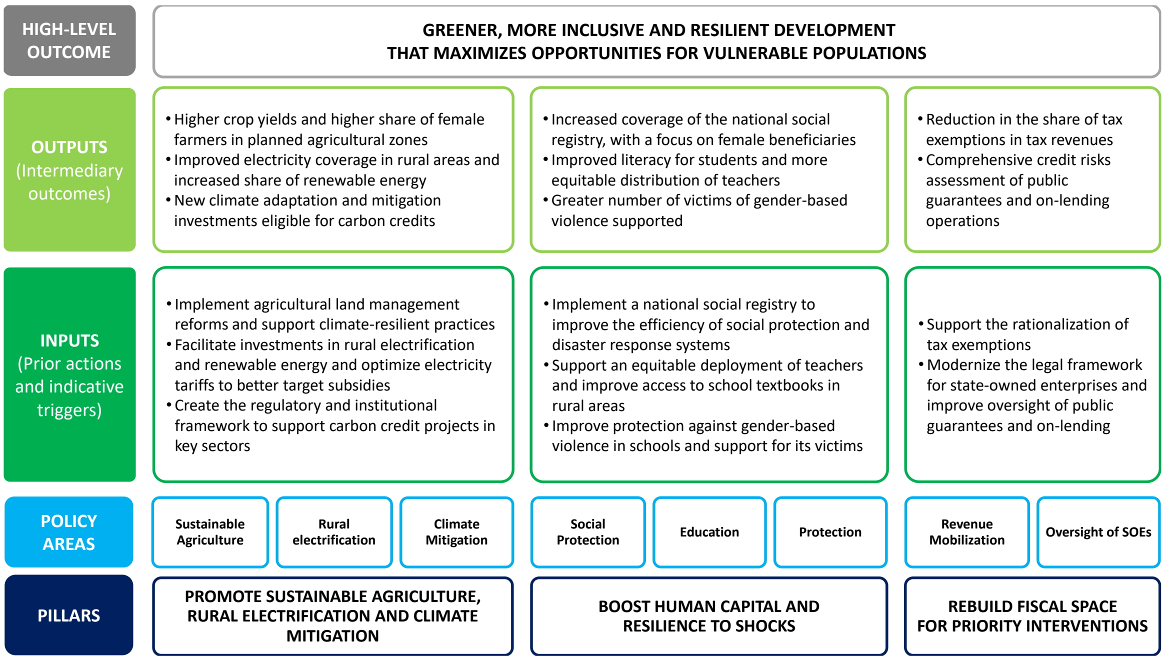
3.2 **The government has ambitious targets for key strategic areas covered in this operation.** Specifically, the government aims to achieve an 8 to 10 percent increase in aggregate agricultural productivity between 2021-2025, a 75 percent electrification rate with expanded rural networks and decentralized systems, 50 percent of renewable energy sources through solar and hydropower generation, 25 percent forest cover, 35 percent of students in second year of primary school reaching a minimum level of reading proficiency, and tax revenues increasing to 15 percent of GDP by 2025. The 2021 update of the Nationally Determined Contribution (NDC) also specifies Togo's goals of increasing climate resilience through mitigation and adaptation and disaster risk reduction strategies, focusing on food production, energy and water. The NDC sets the objective of reducing greenhouse gas (GHG) emissions by 20 percent by 2030 (compared to the baseline scenario), driven by a 16 percent reduction in the energy sector by achieving universal electricity access through increased renewable energy and a 28 percent reduction in agriculture, forestry and other land-based activities through climate smart techniques and better land management.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

4.1 **This operation is seeking to reinforce the foundations for green, inclusive, and resilient development in Togo with a particular focus on maximizing opportunities for vulnerable populations in underserved rural areas.** Growth in Togo was robust prior to the COVID-19 pandemic and has generally been resilient since then, but stagnant productivity in agriculture and the lack of economic opportunities in the non-farm rural economy has left most of the rural population either in or at risk of falling into poverty. This risk was exacerbated in recent years by several shocks, including since the start of 2022 by the impact of Russia's invasion of Ukraine on food, energy, and fertilizer prices which negatively impacted food security and frustrated efforts to reduce poverty. Structural factors preventing faster development in rural areas include the predominance of low productive, land intensive and rainfed agriculture practices, low access to electricity, weak human capital outcomes, and limited mechanisms for vulnerable populations to confront shocks. Since women are more likely than men to be poor and are disadvantaged across multiple dimensions of well-being, gender-specific measures are needed to ensure effectiveness of poverty reduction efforts. In fact, poverty rates among women aged 25–29 are 13.8 percentage points above equivalent numbers for men, while disproportionally more women than men have no education (41.9 percent vs. 19.4 percent), face constrained access to land, and are strongly limited in their agency by different forms of gender-based violence. To ensure a sustainable recovery and rapid poverty reduction in coming years, there is a need to move simultaneously on reforms supporting the transformation of the rural economy through sustainable agriculture, rural electrification and climate mitigation; boosting human capital and resilience to shocks; and restoring fiscal space for priority interventions. The scope of the proposed operation is fully aligned with the reform priorities of the government, as highlighted in the Letter of Development Policy (Annex 3) and provides a strong basis for World Bank engagement as part of the new Country Partnership Framework (CPF) for FY2024-28, to be delivered in FY24Q2. With its focus on supporting development opportunities for underserved rural areas and improving their resilience to shocks, the proposed DPF operation will also complement the government's emergency plan for the *Savanes*, notably through the expansion in that region of planned agriculture development zones, the acceleration of rural electrification efforts, a more equitable deployment of quality teachers, and improved targeting of social assistance programs.

Figure 3: Theory of Change



4.2 **The reform program supported by this operation was designed around three complementary pillars to accelerate implementation of the government's development strategy under challenging circumstances (Annex 1).**

4.2.1 **Promote sustainable agriculture, rural electrification and climate mitigation:** The first pillar of the operation focuses on reforms to boost agriculture productivity and climate resilience, accelerate rural electrification through renewable energy generation, and mobilize private capital to meet climate adaptation and mitigation objectives. These goals are fully aligned with those of Togo's 2025 Roadmap and the 2021 NDC, which aim to make agriculture an engine of growth and job creation, attain universal access to electricity, and accelerate the transition to a low carbon economy.

4.2.2 **Boost human capital and resilience to shocks:** The second pillar focuses on improving the welfare and resilience of more vulnerable populations by supporting learning opportunities for students in underserved areas, reducing the risks of gender-based violence in schools, and increasing the efficiency and targeting of social protection programs. This pillar aligns with the government's ambition to improve public services access for all with a particular emphasis on improving the quality of education, gender equality, and social protection.

4.2.3 **Rebuild fiscal space for prior interventions:** The third pillar consists of priority reforms to rebuild fiscal space through revenue mobilization, improved oversight of the performance of SOEs, and better management of public guarantees and on-lending operations. This supports the government's goal of ensuring fiscal sustainability and ensuring sufficient resources to improve public services.

4.3. **The reform program builds on recent diagnostics of the key constraints to a sustained reduction in poverty and fragility.** The Systematic Country Diagnostic (SCD) Update (2022, P500046), the Country Economic Memorandum (2021, P174741), and the Country Private Sector Diagnostic (2022) highlighted the strategic importance of agriculture, energy, and the transition to a more climate-resilient economy to accelerate structural transformation and to create more and better-paying jobs. The Poverty and Gender Assessment (2022, P176872) also emphasized the centrality of education, girls' empowerment, and effective social protection programs to improve human capital and reduce poverty and fragility risks, which concentrate in rural areas. The ongoing Risk and Resilience Assessment also highlights the role of increased precarity of rural livelihoods as potential factors of instability. Finally, the Public Expenditure Review (PER) (P171688) underlined the need to boost revenue mobilization and to strengthen SOE governance and oversight to reinforce fiscal sustainability. The analytical underpinnings of the policy reforms of this DPF are presented in Annex 4.

4.4 **This operation is fully aligned with the goals of the Paris Climate Agreement.** First, the reform program is consistent with and supports the implementation of the country's climate strategy as spelled out in the 2021 NDC. The NDC notably identifies the improvement of agriculture land management, use of modern agricultural inputs, reforestation, and the support of renewable energy generation through the Rural Electrification and Renewable Energy Agency (AT2ER) as key priorities,[4] all of which are being encouraged by this operation (Annex 5). Second, all but one prior action is expected to have either a net positive or limited impacts on GHG emissions. Prior Action 1 supporting agriculture productivity could potentially lead to a significant increase in emissions but will however contribute to a reduction of the overall carbon intensity of agricultural production by promoting more effective land use, access to climate-smart infrastructure and agriculture practices including in soil, water and input management. Prior Action 2 will accelerate the transition towards renewable energy by improving the financial and operational viability of the AT2ER and the national utility CEET. Moreover, Prior Action 3 is actively supporting investments that could have a measurable impact on GHG emission reduction in sectors such as energy, forestry, and agriculture. In terms of adaptation, except for Prior Actions 1 and 2, climate hazards are unlikely to impact the contribution of the prior actions to development objectives. For Prior Actions 1 and 2, appropriate risk reduction measures have been incorporated to reduce the risk to an acceptable level. Prior Actions 1, 2 and 3 should help reduce the exposure of rural communities to variation in rainfall, and Prior Action 4 will help support disaster risk management through better targeting of populations affected by climate-related disasters. The contribution of Prior Actions 5 and 6 to human capital development are not directly at risk from climate shocks while improvements in learning outcomes and girls' empowerment are themselves a source of overall resilience. The contribution of Prior Actions 7 and 8 are not directly at risk from natural hazards while improved fiscal space and better risk management should provide resources for adaptation and emergency responses. Therefore, all Prior Actions of the proposed DPF program are aligned with the adaptation and mitigation goals of the Paris Agreement. Further details are provided in Annex 5.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

PILLAR 1: PROMOTE SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE MITIGATION

4.5 **The first pillar aims to support the transformation of the rural economy by promoting sustainable agriculture, rural electrification and investments in climate mitigation and adaptation.** Reforms supported under this pillar are notably aimed at stimulating agriculture productivity and resilience to climate shocks through improved land management, better use of irrigation, enhanced women's access to land, and improved access to input and extension services. Efforts to accelerate rural electrification and renewable energy generation will also contribute to supporting the modernization of the agriculture sector, develop non-farm activity, improve access to basic health

[4] The share of renewable energy in electricity generation was estimated at 34 percent in 2021, mostly from hydropower generation with a minor contribution from solar, and is expected to increase to 50 percent by 2025 thanks to [solar energy?] projects supervised by the AT2ER.

and education services, and meet Togo's climate commitments. This is supported in this operation by ensuring sustainable revenue streams for the AT2ER, reinforcing the financial and operational viability of the national utility company CEET and implementing a new tariff structure for electricity that supports affordability for low-income households and incentivize decentralized solar power generation. Creating a regulatory and institutional framework to support projects potentially eligible for carbon credits in Togo will also represent a major opportunity to accelerate the transformation of the rural economy, boost resilience and curb GHG emissions by stimulating private investments in sustainable agriculture, forestry, energy, water, and waste management. These reforms will have the combined benefits of stimulating income-generating activity in rural areas, accelerating the transition towards a low carbon economy and improving natural resource management.

1.1. Sustainable agriculture intensification

***Prior Action #1**. To promote climate-smart agriculture intensification, the Recipient has adopted three Arrêtés (i) enacting the 2024-28 strategy on irrigated agriculture, (ii) creating eighty planned agricultural development zones (ZAAP) where this strategy is being implemented; and (iii) clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances.*

As evidenced by:

i) Arrêté interministériel N°141/23/MAEDR/MEHV portant adoption de la stratégie nationale d'irrigation 2024-2028, dated June 15, 2023.
ii) Arrêté ministériel N°142/23/MAEDR/CAB/SG portant création de quatre-vingts zones d'aménagement agricole planifiées (ZAAP) dated June 15, 2023.
iii) Arrêté interministériel N°146/MAEDR/MCICL/MEF fixant les modalités exceptionnelles de gestion des engrais, dated June 20, 2023.

***Indicative Trigger #1**. To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a draft Law on Agriculture Land Management ("Loi relative à la réforme agro-foncière"), including provisions to facilitate women's access to land and to protect forests and other protected ecosystems.*

Background and Rationale

4.6 **The agricultural sector is critical to raising income per capita and reducing poverty, but it has faced a series of shocks in recent years exacerbating long-standing structural challenges.** Two-thirds of rural households and 71 percent of the poor are categorized as agricultural households, yet the adoption of yield-enhancing and climate smart practices is limited, with only 8 percent of agricultural households using improved seeds and only 2 percent of cultivated land being irrigated. In this context, the expansion of agriculture production since the mid-2000s has been driven by increases in cropped area rather than efficiency gains, a trend that has contributed to deforestation and soil degradation. Exposure to climate shocks is particularly elevated in the agriculture sector in Togo given its high reliance on natural rainfall. Rural women are particularly disadvantaged with respect to ownership of agricultural land, agricultural productivity, and earnings, with only 9.2 percent of rural women reported owning at least one parcel of land, compared to 39.7 percent of men. Better land management including improved access of women to agriculture land, the promotion of climate-smart techniques and improved access to irrigation, modern inputs and mechanization will be critical to ensure a sustainable transformation of the agricultural sector, improve income for smallholder farmers and food security for the rest of the population. The country's NDC is making a clear link between the modernization of agriculture, better agriculture land management and the preservation of forest areas and natural endowments.

Reform program – prior actions and indicative triggers

4.7 **Prior Action #1 consist of the adoption of the government's strategy on irrigated agriculture and its implementation in planned agricultural development zones (ZAAP).** The development of irrigated agriculture and ZAAPs are key planks of the government's 2025 Roadmap to improve agricultural yields, increase food security, and accelerate the shift towards sustainable agriculture intensification and lower risks of deforestation due to expansive agriculture practices. In particular, the strategy on irrigated agriculture notably aims at facilitating farmers' investments in solar-powered irrigation systems, promoting resilient crop management and water conservation practices. ZAAPs are designed to support the implementation of this strategy on the ground, ensure more effective land use, access to climate-resilient infrastructure and climate-smart extension services including training in practices that help reduce water consumption and GHG emissions, as specified in the two corresponding Arrêtés. ZAAPs also aim to support women economic empowerment, with the participation of female farmers being significantly higher than in non-ZAAP areas and increasing over time (including in the poorest *Savanes* region where it reached more than 40 percent in 2022-23). The consolidation of land associated with the creation of ZAAPs is fostering land tenure security for smallholder farmers and includes provisions to facilitate women's access that will set the stage for a wider reform of agriculture land management supported under the second operation (DPF2).

4.8 **Prior Action #1 also supports more predictable access to fertilizers during periods of market stress, as witnessed during the 2022-23 season.** This reform is clarifying the scope of public interventions in the importation and distribution of fertilizers when the private sector is not able to meet market demand due to exceptional circumstances, such as high international prices or supply disruptions. Once market conditions normalize, imports and distribution of fertilizers will be done by the private sector, reducing market distortions and pressures on public finances. While it is aimed at supporting stability in fertilizer supplies rather than an increase in overall use, it will be accompanied by efforts to train farmers on fertilizer use efficiency and soil nutrient preservation.

4.9 **Indicative Trigger #1 entails deeper agricultural land management reforms by accelerating the decentralization of land titling and dispute resolution systems.** The rural land management reform will aim to create more investment security, facilitate the resolution of land disputes, proactively address issues of equitable access for women, and help preserve protected and forest areas. The reform will cover land tenure security over individual and communal lands, public land management, and increased efficiency and transparency in land administration services at the decentralized level. Beyond positive impacts on farmers' livelihood and productivity, creating safeguards in land usage of a sector that currently has a significant impact on forest resources through deforestation and land degradation is essential to meet government's ambition to restore a 25 percent forest cover by 2025 and reduce GHG emissions from land use activities by 28 percent by 2030. The agriculture land management reform will be supported by wide consultations with local communities, landowners, cooperatives, farmers 'associations, and women associations and a detailed poverty and social impact assessment will be undertaken, potential risks will be identified, and mitigation measures suggested where needed.

4.10 **Results indicator.** Progress with these reforms will be measured through maize yields in ZAAPs, which are expected to double by 2025 (3 tons/ha from 1.5 tons/ha in 2021), and by an increase in the share of female farmers participating in ZAAPs, from 30 percent in 2021 to 40 percent by 2025. A focus on maize yields holds significant potential for the rural poor since it is the most widely grown crop among poor farmers. The West Africa Food System Resilience Program (P172769) is complementing the reforms supported by this operation and will help reinforce their effects on productivity and food security.

1.2. Rural electrification and renewable energy

***Prior Action #2**. To boost rural connectivity and accelerate the energy transition, the Recipient has adopted an Arrêté establishing a sustainable financing framework for the rural electrification and renewable energies agency (AT2ER) and signed a new performance contract with the national utility company CEET supporting the improvement of its financial and operational performance.* *As evidenced by:* *i) Arrêté interministériel N° 036/MDEM/MEF/2023 précisant les modalités d'application de l'article 22 du décret n° 2016-064/PR du 11 mai 2016 portant création, attributions, organisation et fonctionnement de l'AT2ER, dated June 20, 2023.* *ii) Contrat de performance entre l'Etat et la Compagnie Energie Electrique du Togo CEET 2023-24, dated May 5, 2023.* ***Indicative Trigger #2.** In order to improve the targeting of subsidized electricity services exclusively on low-income households, facilitate decentralized renewable energy production and preserve industrial competitiveness, the beneficiary has adopted and applied an optimized structure for electricity tariffs reflecting system costs and based on a formula for calculating CEET's revenue requirements.*

Background and Rationale

4.11 **Access to electricity in rural areas is particularly low in Togo, hampering economic development and perpetuating the use of high-emission alternative energy sources.** While 94 percent of households have access to electricity in urban areas, the share drops to 24 percent in rural areas, pointing to one of the largest rural-urban divides among WAEMU countries. This is a major constraint to improving income-generating activity and basic services such as health and education in rural areas. To reach its twin goals of reaching universal access by 2030 and shifting to a low-carbon economy, the government established in 2016 the AT2ER, which is responsible for planning, executing, and mobilizing necessary investments. However, the AT2ER operates with a structurally underfinanced operating budget, relying on ad hoc transfers from the struggling national utility company, CEET. Moreover, CEET's fragile financial and operational situation hampers its own ability to invest or act as a reliable off-taker for renewable energy projects. This reflects a combination of factors, including poor governance, user charging leakage, and electricity tariffs that are below cost recovery levels. The current tariff structure for electricity services also has the adverse effect of undermining decentralized power generation solutions, such as rooftop solar panels, as it does not separate fixed from demand charges. In terms of distributional effects, current subsidized tariffs only provide coverage to 24.3 percent of the poor, against 62.7 percent of the non-poor, making them highly regressive.

Reform program – prior actions and indicative triggers

4.12 **Prior Action #2 aims to ensure a more sustainable financing framework for AT2ER and to set a credible pathway to financial viability for the national utility company CEET.** The new financing framework for AT2ER will consist of earmarking a levy on renewable energy projects to its operating budget, the regularization of transfers from the CEET and the government, and the direct contribution of consumers once a new tariff structure is established (as supported by the indicate trigger for the second operation). Meanwhile a new performance contract will support efforts to enhance efficiency and loss reduction measures at CEET to reduce the cost of service and improve the utility's capability to purchase energy from renewable independent power providers. Beyond the contribution of these reforms to improving rural connectivity and increasing the share of renewable energy generation, these measures will also help reduce the need for alternative energy sources, like kerosene lamps that are important emitters of GHG and sources of pulmonary diseases. Moreover, improving CEET's capacity to maintain and renew power generation and distribution infrastructures will help reduce the risk of disruptions associated with climate hazards and pre-empt CEET's performance losses from unforeseen climate events.

4.13 **Indicative Trigger #2 entails the adoption of a new electricity tariff structure to ensure CEET's ability to provide efficient services, secure affordable electricity for poor households, create incentives for decentralized renewable generation and preserve industrial competitiveness.** The updated tariff structure will incorporate a social tariff to be applied exclusively to low-income households, with rates based on their affordability, and a separation of fixed, demand-related, and energy-related charges for all rates to ensure a more efficient service delivery along the electricity supply chain and incentivize new decentralized renewable generation technologies, such as rooftop solar. To make sure that only the effective and reasonable costs of CEET are transferred to consumers, a pre-condition for the tariff reform will be the adoption and implementation by the regulator of a methodology to set and periodically adjust for an initial four-year period the required revenue formula for CEET, following guidelines from the decree adopted as part of the Second Fiscal Management and Infrastructure Reform DPF operations in 2019 (P166739). Reducing CEET's operating losses will have the added benefit of removing the distortionary incentive for CEET to keep access low, further supporting the expansion of rural connectivity.

4.14 **Results indicators.** The impact of these reforms will be measured through the number of additional rural households connected to electricity, which is expected to increase by 150,000 by 2025, corresponding to about 13 percent of the rural population. In parallel, an increase in the share of renewable energy in installed electricity capacity is also expected, reaching an estimated 40 percent by 2025, up from 34 percent in 2021. Other World Bank operations, including the Regional Emergency Solar Power Intervention Project (RESPITE, P179267), the Energy Sector Support and Investment Project (TESSIP, P160377) and the pipeline Inclusive Development through Electricity Access project (IDEA, P176769) are supporting these objectives and critical sector studies such as the Least Cost Plan, the restructuring of CEET and tariff studies.

1.3. Carbon credit mechanism

***Prior Action #3**. To reduce greenhouse gas emissions and attract new investments in sustainable agriculture, forestry and renewable energy, the Recipient has adopted a decree establishing the regulatory and institutional framework to manage carbon credits and carbon reduction units.*

As evidenced by: Décret N°2023-034/PR relatif aux mécanismes de carbone, dated March 15, 2023.

***Indicative Trigger #3.** To operationalize and strengthen the new carbon credit mechanism, the Beneficiary has adopted Arrêtés clarifying the conditions for the authorization, commercialization and revenue allocation of carbon credits, carbon reduction units and taxes.*

Background and Rationale

4.15 **Carbon market initiatives offer great opportunities to accelerate the transition to a sustainable, inclusive, and low carbon economy.** As the Paris Agreement targets seek to reduce GHG emissions, it has become critical for countries, companies, and organizations to focus on the decarbonization of their activities, which are increasingly achieved through carbon market initiatives. Demand for carbon credits originating from African countries has been growing at a compound annual rate of 36 percent between 2016 and 2021 with a significant upward potential as carbon credits from Sub-Saharan Africa only represent about 11 percent of global transactions. Stimulating high integrity carbon credit projects in Togo could not only accelerate climate mitigation and adaptation but will also be a crucial way to mobilize additional financing for development while leveraging and preserving natural capital endowment. Moreover, this will also constitute an additional source of revenue for state and local authorities, creating fiscal space for priority spending in infrastructure and social services. The Africa Carbon Market Initiative, to which Togo is a participant, estimates that up to 50 percent of Togo's GHG emission reduction target could be covered by voluntary carbon credit projects, mobilizing up to US$60 million per annum in capital, and supporting up to 100,000 new jobs by 2030.

Reform program – prior actions and indicative triggers

4.16 **Prior Action #3 focuses on establishing the basis of a regulatory and institutional framework for carbon markets in Togo with the aim of creating a competitive and transparent environment for investments in a low-carbon economy.** This entails adopting regulations to define criteria for approving projects with significant GHG emission reduction potential and determining revenue sharing rules. In line with international standards, the new decree outlines eligible activities, institutional responsibilities, and verification methods applicable to both compliance markets (where GHG emission reductions are mandated) and voluntary markets (where projects seek carbon credits for emission reduction or carbon capture). At the institutional level a National Accreditation Committee will ensure that projects comply with national laws and sustainable development goals, verifies project baselines and additionality, and deliver technical opinions on accreditations. This reform fully aligns with Togo's NDC commitment to develop market foundations for carbon markets, contribute to supporting job-creating investments, and generate new sources of revenue to enhance infrastructure and service delivery for local communities.

