

**AFRICAN DEVELOPMENT
BANK**

**AFRICAN DEVELOPMENT
FUND**



TOGO
COUNTRY STRATEGY PAPER
2011-2015

Country Operations Department – West 1 Region
March 2011

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This paper was prepared by a team of experts led by Mr. Ferdinand BAKOUP (Lead Economist, ORWA) following continuous dialogue with Togolese stakeholders and CSP preparation and dialogue missions to Togo from 7-18 March 2011 and from 16-17 June 2011 respectively.

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AEO	African Economic Outlook
BCEAO	Central Bank of West African States
BOAD	West African Development Bank
CEN-SAD	Community of Sahel-Saharan States
CFAF	Franc of the African Financial Community
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper
DIPD	Institutional Mechanism for Coordination, Monitoring and Evaluation of Development Policies
ECOWAS	Economic Community of West African States
ESW	Enhanced Support Window
EU	European Union
EUR	Euro
F-PRSP	Full Poverty Reduction Strategy Paper
FSF	Fragile States Facility
GDP	Gross Domestic Product
GPA	Global Political Agreement
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
I-CSP	Interim Country Strategy Paper
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PAL	Lomé Autonomous Port
PARCI	Institutional Capacity Building Support Project
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability Assessment Framework
PEMFAR	Public Expenditure Management and Financial Accountability Review
PIU	Project Implementation Unit
PFM	Public Finance Management
PNIASA	National Agricultural Investment and Food Security Programme
QUIBB	Questionnaire on Basic Wellbeing Indicators
RIS	Regional Integration Strategy
ROSC	Report on Observance of Standards and Codes
SDR	Special Drawing Right
SIGFIP	Integrated System for Public Finance Management
SME/SMI	Small and Medium-size Enterprise/Small and Medium-size Industry
SP-PRPF	Permanent Secretariat for Monitoring Reform Policies and Financial Programmes
TEU	Twenty-foot Equivalent Unit
UA	Unit of Account
USD	United States Dollar
WAEMU	West African Economic and Monetary Union
WEF	World Economic Forum

FISCAL YEAR

1 January – 31 December

CURRENCY EQUIVALENTS

(April 2011)

UA 1 = SDR 1.00

UA 1 = EUR 1.061018

UA 1 = USD 1.601558

UA 1 = CFAF 695.982

EXECUTIVE SUMMARY

- 1. Introduction:** This paper presents the Bank Group's intervention strategy in Togo for 2011-2015 and Togo's eligibility for second-cycle resources of the Fragile States Facility.
- 2. Country Context:** Togo is a West African country with a surface area of 57,000 km² and a population of 6.8 million inhabitants. As a reflection of its low level of development, Togo's economy is dominated by the agricultural and services sectors which contribute 45% and 34% respectively to GDP. A huge segment of the population, estimated at about 61.7%, still lives in poverty.
- 3.** Low economic growth and job-creation rates, limited capacity, financial management system shortcomings and inadequate economic infrastructure are some of the challenges facing Togo. However, the country has certain strengths and opportunities which the private sector could develop in order to revive the economy, as the abovementioned constraints are gradually eliminated. These strengths are an agricultural sector which can be further developed and substantially diversified, a tradable services sector, especially the transport services, which can stimulate growth and create jobs, relative industrial experience, a diaspora that transfers substantial remittances back home, a sub-soil that abounds in mineral resources, and opportunities afforded by regional integration. Despite an interruption period due to sanctions, the Bank has had long cooperation experience with Togo. Its current portfolio is still modest, recent and geared towards infrastructure and governance.
- 4. The Bank's 2011-2015 Strategy:** To enable the Togolese economy build on its strengths while helping to mitigate the effects of constraints, the Bank's strategy will focus on two pillars, namely: (i) development of economic infrastructure capable of effectively connecting the economic zones within Togo, and connecting the Togolese economy to the regional economic space; and (ii) promotion of good governance. The ultimate target is to achieve more robust and job-creating economic growth.
- 5.** In the infrastructure sector, the Bank will seek to increase the percentage of roads that are in good state, especially the RN1. This road which cuts through the entire length of Togo from Lomé to the border with Burkina Faso, together with the Lomé Port (which the Bank equally seeks to modernize), constitutes a transport corridor much used by the Togolese economy and hinterland countries (Burkina Faso, Niger, Mali) for their external trade.
- 6.** The Bank will also seek to improve governance in growth sectors, while pursuing efforts to improve public finance management, and capacity building. Similarly, it will also contribute to the production of knowledge by participating in public finance diagnostic studies and conducting a study on the promotion of employment and social inclusion. This strategy is consistent with the government's priorities, takes into account the results of consultations with Togolese stakeholders, and is in line with the Bank's strategy in fragile States as well as its medium-term strategy.

I. INTRODUCTION

1.1 This paper presents the Bank Group's intervention strategy in Togo for 2011-2015 and Togo's eligibility for second-cycle resources of the Fragile States Facility (FSF). The current context is particularly suitable for Bank support to Togo's development efforts. The expiry of the 2009-2010 interim strategy period provides a chance to forge a new more ambitious partnership at a time when new opportunities are emerging for Togo and the Bank. For Togo, the return of development partners after a long period of aid suspension improves its development prospects. Substantial external debt relief was also provided upon attainment of the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative in December 2010, and subsequent admission into the Multilateral Debt Relief Initiative. Hence, the country can now focus more of its efforts on its development and peace-building problems. Economic activity seems to have responded to this gradual normalization of the country's overall situation with a perceptible economic recovery to which the Bank ought to contribute. The Bank has just completed the preparation of a certain number of knowledge products which enrich the knowledge base required for developing an intervention strategy in a fragile country like Togo.¹ These coincidences expand the target scope of the Bank's strategy for Togo over the 2011-2015 period, which corresponds to ADF 12 and part of ADF 13.

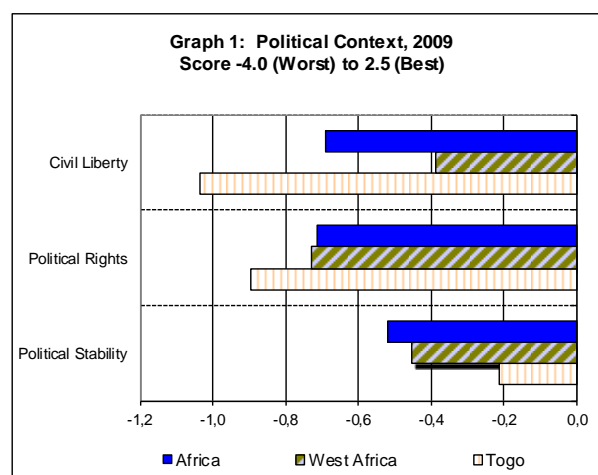
1.2 After this introduction, the rest of the paper is structured as follows: Section II reviews the country context from the political, economic and social standpoints; the prospects, strategic options and aid coordination; and the Bank's position in the country. Section III presents the Bank's intervention strategy for Togo over the 2011-2015 period. Section IV gives the conclusion of the paper and presents the recommendation submitted to the Board.

II. COUNTRY CONTEXT AND PROSPECTS

2.1 Political, Economic and Social Context

2.1.1 Political Context

The Global Political Agreement of August 2006 helped to consolidate political stability in Togo. However, when compared to West Africa and the rest of the continent, Togo's performance is poor in the areas of political rights and civil freedoms (Graph 1).



Source: AfDB Statistics Department using data from the WEF, 2010

¹ They included the following knowledge products: (i) Regional Integration Strategy 2011-2015 for West Africa; (ii) Report on the preparation and implementation of operations in Fragile States: lessons learnt and recommendations; and (iii) 2010 Annual Report of the Fragile States Facility. A recent World Bank Report entitled: "Togo: Reviving the Traditional Sectors and Preparing for the Future: An Export-Led Growth Strategy", Country Economic Memorandum and Diagnostic Trade Integration Study, September 2010, Report No. 53711-TG, also contributed to the knowledge base for preparation of this CSP.

The presidential elections held on 4 March 2010 were deemed credible and fair. They led to the formation of a unity government joined by the main opposition party. The recent political context is also characterized by ongoing progress in the implementation of measures aimed at improving political rights and freedoms.

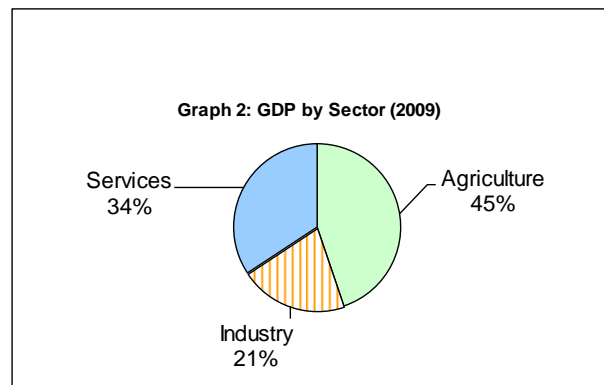
2.1.2 Economic Context

2.1.2.1 Togo is a West African country with a surface area of 57,000 km² and a population of 6.8 million inhabitants. As a reflection of its low level of development, Togo's economy is dominated by the agricultural and services sectors (especially non-tradable services) whose contribution to the Gross Domestic Product (GDP) is 45% and 34% respectively (Graph 2).

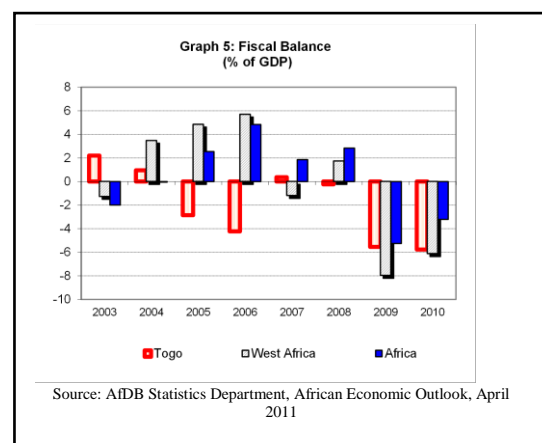
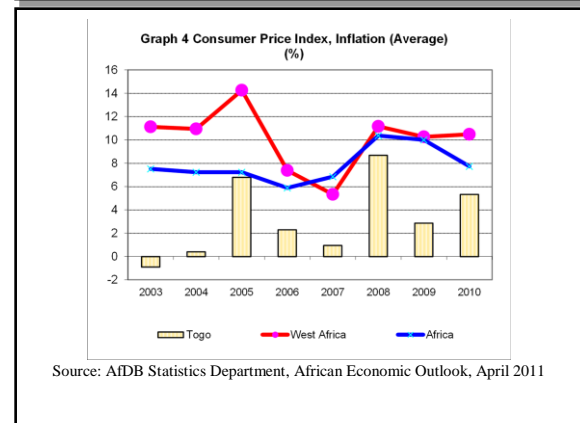
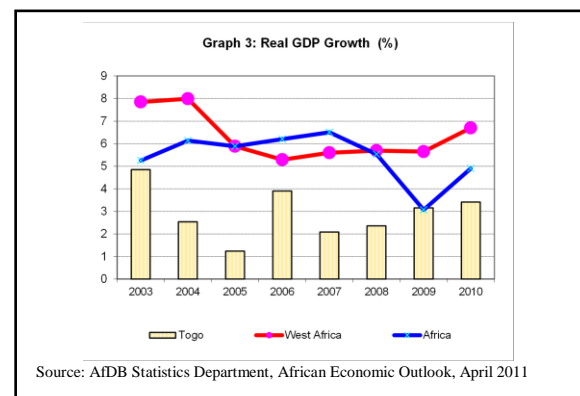
2.1.2.2 After experiencing exogenous shocks,² economic growth seems to be picking up again, thanks to the counter-cyclical measures implemented by the Government and the good performance of the agricultural sector (Graph 3). It is necessary to carry on consolidating the preponderant role played by private sector demand in boosting growth. Indeed, it contributed 3 points to growth in 2010 compared to 1.4 points for public sector demand. However, it should be oriented more towards investment, thereby also making it possible to improve the currently negative contribution (-1 point in 2010) of the external balance to growth.

2.1.2.3 *Macro-economic Management:* In general, Togo's macro-economic results are fairly stable. Inflation has been low in recent years, except in 2008 when it rose exceptionally because of the food crisis (Graph 4).

2.1.2.4 As concerns budget management, the higher deficits recorded in 2009 and 2010 (Graph 5) stem from the Government's economic recovery policy and the rise in targeted social spending to address the international economic and financial crisis.



Source: AfDB Statistics Department



² The country was affected by the food crisis of 2008 and by severe floods. Furthermore, the country had to cope with the electric energy shortage and was not spared by the effects of the international financial and economic crisis.

2.1.2.5 The good performance recorded in macro-economic management, especially the satisfactory implementation of the programme agreed upon with the IMF, enabled the country to benefit from debt relief. Hence, Togo reached the completion point of the HIPC Initiative in December 2010 and also benefitted from multilateral debt relief under the Multilateral Debt Relief Initiative (MDRI). All these mechanisms should translate into external debt repayment savings of about CFAF 16 billion (about EUR 24.4 million) per year. Domestic debt, which has long been an obstacle to private sector development, is currently being repaid. Thus, out of the commercial debt of CFAF 32.6 billion owed by the Togolese State to the private sector in December 2008, CFAF 23 billion had already been repaid by the end of 2010. The balance should be cleared before the end of 2011.

2.1.2.6 *Governance*: The long socio-political crisis contributed to undermining Togo's governance performance, compared to that of other countries on the continent; however, it has improved with the country's ranking, rising from 42nd out of 53 countries to 39th in the Mo Ibrahim Governance Index (Table 1). The authorities are making efforts to curb corruption, mainly by joining the Extractive Industries Transparency Initiative and establishing public finance control structures and a National Financial Information Processing Unit.

2.1.2.7 As concerns the public finance management system, recent diagnostic studies³ have revealed shortcomings of

which the most prominent are: (i) budget credibility, monitoring of execution and transparency of budget operations; (ii) no accountability in resource use; and (iii) weak internal and external control mechanisms for the financial operations of the State. Despite the establishment of a new legal and institutional framework in accordance with WAEMU directives, the public procurement system has limited capacity in terms of professionalization of stakeholders, as well as managerial, planning and monitoring/evaluation tools. Strengthening the financial management system therefore requires even greater reform efforts to attain internationally recognized standards.

2.1.2.8 However, to its credit, Togo has a defined, sequenced reform programme (Public Finance Management Reform Strategy) over which it has full ownership and whose

Table 1: Mo Ibrahim Governance Index					
Rating 0-100 where 100=Best					
	2007/ 2008	2008/ 2009	Status	2007/ 2008	2008/ 2009
	Rank out of 53		Improvement	Score out of 100	
Overall	42	39	▼	39.8	42.6
Safety and rule of law	27	23	▼	37.8	39.8
Personal safety	20	15	▼	37.9	40.2
Rule of law	30	27	▼	37.7	39.4
Accountability and corruption	42	40	▼	18.6	32.4
National security	18	21	▲	45.6	50.6
Participation and human rights	41	32	▼	40.9	38.2
Participation	41	32	▼	35.1	40.4
Rights	28	18	▼	29.9	31.1
Gender parity	41	43	▲	90.3	90.2
Sustainable economic development	43	40	▼	55.0	57.5
Public management	39	33	▼	47.0	48.3
Private sector	46	45	▼	55.6	56.8
Infrastructure	37	26	▼	54.0	57.7
Environment and agricultural sector	48	49	▲	26.5	25.9
Human development	41	41	▶	13.8	21.2
Health and welfare	44	44	▶	29.3	29.3
Education	36	35	▼	30.9	33.5

Source: Statistics Department of the ADB, 2011

³ The assessment of Togo's public finance according to the PEFA methodology published in March 2009, the Public Expenditure Management and Financial Accountability Review (PEMFAR) of Togo published in June 2009, and the Report on Togo's Observance of Standards and Codes - Accounting and Audit (ROSC A&A) published in April 2010.

implementation is monitored on a regular basis. In this regard, the Ministry of the Economy and Finance initiated public finance reform in June 2008, and its implementation has hitherto been encouraging. Recent developments, according to PEFA 2009, relate to: (i) transposition of the WAEMU Directive on the general regulations of public sector accounting; (ii) adoption of a State budget nomenclature that is in keeping with community directives; (iii) restructuring of the Treasury; and (iv) preparation of the first management accounts for 2007. The Country Policy and Institutional Assessment (CPIA) conducted by the Bank in 2010 awarded an average rating (3.5) for the quality of financial and budget management (indicator 13), by recognizing certain advances in budget comprehensiveness and credibility, the reduction of exceptional procedures, better cash-flow management, enhanced control of budget execution, and assumption of duty by magistrates of the Audit Bench in September 2009.

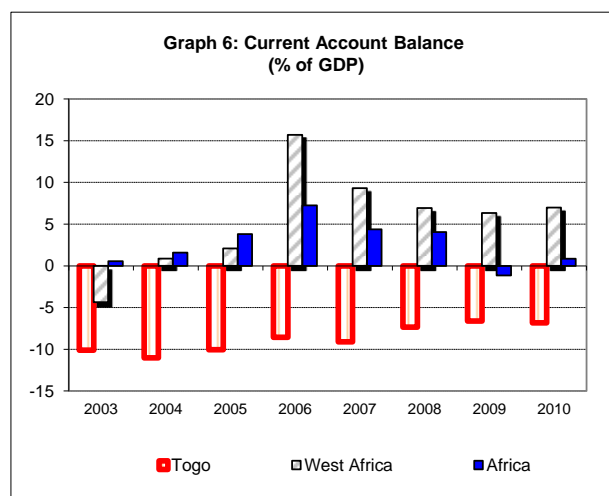
2.1.2.9 *Business Environment:* Togo's private sector is still in the embryo stage and dominated by SME/SMIs which usually operate in the informal sector. According to the Doing Business report, the biggest constraints in Togo's business environment are: (i) difficult access to financing (despite the existence of a WAEMU regional financial market, Togo's banking system is still less developed and dominated by public sector banks undergoing privatization, and microfinance institutions which still need to improve the quality of their services); (ii) property registration procedures; (iii) starting a business; (iv) enforcing contracts; (v) protecting investors; and (vi) paying taxes (Table 2). Several actions have been undertaken by the Government to address these constraints, such as the approval, in December 2009, of the SME/SMI charter; the adoption, in January 2011, of a new Investment Code to replace the old code suspended in 1996; an update of the law on free trade zones; the reduction of corporate taxes and restructuring of the Business Formalities Centre (CFE⁴) to transform it into a real single window handling all procedures for starting, modifying and closing a business.

2.1.2.10 *Trade and Regional Integration:* Due to its lack of competitiveness, Togo has a substantial and almost structural deficit in its current account (Graph 6). In order to further position external trade as the engine of its economic development, Togo is preparing a trade policy and an accompanying implementation action plan with financing from the European Union and the International Organization of Francophonie.

Table 2: Doing Business in 2009 and 2010 (ranking)

Item	Rank in 2009	Rank in 2010	Status Improvement (▲)
Ease of doing business	35	35	►
Starting a business	43	42	▼
Dealing with construction permits	35	36	▲
Registering property	38	40	▲
Getting credit	43	43	►
Protecting investors	36	36	►
Paying taxes	36	36	►
Trading across borders	10	12	▲
Enforcing contracts	39	37	▼
Closing a business	17	14	▼

Source: Statistics Department of the ADB based on data from Doing Business 2010.



Source: AfDB Statistics Department, African Economic Outlook, April

⁴ The Business Formalities Centre (CFE) of the customs territory was established within Togo's Chamber of Commerce and Industry by Decree No. 2000-091/PR of 8 November 2000. It went operational from 2006.

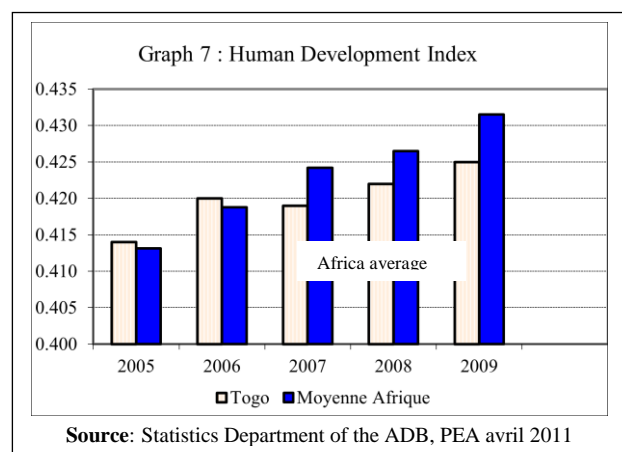
2.1.2.11 Togo actively participates in regional integration and trade facilitation efforts within WAEMU, ECOWAS and CEN-SAD. It is one of the States of the region that directly apply community regulations without passing through an internal ratification process by the National Assembly. This shows the country's commitment to the regional integration process which is underway in the sub-region⁵. Togolese authorities also intend to adopt a regional integration policy.

2.1.2.12 *Climate Change*: Like many African countries, Togo is not spared by the negative effects of climate change which contribute to frequent floods that damage infrastructure and cause substantial losses in economic terms and in human life. This was the case in 2007 and 2010. The floods of 2010 caused 21 deaths, inundated 3,947 houses and destroyed 7744.24 ha of farms and several bridges. Togo also records a high deforestation rate (estimated in 2005 at an average of 4.5% per year). Addressing these effects calls for adaptation and mitigation actions and capacity building which the Government is undertaking by implementing the national environmental policy and the disaster management policy. The Bank's strategy will include the climate change dimension, especially in project design and implementation.

2.1.3 Social Context

2.1.3.1 The long crisis period experienced by the country certainly explains why Togo lags behind other African countries in human development terms (Graph 7). Poverty still affects about 61.7 % of the population, according to findings of the QUIBB⁶ survey conducted in 2006 in the country's five regions and in Lomé. As concerns progress towards achievement of the Millennium Development Goals (MDGs), it is unlikely that Togo will achieve six of the eight MDGs⁷. Reflecting the efforts made in these areas, only the MDGs relating to universal primary education and the control of HIV/AIDS, malaria and other diseases could be achieved in light of current trends.

2.1.3.2 Annex 5 provides recent data on the main indicators for health, education, access to drinking water and sanitation in Togo. The gross primary and secondary enrolment ratios are slightly above the average for Africa and for developing countries. The nutritional status and health of the people remains precarious. Over the last two decades, indicators, especially those relating to mother and child health, have improved only slightly or deteriorated in some cases. Avoidable acute early childhood diseases, delivery complications, nutritional deficiencies and endemic diseases are partly responsible for the still high morbidity and mortality rates. Malaria still remains a real public health problem, with respectively 32.3% and 38.9% of under-fives and pregnant women sleeping under treated mosquito nets in 2008, compared to 57.58% and 39.87% in 2005. Nevertheless, 97.3% of under-five children suffering from simple malaria and 88.8% of under-fives suffering from severe malaria were



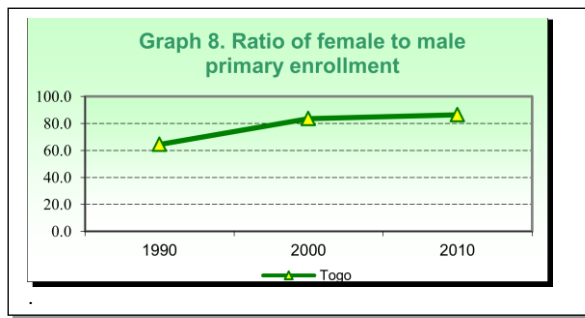
⁵ The 2011-2015 Regional Integration Strategy for West Africa contains a detailed analysis of the progress made in integration and regional trade facilitation within its various spaces.

⁶ Questionnaire on basic wellbeing indicators. It is probable that the incidence of poverty is higher today because of the exogenous shocks suffered by the country, such as the upsurge in food product prices in 2008 and the floods of 2007 and 2008.

⁷ According to the third national monitoring report on the Millennium Development Goals (MDGs), published in April 2010, and the MDG Acceleration Framework, published in August 2010 by the authorities in collaboration with the United Nations Development Programme (UNDP).

correctly treated through out-patient and in-patient consultations in 2008, compared to 72.79% and 76.67% in 2005.

2.1.3.3 *Social Inclusion:* As a result of the burden of some social practices which evolve rather slowly, gender equality has not yet been achieved, although the government's proactive policies and the activities of many civil society organizations are beginning to bear fruit, especially in terms of school enrolment for girls (Graph 8). The proportion of women in government is 22.6% and that of women parliamentarians is 11%, which is below the Sub-Saharan Africa average of 19%.