4.17 **Indicative Trigger #3 seeks the operationalization of the new carbon market mechanism through the adoption of implementing regulations that will lead to actual project appraisal and accreditation.** Additional regulation will clarify the conditions for authorization, commercialization, and allocation of carbon credits and associated revenues. It will include guidelines to define the ownership model for carbon credits, including the rights to revenues from commercialization for project developers, investors, local communities, regional and national governments. It will also include provisions for adherence to international carbon credit integrity and certification standards as well as reporting and transparency requirements. Project certification will continue to be delivered by global entities such as Verra and Gold Standard, which together account for 99 percent of voluntary carbon market certification in Africa. Building the necessary technical capacity and expertise to effectively regulate carbon markets will be critical to accompany this reform, including training programs, knowledge sharing platforms, and collaboration with international organizations and experts to strengthen local capabilities in areas such as carbon accounting, project assessment, and market oversight.

4.18 **Results indicator.** The results indicator for this reform sequence will be the processing and registration of 5 investment projects eligible for carbon credits by 2025. Africa's Carbon Markets Initiative is supporting the development and implementation of Togo's voluntary carbon market activation plan while Togo's Country Climate and Development Report (CCDR, P180966) will provide guidance on regulatory gaps to support carbon markets.

PILLAR 2: BOOST HUMAN CAPITAL AND RESILIENCE TO SHOCKS

4.19 **This pillar aims at increasing human capital and resilience to shocks by strengthening the efficiency of social protection programs, improving learning opportunities for students in underserved areas, and protecting adolescent girls against risks of gender-based violence in schools.** Reforms seek to better target cash transfer programs and improve their ability to respond to shocks through the establishment of a unique social registry, strengthen learning opportunities by ensuring more balanced teacher deployment across the country, improved textbook availability and by reducing the risk of gender-based violence in schools. These reforms will help reduce sources of multidimension poverty, particularly in rural areas, and will contribute to reducing fragility risks.

2.1. Social protection

Prior Action #4*. To improve the efficiency of social protection systems, the Recipient has adopted a Decree establishing the Registre Social des Personnes et des Ménages (RSPM, Social Registry) making it mandatory to use the RSPM for the selection of beneficiaries for any aid or social assistance program.*

As evidenced by: Décret N°2023-043/PR portant création et fonctionnement du registre social des personnes et des ménages, dated April 24, 2023.

Indicative Trigger #4. *To ensure that the RSPM can be sustainably used to target beneficiaries for social protection and natural disaster response programs, the Recipient has adopted Arrêtés establishing data sharing mechanisms between the RSPM and other government agencies holding relevant information in compliance with applicable data protection regulations.*

Background and Rationale

4.20 **Slow gains in poverty reduction notably reflect a high exposure of vulnerable population to shocks and the lack of adequate buffers.** The share of the rural population either in or at risk of falling into poverty was estimated at 83 percent in 2019, against a national average of 65 percent (2018-2019 EHCVM). This reflects in part the impact of income and consumption variability due to events like illness, irregular rainfall, and crop or animal diseases, which tends to impact rural households the most. In the absence of effective social safety net programs, informal coping strategies such as relying on help from relatives, asset sales and reduced consumption, create a vicious cycle for the poor, hindering progress toward sustained poverty reduction. Moreover, a smaller share of women than men reports that they can get access to emergency funding in a crisis situation (76 percent vs 82 percent for men), putting them at a disadvantage. In Togo, gender, household composition, and poverty incidence are fundamentally interconnected, which calls for the implementation of gender-specific measures. The coverage and efficiency of social protection programs has improved in recent years, but they continue to suffer from insufficient resources, a high level of fragmentation of existing programs, an inadequate architecture to respond to exogenous shocks, and a lack of a national social registry to ensure equity in the allocation of cash transfer programs. Understanding natural hazards and their risks and including this data in social protection information systems could also help the government respond in an inclusive and effective manner to climate hazards and other natural disasters.

Reform program – prior actions and indicative triggers

4.21 **Prior Action #4 will strengthen social protection systems by establishing a national social registry (*Registre Social des Personnes et des Ménages, RSPM*).** Effective and adaptable social registry systems play a critical role in the efficient delivery of social protection by ensuring that those who most need government assistance are prioritized, and by improving the capacity of the social protection system to respond to shocks, thereby strengthening resilience. The Government has laid the foundation for the RSPM in recent years, which needed to be codified to ensure that social ministries have a coherent and effective tool to target poor and vulnerable households. The dynamic social registry works in tandem with the foundational unique identification system (eID Togo), which seeks to register all individuals in Togo by 2024. The RSPM is being developed to collect and update self-reported socioeconomic information from households through the RSPM's dynamic intake and registration process, while multidimensional economic and vulnerability criteria are being developed to perform an assessment of needs. Innovations along the delivery chain of the RPSM, such as during outreach, registration, and assessments, will make it possible to account for overlapping social disadvantages, such as those related to gender, to ensure an inclusive and equitable tool. The availability of disaggregated data in the social registry will also play an important role in improving disaster response mechanisms and meet the challenges that vulnerable groups, including women, face in post-disaster recovery.

4.22 **The Indicative Trigger #4 will help improve the integrity and usefulness of the RSPM by creating data sharing mechanisms between agencies holding relevant information.** This will ensure that data in the registry is continuously updated and cross-checked, while preserving applicable data protection regulations.[5] An interoperable social information system will also allow accurate monitoring of the resources dedicated to non-contributive programs in social sectors. Relevant information will be shared in full compliance with applicable data protection regulations. Georeferenced information from the RSPM will be paired with hazard data to produce more precise hazard maps of household exposure to shocks. This will allow to calibrate the scale and duration of support while the use of digital platforms for mobile cash transfers will help ensure a rapid reaction, preventing lengthy waiting period that amplify losses induced by natural disasters. Improved targeting of poor households should also help strengthen food security in Northern regions.

4.23 **Results indicator.** Progress with these reforms will be monitored through the registration of 300,000 households with a female designated as recipient of social safety net programs in the national social registry by 2025, and through an increase in the share of households benefiting from cash transfer programs to 5.7 percent in 2025, from 3.15 percent in 2021. Togo's Safety Nets and Basic Services Project (P157038), the West Africa's Unique Identification for Regional Integration and Inclusion Program (P161329), and Togo's new Social Assistance Transformation for Resilience Program for Results (PforR) (P178835) will support progress towards this objective through the development of the RSPM and of a consolidated national social safety net program.

2.2. Education

***Prior Action #5**. To support the deployment of quality teachers in rural and underserved areas, the Recipient has adopted an Arrêté regulating transfers of teachers and administrative staff in primary, secondary and technical education.*
As evidenced by: Arrêté N° 168/2023/MEPSTA/CAB/SG/DRH règlementant les mutations des enseignants et du personnel administratif, dated April 17, 2023.
***Indicative Trigger #5.** To improve learning opportunities for primary school students, the Recipient has adopted (i) a decree establishing a new model for the production and distribution of school textbooks including provisions on copyright and digitalization and (ii) an Arrêté instituting a periodic assessment of teachers with a view to identifying their capacity-building needs on the basis of identified skills to practice the teaching profession.*

Background and Rationale

4.24 **Lagging and uneven learning outcomes across the country constitute a major obstacle to human capital development.** Despite relatively high spending on education (4.6 percent of GDP), more than 75 percent of students do not reach "sufficient" language proficiency level in the early years of primary school. Several constraints explain the sector's inefficiency, namely the lack of qualified teachers and the inaccessibility of appropriate learning material, particularly in underserved rural areas. The distribution of civil servant teachers across the territory does not match service needs, leading to large imbalances in learning opportunities across the country. The low concentration of female teachers in rural areas, with only 9 percent of civil servant teachers and 11 percent of volunteer primary

[5] The RSPM is an information system that supports outreach, intake, registration, and determination of potential eligibility for social programs and contains up-to-date data on poor and vulnerable households, subject to Law No. 2019-014 dated October 29, 2019 on the protection of personal data and Recipient's Decree No. 2020-111/PR dated September 12, 2020 on the organization and functioning of the Data Protection Body, which meet good international practices.

school teachers being women, further emphasizes this spatial divide and hampers learning opportunities for girls in rural areas. Similar imbalances exist in the availability of learning material. Despite the free textbook policy instituted by the government, less than 35 percent of students have an individual reading textbook at the beginning of their schooling, with the proportion falling to negligible levels in the poorer regions of Kara or *Savanes*, hence further reinforcing spatial inequalities.

Reform program – prior actions and indicative triggers

4.25 **Prior Action #5 seeks a more equitable deployment of civil servant teachers throughout the country, particularly towards underserved rural areas.** Out of three thousand requests for inter-regional teacher transfers, there are generally less than five voluntary requests to leave the Grand-Lomé region. The trend is the same within the regions where almost all the requests to leave come from localities considered unattractive by teachers. This unequal distribution of civil servant teachers leads to a disproportionate recruitment of "volunteer teachers" in less attractive areas, most of whom do not have the required qualifications to teach. This constitutes a serious handicap for the quality of education in underserved areas. The reform aims to ensure a more equitable distribution of human resources and to enable underserved areas to benefit from sufficiently qualified teachers.

4.26 **Indicative Trigger #5 supports a reinforced framework for the production and distribution of school textbooks and set national standards for career and skills requirements for teachers.** This will include the regulation of the textbook supply chain, transparent and competitive textbook procurement for their production and distribution, and the cession of copyrights to autonomous public entities and/or to the private sector to incentivize investments (currently below 1.4 percent of sector spending) and reduce procurement costs. The adoption of the national textbook policy, the creation of a national commission for the periodic review and update of primary and secondary education textbooks, teacher training and the establishment of dedicated budget line for the curriculum reform will help complement these efforts to improve the content of instructional learning materials for students. In addition, the process of evaluating competencies of primary school teachers will be clarified, which will help reinforce the quality of teachers and support performance incentives. Measures allowing students to study in better conditions, including those supported by Prior Action #6 to protect girls against the risk of sexual misconduct, will also help reinforce the impact of these reforms on learning opportunities.

4.27 **Results indicator.** Progress will be measured by the goodness-of-fit between the number of teachers and students across public primary schools, and is expected to increase from 0.54 in 2021 to 0.70 in 2025, and the share of Grade 2 students achieving at least a minimum level of reading proficiency is expected to increase from 24.5 in 2019 to 35 percent in 2025. The Improving Quality and Equity of Basic Education Project (P172674) is backing these objectives by supporting the quality and equity of primary education in selected regions and by strengthening overall management of the education system.

2.3. Gender-based violence in schools

Prior Action #6. *To strengthen girls and women's empowerment, the Recipient adopted a Law for the protection of students against sexual violence, strengthening prevention measures, support mechanisms for survivors and sanctions for perpetrators.*

As evidenced by: Loi N°2022-020 portant protection des apprenants contre les violences à caractère sexuel au Togo, promulgated on December 2, 2022.

Indicative Trigger #6. *To strengthen support for survivors of gender-based violence (GBV), the Recipient adopted an Arrêté establishing a harmonized multi-sectoral protocol to support GBV survivors.*

Background and Rationale

4.28 **Despite recent progress, GBV remains pervasive, hampering the social and economic empowerment of girls and women.** The risk of sexual misconduct at schools poses a significant barrier to education for adolescent girls, as it undermines their safety and hampers their ability to access and benefit from learning opportunities. Tackling GBV matters on its own as a fundamental human right, ensuring that everyone in society is entitled to a life free of violence and discrimination. In addition, GBV has devastating effects on individuals and societies: Incidents of physical and sexual GBV increase the risks of miscarriages and mortality. Women who encounter abuse during pregnancy tend to have fewer antenatal and postnatal care visits, which might be one of the reasons for maternal and infant mortality and lower health status of newborns. Children of abused women are also more likely to be deprived of essential care, access to education, and adequate socialization compared to children of non-abused women. At the societal level, domestic abuse affects the human capital potential of survivors, reducing their labor market participation and engagement in civic activities, their participation in education, employment, and civic life, leading to inability to work, loss of income, job instability, and higher expenses for medical care thus hindering progress in poverty reduction[6]. The incidence of intimate partner violence (IPV) is pervasive in Togo, with 35.7 percent of Togolese women having experienced at least one form of it, and the share increasing with the number of children and decreasing with levels of educational attainment and wealth quintile. The acceptance rates of IPV in Togo are high, with nearly one-third of all women ages 15–49 (28.7 percent) justifying domestic abuse under certain circumstances. At the same time, service provision to GBV survivors is very limited, and demand-side barriers to seek assistance exist.

Reform program – prior actions and indicative triggers

4.29 **Prior Action #6 consists of the adoption of a law reinforcing protection of students against sexual violence.** This reform is crucial for creating a safe and inclusive learning environment that empower girls to thrive academically and personally. This law criminalizes school-based GBV, including harassment, unsolicited touching, rape, attempt for sexual favors, and sexual intercourse based on consent if a student is younger than 16 years of age. It also defines GBV prevention measures, such as developing teaching and training programs to combat sexual violence, including a curriculum on sexual education and rights; introducing a code of ethics of all teaching and administrative staff; collaborating with media, civil society organizations (CSO), opinion leaders to raise public awareness on school based GBV; and establishing mechanisms for the prevention and management of cases of sexual violence. Developing training programs for staff on sexual violence can increase teachers' knowledge around this problem and empower them to effectively prevent GBV in schools, refer victims to support services and assistance with medical, legal, and

[6] World Bank 2022. Togo Poverty and Gender Assessment.

psychological support (‘centres d’écoute’, free medical-legal certificates). Importantly, the law enables girls/women victims of sexual violence to obtain medical certificates/forensic reports free-of-charge. In addition, the law announces a national observatory for monitoring and evaluation and a national action plan to combat sexual violence in schools. The law declares the right of pregnant girls to continue school or –if need be- repeat the year and provides a framework to better organize and raise the profile of otherwise scattered initiatives. This law on protecting learners complements a new law that introduces several modifications of the family, penal and labor codes in relation to gender equality. New provisions include legal definitions on GBV, related penalties, and survivors’ rights. These new laws are an important step forward to eradicate GBV, spanning preventive, punitive and remedial measures.

4.30 **Indicative Trigger #6 aims at establishing a harmonized multi-sectoral protocol to support GBV survivors.** To support implementation of the new legislation on GBV, and to meet urgent needs of survivors, the Recipient plans to adopt an arrêté establishing a multisectoral protocol to provide holistic support to GBV survivors. The protocol will define the mechanisms and referral pathways for an integrated support system for survivors, stating the rights of survivors and the role of each actor from the first contact (police, health staff, social workers, justice system). It will be modeled on international best practices and will use a survivor-centered approach, ensuring that cases are managed safely, respectfully, and confidentially and that access hurdles, including the cost of seeking care, are addressed. It will build onto recently developed sector protocols. The result of this reform will be improved care for GBV survivors, in favor of their health, safety and overall well-being and their participation in education or work.

4.31 **Results indicator:** Progress following the reform will be assessed on the basis of the number of GBV survivors having benefited from at least one support service (of a health, psychosocial, legal/security, and/or economic nature), targeting a minimum of 4,500 cases by 2025 (2021 baseline is 2,799). The Sub-Saharan Africa Women Empowerment and Demographic Dividend (SWEDD) project under preparation (P176693), for FY24 delivery, will contribute to this objective by strengthening GBV prevention and survivor support services and will assist with the preparation of the multisectoral protocol.

PILLAR 3: REBUILD FISCAL SPACE FOR PRIORITY INTERVENTIONS

4.32 **This pillar seeks to rebuild fiscal space by broadening the tax base, improving the performance of SOEs and reducing associated fiscal risks.** Rising public debt and shrinking fiscal space are reducing the government’s ability to provide quality public services, protect vulnerable populations from ongoing food security and fragility risks and confront the impact of future economic and climate shocks. In response to concurrent crises in recent years, the government has increased public spending to 28 percent of GDP in 2022, its highest level on record, which led to rising public borrowing and debt levels. As the government embarks on fiscal consolidation to bring the deficit back to the targeted 3 percent of GDP by 2025, an ambitious domestic revenue mobilization strategy, cuts in regressive transfers and subsidies, and efforts to improve SOE performance and mitigate contingent liability risks will be essential to rebuild the necessary fiscal space while continuing to support critical infrastructure and social service programs. This pillar includes reforms to help rationalize ineffective tax exemptions, reinforce the performance and oversight of SOEs, and reduce risks associated with public guarantees and on-lending to SOEs.

3.1. Domestic resource mobilization

Prior Action #7: *To improve the management of tax exemptions and help rationalize inefficient ones, the Recipient has adopted an Arrêté creating the National Committee for the Evaluation of Tax Expenditures and endorsed a list of 22 tax exemption measures to be repealed.*

As evidenced by:

i) *Arrêté n° 211/2022/MEF/UPF portant création, attributions et organisation du Comité national d'évaluation des dépenses fiscales, dated November 21, 2022.*

i) *Decision N°100/2023/MEF/UPF portant approbation de la liste de mesures de dépenses fiscales à rationaliser, dated April 11, 2023*

Indicative Trigger #7*: To boost revenue mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted a Decree mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Budget Law and adopted necessary regulations to repeal 22 tax exemption measures.*

Background and Rationale

4.33 **Credible measures to widen the tax base and ensure a careful management of preferential tax regimes are critical to a sustainable fiscal consolidation strategy.** The tax-to-GDP ratio in Togo has been structurally low and the COVID-19 crisis reduced it further to 12.2 percent in 2020, before recovering to 13.3 percent in 2022. Tax expenditures are a significant source of tax base erosion, representing a loss of revenues equivalent to 2.2 percent of GDP and 16.1 percent of revenues in 2022. The largest share of these costs comes from value added taxation (35.9 percent), followed by corporate taxation (23.5 percent), and customs duties (17.5 percent). The overall cost of tax expenditures in 2022 was equivalent to about twice the domestic budget for social safety net programs. Previous reforms in this area have mostly focused on transparency, notably with the publication of an annual Tax Expenditure Report prepared by the Tax Policy Unit. The report includes estimates of the cost of tax exemptions but not yet a comprehensive evaluation of their socio-economic performance due to a lack of data, capacity, and coordination. However, the 2022 Report included a pilot study of companies in special economic zones, as part of commitments under the FY23 SDPF PPAs. Decisions on new tax expenditures remain opaque and are not subject to cost-benefit analysis nor clearly established performance objectives. The actual process of tax expenditure rationalization is starting with the support of this operation.

Reform program – prior actions and indicative triggers

4.34 **Prior Action #7 is aimed at reinforcing the technical and institutional capacity to evaluate the efficiency of tax expenditures and start rationalizing inefficient ones.** The prior action consists of establishing under the leadership of the Tax Policy Unit a National Committee for the Evaluation of Tax Expenditures (CONEDEF) in charge of data collection, analysis, and guidance on the rationalization of tax expenditures, which will allow ex-post impact assessments to be published in the annual Tax Expenditure Report and the development of recommendations to rationalize ineffective measures. This, together with the concurrent creation of the National Committee for Monitoring the Tax Transition Program (CNPTF) that is responsible for Togo's broader revenue mobilization strategy, will help improve the institutional and technical capacity and contribute to improved transparency in the management of public resources. The Minister of Economy and Finance also approved a list of 22 tax expenditure measures to be repealed, reflecting mostly their lack of appropriate legal foundations. The identified measures, which includes most notably maintenance activities in the port and airport, reduced revenues by an estimated 25bn Franc CFA in 2021, or 0.6 percent of GDP, which would account for nearly half of the projected improvement in the revenue-to-GDP ratio by 2025. Regulatory changes needed to repeal these measures are part of the formulation of the indicative trigger for the second operation.

4.35 **Indicative Trigger #7 will establish a new framework to ensure transparent and cost-effective decisions on new tax exemptions and will repeal 22 tax expenditure measures identified as part of the first operation.** The Indicative trigger #8 will complement improvements to tax expenditure analysis by establishing the framework for a transparent and evidence-based decisions on new tax exemptions. The adopted decree will require that proposed tax exemptions be subject to a prior cost-benefit analysis and that the results of such analysis are published in the annex to the Budget Law, with quantifiable performance indicators to allow for periodic evaluations. Approval of new tax exemptions would be conditioned on a positive cost-benefit analysis and the decision to extend the measure over time would be decided based on progress towards the performance indicators. Legal texts will also be modified to repeal the 22 tax expenditure measures identified as part of Prior Action #8, with significant effects on revenue mobilization in the 2024 budget. Further steps in the rationalization of tax expenditures will include an assessment by the CONEDEF of exemptions granted under special economic zones and impact evaluations of other tax expenditures to assess their efficiency and develop further recommendations to reduce their impact on revenues.

4.36 **Results indicator.** Progress under these reforms will be monitored through the reduction of the amount of tax expenditures as a proportion of overall fiscal revenues, representing at most 13 percent by 2025, from 16.6 percent in 2021. The SDPF PPAs in FY23/24 are supporting similar objectives and will contribute to progress towards the results indicator target.

3.2 SOEs performance and oversight

***Prior Action #8**. To strengthen the governance and performance of state-owned enterprises (SOEs), the Recipient, through its Council of Ministers, submitted to Parliament a law establishing a new legal framework for companies with public financial participation to improve management, internal and external control systems, and performance monitoring and evaluation.*

As evidenced by: Lettre de transmission 101/PM/SGG/2023 à la Présidente de l'Assemblée Nationale du projet de loi portant régime juridique des entreprises publiques en République Togolaise, dated June 8, 2023.

Indicative Trigger #8. *To improve transparency and better manage contingent liabilities associated with SOEs, the Recipient has (i) approved an Arrêté setting out a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) produced a report on consolidated financial results, debts and guarantees of companies with majority state ownership to be annexed to the Finance Law.*

Background and Rationale

4.37 **SOEs have a significant bearing on fiscal sustainability, emphasizing the importance of strengthening their legal and institutional framework and reducing contingent liability risks.** Despite several waves of privatizations, SOEs still play a key role in strategic sectors, including transport, utilities, and the financial sector. They notably include the autonomous port of Lomé and the Gnassingbe Eyadema International Airport, which have received significant state financial support in recent years and play a strategic role in Togo's regional trade ambitions. They also include three public utilities operating as the main providers of electricity and water, while two SOEs actively participate in the tradable sector, and a major public bank. The legal framework for those SOEs is outdated and incompatible with the current institutional setup, especially since the dissolution of the ministry in charge of SOEs. Some key aspects of the SOE Law need to be updated to be aligned with provisions of Organization for the

Harmonization of Business Law in Africa (OHADA) Act on Commercial Companies and Economic Interest Groups, while tools for performance monitoring and evaluation, reporting and oversight needed to be strengthened. Moreover, estimating the impact of SOEs on the state budget and on contingent liabilities remains difficult due to the lack of critical financial information, including on subsidies (from the government to SOEs) and taxes (paid by SOEs to the government), as well as on public guarantees and on-lending operations. This emphasizes the importance of greater transparency around the financial and operational health of SOEs, their tax and subsidies, and borrowing practices.

Reform program – prior actions and indicative triggers

4.38 **Prior Action #8 provides for a new legal framework for the governance and oversight of SOEs.** The new SOE law, which updates the previous one adopted back in 1990, better reflects the current institutional framework for SOEs and the provisions of OHADA´s Act on Commercial Companies and Economic Interest Groups (AUSCGIE), to which Togo is a member. It also clarifies the role of technical and financial supervision of SOEs, codifies conditions and procedures for the appointment of state representatives, opens the possibility of professional appointments from the private sector in supervisory boards, strengthens the role of the board, enhances performance monitoring, and establishes procedures for the appointment of the members of the Board of Directors, the general managers, and deputy general managers. Performance contracts with SOEs are mandatory, including statement of the development strategy, objectives to be achieved in terms of financial results, productivity and quality of service, and resources needed to achieve these objectives. The new law also codifies the obligation of an external audit of the annual accounts, which will contribute to increased transparency and accountability, and include provisions mandating that the Minister of Economy and Finance issues warning notices regarding identified fiscal risks and proposes corrective measures to the supervising minister and to the government.

4.39 **Indicative Trigger #8 will seek to improve the management of public guarantees and on-lending and improve transparency on the financial situation of SOEs.** The indicative trigger will expand the collection and monitoring of debt data, explicitly requiring additional reporting for SOE loans obtained through the government or guaranteed by the government, including the creditor, outstanding obligation, repayment schedule, and terms of lending for each loan. This will be accompanied by a formal process for assessment, pricing, and monitoring of the risk associated with these loans. The role of the SOE Directorate in the MEF will also be reinforced, with a view to develop consolidated SOE financial statements and assure that SOE financial information is regularly and comprehensively collected from relevant sources. This will allow the Ministry to keep an updated annual record of the net fiscal impact of SOEs on the budget, including transfers to SOEs and dividends and taxes paid by SOEs to the government and government subsidies, and prepare regular assessments of major budgetary risks associated with SOEs. The information compiled by the Ministry will then be used to publish an annual aggregate SOE financial report. Reforms to the oversight of SOE risk are expected to improve the government’s creditworthiness in public markets through improved transparency and reduced risk from implicit and contingent liabilities. The indicative trigger will also seek to improve transparency on the financial situation of SOEs, with an annual report on annual financial results, debt and guarantees of SOEs being annexed to the Finance law.

4.40 **Results indicator.** Progress will be measured by the share of guarantees and on-lending to SOEs subject to credit risk evaluations. The SDPF PPAs are supporting similar objectives while the Togo Economic Governance Project (P158078) and the Togo Public Sector Strengthening for Service Delivery PforR (P176883) is contributing to improve public sector accountability and the performance of SOEs more generally.

4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY

4.41 **All three pillars of the Togo CPF FY17-FY22 are supported by the reforms in this operation.**[7] The DPF supports directly CPF Focus Area I on Private Sector Performance and Job Creation by encouraging private investment in sustainable agriculture, energy, and forestry, as well as through its contribution to improving financial services quality. 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 better management of fiscal risks. Finally, the DPF supports the CPF Focus Area III on Environmental Sustainability and Resilience through the promotion of renewable energy, climate-smart agriculture, better land management, preservation of forest areas, as well as the creation of a national carbon credit mechanism to support investment projects contributing to climate adaptation and mitigation. The reforms are also consistent with the proposed objectives of the new CPF for FY24-FY28 now under preparation. Reforms supported by this operation also complement and reinforce actions taken under recent DPFs. Notably, the Fiscal Management and Infrastructure Reform DPF series (P159844 and P166739) and the COVID-19 Crisis Response DPF (P174376) supported improvements in CEET's governance, tariff reforms, the scaling up of social protection programs, the monitoring of tax expenditures, and improved debt and contingent liabilities management.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

4.42 **The policy and institutional reforms supported under the DPF program have benefited from formal consultations organized by the Government during the preparation of its national development program, sectoral strategies, and preparation of reforms themselves.** The Government carried out country-wide consultations with various stakeholders, including central and local authorities, members of parliament, unions, private sector operators, CSOs (religious groups, women's organizations, the media, development organizations, and youth groups) in the preparation its 2025 roadmap and subsequent sector strategies. The process leading to the preparation of the 2023-2030 strategy to develop irrigated agriculture was highly participatory, with formal consultations launched in 2022 across the five regions of the country with various stakeholders. In establishing the planned agricultural development zones (ZAAP) the Government also initiated consultations with local communities, landowners, cooperatives, farmers 'associations, women's organizations, and maintained a permanent dialogue with them throughout the process to reduce potential risks of conflicts which could jeopardize the process, considering the highly sensitive nature of land issues in rural areas. In education, the reforms underway, such as the Education Sector Plan, are the result of a participatory, constructive, and iterative dialogue that involved all the actors in the sector. A permanent secretariat in charge of reform monitoring and coordination also has the task of ensuring the coherence and complementarity of the reforms with the national development plan, organize consultations with various stakeholders, and serve as a focal point for development partners.

4.43 **There were significant inputs from International Finance Corporation (IFC) on private-sector-related issues, notably advice on benefits to the private sector stemming from the proposed policies.** They particularly focused on the measures supported in the first pillar of the operation, including on sector specific reforms in agriculture and energy, as well as in the second pillar on women's empowerment, and the third pillar on tax expenditure and SOE's performance.

[7] The FY17-FY20 CPF was extended by two years as proposed by the 2020 Performance and Learning Review (Report No. 139734-TG)

4.44 **The proposed program of reforms was designed in close coordination with other development partners.** The World Bank has maintained close coordination with in-country development partners, including the IMF, the African Development Bank (AfDB), United Nation Development Program (UNDP), United Nations Population Fund (UNFPA), the French Development Agency (*Agence Française de Développement*, AFD), and European Union (EU). The World Bank team has closely coordinated with the IMF, especially on the macroeconomic policy framework, the assessment of debt sustainability and the financing gaps arising from recent shocks, as well as on tax expenditure and SOE governance reforms. The reform program complements those supported by other development partners, including the EU, AFD, United States Agency for International Development (USAID), the German Credit Institute for Reconstruction (KFW), AfDB and UNFPA on energy, social protection, education, GBV, agriculture, public finance management and tax expenditure reforms. Several partners, including EU, AFD, and AfDB, are supporting projects related to land management reforms that complement the ongoing reform process.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

5.1 **Overall, the policy and institutional reforms supported under the proposed DPF are expected to support a resilient economy and have positive social impacts.** The policy actions in Pillar 1 aimed at promoting sustainable agriculture and rural electrification are expected to increase welfare. Policy reforms under Pillar 2 aimed at boosting human capital and resilience to shocks are expected to increase coping strategies amongst vulnerable populations, improve access to basic services, increase social inclusion, and reduce gender inequality. The policy actions under Pillar 3 aimed at rebuilding the fiscal space by improving the management of tax exemptions and strengthening corporate governance and accountability of SOEs is not expected to have short-term poverty and social impacts but could have medium to long-term impacts by opening fiscal space for pro-poor spending. A more detailed poverty and social impact analysis is presented in Annex 6.

5.2 **Boosting agriculture productivity and resilience to climate shocks (PA#1) has significant potential to accelerate income growth for the rural poor and improve welfare in the short and long term.** The promotion of access to irrigation, mechanization, inputs, and digital extension services through the establishment of the ZAAPs is expected to boost food security and generate surpluses for commercialization. The intervention is expected to disproportionately benefit the poor given the predominance of smallholder farmers in ZAAPs and higher allocation of the ZAAPs to the poorest regions. The proportion of women participating in ZAAPs is also significantly higher than in non-ZAAP areas. Promoting women's access to agriculture land offers many gains, not only for women themselves but also for their families, communities, and society at large.

5.3 **The proposed reforms under PA#2 are expected to generate wider access to electricity in rural areas, thus, reducing inequality of opportunities.** Rural electrification has a positive impact on household income, primarily through employment in a larger rural non-farm economy. As increased access to electricity favors the development of agro-food processing, expanded market opportunities will in turn incentivize investment and productivity growth by farmers, notably for high-value crops. Furthermore, access to electricity can extend the time students spend learning in the evening and increase lesson preparation time for teachers. Consistent with this, simulations show that extending access to electricity to 150,000 additional to electricity, as proposed under PA#2, is expected to raise the national Human Opportunity Index (HOI) from 36.1 percent to 49.4 percent in 2025 (21.1 percent to 38.7 percent in rural areas). However, the promotion of renewable energy projects in rural areas could have some adverse effects through the appropriation of arable land that needs to be given due consideration. There are also allegations of forced labor in the production of solar panels and components but proceeds of this operation are not earmarked to any specific purpose, including the manufacture or procurement of solar panels or components.

5.4 **Improving the regulatory framework for climate mitigation and adaption projects (PA#3) is expected to generate social and economic benefits while any adverse effects on inequality should be mitigated through effective revenue sharing mechanisms.** Carbon markets are expected to accelerate climate mitigation and adaptation and preserve natural capital endowment while providing additional revenues will increase priority spending in infrastructure and social services. Furthermore, with the potential to support more than 100,000 jobs by 2030, the reform could also boost employment opportunities for women and youth. Nevertheless, carbon credits may increase inequality if only larger companies and wealthy individuals are more likely to be able to take advantage of such markets, emphasizing the importance of access and revenue sharing mechanisms. This could be mitigated through the allocation of tax and other revenues associated with carbon credit projects to improve infrastructure and service delivery for local communities, safety net programs and appropriate safeguards for smallholder farmers.

5.5 **The reforms to improve the efficiency of social assistance (PA#4) is expected to reduce poverty and vulnerability to poverty.** Cash transfers can help households smooth their consumption and reduce negative coping mechanisms, increase human capital accumulation, and reduce poverty. In line with this, simulation results show that the reform is expected to reduce poverty by 0.6 and 1.1 percentage points, respectively, in 2024 and 2025. Based on these results, the program is expected to lift about 155,752 people out of poverty by 2025. Moreover, increasing the share of women eligible for cash transfer programs adds an important instrumental value in reducing poverty and building resilience to climate shocks. Evidence shows that the provision of cash transfers to female members of beneficiary households can enhance human capital outcomes of women and girls and boost their economic empowerment, hence creating a pathway out of poverty. For example, providing the cash transfer directly to a female household member provides safer and more secure access, more control over use, offers a gateway to savings and other mechanisms, and increases a woman’s bargaining power. The simulation results assume that those who are lifted out of poverty do not fall back into it, underscoring the importance of establishing the planned dynamic social registry, which could help the government monitor the effectiveness of its poverty reduction programs and make necessary adjustments.

5.6 **Improving the availability of quality teachers in rural and underserved areas (PA#5) is expected to enhance welfare and reduce the urban-rural divide while also addressing gender inequalities.** By deploying quality teachers to rural and underserved areas, the reform proposed under PA#5 is expected to improve literacy skills, particularly in rural areas, thereby leading to a wide range of long-term welfare benefits. Simulation results show that the program is expected to increase the HOI from 65.2 percent to 75.2 percent (from 51.6 percent to 66.8 in rural areas). Nevertheless, in addition to increasing the presence of quality teachers, further reforms would be needed to tackle some of the major issues faced by the rural population.

5.7 **The provisions of the Learners’ protection law (under PA#6) are expected to address some of the core impediments to girls’ access to education.** Preventing GBV in schools is expected to bring a multitude of positive consequences for women empowerment. Given that school-based sexual violence (SGBV) can deter school completion among girls (e.g., pregnancy, perceived risks of SGBV among parents and actual experience of SGBV), the prevention of school-based sexual violence will increase girls’ chances to complete a higher level of education. In addition to tackling SGBV, the new law in its Art. 8 also declares the right of pregnant girls to continue school, another point expected to positively affect girls’ schooling. More generally, women who suffer from violence have more problems related to physical, mental, sexual and reproductive health.

5.8 **The rationalization of tax exemption (PA#7) and improvement of contingent liabilities of SOEs (PA#8) under Pillar 3 are not expected to have short-term poverty and social impacts but can potentially lead to positive impacts in the medium to long run**. Enhancing transparency and accountability in the execution of the public budget will guarantee the efficient use of funds, improve the prioritization of spending, and maximize savings. In addition, a transparent evaluation of tax exemption can enhance spending efficiency and fiscal discipline. Similarly, improvements in fiscal risk management will serve to protect funding for critical social and infrastructure projects. In the same vein, improvement in the management of contingent liabilities associated with SOE (PA#8) in Pillar 3 is expected to increase the fiscal space and generate savings, which may indirectly benefit the poor.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

5.9 **Togo has a well-defined legal and regulatory environmental and social framework.** The Ministry of Environment and Forestry Resources (*Ministère de l'Environnement et de la Ressource Forestière*) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. Within the ministry, the National Agency of Environment Management (*Agence Nationale de Gestion de l'Environnement,* ANGE) oversees compliance with national environmental standards for all projects. Over the last two decades, the government has made significant strides in mainstreaming environmental sustainability assessments. While the agency is understaffed in terms of number of people and underequipped in terms of number of vehicles for field visits and material for data collection, its technical capacities for environmental and social risks management are considered acceptable. The World Bank is assisting with a range of initiatives, including capacity building and support to increase the decentralization of ANGE outside of the capital, Lomé. Capacity building is planned in FY24 for ANGE and COMEX which is the national Entity within the MEF in charge of compensations to landowners in the whole country.

5.10 **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 particular, PA#1 is expected to promote the sustainable intensification of agriculture through more modern and climate-smart practices and by ensuring safeguards for forests and other protected ecosystems in agriculture land management, in line with the REDD+ (Reducing Emissions from Deforestation in Developing Countries) strategy. PA#2 is promoting the use of renewable energy sources and improved access to electricity for rural populations, which should contribute to environmental sustainability, including through the reduction of alternative lighting means such as kerosene lamps, which harm the environment and contribute to respiratory diseases. PA#3 aims to support climate adaptation and mitigation through investment projects eligible for carbon credits. Prior actions under the second and third pillars are expected to have negligible impacts on the country's environment, forests, or other natural resources. PA#4 supporting more effective targeting of social protection program could potentially have some positive impact if it limits the risk of environmental degradation by destitute populations following severe shocks.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

5.11 **Significant efforts have been made to improve the public financial management (PFM) system, but important shortcomings remain.** Full implementation of the program-based budgeting has been in place since January 1st, 2021. It is reflected in: (i) the devolution of commitment authority to line ministries and the approval of public procurements by ministers and presidents of institutions as well as the strengthening of the role of financial controllers, the arrival of new actors that are the Program Managers; and (ii) the personal, criminal, or civil accountability of Managers before the Court of Auditors for mismanagement. The 2022 Public Expenditure and Financial Accountability (PEFA) report highlights recent progress with PFM reforms. Out of the seven PEFA pillars, Togo performs best at "Policy-Based Fiscal Strategy and Budgeting" and ''Budget reliability'' and weakest on "External Scrutiny and Audit" and "Management of Assets and Liabilities". Public procurement was strengthened in recent years by the adoption of the new public procurement law, the PPP law, the decree establishing a code of ethics, and the decree strengthening the supervision of large infrastructure projects and the implementation of public projects delegated to third parties. Additional procurement reforms on which the government is currently working are implementation of the recently approved PPP law and new procurement regulations, of the master plan on professionalization of public procurement; the adoption of the E-procurement road map. The annual budgets have been approved in a timely manner before January 1 during the last five years and are available on the government website (*https://togoreforme.gouv.tg/*). Togo's debt-management framework has also improved, notably through the publication of a Medium-Term Debt Strategy, an Annual Borrowing Plan, an Annual Report on Public Debt, Fiscal Risk Statement, and a Public Debt Portal on the MEF website. Improving the PFM system in Togo will also require strengthening internal and external controls mechanisms and treasury management as well as digitalizing public procurement processes.

5.12 **The Safeguards Assessment of the BCEAO was updated in April 2018 in line with the four-year cycle for regional central banks**. It found that the BCEAO continues to maintain a strong internal control environment and its governance arrangements, as well as its audit and financial reporting mechanisms, are broadly appropriate. The Statutory audited financial statements of BCEAO are published on the Government website *www.bceao.int/fr/publications/rapports*. The Statutory Auditor expressed a positive opinion on the regularity and accuracy of the BCEAO's accounts for FY 2018, FY 2019, FY 2020, and FY 2021, as well as on the quality of the internal control system, and compliance with the provisions of the Operating Account Agreement of the Central Bank.

5.13 **Disbursement and Auditing Arrangements.** No major changes in the Public Financial Management system and the Foreign Exchange Control environment had occurred since the approval of the Togo's second Fiscal Management and Infrastructure Reform DPF (P172023) by the World Bank Board on March 30, 2022. Consequently, the Fiduciary Risk remains at "Substantial" and IDA reserves the right to request an audit of the dedicated foreign currency account. However, the fiscal management and infrastructure reform DPF series promoted greater fiscal transparency that helped establish stronger controls and lower fiduciary risks over time and will benefit this DPF.

5.14 **Proceeds of the financing**. The proposed financing would follow IDA's disbursement procedures for development policy operations and would not be linked to specific purchases. The disbursement of credit proceeds would be subject to satisfactory implementation of the development policy program and maintenance of a satisfactory macroeconomic policy framework. Once the operation becomes effective, the Government of Togo will submit a withdrawal application to IDA requesting that the proceeds of the financing be deposited at the BCEAO into a Dedicated Euro Account that forms part of the country's official foreign-exchange reserves. Within five working days of the proceeds' being deposited into that account, the Government will ensure that that upon the deposit of the funds into said account, an equivalent amount is credited to its budget management system in a manner acceptable to the World Bank. The Government will report to the World Bank on all amounts deposited in the foreign currency account and credited to the budget management system within thirty (30) days. Disbursement will not be linked to specific purchases. When funds are disbursed from the dedicated account to finance budgeted government expenditures, the official exchange rate for that day will be used. If IDA determines that an amount of Financing, as applicable, has been used in a manner inconsistent with the provisions of the Financing Agreement, the Government shall, upon notice by IDA to the Government, promptly refund such amount to IDA. Amounts refunded to the World Bank upon such a request will be canceled.

5.15 **IDA reserves the right to ask for transaction audit of the dedicated account by independent auditors acceptable to the World Bank**. This audit, when requested, will cover the accuracy of the transactions (credits and debits) of the said dedicated account, including accuracy of exchange rate conversions, confirming that the dedicated account was used only for the purposes of this DPF and that no other amounts have been deposited into the specific account. Also, the auditor would have to obtain confirmation from the corresponding bank(s) involved in the funds flow regarding the transaction. The period for submission of the audit reports to the World Bank would be not later than nine (9) months from the date a request for such audit is issued.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

5.16 **The MEF is responsible for overall monitoring and evaluation of the proposed operation and for coordinating actions among other concerned ministries and agencies.** Regular discussions will take place with the government and the donor community on progress made, results achieved and possible next steps. The monitoring and evaluation process by the government and the World Bank will be based on a systematic review of implementation and impact of prior actions and will compare results achieved with agreed results indicators in the Policy and Results Matrix.

5.17 **Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as Prior Actions or tranche release conditions under a World Bank Development Policy Financing may submit complaints to the responsible country authorities, appropriate local/national grievance mechanisms, or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, because of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. 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/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit https://accountability.worldbank.org.

6. SUMMARY OF RISKS AND MITIGATION

6.1 **The overall level of risk to the development objectives of the proposed operation is assessed as substantial.** The respective risk ratings are included in the table below. The global economic landscape is characterized by a high degree of uncertainty, particularly regarding the resolution of recent shocks that have impacted food security, energy costs, trade, and financing conditions in Togo. The fiscal situation has also deteriorated amid elevated budget deficits and tightening financing conditions, while rising insecurity in the North could impact development outcomes in most exposed regions and pose additional risks to the government's fiscal consolidation strategy.

6.2 **Macroeconomic risks are substantial.** Like other countries in the region, Togo has been adversely impacted since early 2022 by the deterioration in the global environment, high inflation, food insecurity and regional instability. Short-term prospects remain uncertain with the possibility of financial market turmoil impacting the governments' ability to borrow on regional markets, extreme weather events intensifying food insecurity, and growing security concerns exacerbating regional inequalities and social strife. These risks are partially mitigated by reforms supported by the proposed operation, including measures to boost domestic revenue mobilization and limit contingent liabilities from poorly performing SOEs to help rebuild fiscal space and reduce risks, and reforms to increase resilience to shocks through climate-smart agriculture practices and more effective social protection and disaster response systems. However, the materialization of some of these risks, including security threats requiring additional military spending or financial stress on regional markets could strain fiscal sustainability and impact the government's ability to deliver basic public services. The WAEMU commitment to reduce the budget deficit towards the 3 percent of GDP target over the medium-term is important to assuage debt sustainability concerns and support confidence. The medium-term debt strategy updated in March 2023 clearly states the government's commitment to maximize concessional borrowing and limit non-concessional external financing.

6.3 **Risks around sector strategies and policies are substantial.** Relatively limited human resources, administrative capacities, and political economy constraints impact Togo's ability to formulate and implement sector strategies and policies. Reforms in this operation address some of those institutional challenges, notably improvements in the management and oversight of SOEs, improving the institutional framework and mandate of key public sector entities and oversight bodies. As the DPF covers a wide range of sectors, close supervision by the authorities and ongoing support from the World Bank team, including individual sector specialists will be key. Despite uneven technical ability, the government's commitment to reform remains generally robust, as reflected in the improvement in the CPIA score from 3.0 in 2016 to 3.7 percent in 2022, reflecting particularly significant increases in economic management and structural policies.

6.4 **Fiduciary risks are substantial.** Overall, the World Bank has assessed implementation performance of the PFM reform programs in Togo to date and Government's commitment to their improvement as satisfactory. The fiduciary risk associated with the proposed operation is nevertheless rated substantial based on the status of the PFM systems, accounting systems and auditing arrangements. Continuing efforts to reinforce the public financial and budgetary management are supported by various operations in the country. Ongoing reforms intended to strengthen public sector management and reduce corruption signal high-level commitment to promote transparency and accountability of public institutions. However, many of these institutions require more human and financial resources to improve their capacity and performance.

6.5 **Other risks: Terrorist threats and insecurity.** Togo faces heightened fragility risks associated with cross-border spillovers from insecurity in the Sahel region, but also from large gaps in development outcomes between poorer northern regions, including the *Savanes* region bordering Burkina Faso where poverty is nearly twice higher than in urban areas. New patterns of violence and instability have emerged in recent years, with pockets of insecurity taken roots in the North. Insecurity in the North could potentially jeopardize economic prospects in Togo by cutting the access to their markets and connectivity with landlock countries (Burkina, Niger). With its focus on supporting development opportunities for underserved rural areas and improving their resilience to shocks, the proposed DPF operation will contribute to support this strategy, notably through the expansion of planned agriculture development zones in the *Savanes*, the acceleration of rural electrification efforts, better deployment of quality teachers across the territory, and improved targeting of social assistance programs.