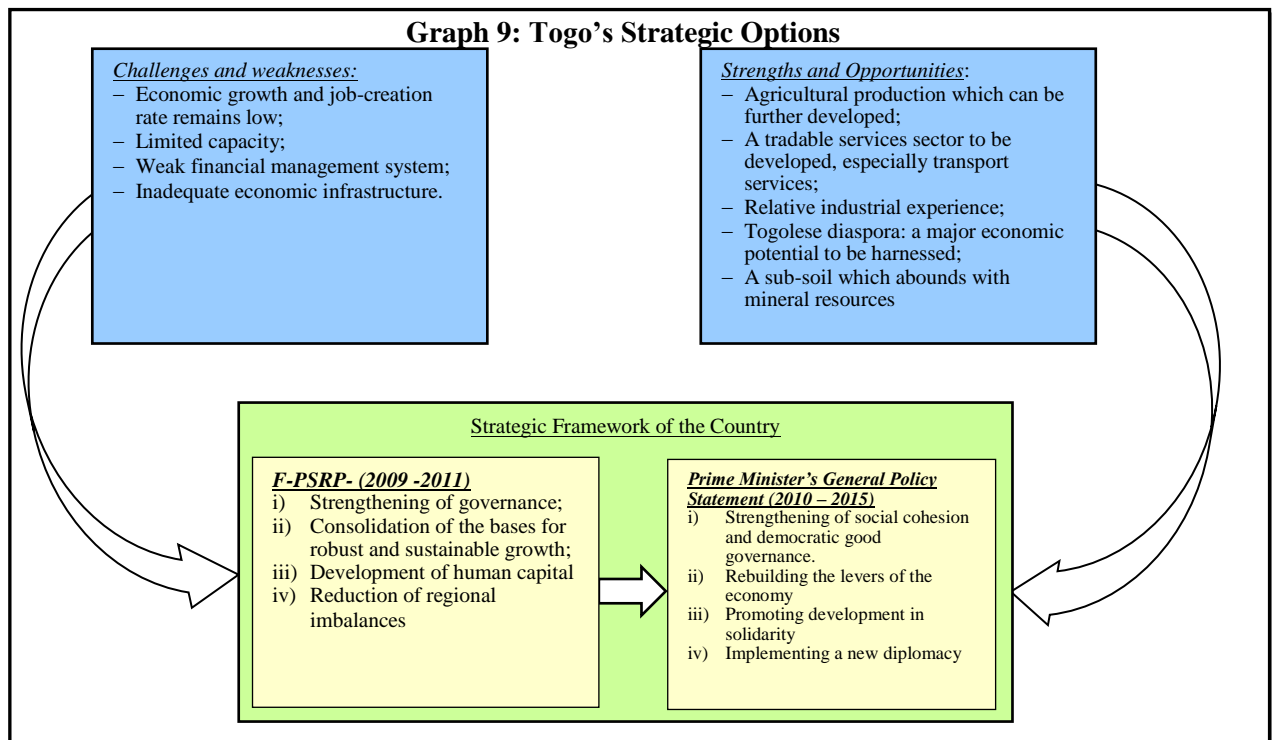
2.1.3.4 The employment situation, which is another key factor of social inclusion, is still a cause for concern. The unemployment rate is estimated at over 30% (including underemployment). The government's actions are aimed at creating the legal, institutional and economic conditions for employment. However, to stem this scourge sustainably, there is also need for ambitious reform of the education system to develop the skills required by the economic growth sectors.

2.1.4 Medium-term Prospects

Current reform and economic performance prospects are more favourable. The easing of political tension is a great help. The positive growth rates observed recently should hold steady in 2011 and 2012 at 3.7% and 4%, respectively. Medium-term economic growth will be driven mainly by the agricultural sector if climatic conditions remain favourable and if the implementation of the National Agricultural Investment and Food Security Programme (PNIASA) continues as planned. This positive outlook notwithstanding, there are still some economic risks. Thus, the economic recovery in Côte d'Ivoire, if slower than expected, could have an impact on Togo (see Paragraph 3.7).

2.2 Strategic Options

2.2.1 Togo faces major challenges, but also has strengths on which it can rely. The Government's strategic framework provides an adequate response to these strategic issues (Graph 9).



2.2.2 Challenges and Weaknesses

2.2.2.1 *Economic growth and the job-creation rate remain low.* Although Togo recently started recording positive growth rates again (see paragraph 2.1.2.1), these rates are still too low to meet the country's targets, particularly in job creation and poverty reduction. That is the main challenge facing Togo today, since robust growth will provide the country with the means to tackle other problems. Addressing this growth and job-creation challenge requires substantial efforts to develop the country's productive capacity and increase access to national, regional and international markets. Bank assistance could be useful in these areas. This major growth challenge is compounded by other related challenges as mentioned herebelow.

2.2.2.2 *Inadequate capacity:* Economic recovery and poverty reduction are still hampered by a paucity of human resources and limited production capacity in growth sectors. The long sociopolitical crisis experienced by Togo has contributed to a substantial deterioration of the institutional and human capacities needed for optimum management of development. This is mainly due to the lack of material means, inadequate training for experts and the non-replacement of retirees. The deterioration of the training system is a major constraint which should be addressed in order to reverse the trend. Furthermore, private sector capacity-building is also indispensable since growth depends on it. Furthermore, the capacity of the national statistical system to generate data required for implementing the results measuring matrix for monitoring–evaluating projects and programmes has weakened over the years.

2.2.2.3 *Shortcomings in the financial management system:* The financial management system still requires considerable reform effort to take it closer to internationally recognized standards, despite the significant improvements made after the crisis ended in 2006 within the WAEMU community framework.

2.2.2.4 *Inadequate Economic Infrastructure:* The country has an enormous quantitative and qualitative deficit of growth-supporting economic infrastructure, whereas this sector could

play a key role in boosting growth and creating jobs in Togo's economy. The road and railway transport network has so severely deteriorated, for want of maintenance, that it has considerably affected the competitiveness of the Autonomous Port of Lomé and the entire economy. The shortage of rural infrastructure results in difficult access to many areas with high agricultural potential. This situation is due to a series of factors, in particular: (i) the lack of a transport sector policy; (ii) an institutional framework weakened by the crisis and with limited technical, organizational, financial and material capacities; (iii) inadequacy and poor management of road maintenance allocations; and (iv) the inadequate application of community transport policies.

2.2.2.5 With respect to maritime transport, it is concentrated in Lomé Autonomous Port (PAL), the country's lone port. PAL stands out as an instrument of regional integration and trade development for Togo and its neighbouring land-locked countries. PAL provides most of Togo's port services, handling about 80% of all trade. However, despite its strategic position and potential as the only natural deep water port, PAL still operates below capacity and its efficiency could be enhanced to increase its contribution to the growth of Togo's economy. The major challenges that PAL needs to address in order to maintain its position and improve its contribution to the national economy are: (i) increasing investments in infrastructure, both in the port itself and in road networks within the country and those connecting hinterland countries; (ii) adapting the functions and missions of PAL to its new role as a "proprietor" port (as opposed to its former role as an "operator" port), which entails regulating and controlling port operations.

2.2.2.6 In the energy sector, the country depends on foreign sources for its electricity supply and is affected by multiple brownouts. Recent investments by private operators in a power generation project named "Contour global" have made it possible to provide the country with a 100 MW thermal power station and thus satisfy domestic demand. The existing infrastructure does not allow for efficient power production due to huge energy losses throughout the distribution network. At the end of 2009, Togo's national household electrification rate was estimated at 21%, comprising 42% in urban areas and 4% in rural areas. The Government's objective is to satisfy the energy needs of businesses and households at low cost. To that end, there is need for diversification of energy supply sources by developing the country's hydro-electric potential. In the medium-term, projections focus on the positive impact of the West African gas pipeline when it becomes operational and the implementation of major regional energy projects, such as the Adjaralla Dam and the interconnection of Togo with networks in Ghana, Nigeria and Benin. Furthermore, these measures will be accompanied by institutional and statutory reform of the electricity sector to improve its management. Togo should adopt a long-term vision for developing the national electricity network on the entire national territory. Several partners, including the World Bank, the West African Development Bank and the German Cooperation Agency support the Government's energy efforts. A recent study (World Bank, 2010) suggests that in West Africa the impact of infrastructure quality improvement on per capita income growth is about 5%.

2.2.3 Strengths and Opportunities

2.2.3.1 *Agricultural production which can be further developed and diversified:* Considering that 80% of the poor live in rural areas, with agriculture as their main livelihood, developing this sector is the best way of directly increasing the income levels of the poor. Much remains to be done to develop these opportunities and boost Togo's competitiveness in traditional export crops like cotton, coffee and cocoa. Restructuring the cotton sector is a government priority, given the large number of poor people involved in this sector. The coffee and cocoa sectors need to be given greater support to ensure higher yields. There are also diversification

niches for other crops such as rice, cereals, oilseeds, fruits and vegetables and certain livestock and fisheries products. Togo's food crop potential is quite enormous. In addition to satisfying domestic demand, it would be appropriate for the country to export food crops to the sub-region. In order to benefit most from all this agricultural potential, the Government has prepared and is implementing the PNIASA, with the support of development partners. This sector accounts for 45% of GDP, and employs 60% of the working population.

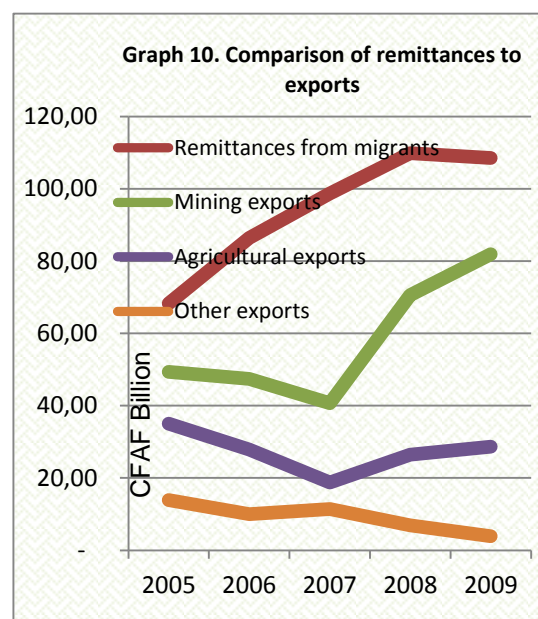
2.2.3.2 *A tradable services sector to be developed.* One of Togo's strengths is the fact that its transport sector, which is a non-tradable sector in many countries, is tradable and can therefore become a real source of long-term growth, especially if it is better managed. Indeed, the main road which cuts through the entire length of Togo, from Lomé to the border with Burkina Faso (RN1) and Lomé Port constitute a transport corridor which is much used by hinterland countries (Burkina Faso, Niger, Mali) for their external trade. The use of this infrastructure by these countries creates much income-generating transport and transit activity for Togo. About 28% of the traffic in Lomé Port is transit traffic to neighbouring countries, including 15% to landlocked countries (Burkina Faso, Niger, and Mali). Hence, growth in these countries also results in increased traffic in Lomé Port, and therefore the growth of the Togolese economy. These opportunities are bound to develop further with the growing application of community regulations on the liberalization of transport services within the WAEMU region. However, Togo will have to take measures to develop its transport supply in order to benefit fully from the expected positive effects of such liberalization. The Bank will help Togo to develop a transport sector policy. It is estimated that processing of these transit flows accounts for about 10% of Togo's GDP.

2.2.3.3 Apart from being the main entry point for hinterland countries, Lomé Port can also become a major transfer hub. This is because it is the lone natural deep water port of the region, capable of receiving large vessels that require a draught of 14 metres. In order to tap this potential, the authorities have made efforts to increase the intake capacity of Lomé Port. Several BOT-model large-scale extension projects are being launched, including the construction of a private container terminal and a third quay. These actions, coupled with more rigorous port sector management, should enable PAL to make the best of its comparative advantages and attain, within a period of two to three years, a handled volume of 400,000 to 500,000 twenty-foot equivalent units (TEU) per year and, ultimately a volume of 1,500,000 TEU.

2.2.3.4 *Relative Industrial Experience:* Thanks to its free trade zone, which is one of the oldest on the continent, Togo has acquired manufacturing experience that can be further developed. The main products come from chemical, building materials, textiles and clothing and agro-food industries. The free trade area has about 60 enterprises, which provide about 9,000 jobs.

2.2.3.5 *Togolese diaspora: a major economic potential to be harnessed:* The Togolese diaspora could play an important economic role in the country's development. According to data from the Central Bank of West African States (BCEAO),

remittances from Togolese migrant workers grew by 58.9% between 2005 and 2009, from CFAF 68.29 billion to CFAF 108.54 billion (Graph 10), or about 7% of GDP. The diaspora is



therefore one of the primary sources of external revenue, even exceeding mineral exports (CFAF 81.9 billion in 2009) and agricultural products (CFAF 28.7 billion in 2009). The authorities therefore have to design and implement appropriate policies to optimize the diaspora contribution to the country's development. The Bank supports these efforts with a Fragile States Facility grant.

2.2.3.6 *Sub-soil which abounds with mineral resources:* Togo is also a country with a high mineral potential. It abounds with metalliferous deposits, precious stones, as well as radioactive minerals (autunite, uranium, and thorium). Phosphate, limestone and construction materials are currently the main mineral products produced in the country. The Government has embarked on the development of other deposits, especially marble, precious stones and gravel. At the end of 2008, Togo's phosphate reserves were estimated⁸ at 77 million tonnes for the loose layer and 2,196 million tonnes for the carbonate layer at the end of 2008. Only the deposits in the loose layer have been mined since 1961. After ranking as the 5th producer of phosphates in the world before 2000, with an output of over 3 million tonnes per year, Togo tumbled to the 14th position in 2005 due to serious governance problems in the sector. In 2009, its output was estimated at only 800,000 tonnes. The relatively high level of current international prices, as well as the projected rise in demand from China and India, provide an opportunity to revive this sector which is one of the country's main foreign exchange earners.⁹ To that end, the Government adopted a revival strategy in March 2010, comprising three phases as follows: (i) upgrading of production equipment; (ii) redeployment of mining operations on the carbonate layer; and (iii) industrialization of the sector for the production of phosphoric acid and fertilizers. The mining sector contributes 3% to GDP.