Table 4: Summary Risk Ratings

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

ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions and Triggers		Results		
Prior Actions under DPF 1	**Triggers for DPF 2**	**Results Indicators**	**Baseline**	**Target**
PILLAR 1 – PROMOTE SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE MITIGATION				
Prior Action #1. To promote climate-smart agriculture intensification, the Recipient has adopted three *Arrêtés* (i) enacting the 2024-28 strategy on irrigated agriculture; (ii) creating eighty planned agricultural development zones (ZAAP) where this strategy is being implemented; and (iii) clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances.	**Indicative Trigger #1**. To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a draft Law on Agriculture Land Management ("Loi relative à la réforme agro-foncière"), including provisions to facilitate women's access to land and to protect forests and other protected ecosystems.	**Indicator #1.A:** Maize yield in Planned Agriculture Development Zones **Indicator #1.B:** Share of female farmers in Planned Agriculture Development Zones	Value (2021): 1.5 tons / h Value (2021): 30 percent	Value (2025): 3.0 tons / h Value (2021): 40 percent
Prior Action #2. To boost rural connectivity and accelerate the energy transition, the Recipient has adopted an *Arrêté* establishing a sustainable financing framework for the rural electrification and renewable energies agency (AT2ER) and signed a new performance contract with the national utility company CEET supporting the improvement of its financial and operational performance.	**Indicative Trigger #2.** In order to improve the targeting of subsidized electricity services exclusively on low-income households, facilitate decentralized renewable energy production and preserve industrial competitiveness, the beneficiary has adopted and applied an optimized structure for electricity tariffs reflecting system costs and based on a formula for calculating CEET's revenue requirements.	**Indicator #2.A:** Number of additional rural households connected to electricity **Indicator #2.B:** Share of renewable energy in installed electricity capacity	Value (2021): - Value (2021): 34 percent	Value (2025): +150,000 connections Value (2025): 40 percent
Prior Action #3. To reduce GHG emissions and attract new investments in sustainable agriculture, forestry and renewable energy, the Recipient has adopted a decree establishing the regulatory and institutional framework to manage carbon credits and carbon reduction units.	**Indicative Trigger #3.** To operationalize and strengthen the new carbon credit mechanism, the Beneficiary has adopted *Arrêtés* clarifying the conditions for the authorization, commercialization and revenue allocation of carbon credits and carbon taxes.	**Indicator #3:** Number of registered investment projects eligible for carbon credits	Value (2021): 0	Value (2025): 5

Prior actions and Triggers		Results		
PILLAR 2 – BOOST HUMAN CAPITAL AND RESILIENCE TO SHOCKS				
Prior Action #4. To improve the efficiency of social protection systems, the Recipient has adopted a Decree establishing the Registre Social des Personnes et des Ménages (RSPM, Social Registry) making it mandatory to use the RSPM for the selection of beneficiaries for any aid or social assistance programs.	**Indicative Trigger #4**. To ensure that the RSPM can be sustainably used to target beneficiaries for social protection and natural disaster response programs, the Recipient has adopted Arrêtés establishing data sharing mechanisms between the RSPM and other government agencies holding relevant information in compliance with applicable data protection regulations.	**Indicator #4.A:** Number of households with a female designated as recipient of social safety net programs covered in the national social registry **Indicator #4.B:** Share of households benefiting from the flagship social safety net program**.**	Value (2021): 0 Value (2021): 3.15 percent	Value (2025) : 300,000 Value (2025) : 5.7 percent
Prior Action #5. To support the deployment of quality teachers in rural and underserved areas, the Recipient has adopted an Arrêté regulating transfers of teachers and administrative staff in primary, secondary and technical education.	**Indicative Trigger #5.** To improve learning opportunities for primary school students, the Recipient has adopted (i) a decree establishing a new model for the production and distribution of school textbooks including provisions on copyright and digitalization and (ii) an Arrêté instituting a periodic assessment of teachers with a view to identifying their capacity-building needs on the basis of identified skills to practice the teaching profession.	**Indicator #5.A**: Goodness of fit between the number of teachers and students in public primary schools (coefficient of determination) **Indicator #5.B:** Share of students achieving basic literacy in Grade 2	Value (2021): 0.54 Value (2019): 24.5 percent	Value (2025): 0.70 Value (2025): 35 percent
Prior Action #6. To strengthen girls and women's empowerment, the Recipient adopted a Law for the protection of students against sexual violence, strengthening prevention measures, support mechanisms for survivors and sanctions for perpetrators.	**Indicative Trigger #6.** To strengthen support for survivors of gender-based violence (GBV), the Recipient adopted an Arrêté establishing a harmonized multi-sectoral protocol to support GBV survivors.	**Indicator #6:** number of GBV survivors having benefited from at least one support service (health, psychosocial, legal/security, and/or economic)	Value (2021): 2,799	Value (2025): 4,500
PILLAR 3 – REBUILD FISCAL SPACE FOR PRIORITY INTERVENTIONS				
Prior Action #7: To improve the	**Indicative Trigger #7**: To boost revenue	**Indicator #7:** Tax expenditures in	Value (2021):	Value (2025):

Prior actions and Triggers		Results		
management of tax exemptions and help rationalize inefficient ones, the Recipient has adopted an *Arrêté* creating the National Committee for the Evaluation of Tax Expenditures and endorsed a list of 22 tax exemption measures to be repealed.	mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted a Decree mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Budget Law and adopted necessary regulations to repeal 22 tax exemption measures.	percentage of overall revenues	16.6 percent	13 percent
Prior Action #8. To strengthen the governance and performance of state-owned enterprises (SOEs), the Recipient, through its Council of Ministers, submitted to Parliament a law establishing a new legal framework for companies with public financial participation to improve management, internal and external control systems, and performance monitoring and evaluation.	**Indicative Trigger #8.** To improve transparency and better manage contingent liabilities associated with SOEs, the Recipient has (i) approved an Arreté setting out a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) produced a report on consolidated financial results, debts and guarantees of companies with majority state ownership to be annexed to the Finance Law.	**Indicator #8:** Share of public guarantees and on-lending to SOEs subject to credit risk evaluations	Value (2021): 0 percent	Value (2025) : 100 percent

ANNEX 2: IMF ASSESSMENT LETTER

Togo—Assessment Letter for the World Bank

May 2, 2023

This letter, requested by the World Bank in view of planned budget support for Togo under a Development Policy Operation, provides an update on Togo's recent economic developments, the outlook, and risks, and presents a preliminary assessment of Togo's macroeconomic policies, pending a comprehensive staff appraisal in the context of a prospective Fund-supported program request and an upcoming Article IV consultation.

Recent Developments

1. **Thanks in part to fiscal support, growth has been resilient to the shocks of recent years, but the cost of living has surged.** After slowing to 2 percent in 2020 due the COVID-19 pandemic, growth rebounded to 5¾-6 percent in 2021 and 2022 (Table 1). Less favorably, consumer price inflation rose to about 7½ percent in 2022 and early 2023. While food and fuel prices have been a key driver of inflation, core inflation is now elevated as well (at 5.3 percent in February).

2. **Food insecurity has risen quickly, particularly in the northern Savanna region, due to a confluence of factors.** More than half a million Togolese are now facing acute food insecurity (IPC/CH phases 3–5), up from an estimated less than 5,000 people prior to the pandemic, with the Savanna region the most affected. Food insecurity reflects in part the surge in living costs. Food inflation in particular reached record levels (high teens) in early 2022 due to high international food prices and a poor harvest during the 2021-22 agricultural campaign following an unusually short rainy period. It likely also reflects terrorist activity in Togo (see below) and in neighboring countries by displacing populations from their homes.

3. **At the same time, terrorist attacks have started and persist in the Savanna region.** Despite its proximity to countries affected by terrorism, Togo enjoyed relative peace until November 2021. Attacks continue, with the most recent one in early 2023 claiming 31 lives. While the attacks may so far have been committed by foreign actors, the authorities are concerned that poor socio-economic conditions, including food insecurity, may provide fertile ground for terrorism to continue or grow by drawing in marginalized populations.

4. **These developments compound pre-existing social challenges.** Major development challenges remain. Togo ranks 133 out of 163 countries in the 2022 *Sustainable Development Report*, a large share (28 percent of the population) live in extreme poverty, and the shocks of recent years have likely increased inequality from already elevated pre-pandemic levels (Gini coefficient of 42.2 in 2018). Major SDG gaps remain in the areas of access to basic health services, education quality, drinking water and sanitation, and affordable and clean energy.

5. **As a result of the support provided in response to shocks of recent years, the fiscal deficit has ballooned (to 8.3 percent of GDP in 2022) and the debt burden has risen quickly (to 66 percent of GDP).** The most recent debt sustainability assessment (DSA) agreed by Bank and Fund staff in early 2022 assesses the risk of external debt distress as moderate and the risk of overall debt distress as high. Since then, given quickly rising debt, buffers to absorb shocks have diminished. The space to absorb shocks is most constrained when gauged against fiscal revenue, highlighting the need to limit future debt accumulation and mobilize revenue.

6. **Amid these challenges, Togo's external position remains moderately stronger than implied by fundamentals and desirable policies.** The current account deficit widened to 3 percent of GDP in 2022, and is projected to expand to about 4 percent of GDP in 2023, reflecting in part security-related fiscal spending. Despite Togo's sound external position, regional foreign reserves have declined (to 4.5 months of imports in 2022), reflecting a weakening of WAEMU's external position by global shocks.

7. **Despite improvements in the soundness indicators of the banking sector as the impact of the COVID pandemic is waning and profits have grown, some long-standing challenges remain.** Sector-wide asset quality improved, with the share of gross non-performing loans in total loans falling to 9.8 percent at end-June 2022 (from 16 percent in 2020) thanks in part to writing off of longstanding NPLs, while the share of net non-performing loans fell to 2.8 percent of total loans at end-June 2022 (from 5.7 percent in 2020), thanks in part to greater provisioning helped by a rebound in profitability. The sector-wide solvency ratio also improved to 3.9 percent from 1.9 percent at end-June 2021. However, data through end-June 2022 show that four out of the system's eleven banks, together accounting for 23.1 percent of sector-wide assets, violate one or more prudential norms, of which three, accounting for 18.8 percent of banking system assets, have negative equity. The national and regional authorities are pursuing their efforts to bring banks into compliance with prudential norms. Among other things, upon request by the regional Banking Commission, one of the banks showing negative capital has prepared a plan to return to compliance by end-2023 through a combination of steps including capital injection following real estate sales. The authorities are also pursuing their privatization efforts for the remaining state-owned bank.

Togo's public institutions are improving, and the recent publication of an audit report of 2020 COVID-related spending was an important step forward. The authorities are working to strengthen anti-corruption legislation, commercial courts, and the anti-money laundering/combating the financing of terrorism (AML/CFT) regime. The 2022 national AML/CFT risk assessment by the *Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)* concluded that Togo had a legally and institutionally acceptable AML/CFT arsenal while nevertheless showing a high money laundering vulnerability and a medium level vulnerability of financing terrorism due to factors such as financial institutions' insufficient familiarity with AML/CFT obligations. The publication of the Court of Auditors report of 2020 COVID-related spending and use of donor support dedicated to it elicited a lively public debate. The auditors assessed that the government used the funds made available to them broadly in line with understandings with international partners but also pointed to areas that can be improved, e.g., the use of more robust spending procedures.

Outlook and Risks

8. **Macroeconomic performance is expected to remain robust over the medium term provided that terrorist attacks will remain contained or recede.** Growth is expected to return to potential, estimated at around 5.5 percent, driven mainly by the services sector as in recent years, given Togo's strength as a regional logistics and financial services hub. Growth projections also reflect a temporary adverse impact from fiscal consolidation (see below). Although core inflation is expected to remain elevated in the near-term, average headline inflation is projected to converge back to the BCEAO's target range by 2025. The fiscal deficit is projected to converge to the regional deficit ceiling of 3 percent of GDP by 2025 as a result of the envisaged fiscal consolidation, while the debt-to-GDP ratio is expected to decline gradually in line with smaller fiscal deficits and sustained growth. The current account deficit is projected to converge gradually to 2.5 percent of GDP in line with fiscal consolidation.

9. **The outlook is however subject to substantial downside risks:**

- The main near-term risk is the intensification of terrorism or its spreading to the rest of the country. Even if contained to the North, attacks could choke off transport there, undermining Togo's key logistics services, including at the port of Lomé. This would also make it more difficult for neighboring countries such as Burkina Faso to engage in vital cross-border trade.
- Risks also include a potential failure to lower debt risks should the authorities not achieve sufficient fiscal consolidation while maintaining robust growth. Contingent liabilities related to the financial sector, SOEs, and PPPs add to debt vulnerabilities.
- With substantial shares of government having been taken up in the regional market, the authorities are facing elevated roll-over needs in this market (8 percent of GDP per year over 2023-25). There is a risk that the government could face difficulties in obtaining the needed financing volumes at a time when monetary policy normalization in advanced economies could affect regional market conditions.
- Banks that do not comply with prudential regulations pose heightened risks for banking sector stability and the government budget.
- Climate change, with impacts already starting to be seen, is a growing risk for macroeconomic performance and poverty reduction over the medium and longer terms.

Policy Responses

10. **In response to terrorism in the country's North, the authorities are looking to implement an emergency program benefiting the populations there.** The program aims to shore up popular support by improving access to basic social services such as water, electricity, health, education, and cash transfers to the most vulnerable in the North. It is expected to cost CFAF 247 billion (4.7 percent of GDP) over 2023-26, of which 1.7 percent of GDP in 2023.

11. **Given the large adverse impact of the shocks of recent years on the poor, as seen in sharply increasing food insecurity, the authorities also wish to make growth more inclusive by strengthening the social safety net, likely focusing initially on the North.** While specific measures to achieve this goal remain to be determined, the authorities intend to focus fuel subsidies exclusively on the poor and thereby reduce them very substantially. They believe that focusing fuel subsidies will reduce their volume by two thirds and are seeking staff advice on how best to do improve the targeting of the subsidy without creating risk of civil unrest.

12. **In this context, the authorities are laying the basis for well-targeted cash transfers.** During the COVID-19 pandemic, the authorities built the digital cash transfer platform *Novissi* but made only small transfers financed exclusively by donors. With the initial list of recipients having been compiled under time pressure and being seen as incomplete, the authorities are presently preparing a biometric ID for all Togolese citizens and compiling a national register of the poor from a range of sources.

13. **Responding to spending pressures from food insecurity and terrorism while at the same time achieving fiscal consolidation and maintaining robust growth to preserve debt sustainability will be a difficult challenge.** The authorities' efforts to improve living conditions and foster social inclusion suffer from a shortage of funds. For example, in 2022, the authorities were able to implement only about 60 percent of the emergency program in the North. With this, the government's efforts to enhance living conditions in this terrorism-affected region could fail to convince the population living there. Further, the envisaged fiscal consolidation is driven mainly by an ambitious improvement in tax revenue (by 0.5 percent of GDP every year), but the authorities have not yet prepared a clear and comprehensive strategy for achieving this goal. With this, there is a risk that the authorities may not be able to achieve fiscal consolidation as quickly as intended, with adverse implications for debt sustainability.

Fund Relations

14. **The authorities have expressed interest in a Fund financial arrangement under the Extended Credit Facility (ECF) that would help them make growth more inclusive, including by improving living conditions in the country's North, and strengthen debt sustainability.** Discussions are

ongoing. A program negotiation mission, for which management clearance will be needed, is tentatively scheduled for June 2023, and a program request could potentially be brought to the IMF Executive Board in the third quarter of 2023. The last Article IV consultation was completed in June 2019 and the next Article IV consultation mission will likely be held later in 2023 or in early 2024.

Table 1. Togo: Selected Economic and Financial Indicators, 2019–23

	2019 [1]	2020	2021	2022	2023
		Estimates			Projections
	(Percentage change, unless otherwise indicated)				
Real GDP	4.9	2.0	6.0	5.8	5.4
Real GDP per capita	2.4	-0.5	3.4	3.3	2.9
GDP deflator	0.0	1.8	2.5	3.7	2.8
Consumer price index (average)	0.7	1.8	4.5	7.6	4.5
GDP (CFAF billions)	4,097	4,253	4,621	5,069	5,491
Exchange rate CFAF/US$ (annual average level)	585.9	574.8	554.2	622	...
Real effective exchange rate (appreciation = –)	2.5	-2.1	-1.7	6.4	...
Terms of trade (deterioration = –)	-0.9	5.1	3.7	14.5	-6.0
Monetary survey	(Percentage change of beginning-of-period broad money)				
Net foreign assets	10.1	14.1	5.3	-0.3	3.0
Net credit to government	-9.7	-1.6	-0.3	8.0	-0.3
Credit to nongovernment sector	4.4	0.2	6.0	10.7	4.9
Broad money (M2)	4.5	11.4	12.0	15.2	8.2
Velocity (GDP/end-of-period M2)	2.3	2.1	2.1	2.0	2.0
Investment and savings	(Percent of GDP, unless otherwise indicated)				
Gross domestic investment	16.3	21.4	23.4	25.9	25.3
Government	3.2	9.3	8.2	9.7	8.8
Nongovernment	13.1	12.1	15.2	16.2	16.5
Gross national savings	15.5	21.1	22.5	22.9	21.3
Government	4.8	2.2	3.6	1.4	2.2
Nongovernment	10.7	18.9	19.0	21.5	19.1
Government budget					
Total revenue and grants	18.2	16.6	17.1	17.6	17.4
Revenue	15.2	14.1	15.3	15.1	15.5
Tax revenue	13.5	12.5	14.0	13.9	14.4
Total expenditure and net lending	19.1	23.7	21.8	26.0	24.0
Overall primary balance (commitment basis, incl. grants)	1.2	-4.7	-2.5	-5.9	-4.1
Overall balance (commitment basis, incl. grants)	-0.9	-7.0	-4.7	-8.3	-6.6
Overall primary balance (cash basis, incl. grants)	1.2	-4.7	-3.4	-5.9	-4.1
Overall balance (cash basis, incl. grants)	-0.9	-7.1	-5.6	-8.3	-6.6
External sector					
Current account balance					
Current account balance	-0.8	-0.3	-0.9	-3.0	-4.0
Exports (goods and services)	23.8	23.3	22.8	29.2	26.1
Imports (goods and services)	-32.3	-32.3	-31.8	-40.0	-37.4
External public debt[2]	18.3	27.2	26.9	26.0	26.1
External public debt service (percent of exports)[2]	4.9	6.6	5.0	7.5	7.6
Domestic public debt[3]	35.7	34.6	37.6	40.3	41.6
Total public debt[4]	54.1	61.8	64.6	66.3	67.7
Total public debt (excluding SOEs)[5]	53.6	60.1	63.0	65.0	66.6
Present value of total public debt[4]	...	...	56.0	59.5	58.8

Sources: Togolese authorities and IMF staff estimates and projections.

[1] Excluding transactions with the Social Security Fund, CNSS, in 2019.
[2] Includes state-owned enterprise external debt.
[3] Includes domestic arrears and state-owned enterprise domestic debt.
[4] Includes domestic arrears and state-owned enterprise debt.
[5] Includes domestic arrears.

ANNEX 3: LETTER OF DEVELOPMENT POLICY

MINISTERE DE L'ECONOMIE ET DES FINANCES

SECRETARIAT PERMANENT POUR LE SUIVI DES POLITIQUES DE REFORMES ET DES PROGRAMMES FINANCIERS

SERVICE DU SUIVI DES RELATIONS AVEC BM-BAD

REPUBLIQUE TOGOLAISE
Travail-Liberté-Patrie
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00 N° 588 /MEF/SP-PRPF/BM-BAD

Lomé, le 27 JUIN 2023

Le Ministre

Objet : Lettre de Politique de Développement.

Monsieur le Président,

La présente Lettre de Politique de Développement (LPD) présente la situation économique suite au triple crises (sanitaire, sécuritaire et inflationniste) et les résultats enregistrés par le Togo dans la mise en œuvre de sa stratégie nationale de développement ainsi que les perspectives pour 2023-2025. Elle décrit les objectifs et les politiques de développement définis par les autorités en vue de la poursuite de la mise en œuvre de la feuille de route gouvernementale 2020-2025 qui tient compte de la nouvelle vision nationale et des aspirations présidentielles. La feuille de route a pour vision de faire du Togo, un pays de paix, une nation moderne avec une croissance économique inclusive et durable. Pour atteindre ces objectifs, le gouvernement recherche l'appui technique et financier de l'ensemble des partenaires techniques et financiers notamment celui du Groupe de la Banque Mondiale à travers la première opération du Programme d'appui au financement de politique de développement durable et inclusif du Togo.

I. Contexte socioéconomique

En 2020, Grâce à une réponse bien calibrée, l'économie togolaise a fait preuve de résilience face à la crise du COVID-19. Le rythme de croissance économique a connu un ralentissement pour se fixer à 2,0% du PIB suite aux perturbations des activités dans la branche agriculture et à la contreperformance enregistrée dans le commerce et le tourisme pendant la pandémie de COVID-19. Il s'agit du plus faible taux de croissance enregistré par le Togo depuis plusieurs années. Il faut noter que la moyenne d'avant la crise (2014-2019) était de 5%.

En 2021, l'activité économique s'est globalement bien comportée avec un renforcement du dynamisme dans les différentes branches d'activité notamment l'industrie

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alimentaire, la construction et les transports. Le taux de croissance a atteint 6,0%, soutenu par une reprise de la consommation privée et des exportations dans un contexte de reprise mondiale forte et synchronisée.

En 2022, le gouvernement a, face à la forte accélération de l'inflation intérieure, aux conséquences internationales du conflit en Ukraine et à l'insécurité dans le nord du pays, répondu par d'importants engagements budgétaires qui ont permis de maintenir la croissance à 5,6%. Le PIB nominal connaitrait ainsi une hausse de 10,1% pour s'établir à 5.091,7 milliards. Le PIB par habitant s'établirait à 623.970 FCFA, en hausse de 7,7% par rapport à 2021.

Dans ce contexte, les recettes budgétaires s'élèvent à 894,5 milliards contre 1317 milliards de FCFA pour les dépenses budgétaires. Ceci fait apparaître un déficit budgétaire de 422,5 milliards, soit 8,3% du PIB, contre 4,7% en 2021.

En 2023, l'activité économique bénéficierait de l'exécution des projets et réformes de la feuille de route gouvernementale Togo 2020-2025. La mise en œuvre des réformes structurelles et l'instauration d'un climat des affaires attractif se poursuivront afin d'attirer plus d'investissements privés et réaliser les objectifs de croissance soutenue et inclusive. Ainsi, nonobstant la morosité de l'environnement économique mondial, le taux de croissance du PIB réel est projeté à 6,4% en 2023 avec un taux d'inflation maitrisé qui continuera à faire l'objet d'une attention du Gouvernement. Grâce aux performances économiques attendues et à une gestion prudente des finances publiques, le profil des indicateurs macroéconomique et budgétaire devrait s'améliorer, avec un déficit projeté à 5,6% du PIB en 2023.

Concernant la dette publique, les résultats obtenus de l'analyse de viabilité de la dette publique indiquent un risque de surendettement élevé entre 2021 et 2022. La Valeur Actualisée (VA) rapportée au PIB dont la norme est fixée à 55% est dépassée sur la période revue. L'encours de la dette publique rapporté au PIB est passé de 51,9% en 2019 à 62% en 2021. Il est ressorti à 65,8% à fin décembre 2022. Le taux d'endettement extérieur et celui de la dette intérieure sont respectivement de 25,6% et 40,2% en 2022.

II- Les perspectives 2023-2025

Sur la période 2023-2025, la croissance moyenne annuelle du PIB serait de 6,5%. Toutes les branches de l'économie contribueraient à cette croissance mais la transformation agro-industrielle et les investissements seraient le principal moteur de la croissance dans un contexte de raffermissement de la demande mondiale. En effet, l'amélioration du climat des affaires et les investissements dans les infrastructures économiques devraient stimuler l'investissement privé. Le taux d'investissement global moyen serait de 23,8% sur la période 2023-2025, notamment grâce aux investissements privés annoncés sur la PIA. La consommation finale connaîtrait une hausse de 7,4% par an. Le PIB nominal passerait de 5.552,8 milliards en 2023 à 6.620,5 milliards en 2025, soit une progression de 9,1% en moyenne par an sur la période.

S'agissant des prix, les prévisions indiquent un taux d'inflation qui serait maintenu dans les limites de 3% à moyen terme, notamment grâce aux bonnes performances attendues dans le secteur agricole et par ricochet un bon approvisionnement des marchés en produits vivriers.

Au titre des échanges extérieurs, les exportations représenteraient 21,9% du PIB sur la période 2023-2025. Ces exportations porteraient principalement sur les produits miniers, les produits de rente et les produits agro-industriels. Grâce à ces derniers, le Togo devrait accroître ses exportations sous régionales. En lien avec le renforcement du tissu industriel, les importations d'équipements industriels progresseraient. Ainsi, les importations globales représenteraient 32,9% du PIB. Le déficit courant devrait s'améliorer sur la période.

Suivant la loi de finances initiale, les dépenses budgétaires pour l'année 2023 s'élèveraient à 1.412,2 milliards, soit 25,4% du PIB, contre 1.317,0 milliards en 2022. Elles sont projetées à 21,7% du PIB en 2024 et 20,9% en 2025. Elles tiennent compte des orientations du gouvernement en matière de développement économique et social ainsi que des mesures de réformes entreprises en vue d'une meilleure gestion des dépenses publiques. Les efforts de consolidation devraient ramener le déficit budgétaire à 3% du PIB à partir de 2025. Le taux d'endettement public se situerait à 64,6% en 2025, soit une baisse de 1 point de pourcentage par rapport à 2022. Réduire la valeur actualisée du ratio de dette publique sur PIB, qui était à 60% à fin 2022, à moins de 55% en 2026 nous permettra de réduire le risque de surendettement public global.

Les réformes du Gouvernement au cours de la période 2023-2025 :

Gouvernance et transparence : Le Gouvernement reste déterminé à maintenir un cadre macroéconomique et budgétaire sain en dépit du triple choc (sanitaire, inflationniste et sécuritaire) et poursuivre l'amélioration de la gestion des finances publiques dans le cadre du renforcement de la gouvernance économique et financière. A cet effet, un nouveau programme est en cours de négociation avec le FMI ; aussi, une nouvelle évaluation de la performance du système de gestion des finances publiques, ainsi que sur les thématiques du genre et du climat en utilisant la méthodologie PEFA a été effectuée et le rapport est en cours de validation. Aussi, une évaluation de la performance de la gestion de la dette (DEMPA) a été réalisée avec l'appui de la Banque Mondiale.

Le gouvernement entend recentrer les dépenses publiques autour de la résilience de l'économie face aux chocs éventuels et de l'inclusion sociale. Les principales mesures

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envisagées à cet effet sont entre autres : (i) la poursuite de la mise en œuvre du programme d'urgence de résilience dans la région des savanes ; (ii) la réduction du train de vie des ministères et institutions afin de financer les dépenses urgentes du moment ; (iii) la poursuite et le renforcement de la mise en œuvre du budget programme dans toute l'administration publique dans l'optique d'une gestion axée sur les résultats ; (iv) la poursuite de la gestion active de la dette dans l'optique de rallonger sa maturité moyenne et donc de réduire à court terme la part des recettes consacrées au remboursement du service de la dette ; (v) le renforcement des moyens d'évaluation des financements existants et potentiels de moyen terme ; (vi) la poursuite de la réforme des marchés publics notamment la digitalisation des procédures des marchés publics ; (vii) la poursuite de la vulgarisation de l'information budgétaire.

Le Gouvernement fera des efforts pour maitriser le déficit budgétaire global de 8,3% du PIB en 2022, à 3% du PIB en 2025. A cet effet, un Collectif budgétaire est en cours d'élaboration. Pour atteindre cet objectif, le Gouvernement compte mener des réformes pour accroitre les recettes fiscales. Il s'agit notamment de : (i) la poursuite de la dématérialisation des procédures douanières afin de réduire le temps de passage en douane et les coûts y afférents ; (ii) l'amélioration du rendement des impôts fonciers à travers (a) la mise en place d'un système d'informations foncières (SIF) ; (b) la poursuite du recensement des propriétés foncières dans les villes de l'intérieur ; (c) la connexion des bases de données sur le foncier et le cadastre et l'utilisation d'un numéro d'identification unique des biens immobiliers ; et (d) la poursuite des enquêtes foncières dans certaines communes du grand Lomé ; (iii) la mise à jour du fichier des contribuables à travers la poursuite de l'identification et la formalisation des opérateurs informels, grâce notamment à l'exploitation des données du recensement fiscal ; (iv) la rationalisation des dépenses fiscales et l'automatisation de la gestion des régimes dérogatoires.

Le Togo s'engage à poursuivre l'intégration du genre dans le processus de programmation et de budgétisation dans les ministères et institutions. L'ambition est de bâtir une société plus inclusive, où les femmes et les hommes œuvrent ensemble et sans distinction de sexe à l'essor du pays.

Suivant la politique économique définie par le gouvernement à travers sa stratégie de développement, l'ambition est d'amener le Togo à rejoindre le groupe des pays émergents. Dans un tel contexte, la problématique actuelle en matière de gestion saine de la dette et de surveillance de l'endettement doit reposer sur la définition de la vision de l'Etat, une délimitation du champ de la politique d'endettement, une définition des principes directeurs et des orientations générales ainsi que des axes stratégiques.

Pour maintenir la dette à un niveau viable, le gouvernement poursuivra l'assainissement des finances publiques, améliorera la qualité de ses politiques et institutions pour bénéficier des nouvelles facilités de l'IDA20 à partir de 2023 et du FAD15 (2020-2023) ainsi que des dons auprès d'autres partenaires pour la relance de l'activité économique affaiblie par la triple crises (sanitaire, sécuritaire et inflationniste).

La maitrise du risque de refinancement au-delà de 2022, exige du Trésor Public une gestion active de la dette à travers la poursuite de la réalisation de l'opérations de reprofilage dans l'optique de rallonger la maturité moyenne de la dette et la charge du service de la dette. Le Trésor privilégiera des financements moins coûteux que les financements domestiques, en favorisant en priorité les financements concessionnels.

La mise en œuvre de la stratégie nationale d'endettement public et de gestion de la dette publique permettra d'avoir : (i) un cadre juridique et institutionnel renforcé, amélioré, harmonisé et intégrant les meilleures pratiques internationales en matière d'endettement public et de gestion de la dette publique (Front, Middle, et Back Offices) ; (ii) une meilleure coordination entre les acteurs intervenant dans la chaîne d'endettement ; (iii) un meilleur contrôle des actes d'endettement public et (iv) une gestion opérationnelle de la dette publique.

Au niveau du secteur agricole, le gouvernement ambitionne de faire de l'agriculture un véritable moteur de croissance et de création d'emplois à travers l'amélioration de la productivité et des rendements agricoles, le renforcement des industries de transformation agro-alimentaires et le développement de l'agriculture à haute valeur ajoutée, l'amélioration de l'accès au financement et l'accès aux marchés aux agriculteurs. A cet égard, il mettra l'accent sur : (i) la mise en œuvre du schéma directeur pour l'agriculture irriguée 2024-28, visant notamment à faciliter les investissements dans des systèmes d'irrigation soutenables, à promouvoir une gestion résiliente des cultures et des pratiques de conservation de l'eau ; (ii) la poursuite du programme d'aménagement des ZAAP dans chaque canton visant une utilisation efficace des terres agricoles, l'accès aux infrastructures, aux intrants, la promotion de pratique agricoles résilientes et la mise en œuvre du schéma directeur pour l'agriculture irriguée ; (iii) la mise en place de centre de formation agricole, (iv) la poursuite de la mise en place de l'agropole de Kara et (v) la poursuite de l'opérationnalisation de l'Agence de Transformation Agricole (ATA) ; (vi) la mise en œuvre d'un programme de résilience des systèmes alimentaires ; (vii) le développement de l'entreprenariat féminin ; (viii) la promotion, la transformation et la commercialisation de produits agroalimentaires ; (ix) la construction d'un abattoir équipé dans l'IFAD de Barkoissi.

Dans le secteur énergétique, le gouvernement ambitionne d'étendre le réseau et déployer les systèmes décentralisés pour atteindre 75% d'électrification d'ici 2025 et renforcer la capacité de production, de transport et de distribution d'électricité. Ainsi, l'accent sera mis sur : (i) le Projet d'extension du réseau électrique dans les centres urbains (PERECUT) ; (ii) la construction de la ligne de transport haute tension 161 KV sur Kara-Mango-Dapaong et postes associés ; (iii) la fourniture, l'installation et la maintenance d'un portefeuille de 50.000 lampadaires solaires ; (iv) l'électrification de

350 localités par kits solaires photovoltaïques ; (v) l'électrification rurale de 317 localités par mini réseau solaire ; (vi) l'opérationnalisation du Fonds Tinga et (vii) la construction d'une ligne de jonction de 161 kV Momé-Hagou-Adjarala. L'Agence Togolaise d'Electrification Rurale et d'Energies Renouvelables (AT2ER) est un acteur clé dans l'atteinte de ces objectifs. Les reformes visant l'amélioration de la performance du secteur notamment la signature et la mise en œuvre d'un contrat de performance avec la CEET ainsi qu'une étude tarifaire visant l'optimisation de la structure tarifaire sont entreprises.

Au niveau de l'environnement, le gouvernement ambitionne d'assurer une gestion durable des ressources naturelles et une résilience face aux effets des changements climatiques. Ainsi, il mettra l'accent sur : (i) la gestion durable des terres et écosystèmes semi-arides dans les régions de la Kara et des Savanes ; (ii) l'anticipation et la réponse aux risques climatiques majeurs ; (iii) le programme de la mobilité verte ; (iv) la mise en place d'un mécanisme d'octroi et de gestion des crédits carbone ; (v) le programme national de reboisement ; (vi) le programme national de gestion des aires protégés ; (vii) la lutte contre l'érosion côtière et la dégradation du milieu marin par le projet d'investissement de résilience des zones côtières en Afrique de l'Ouest (WACA) ; (viii) la promotion d'un développement durable et la résilience aux changements climatiques et (ix) la gestion et le recyclage des déchets par la mise en œuvre du plan de gestion des fluides frigorigènes (PGFF).

S'agissant des enseignements primaire et secondaire, le gouvernement ambitionne d'offrir une éducation accessible au plus grand nombre et en phase avec le marché du travail. A cet effet, l'accent sera mis sur : (i) l'augmentation des capacités d'accueil scolaire à travers les constructions des bâtiments scolaires et (ii) l'amélioration de la qualité de l'enseignement à travers le projet d'amélioration de la qualité et de l'équité de l'éducation de base (PAQEEB) ainsi que le projet d'amélioration de l'accès et de la qualité de l'éducation au Togo (PAAQET). Les réformes visant une répartition plus équitable des ressources humaines pour permettre aux zones mal desservies de bénéficier d'enseignants suffisamment qualifiés et le renforcement de la politique de manuels scolaires sont également en cours de mise en œuvre.

S'agissant de l'action sociale et de la protection sociale, le gouvernement ambitionne de renforcer la protection sociale et civile. A cet égard, il mettra l'accent sur : (i) l'identification biométrique de la population ; (ii) la mise en place d'un Registre Social des personnes et des ménages en vue des actions sociales plus ciblées (RSPM) ; (iii) la poursuite du Programme d'appui aux populations vulnérables (PAPV) ; (iv) la promotion de la couverture maladie universelle ; (v) la construction d'Unités de Soins de Proximité sur toute l'étendue du territoire national permettant à ce qu'aucun togolais ne soit à plus de 45 minutes d'un centre de santé ; (vi) la mise en œuvre du projet de développement des filets sociaux et des services de base ; (vii) le renforcement de la protection des enfants ; (viii) l'appui à l'insertion socioprofessionnelle des personnes handicapées et (ix) la construction de 20.000 logements sociaux.

Dans le secteur de la sécurité, le gouvernement ambitionne d'assurer la sécurité et la paix pour tous. A cet égard, il mettra l'accent sur : (i) la poursuite de la mise en œuvre de la loi de programmation militaire ; (ii) le renforcement des mesures sécuritaires contre les menaces terroristes ; (iii) la poursuite de la mise en œuvre du Programme d'urgence pour la région des Savanes (PURS) en vue de continuer par protégé les habitants de la région contre les menaces des groupes djihadistes. Ce programme, d'un coût prévisionnel de 240 milliards de FCFA environ, concerne l'éducation par la construction des salles de classe, l'amélioration des offres de soins de santé à faible coût, l'accélération du développement à la base, la promotion de l'inclusion financière. Le Gouvernement envisage d'étendre le programme aux régions voisines de la Kara et de la Centrale.

En ce qui concerne l'équité et l'égalité du genre, le gouvernement ambitionne de mettre fin à toutes les formes de discrimination à l'égard des femmes et filles, à lutter contre les inégalités et l'exclusion sociale, à autonomiser les femmes et les filles et à rendre effective leur participation à la prise de décision à tous les niveaux du processus de développement. A cet effet, l'accent sera mis sur : (i) le renforcement du dispositif national de lutte contre les violences basées sur le genre, notamment en milieu scolaire ; (ii) l'amélioration de l'accès des femmes aux terres et à l'entreprenariat agricole (iii) la poursuite des activités de renforcement de capacités des femmes dans le domaine du leadership politique et économique ; (iv) l'appui et l'accompagnement des initiatives et activités génératrices de revenus pour les femmes à travers le Projet d'autonomisation des femmes rurales au Togo (PAFeRT) et le Projet régional d'autonomisation des femmes et du dividende démographique (SWEDD) ; et (v) la réservation de 25% de la part des marchés publics aux jeunes et femmes entrepreneurs.

Programme d'appui budgétaire visant à renforcer le développement durable et inclusif du Togo

Objectifs généraux

Le Programme, qui consiste en une série de deux opérations à tranche unique, vise à soutenir un développement vert, inclusif et résilient au Togo en (i) promouvant l'agriculture durable, l'électrification rurale et l'atténuation du changement climatique ; (ii) renforçant le capital humain et la résilience aux chocs, et (iii) reconstituant l'espace fiscal pour les interventions prioritaires. Le programme est structuré autour de trois (03) grands piliers à savoir :

Pilier #1 – Promouvoir l'agriculture durable, l'électrification rurale et l'atténuation du changement climatique: le premier pilier du programme porte sur

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(i) des réformes de la gestion des terres agricoles et l'appui aux pratiques agricoles résilientes ; (ii) des réformes soutenant l'électrification rurale, la production d'énergie renouvelable et des subventions à l'électricité plus ciblées ; et (iii) la création d'un cadre réglementaire et institutionnel pour soutenir les projets éligibles aux crédits carbones dans les secteurs clés. Ces objectifs sont pleinement alignés a ceux de la Feuille de route et de la Contribution déterminée au niveau national (CDN) 2021 pour faire face au changement climatique, qui visent à faire de l'agriculture un moteur de croissance et de création d'emplois, à atteindre l'accès universel à l'électricité et à accélérer la transition vers une économie plus résiliente au changement climatique.

Pilier #2 – Renforcer le capital humain et la résilience aux chocs : le deuxième pilier se concentre sur (i) la mise en place d'un registre social unique pour améliorer l'efficacité des systèmes de protection sociale et de réponse aux catastrophes ; (ii) le soutien au déploiement d'enseignants de qualité dans les zones mal desservies et l'amélioration de l'accès aux manuels scolaires ; et (iii) une meilleure protection contre les violences basées sur le genre, notamment en milieu scolaire. Ce pilier s'aligne sur l'ambition du gouvernement d'améliorer l'accès aux services publics pour tous avec un accent particulier sur l'amélioration de la qualité de la protection sociale, de l'éducation, et de l'égalité des sexes.

Pilier #3 : créer l'espace budgétaire nécessaire pour les dépenses prioritaires. Ce pilier consiste en des réformes visant à (i) aider à rationaliser les dépenses fiscales pour élargir l'assiette fiscale et (ii) moderniser le cadre juridique des entreprises publiques et améliorer la surveillance des garanties publiques et prêts rétrocédés. Ce pilier appuie l'objectif du gouvernement d'assurer la viabilité budgétaire et d'améliorer les services publics.

Réformes soutenues par la première opération

Les réformes mises en œuvre dans le cadre du Pilier #1 incluent : (i) la prise de deux arrêtés portant adoption de la stratégie nationale d'irrigation 2024-2028 et portant création de quatre-vingts Zones d'aménagement agricole planifiées (ZAAP) depuis mars 2022 pour organiser efficacement l'accès aux terres agricoles, aux intrants, services de vulgarisation et systèmes d'irrigation durables; (ii) la prise d'un arrêté fixant les modalités exceptionnelles d'acquisition et de distribution d'engrais (iii) la prise d'un arrêté établissant un cadre de financement durable de l'Agence pour l'électrification rurale et les énergies renouvelables (AT2ER) ; (iv) la signature d'un nouveau contrat de performance avec la société nationale CEET soutenant l'amélioration de ses performances financières et opérationnelles ; et (v) l'adoption d'un décret établissant le cadre réglementaire et institutionnel d'un mécanisme de crédits carbone. Le renforcement des capacités pour réguler efficacement le mécanisme de crédits carbone sera nécessaire pour accompagner cette réforme, y compris les programmes de formation et plateformes de partage des connaissances pour renforcer les capacités locales dans des domaines tels que la comptabilité carbone, l'évaluation des projets et

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la surveillance du marché.

Les réformes mises en œuvre dans le cadre du Pilier #2 incluent : (i) l'adoption d'un décret instituant le Registre Social des Personnes et des Ménages (RSPM); (ii) la prise d'un arrêté réglementant les mutations des enseignants et du personnel administratif pour l'enseignement primaire, secondaire et technique ; et (iii) la publication au Journal officiel d'une loi relative à la protection des apprenants contre les violences à caractère sexuel. Les reformes complémentaires dans le domaine de l'éducation comprennent notamment l'amélioration de la formation des enseignants et de nouvelles exigences en matière de temps de travail qui permettront d'améliorer l'offre de services, notamment en milieu rural. La loi sur la protection des apprenants complète également une nouvelle loi introduisant plusieurs modifications du code de la famille, du code pénal et du code du travail pour renforcer l'autonomisation des filles et des femmes.

Les réformes mises en œuvre dans le cadre du Pilier #3 incluent : (i) l'adoption d'un arrêté portant création, attribution, organisation et fonctionnement du Comité National d'Evaluation des Dépenses Fiscales ; (ii) l'adoption d'une décision par le Ministre de l'Economie et des Finances entérinant une liste de 22 mesures de dépenses fiscales à rationaliser ; (iii) la transmission à l'Assemblée Nationale du projet de loi adopté par le Conseil des ministres renforçant le suivi de la performance des entreprises publiques, les mesures de transparence, et le cadre institutionnel de leur supervision. En matière de rationalisation des dépenses fiscales des mesures complémentaires sont envisagées, notamment une évaluation par le CONEDEF des exonérations accordées dans les zones franches et des évaluations d'impact d'autres dépenses fiscales afin d'évaluer leur efficacité et d'élaborer des recommandations pour un élargissement de l'assiette fiscale.

Déclencheurs indicatifs pour la seconde opération

Les déclencheurs indicatifs retenus pour le Pilier #1 sont : (i) l'adoption d'un projet de loi relative à la réforme agro-foncière, comprenant des dispositions visant à faciliter l'accès des femmes à la terre et à protéger les forêts et autres écosystèmes protégés ; (ii) l'adoption et l'application progressive d'une nouvelle structure optimisée pour les tarifs d'électricité sur base d'une formule de calcul des revenus requis de la CEET qui visera à améliorer le ciblage des services subventionnés sur les bas revenus exclusivement, faciliter la production décentralisée d'énergie renouvelable, et préserver la compétitivité industrielle ; (iii) l'adoption des arrêtés clarifiant les conditions d'autorisation, de commercialisation et d'allocation des revenus de crédits carbone, suivant les bonnes pratiques internationales.

Les déclencheurs indicatifs retenus pour le Pilier #2 sont: (i) l'adoption des arrêtés établissant les mécanismes de partage de données entre le RSPM et d'autres agences gouvernementales détenant des informations pertinentes conformément aux réglementations applicables en matière de protection des données ; (ii) l'adoption d'un décret établissant un nouveau modèle de production et de distribution des manuels scolaires qui comprend notamment la cession des droits d'auteur et une stratégie de développement digital ; (iii) l'adoption d'un arrêté instituant une évaluation périodique des enseignants en vue d'identifier leurs besoins en renforcement de capacités sur la base des compétences requises pour exercer la profession d'enseignants ; (iv) l'adoption d'un arrêté établissant un protocole multisectoriel harmonisé pour soutenir les victimes de violences basées sur le genre.

Les déclencheurs indicatifs retenus pour le Pilier #3 sont : (i) l'adoption d'un décret prévoyant que les propositions de nouvelles exonérations fiscales et douanières et d'autres régimes fiscaux préférentiels soient accompagnées d'une analyse coûts-avantages et des résultats ; (ii) la modification des textes règlementaires nécessaires pour abroger 22 mesures de dépenses fiscales ; (iii) l'adoption d'un arrêté définissant le cadre juridique et opérationnel pour évaluer le risque, la tarification et le suivi des garanties publiques et de la rétrocession, et (iv) la production d'un rapport sur les résultats financiers consolidés, les dettes et les garanties des entreprises à participation majoritaire de l'Etat en annexe de la loi de finances.

Les principaux résultats attendus du Programme

Dans le cadre du **Pilier #1**, les réformes soutenues par le Programme devraient contribuer à augmenter le rendement des cultures et l'accès aux terres agricoles pour les femmes dans les Zones d'aménagement agricole planifiées (ZAAP), à améliorer l'accès à l'électricité pour les populations rurales, à accroître la part des énergies renouvelables dans la production d'électricité et à attirer de nouveaux investissements dans des projets d'adaptation et d'atténuation du changement climatique. Dans le cadre du **Pilier #2**, les réformes devraient contribuer à l'augmentation de la couverture des programmes de protection sociale, une meilleure adéquation entre la répartition des enseignants et le nombre étudiants par école, l'amélioration de l'alphabétisation des élèves dans les zones mal desservies, et à un meilleur accompagnement des victimes de violences basées sur le genre. Dans le cadre du **Pilier #3**, les réformes soutiendront la mobilisation des recettes par la rationalisation des dépenses fiscales et prévoient l'évaluation systématique des risques de crédit associés aux garanties publiques et prêts rétrocédés.

Suivi et évaluation du programme

Le Ministère de l'Economie et des Finances est chargé de la mise en œuvre générale du programme soutenu par les réformes visant un développement durable et inclusif, le renforcement du capital humain et la résilience aux chocs et la création d'un espace fiscal. Le suivi quotidien et l'évaluation du programme sont de la responsabilité du

Secrétariat Permanent pour le suivi des Politiques de Réformes et des Programmes Financiers (SP-PRPF). Cette structure coordonne la mise en œuvre des politiques de réformes et des programmes du Gouvernement. Le Gouvernement fournira des rapports trimestriels à la Banque Mondiale sur les progrès dans la réalisation du programme par rapport aux calendriers et aux indicateurs de performance convenus.

Requête de financement

Les perspectives de croissance de l'économie togolaise restent favorables en dépit du triple choc (sanitaire, sécuritaire et inflationniste), avec un taux de croissance du PIB réel projeté à 6,4% pour 2023 et un déficit budgétaire estimé à 5,6 % du PIB suivant le collectif budgétaire en cours d'élaboration. Il convient de noter que dans la loi des finances initiale 2023, un niveau de recettes totales (hors dons) était projeté à 829,6 milliards de FCFA contre des dépenses estimées à 1412,2 milliards FCFA dégageant ainsi un besoin de financement total de 582,6 milliards de FCFA. La préparation de ce collectif vient renforcer la volonté du Gouvernement à atteindre un déficit de 3% en 2025.

Par la présente, le Gouvernement s'engage, à prendre toutes les dispositions nécessaires pour mettre en œuvre les mesures et actions retenues dans le cadre du programme et réitère sa demande, auprès de la Banque pour la mise en place du financement sollicité. Les financements identifiés y compris l'appui sollicité à la Banque mondiale, permettraient d'équilibrer le budget 2023 en privilégiant les financements concessionnels.

Veuillez agréer, Monsieur le Président, l'assurance de ma considération distinguée.

RÉPUBLIQUE TOGOLAISE
★ Ministère de l'Économie et des Finances
LE MINISTRE

Sani YAYA

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(English Version – translation from the signed French version)

MINISTRY OF ECONOMY AND FINANCE

PERMANENT SECRETARIAT FOR REFORMS AND FINANCIAL PROGRAMS

BM-BAD RELATIONS DEPARTMENT

TOGOLESE REPUBLIC
Travail-Liberté-Patrie

N°001588/MEF/SP-PRPF/BM-BAD

Lomé, June 27, 2023

The Minister

***Subject*: *Development Policy Letter*.**

Mr. President,

This Development Policy Letter (DPL) presents the economic situation following the triple crises (health, security and inflation) impacting Togo and the results achieved by the country in implementing its national development strategy, as well as the outlook for 2023-2025. It describes the development objectives and policies defined by the authorities with a view to the continued implementation of the government's 2020-2025 roadmap, which takes into account the new national vision and presidential aspirations. The roadmap's vision is to make Togo a country of peace, a modern nation with inclusive and sustainable economic growth. To achieve these objectives, the government is seeking technical and financial support from all its technical and financial partners, in particular the World Bank Group, through the first operation of the Development Policy Financing program of Togo's Sustainable and Inclusive Development Policy.

I. Socio-economic context

In 2020, thanks to a well-calibrated response, the Togolese economy proved resilient in the face of the COVID-19 crisis. The pace of economic growth slowed to 2.0% of GDP due to disruptions in the agricultural sector and underperformance in trade and tourism during the COVID-19 pandemic. This is the lowest growth rate recorded by Togo for several years. The pre-crisis average was 5% (2014-2019).

In 2021, economic activity performed well overall, with a strengthening in the various branches of activity, notably the food industry, construction and transport. The growth rate reached 6.0%, underpinned by a recovery in private consumption and exports against the backdrop of a strong, synchronized global recovery.

In 2022, in the face of sharply accelerating domestic inflation, the international consequences of the Russia's invasion of Ukraine and insecurity in the north of the country, the government responded with major budgetary commitments that helped maintain growth at 5.6%. Nominal GDP rose by 10.1% to 5.091,7 billion. Per capita GDP is estimated at 623.970 FCFA, up 7.7% on 2021.