2.2.3.7 *Regional integration, a source of growth:* The West African regional space offers opportunities for promoting the growth of the Togolese economy, by serving as a market for Togolese products, especially agricultural and industrial products. In 2010, for instance, cereal production was 938,000 tonnes, of which 830,000 were consumed locally. Togo therefore ended up with a cereal surplus which it desired to export to the sub-regional market. In February 2011, the National Agency for Food Security was busy looking for markets in the sub-region, a necessity for both farmers and the State. In 2007, ECOWAS bought nearly 72% of Togolese exports. Regional integration also offers opportunities to make economies of scale in various important domains, particularly in infrastructure.

2.2.4 Strategic Framework of the Country

In order to take advantage of emerging opportunities while tackling the challenges facing the country, the authorities have prepared a series of development strategies and policies. The reference framework for the Government's strategy is the full Poverty Reduction Strategy Paper (F-PRSP) which covers the 2009-2011 period. This F-PRSP which was prepared through a participatory approach, was drafted with focus on the long-term National Development Strategy that is based on the MDGs and covers the 2006-2015 period. The F-PRSP focuses on four main pillars, namely: (i) strengthening of governance; (ii) consolidation of bases for robust and sustainable growth; (iii) development of human capital; and (iv) reduction of regional imbalances. PRSP implementation has so far been satisfactory. It was one of the triggers of the completion point for debt relief. After the formation of the new

⁸ See Report No. 53711 – Togo: Reviving the Traditional Sectors and Preparing for the Future: An Export-led Growth Strategy; Country Economic Memorandum and Diagnostic Trade Integration Study, World Bank – September 2010.

⁹ For a long time, phosphate has been the country's main foreign exchange earner, sometimes accounting for 42% of the value of the country's total exports (in 1993). After reaching a record high of 42% of the country's total exports, this percentage fell to about 4% to 7% between 2003 and 2007. With the 2008 spike in phosphate prices, the share of phosphates once more rose to 19.3% of the total value of exports.

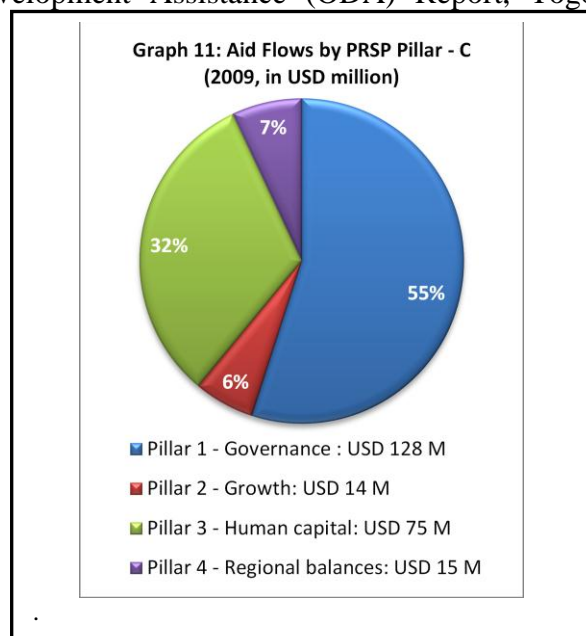
Government in June 2010, the Prime Minister presented the Government's General Policy Statement for 2010-2015 to Parliament. It practically reiterates the same priorities identified in the F-PRSP, through four fundamental areas, namely: (i) strengthening of national cohesion and democratic good governance; (ii) levers of the economy; (iii) promoting development in solidarity; and (iv) implementing a new diplomacy. The levers of the economy include infrastructure, agriculture, mining, industry, tourism, free trade area, and private sector development. At the end of 2011, the authorities will complete preparation of the Long-Term Vision (Vision 2030) which will serve as basis for preparing the new PRSP. The Bank supports this process through FSF window 3.

2.3 Recent developments in aid coordination and harmonization, and the Bank's positioning

2.3.1 *Aid Coordination:* After a long period of absence due to the sociopolitical crisis, development partners are resuming their activities in the country. The mechanisms for more efficient coordination of aid are gradually being established again. For instance, the authorities recently established an institutional mechanism for coordinating, monitoring and evaluating development policies (DIPD). The DIPD set up a number of aid coordination structures, including a National Council for Steering Development Policies, which is chaired by the Prime Minister, a PRSP Technical Secretariat under the supervision of the Ministry attached to the Presidency of the Republic responsible for Planning, Development and Land-use Planning, sectoral committees, and a State-donors committee. A national aid policy has just been adopted as well.

2.3.2 The effective functioning of the State-donors working groups seems to be making progress in some sectors. This is the case in budget support, agricultural, education, environment, health, public finance, and water sectors.

2.3.3 According to the 2010 Official Development Assistance (ODA) Report, Togo received ODA of about USD 232 million, a slight decline compared to 2008 when ODA reached USD 243 million. The assistance received in 2009 was multilateral aid, bilateral aid, and amounts from NGOs and global funds, in proportions of 80%, 10%, 9% and 1% respectively. The main donors were the European Union, the UN System, World Bank, France, ECOWAS Bank for Investment and Development, and West African Development Bank. Although ODA is aligned on government-defined development priorities, it is apparent that it is mainly channeled to Pillars 1 and 3 of the F-PRSP, with little coverage for pillar 2 on the levers of growth (Graph 11), despite its preponderant share in financing needs. Annex 6 presents the areas of intervention of the main development partners.



2.3.4 *Bank Group Portfolio:* The Bank portfolio in Togo comprises five projects, representing total financing of about UA 54 million. Apart from one operation, the portfolio is recent (the average age is about one year) and contains no project at risky or potentially problematic project. The current portfolio can be considered as relatively sound. Education II project, which encountered implementation difficulties, will be closed on 30 June 2011. Annex 3 provides more detailed information on the Bank's current portfolio, especially on disbursements.

2.3.5 In view of the problems affecting project implementation in Togo, possible solutions include: (i) involvement of all the technical ministries and structures concerned with projects right from the identification and preparation phase; (ii) recruitment of project staff through competition; (iii) regular training of project staff in Bank procedures (financial management, disbursement and procurement); (iv) providing SP-PPRF with adequate staff that have the required profile to monitor files and train this staff; (v) cleaning up of the portfolio. The opening of a Bank Office will enhance implementation of these measures (see Box 1).

2.3.6 **The lessons learnt** from implementation of the interim strategy include the need to ensure national ownership and factor the fragility of institutions into the design and conduct of operations in Togo. Furthermore, the sheer scope of the challenges to be addressed calls for strengthening of synergies among development partners through co-financing in order to implement operations which could have a substantial impact on growth, job creation and poverty reduction. Besides, it would be premature to slacken efforts in the area of governance. The achievements are still fragile. Recent appraisals of operations in Togo and dialogue with the country also show that the Bank's presence in the country could help to reinforce coordination with other development partners and improve results.

2.3.7 From a long-term perspective, it is apparent that all through its years of cooperation with Togo, the Bank has developed expertise in the areas of economic, and especially road, infrastructure. Before suspension of cooperation, the Bank had financed six road projects, four of which had been completed. The Bank has also acquired experience in economic governance, a domain in which it played a catalytic role through the Institutional Capacity Building Support Project (PARCI) approved in 2006 when the country was under sanctions imposed by the Bank and several other development partners. By supporting the country in public finance management, this project significantly contributed to the resumption of cooperation between Togo and the entire international community. Furthermore, to improve monitoring-evaluation of sectors and projects, the national statistical system needs to be strengthened. All these lessons guided the strategic choices made in the current strategy.

Box 1: Impact of the Opening of the Bank Office in Togo

The opening of the Bank Office in Togo will strengthen country dialogue. The improved quality of economic and sector work undertaken by the Bank, more frequent contacts with Government officials, the private sector and civil society, and development partners will have a positive impact on dialogue with the country. Aid coordination and harmonization with other development partners in the spirit of the Paris Declaration will also benefit from the strengthened Bank presence on the ground. In this light, the opening of the Bank Office in Togo will allow the Bank to play a lead role, probably in infrastructure or public finance management, which are sectors in which the Bank is already playing a major role.

The opening of the Bank Office in Togo will also have a positive impact on the portfolio. It will allow for more accurate assessment of needs, better targeting of beneficiaries, adequate assessment of the constraints, and therefore more appropriate and concerted response. This will help to improve quality at entry and project implementation. Close supervision of projects will also shorten response time and speed up decision making, particularly in procurement, disbursement, and transmission of project monitoring and audit reports.

III. BANK GROUP STRATEGY

3.1. Justification for Bank Intervention and Pillars

3.1.1 *Justification for Bank Intervention:* As already indicated in the Government's priorities and the findings of an economic study recently conducted by the World Bank,¹⁰ achieving robust and job-creating economic growth is the main challenge facing Togo today. To address this challenge, it will also be important to take full advantage of the opportunities offered by the West African regional economic space. Indeed, the growth of Togo's economy doubly depends on external trade, especially at the regional level. First of all, foreign demand creates a market for Togolese products (see Paragraph 2.2.3.7). Furthermore, thanks to its port, which is the deepest in West Africa, and the transport corridor which connects neighbouring hinterland countries, Togo has developed substantial transport and transit activities to and from the region. Nevertheless, Togo has to continue developing these strengths in order to remain competitive and capture a growing share of transit traffic since the inland countries have alternative transport corridors to the ports of Tema (Ghana), Cotonou (Benin) and Abidjan (Côte d'Ivoire).

3.1.2 Hence, the central objective of the Bank's 2011-2015 strategy for Togo will be to ensure more effective connection of the economic zones within Togo and the Togolese economy to the West African regional economic space in order to boost the Togolese economy and create jobs. The choice of the strategic outcomes targeted by the Bank is based on:

- the Government's priorities, and especially pillars 2 and 1 of the F-PRSP and focus areas 1 and 2 of the Government's General Policy Statement for 2010-2015 (Paragraph 2.2.4);
- the Bank's operational priorities in fragile States;
- the Bank Group's medium-term strategy (2008-2012);
- West Africa's Regional Integration Strategy which is being finalized (Box 2);
- the experience acquired by the Bank in Togo (see paragraphs 2.3.4 - 2.3.7);

Box 2: Linkage between Togo's CSP and West Africa's Regional Integration Strategy

Togo's CSP for 2011-2015 and West Africa's Regional Integration Strategy (RIS) for 2011-2015 are two complementary and mutually supportive strategies. Indeed, by focusing on infrastructure, the CSP 2011-2015 for Togo seeks to efficiently connect zones with high economic potential within Togo and to connect the country to the regional economic space, which is also one of the objectives of Pillar 1 of RIS 2011-2015 for West Africa. RIS preparation preceded and inspired the preparation of Togo's CSP.

Box 3: Results of consultations with stakeholders

Consultations for the preparation of the current strategy involved all Togolese stakeholders (Government, civil society, private sector, development partners). It emerged from the consultations that the stakeholders have adequate appreciation of Togo's development challenges and opportunities.

The Government would like the improvement of economic infrastructure, especially in the transport sector, to form the core of the Bank's intervention strategy. The other stakeholders generally felt that the country had enormous needs but that given the limited means available and in order to create an impact, the Bank had made a judicious choice in focusing on economic infrastructure and governance. Civil society organizations also wish to participate in the implementation of Bank-financed projects. The stakeholders also appreciated the fact that capacity building, job creation, the environment and climate change and gender issues are taken into account in the strategy and its implementation. They also wanted the Bank to play a lead role among the development partners in the infrastructure sector.

¹⁰ World Bank (2010), cf. supra.

- the conclusions of internal and external consultations conducted by the Bank in the preparation of the current strategy (see Box 3).

3.1.2 *Strategic Pillars:* To achieve the abovementioned objective (paragraph

3.1.1-3.1.2), the Bank's strategy will be based on two pillars, namely: (i) the development of economic infrastructure capable of consolidating this connection; and (ii) the promotion of economic and financial governance reforms.

3.1.2.1 *Pillar 1: Development of Economic Infrastructure.* By intervening in infrastructure, the dual objective is to: (1) create jobs, especially during the works execution phase; and (2) stimulate economic growth, especially: (a) in the agricultural sector, by connecting zones with high production potential to markets within Togo and in West Africa; (b) in the transport services sector, by contributing to the development of Togolese' supply of transport and transit services in the West African economic space; and (c) by raising the service levels of infrastructure which is crucial for growth. The major economic potential of these sectors is demonstrated in section 2.2.2.