Against this backdrop, budget revenues amounted to CFAF 894.5 billion in 2022, compared with CFAF 1,317 billion for budget expenditure. This means a budget deficit of 422.5 billion, or 8.3% of GDP, compared with 4.7% in 2021.

In 2023, economic activity will benefit from the implementation of projects and reforms set out in the Togo 2020-2025 government roadmap. The implementation of structural reforms and the establishment of an attractive business climate will continue in order to attract more private investment and achieve the objectives of sustained and inclusive growth. Thus, notwithstanding the gloomy global economic environment, real GDP growth is projected at 6.4% in 2023, with a controlled inflation rate that will continue to be the focus of Government's attention. Thanks to the expected economic performance and prudent management of public finances, macroeconomic and budgetary indicators should improve, with a projected deficit of 5.6% of GDP in 2023.

With regard to public debt, the latest public debt sustainability analysis indicates a high risk of debt distress between 2021 and 2022. The Present Value (PV) of the debt to GDP ratio has exceeded the risk threshold of 55% over the period under review. Outstanding public debt rose from 51.9% of GDP in 2019 to 62% in 2021. By the end of December 2022, it had risen to 65.8%. The external and domestic debt ratios were 25.6% and 40.2% respectively in 2022.

II- Outlook 2023-2025

Over the period 2023-2025, GDP growth is predicted to reach 6.5%. All branches of the economy would contribute to this growth, but agro-industrial transformation and investment would be the main growth drivers in a context of strengthening global demand.

Indeed, an improved business climate and investment in economic infrastructure should stimulate private investment. The overall investment rate is set to rise to an average of 23.8% over the period 2023-25, thanks in particular to private investments announced under the PIA industrial platform. Final consumption is expected to rise by 7.4% per annum. Nominal GDP would rise from 5.552,8 billion in 2023 to 6.620,5 billion in 2025, an average annual increase of 9.1% over the period.

With regard to prices, forecasts indicate that the inflation rate will be kept within 3% over the medium term, thanks in particular to the expected good performance of the agricultural sector and, by extension, a good supply of food products to the markets. The average inflation rate, measured by the change in the GDP deflator index, is expected to remain below 3% over the period.

In terms of foreign trade, exports would represent 21.9% of GDP over the period 2023-2025. These exports would mainly involve mining products, cash crops and agro-industrial products. Thanks to the latter, Togo should increase its sub-regional exports. In line with the strengthening of Togo's industrial fabric, imports of industrial equipment are set to increase. Overall imports should represent 32.9% of GDP. The current account deficit should improve over the period.

According to the initial 2023 finance law, expenditures were expected to reach 1.412,2 billion, or 25.4% of GDP, compared with 1,317.0 billion in 2022. They were projected at 21.7% of GDP in 2024 and 20.9% in 2025. These projections consider the government's economic and social development plans, as well as the reform measures undertaken to improve public expenditure management. Consolidation efforts should reduce the budget deficit to 3% of GDP by 2025. The public debt ratio would stand at 64.6% in 2025, down 1 percentage point on 2022. Reducing the present value of the public debt-to-GDP ratio, which stood at 60% at the end of 2022, to less than 55% in 2026 should result in the reduction of the risk of overall public debt distress.

Government reforms in the period 2023-2025:
Governance and transparency: The government remains determined to maintain a sound macroeconomic and budgetary framework despite the recent triple shocks (health, security and inflation), and to continue improving public finance management as part of the drive to strengthen economic and financial governance. To this end, a new program is currently being negotiated with the IMF, and a new assessment of the performance of the public finance management system, as well as of gender and climate issues, using the PEFA methodology, has been carried out and the report is currently being validated. A debt management performance assessment (DEMPA) was also carried out with the support of the World Bank.

The government intends to refocus public spending on the resilience of the economy in the face of potential shocks, and on social inclusion. The main measures envisaged to this end include: (i) the continued implementation of the emergency resilience program for the *Savanes* region; (ii) the reduction in the cost of living of ministries and institutions in order to finance the urgent expenses of the moment; (iii) the continued and reinforced implementation of program budgeting throughout the public administration, with a view to results-based management; (iv) pursue active debt management, with a view to extending the average maturity of the debt and thus reducing the proportion of revenues devoted to debt servicing in the short term; (v) strengthen the means of evaluating existing and potential medium-term financing; (vi) pursue public procurement reform, in particular the digitization of public procurement procedures; (vii) pursue the popularization of budget information.

The government will strive to bring the overall budget deficit down from 8.3% of GDP in 2022, to 3% of GDP in 2025. To this end, a *Collectif budgétaire* is currently being drawn up. To achieve this objective, the government intends to carry out reforms to increase tax revenues. These include (i) pursuing the dematerialization of customs procedures in order to reduce customs clearance times and related costs; (ii) improving property tax collection through (a) the implementation of a land information system (SIF); (b) the continuation of the land property census in inland towns; (c) the connection of land and cadastre databases and the use of a unique identification number for real estate ; and (d) the continuation of land surveys in certain communes of Greater Lomé; (iii) the updating of the taxpayer file through the continued identification and formalization of informal operators, thanks in particular to the use of tax census data; (iv) the rationalization of tax expenditure and the automation of the management of derogatory regimes.

Togo is committed to pursuing gender mainstreaming in the programming and budgeting process in ministries and institutions. The ambition is to build a more inclusive society, where women and men work together, regardless of gender, for the country's development.

In line with the economic policy defined by the government through its development strategy, Togo's ambition is to join the group of emerging countries. In such a context, the current issues of sound debt management and debt monitoring must be based on a definition of the State's vision, a delimitation of the scope of debt policy, a definition of guiding principles and general orientations, as well as strategic axes.

To keep debt at a sustainable level, the government will continue to consolidate public finances and improve the quality of its policies and institutions in order to benefit from the new IDA20 (from 2023) and ADF15 (2020-2023) facilities, as well as grants from other partners to boost economic activity weakened by the triple crises (health, security and inflation).

Controlling refinancing risk beyond 2022 requires the Treasury to actively manage its debt by continuing to carry out reprofiling operations with a view to extending the average maturity of the debt and reducing the cost of debt servicing. The Treasury will favor less costly financing than domestic financing, giving priority to concessional financing.

Implementation of the national strategy for public debt and public debt management will result in: (i) a strengthened, improved and harmonized legal and institutional framework incorporating international best practice in public debt and public debt management (Front, Middle and Back Offices); (ii) improved coordination between the players involved in the debt chain; (iii) better control of public debt acts; and (iv) operational management of public debt.

In the agricultural sector, the government aims to make agriculture a real driver of growth and job creation by improving productivity and agricultural yields, strengthening agri-food processing industries and developing high value-added agriculture, and improving access to financing and market access for farmers. In this respect, it will focus on: (i) implementing the strategy on irrigated agriculture for 2024-28, aimed in particular at facilitating investment in sustainable irrigation systems, promoting resilient crop management and water conservation practices; (ii) continuation of the ZAAP development program in each canton, aimed at efficient use of agricultural land, access to infrastructure and inputs, promotion of resilient farming practices and implementation of the strategy for irrigated agriculture; (iii) establishment of agricultural training centers, (iv) continued development of the Kara agropole and (v) continued operationalization of the *Agence de Transformation Agricole* (ATA); (vi) implementation of a food systems resilience program; (vii) development of women's entrepreneurship; (viii) promotion, processing and marketing of agri-food products; (ix) construction of an equipped slaughterhouse at the Barkoissi IFAD.

In the energy sector, the government's ambition is to extend the grid and deploy decentralized systems to achieve 75% electrification by 2025, and to strengthen electricity generation, transmission and distribution capacity. Emphasis will therefore be placed on (i) the *Projet d'extension du réseau électrique dans les centers urbains* (PERECUT); (ii) the construction of the 161 KV high-voltage transmission line on Kara-Mango-Dapaong and associated substations; (iii) the supply, installation and maintenance of a portfolio of 50.000 solar street lamps; (iv) the electrification of 350 localities with photovoltaic solar kits; (v) the rural electrification of 317 localities with solar mini grids; (vi) the operationalization of the Tinga Fund and (vii) the construction of a 161 kV Momé-Hagou-Adjarala junction line. The Agence Togolaise d'Electrification Rurale et d'Energies Renouvelables (AT2ER) is a key player in achieving these objectives. Reforms aimed at improving the sector's performance have been undertaken, notably the signing and implementation of a performance contract with CEET, and a tariff study aimed at optimizing the tariff structure.

In terms of the environment, the government aims to ensure sustainable management of natural resources and resilience to the effects of climate change. It will therefore focus on (i) sustainable management of semi-arid lands and ecosystems in the Kara and *Savanes* regions; (ii) anticipating and responding to major climate risks; (iii) the green mobility program; (iv) setting up a mechanism for granting and managing carbon credits; (v) the national reforestation program; (vi) the national protected areas management program; (vii) combating coastal erosion and degradation of the marine environment through the West African Coastal Area Resilience Investment Project (WACA); (viii) promoting sustainable development and resilience to climate change; and (ix) waste management and recycling through implementation of the Refrigerant Fluid Management Plan (PGFF).

With regard to primary and secondary education, the government's ambition is to offer education that is accessible to as many people as possible, and in line with the job market. To this end, the focus will be on: (i) increasing school intake capacity through the construction of new school buildings, and (ii) improving the quality of education through the Basic Education Quality and Equity Improvement Project (PAQEEB) and the Togo Education Access and Quality Improvement Project (PAAQET). Reforms aimed at a more equitable distribution of human resources to enable underserved areas to benefit from sufficiently qualified teachers, and the strengthening of the school textbook policy, are also being implemented.

With regard to social action and protection, the government aims to strengthen social and civil protection. In this respect, it will focus on: (i) biometric identification of the population; (ii) setting up a Social Register of Persons and Households for more targeted social protection actions (RSPM); (iii) continuing the Support Program for Vulnerable Populations (PAPV); (iv) promoting universal health coverage; (v) the construction of local healthcare units throughout the country, so that no Togolese is more than 45 minutes from a health center; (vi) the implementation of the project to develop social safety nets and basic services; (vii) the reinforcement of child protection; (viii) support for the socio-professional integration of disabled people; and (ix) the construction of 20,000 social housing units.000 social housing units.

In the security sector, the government aims to ensure security and peace for all. In this respect, it will focus on: (i) the continued implementation of the military programming law; (ii) the reinforcement of security measures against terrorist threats; (iii) the continued implementation of the Programme d'urgence pour la région des *Savanes* (PURS) to further protect the region's inhabitants against the threats of jihadist groups. The program, which is expected to cost around 240 billion FCFA, covers education through the construction of classrooms, the improvement of low-cost healthcare services, the acceleration of grassroots development and the promotion of financial inclusion. The government plans to extend the program to the neighboring regions of Kara and Centrale.

With regard to gender equity and equality, the government aims to put an end to all forms of discrimination against women and girls, combat inequality and social exclusion, empower women and girls and make their participation in decision-making effective at all levels of the development process. To this end, emphasis will be placed on: (i) strengthening the national system for combating gender-based violence, particularly in schools; (ii) improving women's access to land and agricultural entrepreneurship (iii) continuing capacity-building activities for women in the field of political and economic leadership; (iv) supporting and accompanying income-generating initiatives and activities for women through the Togo Rural Women's Empowerment Project (PAFeRT) and the Regional

Women's Empowerment and Demographic Dividend Project (SWEDD); and (v) reserving 25% of public procurement contracts for young people and women entrepreneurs.

Budget support program to strengthen sustainable development and inclusion

General objectives
The Program, which consists of a series of two single-tranche operations, aims to support green, inclusive and resilient development in Togo by (i) promoting sustainable agriculture, rural electrification and climate change mitigation; (ii) strengthening human capital and resilience to shocks, and (iii) rebuilding fiscal space for priority interventions. The program is structured around three (03) main pillars:

Pillar #1 - Promoting sustainable agriculture, rural electrification and climate mitigation: the first pillar of the program focuses on (i) reforms to agricultural land management and support for resilient farming practices; (ii) reforms supporting rural electrification, renewable energy production and more targeted electricity subsidies; and (iii) the creation of a regulatory and institutional framework to support carbon credit-eligible projects in key sectors. These objectives are fully aligned with those of the Government's Roadmap and the 2021 Nationally Determined Contribution (NDC) to addressing climate change, which aim to make agriculture an engine of growth and job creation, achieve universal access to electricity and accelerate the transition to a low-carbon and more climate-resilient economy.
Pillar #2 - Strengthening human capital and resilience to shocks: the second pillar focuses on (i) setting up a unique social register to improve the efficiency of social protection and disaster response systems; (ii) supporting the deployment of quality teachers in underserved areas and improving access to textbooks; and (iii) better protection against gender-based violence, particularly in schools. This pillar is aligned with the government's ambition to improve access to public services for all, with a particular focus on improving the quality of social protection, education and gender equality.
Pillar #3: Rebuilding fiscal space for priority interventions. This pillar consists of reforms to (i) help rationalize fiscal spending to broaden the tax base and (ii) modernize the legal framework for public enterprises and improve oversight of public guarantees and on-lending. This pillar supports the government's objective of ensuring fiscal sustainability and improving public services.

Reforms supported by the first operation

Reforms implemented under Pillar #1 include: (i) the adoption of two *Arrêtés* on the national irrigation strategy for the period 2024-2028 and the creation of eighty Planned Agricultural Development Zones (ZAAP) since March 2022 to effectively organize access to farmland, inputs, extension services and sustainable irrigation systems; (ii) the adoption of an *Arrêté* clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances; (iii) the adoption of an *Arrêté* establishing a sustainable financing framework for the *Agence pour l'électrification rurale et les énergies renouvelables* (AT2ER); (iv) the signature of a new performance contract with the national utility CEET, supporting the improvement of its financial and operational performance; and (v) the adoption of a Decree establishing the regulatory and institutional framework for a carbon credit mechanism. Capacity building to effectively regulate the carbon credit mechanism will be required to accompany this reform, including training and knowledge-sharing platforms to build local capacity in areas such as carbon accounting, project appraisal and market monitoring.
Reforms implemented under Pillar #2 include: (i) the adoption of a decree instituting the Social Register of Persons and Households (RSPM); (ii) the adoption of an *Arrêté* regulating the transfer of teachers and administrative staff for primary, secondary and technical education; and (iii) the publication in the *Journal Officiel* of a Law on the protection of learners against sexual violence. Complementary reforms in the field of education include improved teacher training and new working time requirements that will improve quality of service, particularly in rural areas. Law on the protection of learners also complements a new law introducing several amendments to the Family Code, Penal Code and Labor Code to empower girls and women.
Reforms implemented under Pillar #3 include: (i) the adoption of an *Arrêté* establishing, allocating, organizing and operating the Comité National d'Evaluation des Dépenses Fiscales; (ii) the adoption of a Decision by the Minister of Economy and Finance endorsing a list of 22 tax expenditure measures to be rationalized; (iii) the transmission to the National Assembly of the draft law adopted by the Council of Ministers reinforcing the monitoring of public enterprise performance, transparency measures, and the institutional framework for their supervision. In terms of tax expenditure rationalization, additional measures are envisaged, notably an evaluation by CONEDEF of exemptions granted in free economic zones and impact assessments of other tax expenditures to assess their effectiveness and draw up recommendations for broadening the tax base.

Indicative triggers for the second operation

The indicative triggers selected for Pillar #1 are: (i) the adoption of a draft law on draft on agriculture land management, including provisions to facilitate women's access to land and to protect forests and other protected ecosystems; (ii) the adoption and gradual application of a new, optimized electricity tariff structure based on a formula for calculating CEET's revenue requirements, with the aim of improving the targeting of subsidized electricity services exclusively on low-income households, facilitate decentralized renewable energy production and preserve industrial competitiveness; (iii) the adoption of *Arrêtés* clarifying the conditions for the authorization, marketing and allocation of carbon credit revenues, in line with international best practice.
The indicative triggers selected for Pillar #2 are: (i) the adoption of *Arrêtés* establishing data-sharing mechanisms between the RSPM and other government agencies holding relevant information, in compliance with applicable data protection regulations; (ii) the adoption of a Decree establishing a new model for the production and distribution of school textbooks, including the assignment of

copyright and a digital development strategy; (iii) the adoption of an *Arrêté* instituting a periodic assessment of teachers with a view to identifying their capacity-building needs on the basis of identified skills to practice the teaching profession; (iv) the adoption of an *Arrêté* establishing a harmonized multi-sector protocol to support victims of gender-based violence.
The indicative triggers selected for Pillar #3 are: (i) adoption of a Decree stipulating that proposals for new tax and customs exemptions and other preferential tax regimes must be accompanied by a cost-benefit analysis and results indicators; (ii) amendment of regulatory texts needed to repeal 22 tax expenditure measures; (iii) the adoption of an *Arrêté* setting out a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (iv) the production of a report on consolidated financial results, debts and guarantees of companies with majority state ownership to be annexed to the Finance Law.

The main results expected from the program

Under **Pillar #1**, the reforms supported by the Program should help to increase crop yields and access to farmland for women in Planned Agricultural Development Zones (ZAAP), improve access to electricity for rural populations, increase the share of renewable energy in electricity production, and attract new investment in climate change adaptation and mitigation projects. Under **Pillar #2**, reforms should contribute to increased coverage of social protection programs, ensure a better match between the number of teachers and the number of students per school, improved literacy among pupils in underserved areas, and better support for victims of gender-based violence. Under **Pillar #3**, reforms will support revenue mobilization by rationalizing tax expenditures, and provide for the systematic assessment of credit risks associated with public guarantees and on-lending.

Program monitoring and evaluation
The Ministry of Economy and Finance is responsible for the overall implementation of the program, supported by reforms aimed at sustainable and inclusive development, strengthening human capital and resilience to shocks, and the creation of a fiscal space. Day-to-day monitoring and evaluation of the program are the responsibility of the Permanent Secretariat for Monitoring Reform Policies and Financial Programs (SP-PRPF). This structure coordinates the implementation of the Government's reform policies and programs. The Government will provide quarterly reports to the World Bank on progress in implementing the program in relation to agreed timetables and performance indicators.

Financing request
Growth prospects for the Togolese economy remain favorable despite the triple shock (health, security and inflation), with a projected real GDP growth rate of 6.4% for 2023 and an estimated budget deficit of 5.6% of GDP, according to *Collectif budgétaire* (revised budget) currently under preparation. Based on the 2023 initial Finance law, total revenues (excluding grants) were projected at 829.6 billion FCFA, against estimated expenditure of 1412.2 billion FCFA, suggesting a total financing requirement of 582.6 billion FCFA in 2023. The preparation of the *Collectif budgétaire* will reinforce the government's commitment to achieve a 3% of GDP deficit by 2025.

The Government hereby undertakes to take all necessary steps to implement the measures and actions identified in the Program, and reiterates its request to the Bank for the financing requested. The financing identified, including the support requested from the World Bank, would enable the 2023 budget to be balanced, with priority given to concessional financing.

Yours sincerely

Sani YAYA

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ANNEX 4: ANALYTICAL UNDERPINNINGS OF PRIOR ACTIONS

Prior Actions	Analytical Underpinnings
PILLAR 1: PROMOTE SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE MITIGATION	
Prior Action #1. To promote climate-smart agriculture intensification, the Recipient has adopted three *Arrêtés* (i) enacting the 2024-28 strategy on irrigated agriculture; (ii) creating eighty planned agricultural development zones (ZAAP) where this strategy is being implemented; and (iii) clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances.	• Togo's Country Economic Memorandum (2021) highlighted the need to modernize agriculture techniques and rejuvenate and expand the agriculture innovation system. • Togo's SCD Update (2022) identified the low level of adoption of improved technologies, including fertilizers, improved seed varieties, and irrigation as a key constraint to agricultural productivity and resilience to shocks. • Togo's Poverty and Gender Assessment (2022) identified tenure insecurity as a major constraint to farm investment and women empowerment. Given that land governance is currently based on customary rights, it is important to increase the capacity of local land administrations to carry out their functions. Increasing farmers' knowledge of land rights through information campaigns inclusive of the poor and female farmers is crucial. • Closing gender productivity gap in agriculture could substantially contribute to poverty reduction in Togo. For example, ensuring that women farmers have the same access as men to fertilizer and other agricultural inputs would increase maize yields by 11 to 16 percentage points in Malawi and by 17 percentage points in Ghana (Gilbert et al. 2002; Hill & Vigneri).
Prior Action #2. To boost rural connectivity and accelerate the energy transition, the Recipient has adopted an *Arrêté* establishing a sustainable financing framework for the rural electrification and renewable energies agency (AT2ER) and signed a new performance contract with the national utility company CEET supporting the improvement of its financial and operational performance.	• The Country Private Sector Diagnostic (CPSD 2022) presented the current state of the energy sector, with insights on the supply composition, access, and planned initiatives. • The Public Expenditure Review (PER 2022) Chapter 2 focused on SOE management, with detailed discussion on the financial viability of the CEET and distortions caused by current tariff and connection fee regimes. • The Country Economic Memorandum (CEM 2021) and the Systemic Country Diagnostic Update (SCD Update 2022) highlighted high costs of energy provision as a key constraint to competitiveness and growth, with the urban-rural divide especially concerning.
Prior Action #3. To reduce GHG emissions and attract new investments in sustainable agriculture, forestry and renewable energy, the Recipient has adopted a decree establishing the regulatory and institutional framework to manage carbon credits and carbon reduction units.	• The Roadmap Report of the Africa Carbon Market Initiative (2022), of which Togo is a member, highlight that carbon market activity in Africa, while growing, currently falls well short of its potential, with just a few countries accounting for the bulk of carbon credits issued to date. In Togo, there is currently only one ongoing certified carbon-reducing waste management project, which generated 550 tCO2e in 2021. To illustrate the impact voluntary carbon markets could have, Togo could grow retirements to a total of 2-3 MtCO2e by 2030 (corresponding to ~30 percent of maximum annual technical potential of ~4-10 Mt CO2e). The corresponding reduction in emissions could cover 40-50 percent of Togo's NDC target. In this example, Togo's could mobilize up to US$60 million per annum in capital and support more than ~100,000 jobs by 2030.

PILLAR 2: BOOST HUMAN CAPITAL AND RESILIENCE TO SHOCKS	
Prior Action #4. To improve the efficiency of social protection systems, the Recipient has adopted a Decree establishing the Registre Social des Personnes et des Ménages (RSPM, Social Registry) making it mandatory to use the RSPM for the selection of beneficiaries for any aid or social assistance programs.	• The Poverty and Gender Assessment (2022) highlighted that owing to the high exposure of vulnerable households to shocks, the coverage and effectiveness of social safety nets should be strengthened, starting with the effective identification of those most likely to be affected by shocks in the design of the Togo Social Registry. Global studies (including IEG's Social Safety Nets and Gender Learning From Impact Evaluations and World Bank Projects in 2014) have pointed out that targeting female-headed households as primary beneficiaries of social protection programs can reap more benefits in terms of human capital formation. This approach will enhance women's control over assets, strengthen their decision-making power and independence. • The Public Expenditure Review (PER 2022) also pointed to the importance of an effective social registry systems in the efficient delivery of social protection as well as in improving the resilience of the households through improving the capacity of the social protection system to respond to shocks.
Prior Action #5. To support the deployment of quality teachers in rural and underserved areas, the Recipient has adopted an Arrêté regulating transfers of teachers and administrative staff in primary, secondary and technical education.	• Improving Quality and Equity of Basic Education Project (P172674) highlighted the lack of a well-trained and qualified teaching force and the role of improved access to up-to-date textbooks. Proficiency in reading is empirically associated with proficiency in numeracy and in the acquisition of some socioemotional skills. • Lack of female teachers was also identified by key informants (Poverty and Gender Assessment 2022, P176872) as one of the factors preventing girls from continuing their education in Togo and highlighted in a qualitative study by UNICEF (2019) on the factors of girls' nonenrolment in Togo. • The Public Expenditure Review (PER 2022) discussed the efficiency of resource utilization within public education system, with Data Envelope Analysis finding teacher and textbook availability as the resource changes most efficient in improving learning outcomes.
Prior Action #6. To strengthen girls and women's empowerment, the Recipient adopted a Law for the protection of students against sexual violence, strengthening prevention measures, support mechanisms for survivors and sanctions for perpetrators.	• The 2022 Poverty and Gender Assessment (P176872) highlighted gender-based violence as one of the fundamental issues affecting women's well-being and ability to participate fully and effectively in society. A 2017 scoping study on Addressing School Based Violence in Togo found that school-related GBV is a significant and underreported problem, yet legislation and policies are incomplete and insufficiently implemented. It also recommends stronger intersectoral and multi-agency collaboration.
PILLAR 3: REBUILD FISCAL SPACE FOR PRIORITY INTERVENTIONS	
Prior Action #7. To improve the management of tax exemptions and help rationalize inefficient ones, the Recipient has adopted an *Arrêté* creating the National Committee for the Evaluation of Tax Expenditures and endorsed a list of 22 tax exemption measures to be repealed.	• The Public Expenditure Review (PER 2022) suggested that the reduction of inefficient tax expenditures could generate at least 1.0 percent of GDP in additional revenues. Tax exemption reforms should prioritize data-driven incentives to promote private sector investment and inclusive growth. The Tax Policy Unit at the MEF should build the capacities needed to estimate regularly all foregone revenues arising from tax exemptions and incentives. This also requires improving data collection in all areas of tax administration and closing significant gaps in

	data on tax expenditures for mining firms and free-zone enterprises. Accurate cost estimates are essential to assess the effectiveness of tax exemptions and to form the analytical basis to improve tax-expenditure policies.
Prior Action #8. To strengthen the governance and performance of state-owned enterprises (SOEs), the Recipient, through its Council of Ministers, submitted to Parliament a law establishing a new legal framework for companies with public financial participation to improve management, internal and external control systems, and performance monitoring and evaluation.	• The Public Expenditure Review (PER 2022) highlighted the importance of a holistic and integrated approach to SOE reforms, including measures to reinforce the institutional setup for SOE oversight, improve governance and transparency, and limit fiscal risks. These notably require an updated legal, regulatory, and institutional framework for SOEs as well as better oversight and transparency around the public guarantees and on-lending to SOEs.

ANNEX 5: PARIS ALIGNMENT ASSESSMENT

Program Development Objectives: support a green, inclusive and resilient development in Togo by (i) promoting sustainable agriculture, rural electrification and climate mitigation; (ii) boosting human capital and resilience to shocks; and (iii) rebuilding fiscal space for priority interventions.	
Step 1: Taking into account our climate analysis (e.g., CCDRs, is the operation consistent with the country climate commitments, including for instance, the NDC, NAP, LTS, and other relevant strategies?	**Answer** Yes. **Explanation**: The reform program is consistent with and supportive of the implementation of the country's climate strategies presented in the 2021 NDC and the 2018 National Adaptation Plan (NAP). In particular, the NDC explicitly identifies the improvement of agriculture land management, use of modern agricultural inputs, reforestation, and the support of renewable energy generation through the Rural Electrification and Renewable Energy Agency (AT2ER) as key priorities, all of which being encouraged by this operation. In addition, the program is aligned with the government's 2025 Roadmap which outlines strategies in a more specific manner, including on areas relating to climate.
Mitigation goals: assessing and reducing the risks	
Context: Togo's GHG emissions are among the lowest in the world and are largely from the land use sector. GHG emissions in Togo were estimated at about 41,000 Kt of CO2 equivalent in 2018, about 2.5 percent of emissions in Nigeria and 0.3 percent of the Sub-Saharan African total. Overall, Togo is ranked 149th out of 209 countries in emissions per capita. However, total GHG emissions have more than tripled since 1995, with more than 90 percent of it accounted for by agriculture, forestry, and other land use (AFOLU), followed by the energy sector, transport, and energy-consuming industrial sectors. This operation is supporting mitigation efforts that will help achieve the NDC's emissions target.	
Prior Action 1: Irrigation, planned agricultural development zones and access to fertilizers during crisis episodes	
Pillar Objective: Promote sustainable agriculture, rural electrification and climate mitigation	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** Yes. **Explanation**: While the prior action is not intended to support an expansion in agricultural land (i.e. shifting production on existing agricultural lands), it could potentially lead to a significant increase in GHG emissions as a result of increased production through agricultural intensification. The prior action will however lead to a reduction of the overall carbon intensity of agricultural production including by promoting more effective land use, access to climate-smart infrastructure and agriculture practices including training in soil and water management, crop diversification, and reduced tillage. This is specified in the corresponding regulation that enforces the use of CSA in the ZAAPs and done through close engagement by the government and development partners to ensure the rollout of best practices in ZAAPs. Support for irrigated agriculture will also be done through the promoting of water control systems using solar pumps and ground water management, while starting from a situation where less than 3 percent of cultivated lands are currently irrigated. These practices are supporting Universally aligned

	activities and are considered aligned on mitigation. The prior action will also support fertilizer use focused on crisis situations rather than on increased overall usage. To reduce the overall GHG impact from fertilizer use, complementary training on the use of fertilizers and shift towards organic fertilizers (such as manure and agriculture waste) is being provided.
Step M2.2: Is the prior action likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways	**Answer** No. **Explanation**: Land management improvements are intended to incorporate best practices in the efficient use of irrigation, fertilizers and other inputs. Such practices as the promotion of solar power generation for water management systems, trainings in soil and water management, crop diversification, reduced tillage, and use of organic fertilizers such as manure and agriculture waste are supporting the Universally aligned activities and are not likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways and are considered aligned on mitigation. The support for fertilizer use is focused on crisis situations is also not expected to lead to significant carbon lock-in risks, as the prior action aligns with the government's objective to promote organic fertilizers and is complemented by farmers training to reduce the overall GHG impact from fertilizer use. ZAAPs are designed to support the implementation of these practices on the ground, ensure more effective land use, increase access to climate-smart infrastructure and extension services, including training in practices that help reduce water consumption and GHG emissions.
Conclusion for PA 1:	
This PA is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Prior Action 2: sustainable financing framework for AT2ER and performance contract for CEET	
Pillar Objective: Promote sustainable agriculture, rural electrification and climate mitigation	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation:** The AT2ER is central to the government's strategy to reach a 50 percent share of renewable energy by 2030, as identified in the NDC. Specifically, the NDC identifies achieving 100 percent electrification by 2030 through deployment of 300 mini-grids and electrifying 555,000 households through solar kits and installing 88MW of hydroelectric power and 99MW of solar power through the support of the AT2ER. Creating a more predictable and sustainable financing framework for the agency will help support renewable energy generation, boost rural electrification and help reduce reliance on high-emissions alternatives (petrol generators and wood fires). In addition, the new performance contract for CEET is intended to clarify the conditions through which the CEET operates, ensuring proper oversight of the utility and establishing capability to purchase energy from renewable independent power providers. The contract is the first step towards

	restructuring electricity subsidies in a way that removes disincentives for decentralized renewable solutions (i.e. rooftop PVs).
Conclusion for PA 2:	
This PA is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Prior Action 3: framework for national carbon market mechanisms	
Pillar Objective: Promote sustainable agriculture, rural electrification and climate mitigation	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The policy reform will help provide financial resources to reduce GHG emissions. In fact, the reform is designed to attract investments in activities that have proven benefits in terms of GHG emission reduction by providing a regulatory and institutional framework for carbon credits, permits and taxes. Carbon credits are considered a key instrument for international coordination on climate change mitigation, as articulated in Article 6 of the Paris Agreement on Climate Change.
Conclusion for PA 3:	
This PA is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Prior Actions 4-6: establishment of a unique social registry, teacher deployment, GBV protection in schools	
Pillar Objective: Boost human capital and resilience to shocks	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The expected impact on GHG emissions from this pillar is likely to be minimal, as it deals primarily with provision of government services in a climate-neutral manner. These measures are focused on capacity building, and are each universally-aligned according to various sector lists. The focus on capacity building of public services is not expected to reinforce or introduce any barriers to low-GHG pathways.
Conclusion for PAs 4-6:	
This pillar is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Prior Actions 7 & 8: tax expenditure review and SOE oversight	
Pillar Objective: Rebuild fiscal space for priority interventions	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The expected impact on GHG emissions from this pillar is likely to be minimal, as it deals primarily with the management of government finances in a climate-neutral manner. Furthermore, formal review of tax exemption policies may allow for reduction of existing lock-ins, while fiscal oversight of SOEs, including utilities, could potentially be used to highlight

	the cost of legacy infrastructure and other environmentally hazardous spending. The reforms could help reducing barriers to the transition to low-GHG emissions development pathways by improving oversight of public utilities and reduction of resource wastage.
Conclusion for PAs 7 & 8:	
This pillar is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Mitigation goals: Conclusion of the Paris Alignment Assessment for the Program Overall, the DPF program is aligned with the mitigation goals of the Paris Agreement. Prior Actions are expected to either directly support GHG emissions reductions and carbon sinks in certain sectors or have no to minimal impact on GHG emissions.	
Adaptation and resilience goals: assessing and managing the risks	
General context: Togo's geographic, climatic, and socioeconomic conditions make it highly vulnerable to the impacts of climate change and other environmental hazards, making resilience a high priority. Togo ranks 135 among 181 countries in most extreme climate vulnerability (181 being the most vulnerable). Looking forward, prolonged droughts and more variable rainfalls could negatively affect agricultural productivity and increase fragility risks, particularly in northern regions where exposure to such shocks is more pronounced and where poverty and insecurity risks concentrate. Additionally, heat waves could become more common, with heat stress impacting human health, worker productivity, and agricultural yields. At the same time, the frequency of floods could also increase with climate change, impacting food security and infrastructure, and encouraging communicable, and water borne diseases. This operation is supporting resilience-enhancing measures, with a particular focus on rural population in underserved areas.	
Prior Action 1: Irrigation, planned agricultural development zones and access to fertilizers during crisis episodes	
Pillar Objective: Promote sustainable agriculture, rural electrification and climate mitigation	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** Yes. **Explanation**: Togo's agriculture sector is currently highly exposed to climate shocks as it is dominated by rainfed agriculture. An increased frequency of droughts, heat stress, and floodings could impact agriculture production, farmers livelihoods and food security more generally. While planned agricultural development zones and the irrigation strategy were developed to reduce exposure to climate hazards, severe droughts could lead to water scarcity and crop failure and floodings could deteriorate infrastructures.
Step A3: Does the design of the prior action reduce the risk from climate hazards to an acceptable level, considering climate adaptation good practices applicable to the country context?	**Answer** Yes. **Explanation**: Prior Action #1 will contribute to improved resilience to climate shocks by promoting better land, water and infrastructure management, supporting climate-smart techniques including crop diversification and soil conservation, and reinforcing market access, storage and processing capacities in ZAAPs. Resilient irrigation infrastructures in ZAAPs and extension services promoting smart water management will help reduce risks associated with climate hazards, while emergency provision of fertilizer during crisis episodes will also help limit their repercussions and support

	resilience. Furthermore, in the country context, the focus on the most vulnerable arid region in the North is crucial to addressing the social challenges arising from climate change.
Conclusion for Prior Action 1	
This PA is aligned for adaptation and resilience goals: while there are significant risks identified in A2, the design of the prior action reduces these risks and incorporates best practices in the country context.	
Prior Action 2: sustainable financing framework for AT2ER and performance contract for CEET	
Pillar Objective: Promote sustainable agriculture, rural electrification and climate mitigation	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** Yes. **Explanation**: Extreme flooding from climate change may hinder access to electricity for rural communities, diminishing the effectiveness of financial support for such access. Similarly, local events may harm infrastructure in decentralized energy production markets. Extreme weather events could also damage CEET's transmission network infrastructure and disrupt power plans' production, hence negatively impacting CEET's expected performance improvements.
Step A3: Does the design of the prior action reduce the risk from climate hazards to an acceptable level, considering climate adaptation good practices applicable to the country context?	**Answer** Yes. **Explanation**: By coupling localized renewable power generation with rural access to electricity through the AT2ER, the risks from reduced access to the grid are somewhat offset by the localized production. The diversification of electricity generation through adapting new clean technologies and connection to the national network should mitigate risks. Furthermore, these reforms directly support measures 2 and 3 in the energy portion of Togo's National Adaptation Plan, namely "putting into place financial strategies for electricity networks" and "development of hybrid mini-networks for rural electrification," respectively. CEET's performance improvements (i.e., efforts to enhance efficiency and loss reduction measures) could eventually be affected by climate hazards, highlighting the importance of maintenance work and upgrades on the electricity network. The prior action will help support the CEET's capacity to maintain and renew the electricity infrastructure to reduce the impact of climate hazards and pre-empt any further performance losses to CEET from unforeseen climate events.
Conclusion for Prior Action 2	
This PA is aligned for adaptation and resilience goals: while there are significant risks identified in A2, the design of the prior action reduces these risks and incorporates best practices in the country context.	
Prior Action 3: framework for carbon markets	
Pillar Objective: Promote sustainable agriculture, rural electrification and climate mitigation	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** No. **Explanation**: Even though climate hazards could affect natural capital and the ability to generate carbon credits, this reform only focuses on the regulatory mechanisms by defining eligible activities, institutional responsibilities, and verification methods. As a result, climate hazards are not relevant and are not expected to impact this reform.

Conclusion for Prior Action 3	
This PA is aligned for adaptation and resilience goals.	
Prior Actions 4-6: establishment of a unique social registry, teacher deployment, GBV protection in schools	
Pillar Objective: Boost human capital and resilience to shocks	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** No. **Explanation**: While there may be individual risks, such as teacher access to schools or reduced connectivity to information systems following a climate shock, these risks are minimal and not specific to the actions discussed.
Conclusion for Prior Actions 4-6	
This pillar is aligned for adaptation and resilience goals: Step A2 requirements are met, so further analysis is not required.	
Prior Actions 7 & 8: tax expenditure review and SOE oversight	
Pillar Objective: Rebuild fiscal space for priority interventions	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** No. **Explanation**: While climate hazards are likely to adversely affect fiscal space, the PAs' contributions to fiscal space should be unaffected, as improved fiscal oversight of SOEs and better analysis of fiscal expenditures will still benefit fiscal space on the margins.
Conclusion for Prior Actions 8 & 9	
This pillar is aligned for adaptation and resilience goals: Step A2 requirements are met, so further analysis is not required.	
Adaptation goals: conclusion of the Paris Alignment Assessment for the Program Overall, the DPF program is aligned with the adaptation goals of the Paris Agreement. The operation has been screened for disaster risks, with agriculture, energy and education identified as priority sectors. Of these, agriculture and, to a lesser degree, energy were identified as sectors with significant exposure to future climate hazards. The above-mentioned resilience-enhancing measures are contributing to reduce exposure to climate hazards. Therefore, climate hazards are unlikely to impact the contribution of the Prior Actions to development objectives, except for Prior Actions 1 and 2 for which appropriate risk reduction measures have been incorporated. Further, all Prior Actions are expected to contribute to adaptation and resilience, either directly or indirectly.	
OVERALL CONCLUSION OF PARIS ALIGNMENT ASSESEMENT: **The operation is aligned with both the adaptation and mitigation goals of the Paris Agreement.**	

ANNEX 6: DETAILED POVERTY AND SOCIAL IMPACT ASSESSMENT (PSIA)

1. **Overall, the policy and institutional reforms supported under the proposed DPF are expected to support a resilient economy and have positive social impacts.** The policy actions in Pillar 1 aimed at promoting sustainable agriculture, rural electrification and climate mitigation are expected to increase welfare. Policy reforms under Pillar 2 aimed at boosting human capital and resilience to shocks are expected to increase coping strategies amongst the vulnerable population, improve access to basic services, increase social inclusion, and reduce gender inequality. The policy actions under Pillar 3 aimed at rebuilding the fiscal space by improving the management of tax exemptions and strengthening corporate governance and accountability of SOEs is not expected to have short-term poverty and social impacts but could have medium to long-term impacts by opening fiscal space for pro-poor spending.

Prior Action #1. To promote climate-smart agriculture intensification, the Recipient has adopted three *Arrêtés* (i) enacting the 2024-28 strategy on irrigated agriculture, (ii) creating eighty planned agricultural development zones (ZAAP) where this strategy is being implemented; and (iii) clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances.

2. Boosting agriculture productivity and resilience to climate shocks (PA#1) in Pillar 1 has significant potential to accelerate income growth for the rural poor and improve welfare in the short and long terms. Rural households derive income from multiple sources, with income from agriculture alone accounting for 54 percent of total income. Evidence shows that investment in irrigation is crucial for climate adaptation strategies to overcome the vulnerability to rainfall variations and improve household resilience to climatic shocks. However, barely 1.5 percent of plots cultivated in 2018/19 were irrigated. Evidence also points to weak extension services in terms of both access and quality. Specifically, according to the 2018/2019 community survey, merely 16 percent of villages reported receiving extension services. In addition, evidence shows no correlation between access to extension services and crop yields, hinting at the potentially poor quality of the current extension system.[8] The promotion of access to irrigation, mechanization, and access to inputs, and digital extension services through the establishment of the eighty planned agricultural development zones (ZAAP) would increase agricultural production and productivity, boosting food security and generating surpluses for commercialization.

3. **Promoting women's access to land tenure security offers many gains, not only for women themselves but also for their families, communities, and society at large.** To start with, women's landownership is associated with positive developments in endowments and agency, including improved maternal and reproductive health outcomes, enhanced women's decision-making power, and lower vulnerability to gender-based violence.[9] Additionally, women's landownership empowers women economically and allows them to

[8] World Bank (2021) The World Bank Annual Report 2021 : From Crisis to Green, Resilient, and Inclusive Recovery

[9] Agarwal, B., and Panda, P. 2007. Toward freedom from domestic violence: The neglected obvious. Journal of human development, 8(3), 359-388; Goldman, M. J., A. Davis, and J. Little. 2016. "Controlling Land They Call Their Own: Access and Women's Empowerment in Northern Tanzania." Journal of Peasant Studies 43 (4): 777–97; Grabe, S., R. G. Grose, and A. Dutt. 2015. "Women's Land Ownership and Relationship Power: A Mixed Methods Approach to Understanding Structural Inequities and Violence against Women." Psychology of Women Quarterly 39 (1): 7–19; Muchomba, F. M., J. S. H. Wang, and L. M. Agosta. 2014. "Women's Land Ownership and Risk of HIV Infection in Kenya." Social Science & Medicine 114: 97–102; Selhausen, F. 2016. "What Determines Women's Participation in Collective Action? Evidence from a Western Ugandan Coffee Cooperative." Feminist Economics 22 (1): 130–57.

move out of poverty.[10] At the same time, women's secure land tenure offers many benefits to their families and households, such as improved food security and better investments in children's human capital.[11] Finally, women's land rights provide benefits for society at large by boosting agricultural transformation, amplifying economic growth, and strengthening resilience of rural farm households. For instance, regional evidence from Sub-Saharan Africa suggests that women's landownership increases land investments and adoption of long-term climate-smarts practices, hence making rural households more resilient to climate shocks.[12]

4. **Furthermore, clarifying the conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances is expected to improve access to fertilizers in several ways.** First, it can provide transparency and accountability in the process of acquiring and distributing fertilizers. This helps to ensure that fertilizers are distributed fairly and equitably, with priority given to those who need them most.[13] Second, it can help to prevent corruption and fraud, which often plague the distribution of fertilizers in many developing countries.[14] Third, clarifying the fertilizer distribution conditions can enable farmers to plan and prepare for the availability of fertilizers, which can improve their productivity and yields.[15] As a result, by ensuring that the acquisition and distribution of fertilizers are done in a transparent and accountable manner, farmers can have greater confidence in the process and are more likely to invest in their farming activities, which can contribute to increased food security and improved livelihoods for farmers. By limiting the state's involvement in fertilizer distribution to exceptional circumstances, the private market is less likely to be crowded out. This, in turn, will encourage the development of the private sector.

5. **While the intervention has the potential to reduce poverty and inequality, it also has potential downsides.** The implementation of the ZAAPs presents a great feature, as it reduces exclusion errors of the poor and vulnerable by allocating a higher number of ZAAPs to the poorest regions with a focus on women and youth. However, poverty levels vary within regions, and the poorest populations tend to live in remote areas. Therefore, efforts should be made to ensure that the intervention is inclusive of the poor or generates spillovers that benefit them. Additionally, it is important to ensure that the digital component of the intervention, such as use of a platform for agricultural extension services, is user-friendly, as the low digital literacy rate among the poor and women could be a barrier to access and knowledge acquisition.

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[10] Agarwal, B. 2003. "Gender and Land Rights Revisited: Exploring New Prospects via the State, Family and Market." Journal of Agrarian Change 3 (1–2): 184–224; Salcedo-La Viña, C. 2020. "Beyond Title: How to Secure Land Tenure for Women." World Resources Institute, March 3, 2020.

[11] Allendorf, K. 2007. "Do Women's Land Rights Promote Empowerment and Child Health in Nepal?" World Development 35 (11): 1975–88; Meinzen-Dick, R., A. Quisumbing, C. Doss, and S. Theis. 2019. "Women's Land Rights as a Pathway to Poverty Reduction: Framework and Review of Available Evidence." Agricultural Systems 172: 72–82; Menon, N., Y. Van der Meulen Rodgers, and H. Nguyen. 2014. "Women's Land Rights and Children's Human Capital in Vietnam." World Development 54: 18–31.

[12] Dillon, B., and A. Voena. 2017. "Inheritance Customs and Agricultural Investment"; Goldstein, M., K. Houngbedji, F. Kondylis, M. O'Sullivan, and H. Selod. 2018. "Formalization without Certification? Experimental Evidence on Property Rights and Investment." Journal of Development Economics 132: 57–74.

[13] Fan, S., & Zhang, L. (2004). Structure of the fertilizer market in China and the impact of public policy. Food Policy, 29(3), 221-237

[14] Goyal, S., & Joshi, P. K. (2016). Efficiency and effectiveness of targeted public distribution system in India: Evidence from end-to-end computerization. Food Policy, 61, 74-89

[15] Babatunde, R. O., Omotesho, O. A., Sholotan, O. S., & Olorunsanya, E. O. (2018). Fertilizer subsidy and agricultural productivity in Nigeria. Sustainable Agriculture Research, 7(2), 92-103.

Prior Action #2. In order to boost rural connectivity and accelerate the energy transition, the Recipient has adopted an Arrêté establishing a sustainable financing framework for the rural electrification and renewable energies agency (AT2ER) and signed a new performance contract with the national utility company CEET supporting the improvement of its financial and operational performance.

6. **The proposed reforms in the electricity sectors (PA#2) in Pillar 1 are expected to generate wider access to electricity in rural areas, thus, improving monetary and non-monetary welfare and reducing inequality of opportunities in the medium to long-term.** Rural households remain largely unconnected to the electricity grid making Togo display the largest Urban-rural access gap (88 percent in urban areas versus and 27 percent in rural areas) in the WAEMU region (Figure A6.1). Access to electricity also significantly varies by wealth status (Figure A6.2). The new reform would help reduce this gap and provide economic opportunities to the rural population and the poor, and consequently, improve welfare. Indeed, rural electrification can have a positive impact on household income, primarily through employment in a larger rural non-farm economy. Increased access to electricity also favors the development of agro-food processing and expanded market opportunities will in turn incentivize productive investment by farmers, notably for high-value crops. Moreover, access to electricity can extend the time that students spend learning in the evenings and increase the amount of time teachers can devote to lesson preparation, thus enhancing the learning and teaching processes. As a result, access to electricity provides a significant number of monetary and non-monetary opportunities. Consistent with this, simulations show that extending access to electricity to 150,000 additional to electricity, as proposed under PA#2, is expected to raise the national Human Opportunity Index[16] (HOI) from 36.1 percent to 49.4 percent in 2025. The increase in rural areas is relatively greater, as access to electricity is expected to raise the HOI from 21.1 percent to 38.7 percent.