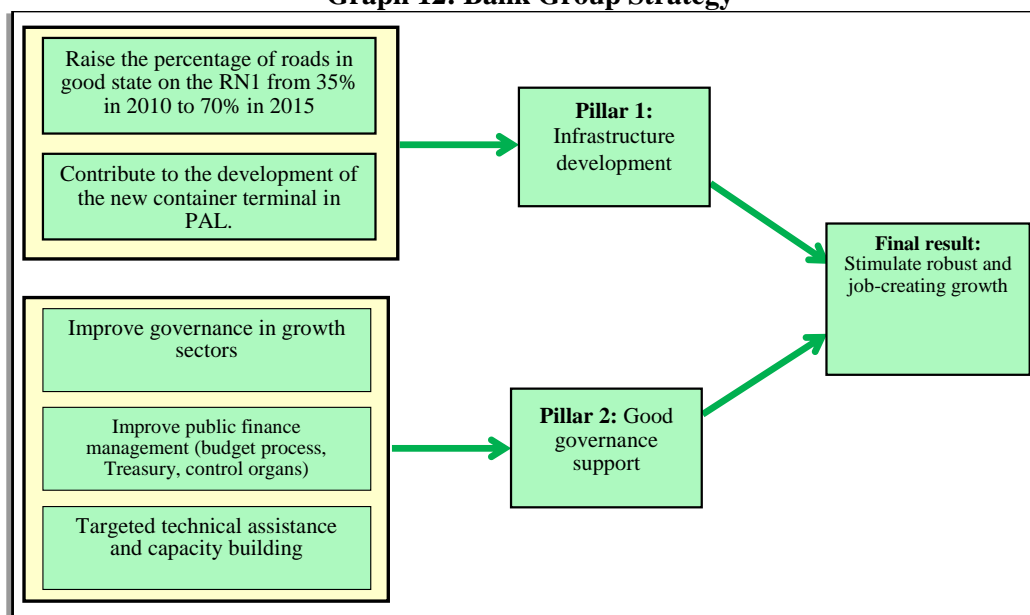
3.1.2.2 *Pillar 2: Good governance support.* Since Togo is a fragile State, it is important to continue providing support for the promotion of good governance and results-based management. The targeted objective in the 2011-2015 strategy, with respect to governance, is also to stimulate growth and job creation by supporting the government's economic reforms, with special emphasis on reforms aimed at facilitating trade or on a sector with high growth and job-creation potential. The Bank's action in the area of governance will also seek to support public finance management reforms and the development of national business creation skills. Annex 7 presents the results framework of the strategy.

3.1.5 The strategy will be financed by the following resources: (i) an ADF-12 performance-based indicative country allocation amounting to UA 21.02 million, including UA 7.01 million for 2011; (ii) FSF enhanced support window resources amounting to UA 41.51 million; (iii) FSF targeted support

Box 4: Togo's eligibility to 2nd-cycle FSF enhanced assistance resources (Window 1)

The criteria for assessing eligibility to second-cycle FSF targeted support resources are the following: commitment to peace-building, the existence of substantial and unsatisfied social and economic needs, country efforts to improve the macroeconomic framework and debt management, country commitment to sound financial management and transparency in public accounts management. Togo has made progress on all these points: the Global Political Agreement was signed and peace building continues; poverty still affects a good segment of the population (about 61.7%); macroeconomic stability is ensured and debt management is cautious (programme agreed upon with the IMF has been well implemented and completion point has been attained); good governance in public finance management is improving (Audit Bench is operational, a public finance reform plan has been prepared and implemented). Togo is therefore entitled to eligibility to second-cycle Window 1 FSF resources (see annex 8). It should be noted that Togo has already benefitted from Window 2 to settle its arrears owed to the Bank

window resources amounting to UA 5.13 million (Box 4 assesses Togo's eligibility to 2nd-cycle FSF resources); (iv) regional envelop resources; (v) ADB resources for private sector projects; and (vi) part of ADF-13 resources. Given the constraints on ADF-12 and FSF resources, there is need to explore the possibility of using other existing facilities, including bilateral funds and cofinancing, to support implementation of the Bank's strategy over the period. Graph 12 presents the layout of the Bank's strategy.

Graph 12: Bank Group Strategy

3.2. Results and Targets

3.2.1 The expected final result is more robust and job-creating growth in Togo resulting from better exploitation of the opportunities offered by the regional economic space, especially in terms of management of regional transit traffic and sale of Togolese goods and services. This final result will be facilitated by: (i) rehabilitated infrastructure; (ii) reinforcement of economic governance and progress in structural reforms, especially in the facilitation of trade within Togo and with the region; and (iii) a constantly improving national public finance management system, based on enhanced institutions and national capacities and mitigation of fiduciary risks. To ensure achievement of the abovementioned final result, the Bank will supply the following products:

3.2.2 *Pillar 1 (Product 1): Increase the percentage of roads in good condition.* For reasons of selectivity required for effectiveness and achievement of the targeted results, the Bank will first of all target the rehabilitation of National Road No. 1 on WAEMU Corridor No. 9 (Lomé-Ouagadougou). The Bank's assistance will supplement the assistance provided by China and the Islamic Development Bank. This major intervention will be designed and implemented such that it contributes to the achievement of major cross-cutting objectives such as job creation, gender mainstreaming, health, environmental protection and adaptation to climate change. In the area of health in particular, the rehabilitation of National Highway No. 1 will improve access to health facilities along the road. The objective will be to raise the percentage of roads in good state on the RN1 from 35% in 2010 to 70% in 2015, and improve the level of service on farm-to-market roads to open up areas with high agricultural potential.

3.2.3 *Pillar 1 (Product 2): Contribute to the development of a new container terminal in PAL.* The Bank will also lend its assistance to infrastructure development by promoting private initiatives. It will explore the possibility of associating ADB and ADF window resources, by favoring an approach based on public-private partnerships, thus relying on its expertise in this area. In this regard, the private sector window will look for ways of contributing to the financing of the modernization of Lomé Port and, in particular, the development of a new container terminal in PAL. Given that the port will be a catalyst for private sector development and that it will generate economic returns for Togo and neighbouring countries, the project will be an investment priority for the Bank's private sector window.

3.2.4 *Pillar 2 (Product 1): Improve governance in growth sectors:* The Bank will support reforms aimed at improving governance in growth sectors, such as the transport sector and trade facilitation, in which the preparation of a transport sector policy, the regulation of load per axle, measures aimed at improving the annual programming of interventions in the sector and financial governance are urgent reforms for increasing Togo's transport supply.

3.2.5 *Pillar 2 (Product 2): Improving public finance management (budget process, Treasury, control organs).* Since national institutional development is the most efficient and sustainable solution for mitigating the fiduciary risks of public funds, it is important that in its strategy, the Bank should assist the Government in pursuing reform of the national public finance management system. The Bank's commitment to continuous support of FMS reform will essentially take the form of increased efforts to guarantee success in the implementation of the Institutional Capacity Building Support Project (PARCI-2) approved in 2010 and which comprises activities aimed at consolidating public finance management. General budget support could also accompany the effective implementation of the 2010-2012 reform plan financed mainly from the public budget. Furthermore, the Bank will participate actively in the State-Donors working group on FMS reform and provide specific support to certain stakeholders of the reform strategy: capacity building for the Audit Bench and the IGF, and support to SP-PRPF responsible for the coordination of reforms. Such support constitutes elements of the Bank's fiduciary strategy in Togo, whose details are presented in Annex 2.

3.2.6 *Pillar 2 (Product 3): Targeted technical assistance and capacity building.* Togo, like the other fragile States, is facing severe development management constraints, mainly because of limited capacity which is one of the consequences of its fragility. Hence, the Bank hopes to continue implementing its targeted technical support and institutional capacity building programme in accordance with the Strategy for Enhanced Engagement in Fragile States (2008) and the Guidelines on Administration of the Technical Assistance and Capacity Building Programme of Pillar III Operations of the Fragile States Facility approved by the Board in June 2010. Emphasis will be laid on capacity building in critical services for the management of the national development strategy, including the Prime Minister's Office, governance, infrastructure, statistics and adaptation and mitigation of the effects of climate change. Ongoing activities financed under Window 3 of the FSF are presented in Annex 4.

3.2.7 Targeted technical support and human and institutional capacity building under FSF Window 3, as rapid response instruments, will provide the flexibility needed for the Bank to give support to structural reforms and the management of development policies and projects, especially on poverty reduction, inequalities and youth unemployment. The Bank will also explore the possibility of providing assistance through other facilities, especially the African Legal Support Facility (if the Government so requests, particularly in phosphate sector management).

3.2.8 The Bank also intends to provide support to build the capacities of the private sector through training to develop national skills in starting and managing a business. Such support will be provided through a partnership between the African Development Institute and the Fragile States Unit of the Bank, the Ministry of the Economy and Finance and Togo's Chamber of Commerce and Industry, on the one hand, and an internationally recognized training institution, on the other hand. Such partnership will seek to provide young Togolese graduates and entrepreneurs with training based on international best practices which will enable them to acquire the knowledge needed to take their business projects to a higher level of development. **The** support will judiciously supplement the support that the Bank could provide through equity participation in the general investment funds operating in the country,

in order to ensure the emergence of leading businesses through reinforcement of Togo's local fabric of SMEs, especially those which have a growth and sub-regional expansion strategy.

3.2.9 *Economic Studies:* The Bank will participate in the knowledge products to be produced by the Government in the area of public finance management, especially PEFA. In 2013, the Bank will also conduct a study on boosting employment.

3.2.10 Table 3 below presents the indicative programme of operations for the 2011-2015 strategy.

Table 3
Indicative Lending Programme 2011-2015

Project	Year	Indicative Amount*	Financing	
			Source	Amount*
Pillar 1 – Economic infrastructure development				
Rehabilitation of the Atakpame – Kara segment and transport facilitation on the Lomé – Ouagadougou (RN1) corridor	2012	153.8	ADF-12	21.02**
			FSF-1	21.5
			Multinational	80.28***
			IsDB	31.0
Extension of Lomé Port	2011	60	ADB Window	60****
RN17 Road Project	2014	To be determined	ADF-13	50
Pillar 2 – Governance support				
Budget support	2011	20	FSF-1	20
Capacity building through FSF targeted support	2011-2012	3.2	FSF-3	3.2
Business training	2011-2012	0.26	EADI Budget	0.26
Economic and Sectoral Studies				
PEFA Study	2013	To be determined	Bank budget	
Employment and social inclusion study	2013	To be determined	Bank budget	

* UA million, unless otherwise indicated.

** UA 3.5 million will be presented to the Board for approval in 2013.

*** presupposes a 20.75% - 79.25% cost-sharing, given Togo's limited resources.

**** EUR million, Maximum

3.3. Improvement of Bank aid effectiveness in Togo: Implementation of the Paris Declaration and the principles of engagement in fragile States

The Bank's strategic assistance to Togo for 2011-2015 will not focus only on the amount of financial resources made available to the country. Improving the effectiveness of such aid will also be a strategic objective of the Bank over the 2011-2015 period. To achieve this aid effectiveness objective, the Bank intends to make progress in implementing the Paris Declaration (PD) commitments and observing the ten OECD principles of engagement in fragile States. Table 4 summarizes the baseline situation in 2010 with respect to implementation of the PD commitments as well as the targets to be attained in 2015.

Table 4: Implementation of the Paris Declaration Commitments

No.	PD Indicators	Bank's baseline situation in 2010	in Togo	Bank's institutional objectives in 2010	Target to be attained in Togo in 2015
Alignment					
3	Aid flows reported in national budgets	100 %		85 %	100 %
4	Aligned and coordinated technical assistance	100 %		50 %	100 %
5a	Use of country PFM systems**	91 %		80 %	91 %
5b	Use of country procurement systems**	83 %		80 %	85 %
6	Use of parallel PIUs	3		44	3
7	Funds are predictable	23 %		80 %	75 %
Harmonization					
9	Use of common aid provision arrangements or procedures	99 %		66 %	100 %
10a	Coordination of missions	0 %		40 %	40 %
10b	Coordination of studies by country	No country studies in 2010		66 %	100 %

** The high level of these indicators reflects the proportion of budget support in the Bank's assistance.

3.4. Strategy Implementation Instruments

The main strategy implementation instrument will be the project loan. However, given (i) the need to support economic and financial governance reforms whose implementation will require rapid disbursement resources; and (ii) past experience, the Bank also plans to resort to budget support to shore up structural reforms. As already stated, the Bank's other financial facilities will also be used (see paragraph 3.2.6 – 3.2.7).

3.5. Monitoring-Evaluation

3.5.1 Bank strategy implementation will be monitored and evaluated in close collaboration with the Togolese authorities. Since the activities recommended in the strategy form an integral part of the Government's programme, the DIPD (see paragraph 2.3.1) and the SP-PRPF will constitute the institutional mechanism for monitoring-evaluation of strategy implementation. Hence, the Bank will rely on information contained in the monitoring-evaluation reports of its programme, prepared by the authorities, including the poverty reduction strategy implementation annual monitoring report, the report on official development assistance, the reform implementation reports produced by the SP-PRPF of the Ministry of the Economy and Finance, as well as all updated analytical or fiduciary diagnostic studies to be initiated by the Government or the donor community. The DIPD and the Government's capacity to implement the strategy will meet the expectations of the Bank which is already providing capacity building support for PRSP preparation and monitoring. This support is financed with FSF Window 3 resources. Furthermore, the Bank recently prepared a country statistics profile for Togo for the 2010-2012 period as a diagnostic and programming instrument for statistical support in the country. Special attention will be given to statistical support for sectors covered by the pillars of this strategy.