Figure A6.1 Urban-Rural gap in access to electricity (differences in percentage points)

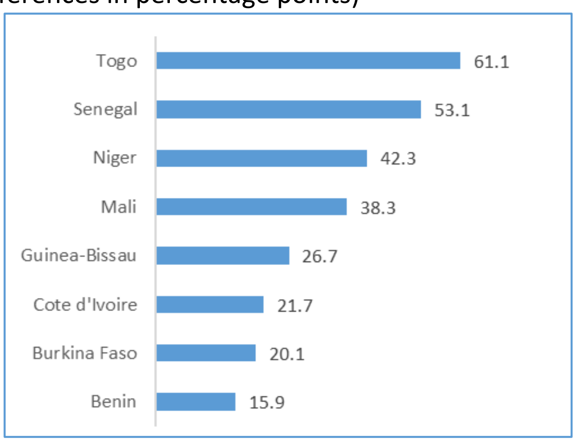
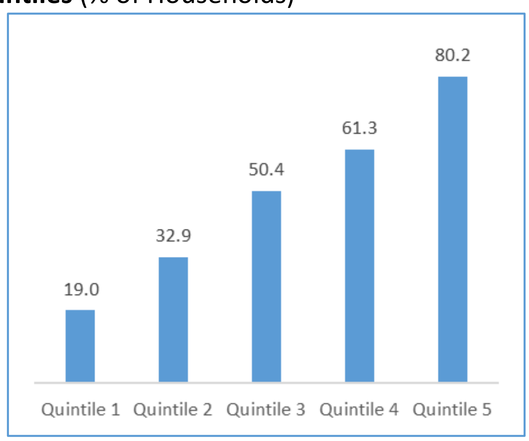


Figure A6.2 Access to electricity by wealth quintiles (% of Households)



Source: World Bank staff calculation using EHCVM 2018/2019.

[16] The Human Opportunity Index (HOI) measures how individual circumstances (i.e., characteristics -- such as place of residence, gender, and education of the household head -- that should not determine access to basic goods and services) can affect a child's access to basic opportunities such as water, education, electricity, and sanitation. It is a synthetic measure of how far a society is from universal access to an essential good or service, and how equitably access is distributed across individuals (circumstance groups). The HOI is thus an economic indicator that combines coverage rates and equality in a single measure.

7. **While the new performance contract holds promise for sustainable energy, it could also have some negative effects**. To establish renewable energy production facilities, land can be need, thereby reducing available arable land and disrupt transhumance routes for livestock production. Additionally, the chemicals used for treating solar panels could have toxic effects on soil and water tables. Moreover, the cost of energy may be prohibitively high for households, particularly those who are already struggling financially, underscoring the importance of the adoption of the Indicative Trigger 1 under PA#2. Furthermore, evidence from a systematic review of the impact of electrification shows heterogeneity of effects. Particularly, findings suggest that that areas that are more likely to benefit from electrification in terms of income earning are places which have already achieved some level of economic development.[17] The positive impact on income was observed when access to markets was present,[18] highlighting the importance of infrastructure development to fully realize the potential economic benefits of electrification.

Prior Action #3. In order to reduce greenhouse gas emissions and attract new investments in sustainable agriculture, forestry and renewable energy, the Recipient has adopted a decree establishing the regulatory and institutional framework to manage carbon credits and carbon reduction units.

8. **The adoption of the decree establishing the regulatory and institutional framework a national carbon credit mechanisms (PA#3) is expected to generate social and economic benefits in the long term but may increase inequality in the short-term.** The regulated and voluntary carbon markets is expected to attract investments in sustainable agriculture, forestry and renewable energies. For a country like Togo, carbon markets represent a significant opportunity to attract investments to support their low-carbon development, with significant benefits in terms of energy access, rural livelihoods, biodiversity and job creation. Stimulating high integrity carbon credit projects in Togo could also accelerate climate mitigation and adaptation and preserve natural capital endowment while providing additional revenues for financing social service, which could benefit the poor. This will also constitute an additional source of revenue, creating fiscal space for priority spending in infrastructure and social services, as the reform is projected to increase investments by up to $60 million per year. With the potential to support more than 100,000 jobs by 2030, the reform could also boost employment opportunities, which could benefit women and youth, who are disproportionately underemployed.[19]

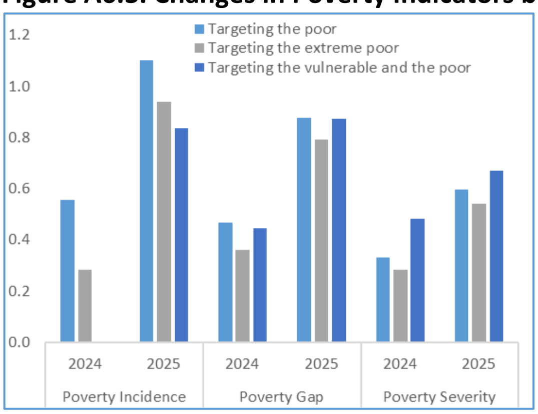
9. **Nevertheless, carbon credits may increase inequality if only larger companies and wealthy individuals are more likely to be able to take advantage of such mechanisms.[20]** In agriculture for example, small-scale farmers may not have access to the necessary market infrastructure or information to participate in the carbon market. Consequently, programs aimed at reducing greenhouse gas emissions in agriculture may disproportionately benefit larger and wealthier farmers or intermediaries, potentially exacerbating existing inequalities. This could be mitigated through the allocation of tax and other revenues associated with carbon credit projects to improve infrastructure and service delivery for local communities.

17 Pueyo et al (2013), Real Time Monitoring Technologies for Pro-Poor Access to Electricity . Pueyo, Ana (Institute of Development Studies (IDS), 2013-07).
18 Terrapon-Pfaff et al. (2018), "Productive use of energy – Pathway to development? Reviewing the outcomes and impacts of small-scale energy projects in the global south," Renewable and Sustainable Energy Reviews, Elsevier, vol. 96(C), pages 198-209.
19 UN data and analysis, https://data.unwomen.org/country/togo
20 Harlan, S. L., Pellow, D. N., Roberts, J. T., Bell, S. E., Holt, W. G., & Nagel, J. (2015). Climate justice and inequality. Climate change and society: Sociological perspectives, 127-163.

Prior Action #4. To improve the efficiency of social protection systems, the Recipient has adopted a decree establishing the Registre Social des Personnes et des Ménages (RSPM, Social Registry) making it mandatory to use the RSPM for the selection of beneficiaries for any aid or social assistance programs.

10. **The adoption of institutional reforms to improve the efficiency of social assistance (PA#4) in Pillar 2 is expected to increase resilience to shocks and therefore reduce vulnerability to poverty.** In Togo, sustaining poverty reduction is challenging due to the high poverty rate and exposure to shocks, including illness or death of an income-earning household member, and climate-related events like irregular rainfall, crop and animal diseases, and rising prices. High food price inflation, exacerbated by Russia's invasion of Ukraine, can disproportionately affect poor households who spend a larger share of their budget on food. Indeed, poor households in Togo spend 52.7 percent of their budget on food compared to 47.7 percent for the non-poor, making them vulnerable to food insecurity. Cash transfers can help households smooth their food consumption and reduce negative coping mechanisms that can not only deplete their productive resources, and consequently, lead to intergenerational poverty, but also have long-term negative impact on human capital accumulation. Indeed, a comprehensive analysis of more than 160 studies has revealed that cash transfers can lead to improvements in monetary poverty, investment in human capital such as education and health, and greater savings.[21] Recent evaluations have shown that cash transfers can assist recipient households in managing risks by investing in productive assets, expanding income-generating activities, saving money, and avoiding negative coping strategies. However, successful targeting is needed for cash transfers to be effective, but this has been found to be challenging in the developing countries.[22]

Figure A6.3. Changes in Poverty Indicators by different target groups



Source: World Bank staff calculation using EHCVM 2018/2019

11. **Moreover, increasing the share of female-headed households' eligible for cash transfer programs adds an important instrumental value in reducing poverty and building resilience to climate shocks**. Evidence shows that the provision of cash transfers to female members of beneficiary households can enhance human capital outcomes of women and girls and boost their economic empowerment, hence creating a pathway out of poverty. For example, providing the cash transfer directly to women-headed households provides safer and

[21] Bastagli, Francesca, Jessica Hagen-Zanker, Luke Harman, Valentina Barca, Georgina Sturge, and Tanja Schmidt. (2019). "The Impact of Cash Transfers: A Review of the Evidence from Low- and Middle-Income Countries." Journal of Social Policy 48 (3): 569–94. https://doi.org/10.1017/S0047279418000715
22 Subbarao, K., & Ahmed, A. U. (eds.). (2015). Social protection for a changing India. Oxford University Press.

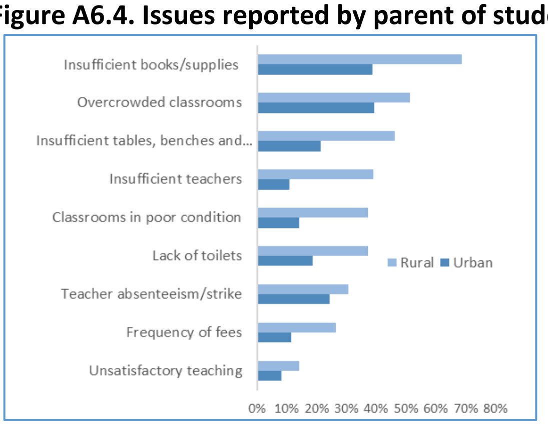
more secure access, more control over use, offers a gateway to savings and other mechanisms, and increases a woman's bargaining power.

12. **By designating the National Social Registry (RSPM) as the main targeting and coordination instrument across social programs, the prior action holds promise in improving the targeting of social safety assistance, increasing the chance of reaching the population most in need.** To simulate the impact of the cash transfers on poverty, we run microsimulation with the assumption of targeting the poor. The expected impact of the program on poverty reduction is estimated at in 0.6 and 1.1 percentage points, respectively, in 2024 and 2025. Based on these results, the program is expected to lift about 155,752 people out of poverty by 2025. We also run simulations targeting the poor and vulnerable, and the extreme poor. The results, presented in Figure A6.3, suggest that targeting based on poverty status has a relatively larger impact on poverty reduction than targeting the extreme poor or the poor and vulnerable. A couple of factors can explain these results. Those who are vulnerable to poverty are not poor but risk of falling into poverty in face of a negative consumption shock. As a result, giving out transfers to the vulnerable population does not have impact on reducing poverty. Rather, it will decrease the likelihood of them falling back to poverty in case of a negative shock. The impact of the cash transfers on poverty, when a perfect targeting of the extreme poor is assumed, is lower compared to targeting the poor because the extreme poor are further below the poverty line such that it would require a larger transfer amount to lift them out of poverty compared to the poor.

13. **It is important to note that, the results of the estimated impact of the cash transfers on poverty are driven by the assumption that those who are lifted out of poverty do not fall back into it.** This is an ambitious assumption, given the high vulnerability to poverty in Togo, making the GoT's ambitions to establish a dynamic social registry very opportune. Indeed, such a social registry can help the governments to monitor the effectiveness of its poverty reduction programs and make necessary adjustments.

Prior Action #5. In order to support the deployment of quality teachers in rural and underserved areas, the Recipient has adopted an Arrêté regulating transfers of teachers and administrative staff in primary, secondary and technical education.

Figure A6.4. Issues reported by parent of students by areas of residence



Source: World Bank staff calculation using EHCVM 2018/2019

14. **Improving the quality of teachers with a focus on increasing female teachers' presence in rural and underserved areas (PA#5), is expected to enhance welfare and reduce the urban-rural divide in human capital, while also addressing gender inequalities.** Research has shown that effective teachers have the potential to

generate noteworthy learning outcomes and enhance labor market prospects in the long run.[23] As per research findings, teacher's quality in terms of knowledge has consistently exhibited a positive correlation with student achievement among the various observable traits of teachers. By deploying quality teachers to rural and underserved areas, the reform proposed under PA#4 is expected to improve literacy skills among primary school students, thereby, leading to a wide range of long-term welfare benefits. For instance, improving literacy skills can enhance students' ability to learn and engage with their coursework, leading to improved academic performance and a stronger foundation for future learning.[24] Literacy skills can contribute to students' social and emotional wellbeing, providing them with the tools they need to communicate effectively, build positive relationships with others, and manage their emotions in healthy ways.[25] Importantly, improving literacy skills can enhance students' ability to access and understand health information, leading to improved health outcomes and a better quality of life, especially for girls.[26] Improving literacy skills has also been found to increase students' chances of success in the job market, opening up more and better job opportunities and improving their long-term economic prospects. Having more women teachers could also lead to increased school enrollment for girls[27] and achieve a better academic performance,[28]as female teachers can serve as role models for girls, inspiring them to pursue education and empowering them to believe in their ability to succeed academically. In addition, women teachers can provide protection and support against school-based gender-based violence.[29]

15. **It follows that, PA#5 reform has potential to reduce inequalities in medium to long-term by increasing human capital accumulation and intergenerational mobility for both human capital and economic opportunities, as well as reducing gender inequalities.** Simulation results indicate that the expected improvement in the share of students achieving basic literacy in Grade 2 from 23.7 percent in 2019 to 35 percent in 2025 would increase the HOI from 65.2 percent to 75.2 percent (from 51.6 percent to 66.8 in rural areas). Nevertheless, in addition to increasing the presence of quality teachers and retaining them in rural and underserved areas, further reforms would be needed to tackle some of the major issues faced by the rural population as presented in Figure A6.4. Fortunately, the indicative trigger #4 that supports a reinforced framework for the production and distribution of textbooks could address the major issue reported faced parents of students in rural areas (Figure A6.4).

Prior Action #6. *To strengthen girls and women's empowerment, the Recipient adopted a Law for the protection of students against sexual violence, strengthening prevention measures, support mechanisms for survivors and sanctions for perpetrators.*

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23 Chetty, R., J.N. Friedman, and J.E. Rockoff (2014). 'Measuring the Impacts of Teachers II: Teacher Value-Added and Student Outcomes in Adulthood'. American Economic Review, 104(9): 2633–79. https://doi.org/10.1257/ aer.104.9.2633.
24 Developing early literacy: Report of the National Early Literacy Panel. Retrieved from https://lincs.ed.gov/publications/pdf/NELPReport09.pdf)
25 National Institute of Child Health and Human Development. (2000). Report of the National Reading Panel: Teaching children to read: An evidence-based assessment of the scientific research literature on reading and its implications for reading instruction. U.S. Department of Health and Human Services.
26 UNESCO. (2011). Global monitoring report 2011: The hidden crisis- Armed conflict and education. UNESCO Publishing.
27 Herz 2002; Jewitt and Ryley 2014, What are the links between Menstrual Health Management & Gender-Based Violence?
28 Agyapong 2017.
29 Bhana 2015 "When caring is not enough: The limits of teachers' support for South African primary school-girls in the context of sexual violence," International Journal of Educational Development
; Porter 2015

16. **It is expected that the provisions of the Learners' protection law (under PA#6) will have positive effects on gender equality in two ways: through the broader prevention of different forms of GBV and through addressing one of the core impediments to girls' access to education.** Besides the introduction of a comprehensive definition of school-based sexual violence (SGBV), the new law foresees a series of prevention measures including through a curriculum on sexual education and rights, training for school staff, collaboration with media, CSO and traditional leaders and parents on sensitization, hotlines for information, and a code of conduct for all education sector staff. Preventing GBV is expected to bring a multitude of positive consequences, addressing one of the barriers preventing women from any form of effective participation in societal life and enjoyment of their rights. Women who suffer from violence have more problems related to physical, mental, sexual, and reproductive health. They are more likely to contract a sexually transmitted infection; to have fatal outcomes (suicide or homicide), more unintended pregnancies and birth complications, and depression and anxiety disorders; and to engage in increased substance use, smoking, and risky sexual behaviors.[30] [31] [32]

17. **Furthermore, by preventing SGBV, girls' chances to complete education (particularly on the upper secondary level) are expected to increase.** SGBV can deter school completion among girls through i) pregnancy, which often leads to a school dropout; ii) the perceived risks of SGBV among parents discouraging them from sending girls to schools; iii) actual experience of SGBV leading girls to drop out, resulting in a physical or mental injury, forcing girls to skip classes or drop out completely[33]. SGBV also presents severe health risks: spread of sexually transmitted infections, especially HIV, and shame and stigma can also present adverse effects for girls' mental health[34][35]. In addition to tackling SGBV, the new law in its Art. 8 also declares the right of pregnant girls to continue school – if she missed school, she will be allowed to repeat the year, another point expected to positively affect girls' schooling.

Prior Action #7: *To improve the management of tax exemptions and help rationalize inefficient ones, the Recipient has adopted an Arrêté creating the National Committee for the Evaluation of Tax Expenditures and endorsed a list of 22 tax exemption measures to be repealed.*

18. **The rationalization of tax exemption (PA#7) in Pillar 3 is not expected to have short term poverty and social impacts but can potentially lead to positive impacts in the medium to long run.** Enhancing transparency and accountability in the execution of the public budget will guarantee the efficient use of funds, improve prioritization of spending, and maximizing savings. In addition, a transparent evaluation of tax exemption can enhance spending efficiency and fiscal discipline.[36] Similarly, improvements in fiscal risk management will serve to protect funding for critical social and infrastructure projects that are necessary for economic development. These have the potential to create new jobs in the medium and long term through additional and better-quality

30 Raghavendra, S., Duvvury, N., & Ashe, S. (2017). The macroeconomic loss due to violence against women: The case of Vietnam. Feminist Economics, 23(4), 62-89.
31 Morrison, A., & Orlando, M. B. (2004). The costs and impacts of gender-based violence in developing countries: Methodological considerations and new evidence. Retrieved March, 5, 2007.
32 World Health Organisation, 2021
33 Dunne, D., & Martin, R. (2006). Design thinking and how it will change management education: An interview and discussion. Academy of Management Learning & Education, 5(4), 512-523
34 Bott, S. (2010). Sexual violence and coercion: implications for sexual and reproductive health. Social determinants of sexual and reproductive health: informing future research and programme implementation. Geneva: World Health Organization, 133 57.
35 Gelaye, B., Arnold, D., Williams, M. A., Goshu, M., & Berhane, Y. (2009). Depressive symptoms among female college students experiencing gender-based violence in Awassa, Ethiopia. Journal of interpersonal violence, 24(3), 464-481
36 World Bank, 2012, world development report - Gender Equality and Development

infrastructure investments and reduced vulnerability to external shocks due to lower macro-fiscal risks. Furthermore, there is some evidence that suggest that the elimination of VAT exemptions on goods consumed primarily by high-income households, such as energy and water, may have limited impact on the poor and vulnerable. For instance, a study found that in low-income countries, VAT exemptions tend to be concentrated on goods consumed by higher-income households, such as luxury items, while basic goods like food and medicine are often subject to VAT.[37] Warwick et al. (2021)[38] show that although preferential VAT rates reduce poverty, overall, they are not well targeted towards poor households.

Prior Action #8*. To strengthen the governance and performance of state-owned enterprises (SOEs), the Recipient, through its Council of Ministers, submitted to Parliament a law establishing a new legal framework for companies with public financial participation to improve management, internal and external control systems, and performance monitoring and evaluation.*

19. **Improvement in the management of contingent liabilities associated with SOE (PA#8) in Pillar 3 is expected to increase resilience of the fiscal space and generate savings, which may indirectly benefit the poor.** Previous attempts at reform have highlighted that poor performance in state-owned enterprises (SOEs) is less caused by exogenous or sector-specific issues, but rather by fundamental problems in their governance. This refers to the underlying rules, processes, and institutions that regulate the relationship between SOE managers and their government owners. [39] Enhanced risk management is expected to have only indirect effects on wellbeing by increasing investor confidence, reducing fiscal risks, and maximizing savings. However, any savings resulting from improvements in fiscal management can have positive medium- and long-term effects by opening fiscal space for priority social spending and productivity-enhancing public investment. Updating the SOEs' legal and institutional framework to fully reflect the current institutional framework for SOEs and the provisions of OHADA´s Act on Commercial Companies and Economic Interest Groups (AUSCGIE) will enable a greater business environment. This can increase investors' confidence, attracting much needed foreign capital. [40] There is evidence to suggest that full debt transparency can have a positive impact on a country's borrowing costs and credit ratings. A study by the World Bank found that increased transparency in public debt management can lead to lower borrowing costs, as investors are more likely to trust and lend to countries with transparent and well-managed debt systems.[41] Similarly, a study[42] found that increased transparency in fiscal reporting can lead to higher credit ratings and lower borrowing costs. Lower borrowing costs and higher credit ratings resulting from improved fiscal transparency and debt management can potentially create fiscal space for governments to increase social spending that benefits the poor.

37 International Monetary Fund. (2016). Fiscal Monitor: Action Needed to Uphold Fiscal Responsibility. Washington, DC: International Monetary Fund
38 Warwick, R., Harris, T., Phillips, D., Goldman, M., Jellema, J., Inchauste, G., & Goraus-Tańska, K. (2022). The redistributive power of cash transfers vs VAT exemptions: A multi-country study. World Development, 151, 105742.
39 World Bank. 2014. "Corporate Governance of State-Owned Enterprises. A Toolkit." Washington, D.C.
40 Gelos, G., & Wei, S. J. (2002). Transparency and international investor behavior.
41 World Bank. (2013). Debt Management Performance Assessment: A Tool for Good Governance. Washington, DC: WB
42 International Monetary Fund. (2011). Enhancing the Credibility of Fiscal Policy: Transparency, Accountability, and Independent Monitoring. Washington, DC: International Monetary Fund

ANNEX 7: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
PILLAR 1 – PROMOTE SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE MITIGATION		
Prior Action #1. To promote climate-smart agriculture intensification, the Recipient has adopted three *Arrêtés* (i) enacting the 2024-28 strategy on irrigated agriculture; (ii) creating eighty planned agricultural development zones (ZAAP) where this strategy is being implemented; and (iii) clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances.	Positive, with potential risks for water resources.	Yes, Positive
Prior Action #2. In order to boost rural connectivity and accelerate the energy transition, the Recipient has adopted an Arrêté establishing a sustainable financing framework for the rural electrification and renewable energies agency (AT2ER) and signed a new performance contract with the national company CEET supporting the improvement of its financial and operational performance.	Positive, with potential adverse effects through higher energy consumption.	Yes, positive
Prior Action #3. In order to reduce GHG emissions and attract new investments in sustainable agriculture, forestry and renewable energy, the Recipient has adopted a decree establishing the regulatory and institutional framework to manage carbon credits and carbon reduction units.	Positive.	Yes, positive
PILLAR 2 -- BOOST HUMAN CAPITAL AND RESILIENCE TO SHOCKS		
Prior Action #4. To improve the efficiency of social protection systems, the Recipient has adopted a decree establishing the Registre Social des Personnes et des Ménages (RSPM, Social Registry) making it mandatory to use the RSPM for the selection of beneficiaries for any aid or social assistance programs.	Potentially positive if it limits the risk of environmental degradation following shocks	Yes, positive
Prior Action #5. In order to support the deployment of quality teachers in rural and underserved areas, the Recipient has adopted an Arrêté regulating transfers of teachers and administrative staff in primary, secondary and technical education.	No impact	Yes, positive
Prior Action #6. To strengthen girls and women's empowerment, the Recipient adopted a Law for the protection of students against sexual violence, strengthening prevention measures, support mechanisms for survivors and sanctions for perpetrators.	No impact	Yes, Positive
PILLAR 3 – REBUILD FISCAL SPACE FOR PRIORITY INTERVENTIONS		

Prior Action #7: To improve the management of tax exemptions and help rationalize inefficient ones, the Recipient has adopted an *Arrêté* creating the National Committee for the Evaluation of Tax Expenditures and endorsed a list of 22 tax exemption measures to be repealed.	No impact	Indirect positive impact
Prior Action #8. To strengthen the governance and performance of state-owned enterprises (SOEs), the Recipient, through its Council of Ministers, submitted to Parliament a law establishing a new legal framework for companies with public financial participation to improve management, internal and external control systems, and performance monitoring and evaluation.	No impact	Indirect positive impact