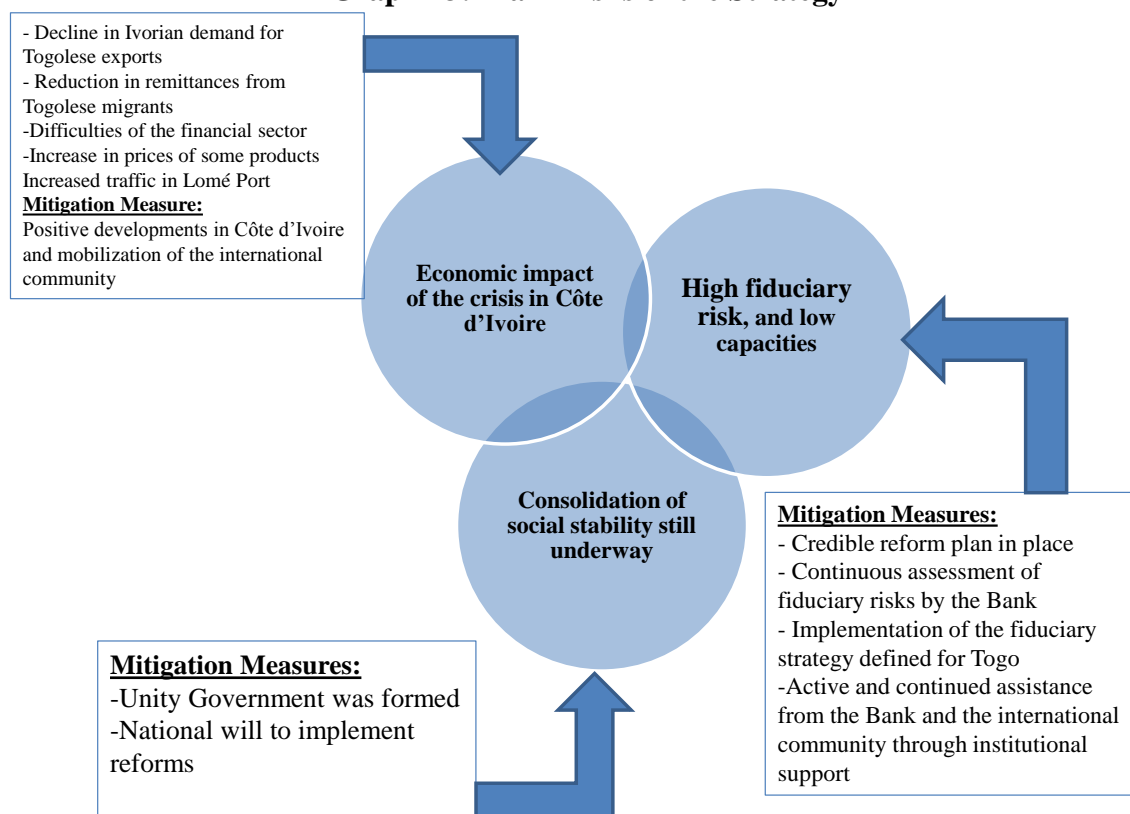
3.5.2 In addition to the DIPD and the SP-PRPF, the following measures will be taken to reinforce monitoring-evaluation of the strategy: (i) each project of the strategy will include in its design a monitoring-evaluation mechanism aligned on the strategy's results matrix; (ii) supervision of projects and programmes by the Bank, as well as portfolio reviews, will be intensified; and (iii) a mid-term review of strategy implementation will be conducted in 2013 and a completion report on the strategy will be prepared in 2015 in collaboration with all stakeholders. These different activities will rely on the strategy's results matrix to monitor and evaluate progress towards achievement of the expected results. The opening of a Bank Office in Togo, which has just been approved in the Decentralization Roadmap, will facilitate the strategy's monitoring/evaluation process.

3.6. Country Dialogue Issues

Dialogue with Togo during the strategy period will focus on: portfolio quality improvement, infrastructure development, especially in the transport sector, improvement of governance, and education system reform to provide training that develops the skills needed by the growth sectors of the Togolese economy.

3.7. Potential Risks and Mitigation Measures

Graph 13: Main Risks of the Strategy



Graph 13 presents the main risks associated with the Bank's strategy. As it appears, Togo will have to pay attention to the situation in Côte d'Ivoire. Indeed, in 2009, Côte d'Ivoire purchased about 3.3% of Togolese goods exports and home remittances by Togolese migrants resident in WAEMU countries, an area whose economic performance is tied to that of Côte d'Ivoire, amounted to about CFAF 18 billion, or about EUR 27 million.

VI. CONCLUSION AND RECOMMENDATION

4.1 Conclusion

4.1.1 Togo is emerging from a long political crisis. Recent efforts made to bring about political peace and revive reforms are beginning to bear fruit. Social tensions have abated and the institutions are gradually coming alive again. In December 2010, Togo's efforts to regain the confidence of the international community were crowned by its attainment of the completion point of the HIPC Initiative. Togo has resolutely embarked on the development phase, and needs stronger partnership with its international partners. Accordingly, this is the right time for the Bank to forge, with Togo, the type of cooperation that is geared towards

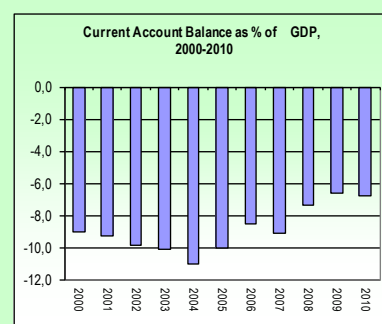
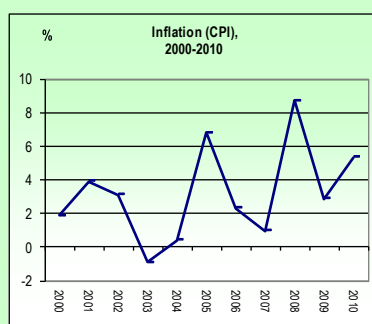
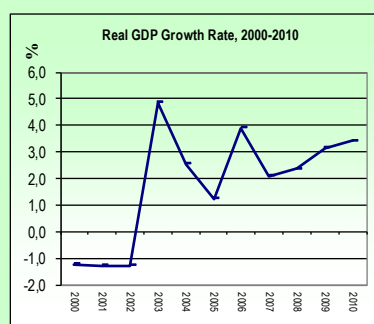
economic growth, job creation and poverty reduction. The 2011-2015 strategy for Togo, proposed in this paper, seeks to satisfy this aspiration.

4.2 Recommendation

The Boards are invited to consider and approve: (i) the Bank Group's 2011-2015 intervention strategy for Togo proposed in this paper; and (ii) Togo's eligibility for the second cycle FSF resources.

Annex 1: Key Macroeconomic Indicators

Indicators	Unit	2000	2005	2006	2007	2008	2009	2010 (e)
National Accounts								
GNI at Current Prices	Million US \$	1 300	2 073	2 180	2 478	2 892	2 850	...
GNI per Capita	US\$	280	350	370	380	410	440	...
GDP at Current Prices	Million US \$	1 290,7	2 108,9	2 217,8	2 533,0	3 174,6	3 162,0	3 379,3
GDP at 2000 Constant prices	Million US \$	1 290,7	1 369,3	1 422,7	1 452,3	1 486,6	1 533,4	1 585,8
Real GDP Growth Rate	%	-1,2	1,2	3,9	2,1	2,4	3,2	3,4
Real per Capita GDP Growth Rate	%	-4,3	-1,2	1,3	-0,4	-0,1	0,7	1,0
Gross Domestic Investment	% GDP	15,9	16,9	17,4	14,6	17,7	18,7	19,9
Public Investment	% GDP	3,7	3,4	4,1	2,0	3,6	4,4	4,3
Private Investment	% GDP	12,2	13,6	13,3	12,6	14,1	14,3	15,6
Gross National Savings	% GDP	6,2	21,6	13,1	7,6	6,9	7,5	7,4
Prices and Money								
Inflation (CPI)	%	1,9	6,8	2,3	1,0	8,7	2,9	5,3
Exchange Rate (Annual Average)	local currency/US\$	712,0	527,5	522,9	479,3	447,8	472,2	495,3
Monetary Growth (M2)	%	15,2	2,2	22,6	16,8	18,2	16,0	12,0
Money and Quasi Money as % of GDP	%	26,8	28,2	33,2	37,0	37,4	41,3	41,3
Government Finance								
Total Revenue and Grants	% GDP	13,2	16,9	16,8	18,2	17,6	16,4	16,7
Total Expenditure and Net Lending	% GDP	17,8	19,7	21,1	17,8	17,9	21,9	22,5
Overall Deficit (-) / Surplus (+)	% GDP	-4,7	-2,9	-4,2	0,4	-0,2	-5,5	-5,8
External Sector								
Exports Volume Growth (Goods)	%	-5,5	-8,3	5,8	8,3	-1,5	9,6	-30,2
Imports Volume Growth (Goods)	%	21,2	2,0	10,9	2,1	11,1	13,0	2,8
Terms of Trade Growth	%	12,5	9,0	0,0	-10,5	17,7	10,1	46,0
Current Account Balance	Million US \$	-116,8	-212,2	-190,0	-231,1	-233,7	-209,3	-230,8
Current Account Balance	% GDP	-9,0	-10,1	-8,6	-9,1	-7,4	-6,6	-6,8
External Reserves	months of imports	2,3	1,9	3,5	2,9	3,2	3,9	3,9
Debt and Financial Flows								
Debt Service	% exports	3,3	0,4	0,6	0,7	4,1	5,9	6,1
External Debt	% GDP	9,7	77,1	84,8	83,8	56,3	55,0	12,6
Net Total Financial Flows	Million US \$	60,3	91,5	155,2	194,3	313,2	554,2	...
Net Official Development Assistance	Million US \$	69,6	82,2	79,1	121,3	329,6	499,0	...
Net Foreign Direct Investment	Million US \$	41,5	77,0	77,3	49,2	23,9	50,1	...



Source : ADB Statistics Department; IMF: World Economic Outlook, October 2010 and International Financial Statistics, April 2011;
ADB Statistics Department: Development Data Platform Database, April 2011. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations

Last Update: May 2011

Annex 2: The Bank's 2011-2015 Fiduciary Strategy in Togo

Recommended utilization level for the National Public Finance Management System: In accordance with the provisions of the Paris Declaration and the Accra Forum on aid effectiveness, the Bank's decision to use the component(s) of the National Public Finance Management System was reviewed on the basis of Togo's assessment system (cf. Potential risks and mitigation measures), guidelines, practices and risk tolerance by the Bank, national preferences, and other factors such as perception of governance and corruption levels. It emerged from this review that the fiduciary risk is substantial. The conclusions of the public finance procedures appraisal mission were also taken into account with a view to using national procedures to manage projects financed by the World Bank. This mission was conducted by the World Bank in June 2010. Recognizing that an approach based exclusively on the Bank's procedures and parallel systems will not guarantee aid effectiveness and consolidation of the national system, **the Bank will opt for an approach adapted to the type of operation envisaged, an approach geared towards supporting FMS reforms and which can be revised during the period.**

1) **Budget support using the public finance system should be pursued while including objectives and conditions which make it possible to speed up the implementation of fiduciary risk mitigation measures**, namely: (i) rapid finalization of strategic FMS reforms; (ii) national capacity building in reform implementation. In this regard, all required support should be given to the Audit Bench for auditing of the general State account.

2) **Public investment projects/programmes which, at this stage, still use implementation and control procedures that are parallel to the public system could gradually rely on certain components on which satisfactory progress has been made in reform implementation.** Accordingly, the Department of Financing, Implementation Control and Planning (DFCEP) could act as the authorizing entity for expenditures and sign payment orders for projects. Project accounts could gradually be opened at BCEAO, and certain FMS components, such as internal or external audits for public entities, will be opportunities once they become operational. Lastly, the Bank could conduct a mid-term review of the implementation status of recommendations made by the World Bank mission to the Ministry of the Economy and Finance in June 2010 to ensure greater use of national financial management procedures in future. These recommendations (in their preliminary stage) are summed up as follows: (i) reiteration of provisions governing investment expenditure financed with external resources in a specific regulatory instrument; (ii) systematic reporting of external financing in the State budget; (iii) expenditure authorization by DFCEP and systematic accounting of project expenditure in the State's SIGFIP accounting module; (iv) progressive management of project accounts by the Treasury; (v) consolidation and operationalization of the IGF and Audit Bench.

3) **The Bank assists the Government in supporting continuation of the National Public Finance Management System reform.** Since the consolidation of national institutions is the most effective and sustainable solution for addressing governance challenges and mitigating the fiduciary risks of public funds, it is important for the Bank strategy to support national reform efforts. The assistance could take the form of active participation in working groups on FMS reform, technical assistance or institutional support to reform strategy stakeholders. In particular, support to the SP-PRPF, which is responsible for reform coordination, and capacity building for the Audit Bench and IGF would be necessary. More generally, general budget support could also accompany the effective implementation of the 2010-2012 reform plan financed mainly with State budget resources.

Annex 3: Bank Portfolio in Togo as at 20 April 2011 (amounts in Units of Account)

Project	Status	Approval Date	Completion Date	Loan/Grant Amount	Disbursement Rate	Age
Integrated Water Information System	Ongoing	01/12/2009	03/01/2011	1 340 212.35	35.05	2.08
Aflao-Sanvée Condji Road Project	Ongoing	01/13/2010	12/31/2012	23 310 000.00	16.00	1.08
Economic and Financial Governance Support	Ongoing	10/05/2010	12/31/2013	4 850 000.00	9.31	0.35
Economic and Financial Governance Support	Ongoing	10/05/2010	12/31/2013	4 360 000.00	40.00	0.35
Humanitarian Aid to Flood Victims	Ongoing	04/02/2009		500 000	100.00	1.86
Education II	Ongoing	12/16/1991	06/30/2011	11 052 624.00	84.00	19

Annex 4: Ongoing FSF Operations

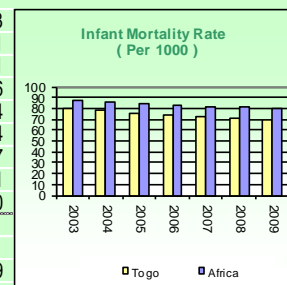
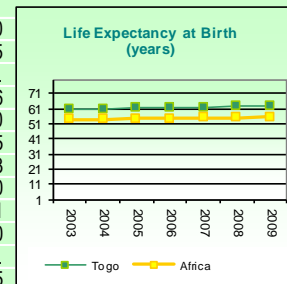
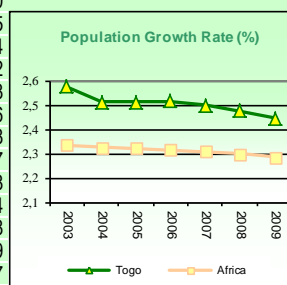
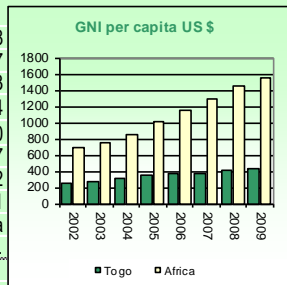
- **Resource Allocation:** UA 5.13 million for 2009-2012 period; **Project implementation period:** 3 to 15 months. Uncommitted balance UA 3.2 million

Institutional capacity building and technical assistance	Ministry responsible for project implementation	Amount (in USD)	Approval Date	Implementation Period
Land use planning and development	Ministry in charge of Land Use Planning, Development and Management	87 000	July 2010	10 months
Youth employment	Ministry in charge of Youth Employment	60 000	July 2010	10 months
Public works	Ministry of Public Works	96 000	July 2010	10 months
Agriculture and livestock	Ministry of Agriculture	108 000	July 2010	10 months
Grassroots development	Ministry of Grassroots Development	256 000	July 2010	10 months
Technical and vocational education (Education II)	Ministry of Technical and Vocational Education	160 000	July 2010	10 months
Mobilization of diaspora for reconstruction and development Cyber-administration	Prime Minister's Office / Ministry of Public Service and Administrative Reform	400 000 120 000	November 2010 November 2010	15 months
Institutional audit of the Ministry of Education and Ministry of Agriculture	Ministry of Public Service and Administrative Reform	180 000	November 2010	15 months
Strategic planning, monitoring and evaluation of implementation of poverty reduction strategy and management of development projects	Ministry in charge of Planning, development and Land Use Management	750 000	November 2010	15 months
Youth training in entrepreneurship	Ministry of Finance	50 000	October 2010	6 months
Strategic planning and policy monitoring-evaluation	Economic Unit of the Presidency	360 000	February 2011	15 months

NB: Since approval of new FSF guidelines by ADB in June 2010, the FSF has been helping eligible countries to design technical assistance and capacity building programmes with several components and an enhanced results logical framework.

Annex 5: Comparative Socio-economic Indicators

	Year	Togo	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		57	30 323	80 976	54 658
Total Population (millions)	2010	6,8	1 031,5	5 659	1 117
Urban Population (% of Total)	2010	43,4	39,9	45,1	77,3
Population Density (per Km ²)	2010	119,4	34,0	69,9	20,4
GNI per Capita (US \$)	2009	440	1 525	2 968	37 990
Labor Force Participation - Total (%)	2010	45,1	40,1	61,8	60,7
Labor Force Participation - Female (%)	2010	43,6	41,0	49,1	52,2
Gender -Related Development Index Value	2005-08	0,494	0,433	0,694	0,911
Human Develop. Index (Rank among 169 countries)	2010	139	n.a	n.a	n.a
Popul. Living Below \$ 1 a Day (% of Population)	2006	38,7	42,3	25,2	...
Demographic Indicators					
Population Growth Rate - Total (%)	2010	2,4	2,3	1,3	0,6
Population Growth Rate - Urban (%)	2010	4,0	3,4	2,4	1,0
Population < 15 years (%)	2010	39,5	40,3	29,0	17,5
Population >= 65 years (%)	2010	4,0	3,8	6,0	15,4
Dependency Ratio (%)	2010	75,8	77,6	55,4	49,2
Sex Ratio (per 100 female)	2010	98,1	99,5	93,5	94,8
Female Population 15-49 years (% of total populatic	2010	24,9	24,4	49,4	50,6
Life Expectancy at Birth - Total (years)	2010	63,3	56,0	67,1	79,8
Life Expectancy at Birth - Female (years)	2010	64,9	57,1	69,1	82,7
Crude Birth Rate (per 1,000)	2010	32,0	34,2	21,4	11,8
Crude Death Rate (per 1,000)	2010	7,9	12,6	8,2	8,4
Infant Mortality Rate (per 1,000)	2010	68,3	78,6	46,9	5,8
Child Mortality Rate (per 1,000)	2010	92,0	127,2	66,5	6,9
Total Fertility Rate (per woman)	2010	4,1	4,4	2,7	1,7
Maternal Mortality Rate (per 100,000)	2008	350,0	530,2	290,0	15,2
Women Using Contraception (%)	2005-08	61,0	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2008	5,0	58,3	109,5	286,0
Nurses (per 100,000 people)*	2008	19,2	113,3	204,0	786,5
Births attended by Trained Health Personnel (%)	2006	62,4	50,2	64,1	...
Access to Safe Water (% of Population)	2008	60,0	64,5	84,3	99,6
Access to Health Services (% of Population)	2005-08	...	65,4	80,0	100,0
Access to Sanitation (% of Population)	2008	12,0	41,0	53,6	99,5
Percent of Adults (aged 15-49) Living with HIV/AIDS	2007	3,3	4,9	0,9	0,3
Incidence of Tuberculosis (per 100,000)	2009	446,0	294,9	161,0	14,0
Child Immunization Against Tuberculosis (%)	2009	91,0	79,9	81,0	95,1
Child Immunization Against Measles (%)	2009	84,0	71,1	80,7	93,0
Underweight Children (% of children under 5 years)	2006	22,3	30,9	22,4	...
Daily Calorie Supply per Capita	2007	2 161	2 465	2 675	3 285
Public Expenditure on Health (as % of GDP)	2008	6,4	5,7	2,9	7,4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2009	115,2	102,7	107,2	101,3
Primary School - Female	2009	111,5	99,0	109,2	101,1
Secondary School - Total	2007	41,3	37,8	62,9	100,1
Secondary School - Female	2007	28,5	33,8	61,3	99,6
Primary School Female Teaching Staff (% of Total)	2009	12,8	47,0	60,5	81,4
Adult literacy Rate - Total (%)	2008	64,9	64,8	80,3	98,4
Adult literacy Rate - Male (%)	2008	76,6	74,0	86,0	98,7
Adult literacy Rate - Female (%)	2008	53,7	55,9	74,8	98,1
Percentage of GDP Spent on Education	2009	4,6	4,6	3,8	5,0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2008	45,2	7,8	10,6	10,9
Annual Rate of Deforestation (%)	2005-09	...	0,7	0,4	-0,2
Annual Rate of Reforestation (%)	2005-09	...	10,9
Per Capita CO2 Emissions (metric tons)	2009	0,4	1,1	2,9	12,5



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update :

May 2011

UNAIDS; UNSD; WHO; UNICEF, WRI, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available.

Annex 6: Areas of Intervention of other Development Partners in 2010

Sector/Theme	Development Partner	Title of Operation	Objective of Operation	Total Amount of Financing
Budget support/ macroeconomics	EU	Various operations over the 2009-2012 period	Poverty reduction, public finance management, response to the international financial and economic crisis, response to the food crisis, cereal production, consolidation of microfinance	EUR 43,306,040
	France	Various budget support from 2008-2011	Subsidized fertilizers for food production, clearance of arrears owed to ADB, clearance of domestic debt of Togo's Government	EUR 12,000,000
	World Bank	Economic recovery	Public administration, agriculture, fisheries, industry and trade	USD 29,573,630
	IMF	Extended Credit Facility	Macroeconomic and structural reforms	SDR 91,410,000
Good governance	EU	Various operations over the 2009-2018 period and project under preparation.	Justice reform and modernization, capacity building for various ministries and public institutions, support for civil society, national reconciliation, support for the electoral process, governance and local development, inclusion of various social groups	EUR 41,495,152
	United Nations System	Various projects	Public administration reform and capacity building in planning, monitoring/evaluation	USD 23,775,000
Infrastructure	EU	Togo I Town Planning Studies and Project	Analysis of the transport sector situation in Togo, sanitation works in Lomé, road works in 11 towns including Lomé, institutional support to 11 councils	USD 23,115,000
		Project under preparation: Togo II Town Planning Project	Safeguard and improvement of the urban environment, improvement of youth employment and access to public services	EUR 20,000,000
	France	Various urban development, drinking water supply and road projects since 2007	Improvement of the urban environment in Lomé, capacity building for <i>La Togolaise de eaux</i> , village water supply	EUR 24,000,000
	BOAD	Various ongoing operations underway	Improvement of basic infrastructure, modernization of infrastructure	CFAF 83,798,000,000
	World Bank	Various projects	Energy, transport	USD 59,818,182
	Germany	Energy project	Reinforcement of network infrastructure, interconnection	EUR 25,000,000
Rural Development /Agriculture	EU	Various operations over the 2009-2011 period, and projects under preparation	Environmental management, nutrition, cereal sector development, fight against of food insecurity, development of agricultural production and support for farming economies, water and sanitation	EUR 18,415,892
	BOAD	Various ongoing projects	Food security, development of arable land	CFAF 16,600,000,000
	World Bank	Various projects	Support for the agricultural sector	USD 9,668,800
	France	Various operations	School enrolment, steering of the education system, development of education opportunities, staff training, health infrastructure, capacities of health system, blood transfusion.	EUR 39,700,000

Sector/Theme	Development Partner	Title of Operation	Objective of Operation	Total Amount of Financing
	World Bank	Education for all- Accelerated Initiative	Promote access to education	USD 45,000,000
	United Nations System	Various operations	Access to education, health, HIV/AIDS control, social protection, environment, risk management, disasters	USD 108,440,000
Financial, private sector, and productive activities	France	Various national and regional projects since 2006	Participation in the capital of Banque Togolaise de developpement, and Togolese banks and micro-finance institutions	Various equity participations
	World Bank		Support for development of the financial sector	USD 27,100,000
	BOAD	Various projects	Cauris croissance, CICA-RE, securitization	CFAF 21,490,000,000

Annex 7: Indicative Results Framework of CSP 2011-2015

Togo's development goals (F-PRSP)	Problems hampering achievement of Togo's development goals	Final Results expected at end of CSP period in 2015	Final Products expected at end of CSP period in 2015	Mid-term Results (in 2013)	Mid-term Products (in 2013)	Bank Interventions: Ongoing and new operations to be implemented during CSP Period
Pillar 1 – Development of economic infrastructure						
Consolidation of bases for strong, sustainable and job-creating growth	Inadequate economic infrastructure	<ul style="list-style-type: none"> - Creation of 750 jobs in infrastructure trades (particularly in RN1 works); 2,000 jobs in trades related to the construction of a container terminal; and about 670 jobs in trades related to the operation of container terminals - Increase in agricultural production in areas where the Bank will operate under this strategy - Growth of the transport 	<ul style="list-style-type: none"> - 257 km linear road paved on Atakpamé/Kara section in 2016 ; - Construction of 1,050 metres wharf in PAL ; - Construction of 53 hectares shipyard in PAL - Extension of parking areas in PAL completed 	<ul style="list-style-type: none"> - Creation of about 400 jobs in RN1 construction works - Creation of about 2,000 jobs in trades related to the construction of a container terminal, and about 250 jobs in trades related to operation of the container terminal 	<ul style="list-style-type: none"> - Construction of 1050 metres wharf in PAL; - Construction of 53 hectares shipyard in PAL - Transport sector programme prepared - About 125 km linear roads paved on Atakpamé/Kara section in 2013 - Extension of parking areas in PAL completed 	<u>New project :</u> <ul style="list-style-type: none"> - Togo/Burkina-Faso multinational project: Rehabilitation of Atakpamé – Kara section and facilitation of transport on Lomé-Cinkansé-Ouagadougou corridor - Lomé Port Container Terminal Project - RN17 Project <u>Ongoing project:</u> <ul style="list-style-type: none"> i) Aflao-Hilacondji road rehabilitation project

Togo's development goals (F-PRSP)	Problems hampering achievement of Togo's development goals	Final Results expected at end of CSP period in 2015	Final Products expected at end of CSP period in 2015	Mid-term Results (in 2013)	Mid-term Products (in 2013)	Bank Interventions: Ongoing and new operations to be implemented during CSP Period
		services sector (road and sea transport) - Reduction of transport costs from CFAF 433/km in 2011 to CFAF 362/km in 2016, and Atakpamé/Kara travel time from 6h 30 in 2011 to 3h 30 in 2016 - Reduction of transport costs and travel time in the Bank's agricultural intervention areas				
Pillar 2 – Support for good governance						
Promote good governance	- Governance problems in key sectors of the economy	- Improvement of governance in key strong growth potential and job-creating sectors, particularly in the transport sector	- Transport sector strategy adopted and implemented - Regulations on axle load implemented - Annual work programmes, intervention budgets of the sector adopted and implemented - Exchange facilitation measures implemented	Time for transport formalities within Togo and between Togo and the regional space reduced	- Transport sector strategy prepared - Annual work programmes, budgets and audit reports of sector interventions are prepared	<u>New operations :</u> Budget support
	Financial management system still far from internationally recognized standards despite significant recent favourable progress.	A national public finance management system improving steadily, based on enhanced national institutions and capacities and resulting in mitigation of fiduciary risks	- operationalization of the Audit Bench and IGF, - Production of management accounts by the Treasury, - Creation of General Budget Directorate to monitor the budgetary process, - Public procurement improved	Improved rating of corresponding indicators in the next diagnoses PEFA/PEMFAR/ROSC-A&A of Togo	- Production of management accounts by the Treasury, - Creation of General Budget Directorate to monitor the budgetary process	<u>New project:</u> Budget support <u>Ongoing projects</u> - PARCI-2 - FSF targeted support

Annex 8 A.: Assessing Eligibility for Second Cycle of FSF Support in ADF 12

Indicator	Pillar I Supplemental Support – Stage 1 Eligibility Criteria
Commitment to Consolidate Peace and Security	<ul style="list-style-type: none"> • After many years of political crisis, a Global Political Accord was signed in 2006. This accord provided a framework for a gradual return political normalization and the consolidation of peace and security in the country; • By 2010, the country held credible elections for President and Parliament and regained the confidence of the international community. For reconciliation purpose, the elected President and the main opposition party signed an agreement to further consolidate peace and security.
Unmet Social and Economic Needs	<ul style="list-style-type: none"> • Togo improved its ranking from 159 in 2009 to 139 of 169 countries in the 2010 UN Human Development Index. • In 2009, 61.7% of the Togolese population lived below the poverty line, against 32 percent in 1989 before the political crisis. • The real GDP growth rate was 2.4 % (2005-2008 average), and 3.2% in 2009, which is not enough to substantially reduce poverty. Improved economic growth prospects hinges on continued efforts to boost agricultural output, cotton production, phosphate, and better exploit the opportunities offered by Lome Port. • Only MDG 2 and 6 (“Achieve universal primary education” and “Combat HIV and HIV/AIDS”) can be reached by 2015. It is therefore unlikely that the other Goals will be reached by 2015. • Real Gross National Income Per Capita remains low at USD 440 in 2009
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Improved Macroeconomic Conditions and Sound Debt Practices	<ul style="list-style-type: none"> • With the support of the international community, Togo has maintained macroeconomic stability over the recent past. A key achievement has been the successful implementation of an economic programme supported by an IMF Extended Credit Facility, which was signed in 2008. • Togo reached HIPC completion point and qualified for debt relief under MDRI on 14 December 2010. On 16 December 2010 the Paris club of creditor nations canceled USD 203 million of Togo's debt. Paris Club creditors also expressed their intention to grant additional debt relief on a bilateral basis for an amount of USD 404 million. As a result of this agreement and additional bilateral efforts, the Togolese Republic's debt to Paris Club creditors will be reduced by 95%. • Togo's public external debt was estimated to be USD 1.748 million in nominal value at end September 2010. At the same time, Togo's external debt to the Paris Club creditors was estimated at USD 639 million. • After full delivery - at the completion point - of HIPC Initiative assistance, and additional bilateral assistance beyond HIPC and MDRI, Togo's external public debt would be considerably reduced. The PV of debt-to-revenue ratio would fall from 272.0 percent at end-2009 to 77.2 percent at end-2010 due to the delivery of MDRI assistance. Subsequently, the PV of debt-to-revenue ratio is expected to increase gradually to 114.6 percent at end-2029 due to new borrowing.
Sound Financial Management Practices	<ul style="list-style-type: none"> • The Government has adopted a reform programme to reform public financial management, which is being successfully implemented; • A mechanism to track public expenditures for poverty reduction on the basis of a functional expenditure classification has been adopted. • Monthly tables of fiscal operations have been regularly elaborated since January 2009. • Staff of the budget office and sector ministries have been trained to track expenditures linked to poverty reduction based on functional classification. • Quarterly expenditure reports for 2009 and 2010 were published on the Permanent Secretariat for Monitoring of Reforms (SP-PRPF) website.
Transparency of Public Accounts	<ul style="list-style-type: none"> • Judges of the Court of Accounts were nominated in July 2009 and took office on September 24 2009. • The Court of Accounts has received space, equipment, and materials. • The 2010 budget as well as the 2011 draft budget allocated resources to the Court of Accounts. • Treasury Balances and the Budget Execution Laws for 2007 and 2008 have been transmitted to the Audit Bench and Parliament. • The Public Procurement Code was adopted by the National Assembly on November 11, 2009 and the legislation creating the public procurement authority in conformity with the WAEMU directives was adopted by the Council of Ministers on December 30 2009. • The managerial staff was nominated in March 2010 and the 2010 budget and 2011 draft budget have allocated resources to the Procurement Regulatory Authority. • A summary of the contracts, including sole source contracts, have been published on a monthly basis since June 2009 on the SP-PRPF website and in the Chamber of Commerce newsletter.

Annex 8 B.: Matrix of Performance in Period to December 2010

Criteria	Country Performance
Implementing Bank's assistance programme under ADF 11	<ul style="list-style-type: none"> • The interim Bank's Country Strategy Paper for the period 2009-2010 was concentrated on two pillars: (i) Governance, mainly economic reforms and institutional capacity building; and (ii) Economic infrastructure, namely transport and energy. • Some expected results from the interim CSP 2009-2011 has already been achieved. Two key targets have been reached on the Pillar 1: Governance. First, the Integrated System for Public Finance Management (SIGFP) has been installed and is fully operational since November 2010. Second, law and regulations on public procurement have been adopted and are under implementation since December 2009. Other targets in respect of the pillar 1 on governance and the Pillar 2 on economic infrastructure refer to ongoing operations and thus the assessment of results is not yet done. • Togo benefited from the Bank support for the settlement of its debt arrears and for the implementation of measures on public financial management. Support to public financial management was effective, as it provided a good framework for fiscal discipline and effective budget execution. Also, the Bank supported the country in the field of macroeconomic indicators, monitoring and evaluation of development strategies. • The establishment of the Bank's field office in Togo will help to improve management of the Bank's programme of assistance for the country, as well as the visibility of the Bank.
Consolidating political economy and peace building	<ul style="list-style-type: none"> • Reforms to strengthen and promote peace, democracy and reconciliation for economic growth have advanced. • Togo has made progress in addressing a number of constraints from the legacy of many years of social and political crisis. In particular, during 2009 and 2010, a Truth, Justice and Reconciliation Commission was established, and democratic institutions such as the Constitutional Court were strengthened as a prelude to the presidential elections held in March 2010. • After the presidential elections, the ruling party and the main opposition entered into a power-sharing agreement committing both sides to peace, law and order as a means to national reconciliation
Progress in implementing poverty reduction strategy	<ul style="list-style-type: none"> • In July 2009, Togo adopted its first full PRSP, covering the period 2009–11. The full PRSP is a comprehensive strategy covering most of the challenges and areas of action to foster growth and reduce poverty. • It is based on four strategic pillars: (i) strengthening of governance; (ii) consolidation of the bases for strong and sustained growth; (iii) development of human capital; and (iv) reduction of regional imbalances and promotion of community development. In addition to these pillars, the PRSP also integrates cross-cutting themes related to the environment, HIV/AIDS, gender and human rights. • The government is making progress in operationalizing the institutional framework for participatory monitoring and evaluation of the PRSP implementation. • The first Annual Progress Report (APR), which covers the period July 2009 – July 2010, on implementation of the PRSP was prepared by the government through a participatory process. The APR highlights progress in many areas, including political and economic governance, as well as public financial management. • The progress on each of the PRSP pillars shows that PRSP implementation and monitoring have been satisfactory. Poverty reducing spending has grown significantly. • However, many challenges remain, particularly related to the impact of the changing international environment, difficulty in mobilizing external resources to finance key growth-enhancing sectors, and inadequate administrative capacity. • There still is an urgent need to enhance the availability of reliable up-to-date statistics and improve the available information systems, as planned under the PRSP. • The lack of financial and administrative resources, as well as technical and, capacity constraints have caused delays in implementing plans to enhance the statistical evidence base, which is crucial for monitoring and evaluation. • The government also recognizes the need to advance implementation of monitoring and evaluation units in all line ministries and to create sector committees linked to a central coordinating structure for effective tracking of PRSP implementation.
Progress in stabilizing the macroeconomic environment	<ul style="list-style-type: none"> • Macroeconomic stability has been maintained since 2008, and the outlook for 2011 and 2012 is favorable. Despite difficult economic conditions, Togo's fiscal performance was satisfactory. Over the period 2009–10, implementation of the IMF-Supported fiscal programme remained broadly on target, despite some modest slippages in budget execution that led to missing the fiscal balance and domestic financing performance criteria for end-2009 by 0.2 percent and 0.7 percent of GDP, respectively. • The global recession increased balance of payments pressures, with the current account deficit averaging about 6.7% of GDP in 2009 and 2010. • All the quantitative targets of the IMF-Supported programme through June 2010 were achieved, and good progress made on the structural reforms.
Progress in implementing structural reforms and creating enabling environment for	<ul style="list-style-type: none"> • Major structural reforms to promote conditions for growth have advanced. • Important fiscal governance reforms, including reduction in the number of Treasury accounts to enhance monitoring of Treasury operations, and simplification of the expenditure chain by removing redundant control points were successfully completed by September 2010. • Significant progress was achieved in domestic arrears clearance to private suppliers. • Reforms have also advanced in bank restructuring and in governance and management of key state-owned enterprises (especially cotton and phosphate).

private sector.	<ul style="list-style-type: none"> • Other measures implemented to improve the business environment include reduction of fees and the number of steps to start a business, adoption of new investment code and of a new law of free zones, efforts to improve the road transport network, .
Progress in addressing external debt burden through HIPC	<ul style="list-style-type: none"> • On 14 December 2010, Togo reached the completion point under the Enhanced HIPC Initiative, after having successfully implemented all the macroeconomic and structural triggers • Togo has also qualified for additional debt relief under the Multilateral Debt Relief Initiative. • Debt relief under the MDRI will cover almost all remaining debt service obligations to IDA and the African Development Fund (ADF). MDRI relief would reduce nominal debt service by \$749 million over a period of 39 years. • Full delivery of HIPC, additional multilateral and bilateral assistance beyond HIPC and MDRI debt relief at the completion point would reduce Togo's external debt burden significantly. The PV of debt-to-revenue ratio would fall from 272.0 percent at end-2009 to 77.2 percent at end-2010 due to the delivery of MDRI assistance. Subsequently, this ratio is expected to increase gradually to 114.6 percent at end-2029 due to new borrowing. • However, the future evolution of these indicators will be sensitive to the macroeconomic assumptions, particularly exports and the terms of new external financing.
Progress in achieving the MDGs	<ul style="list-style-type: none"> • According to the recent PRSP implementation report, the second national report on progress towards the MDGs and the 2006 Core Welfare Indicators questionnaire, the current rate of progress of the indicators and by means of sustained efforts, only MDG 2 and 6 ("Achieve universal primary education" and "Combat HIV and HIV/AIDS") can be reached by 2015. It is therefore unlikely that the other Goals will be reached by 2015. • This is mainly explained by the pervasive poverty and the long socio-political crisis that affected the country; • However, during the past ten years, the country experienced improvements in some key health indicators, such as a decrease in infant mortality rate (from 77.9 per thousand births in 2000 to 68.3 per thousand in 2010), an increase in vaccines coverage, and an increase in the number of children correctly treated for malaria (which more than doubled in ten years). • The MDG could be achieved later on, if certain issues can be resolved, including (i) consolidation of political dialogue and national consensus; (ii) mobilization of domestic and external resources; (iii) more efficient public spending; and (iv) institutional and human capacity-building.
Challenges and opportunities under ADF 12	<ul style="list-style-type: none"> • Despite progress towards restoring the basic conditions for harmonious national development and economic growth, Togo's economic recovery remains fragile. • The country is falling significantly short of the MDGs. • The country is also vulnerable to external shocks • Achieving higher and faster growth, building capacities both in public and private sector, strengthening public financial management, and improving infrastructure are other key challenges, which the country will face over ADF-12, • There are opportunities in increasing and diversifying agricultural production, exploiting mining resources, better reaping the benefits of regional integration, and improving the management of remittances in order to enhance their contribution to the country's development.