



The World Bank

Togo COVID-19 Crisis Response DPF (P174376)

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Report No: PGD225

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED DEVELOPMENT POLICY GRANT
IN THE AMOUNT OF SDR 25.5 MILLION
(US\$35.0 MILLION EQUIVALENT)

AND A

PROPOSED DEVELOPMENT POLICY CREDIT
IN THE AMOUNT OF EUR 31.3 MILLION
(US\$35.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TOGO

FOR THE

TOGO COVID-19 CRISIS RESPONSE DEVELOPMENT POLICY FINANCING

August 12, 2020

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

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Republic of Togo
GOVERNMENT FISCAL YEAR
January 1 – December 31

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of June 30, 2020)
Currency Unit = CFA Franc (CFAF)
US\$1.00 = CFAF 585
US\$1.00 = Euro 0.89218
US\$1.00 = SDR 0.72690

ABBREVIATIONS AND ACRONYMS

ABP	Annual Borrowing Plan
AfDB	African Development Bank
ANADEB	National Agency for Grassroots Development Support
BCEAO	<i>Banque Centrale des Etats d’Afrique de l’Ouest</i> (Central Bank of West African States)
BOAD	<i>Banque Ouest Africaine de Développement</i> (West African Development Bank)
BTCI	<i>Banque Togolaise pour le Commerce et l’Industrie</i> (Togolese Bank for Commerce and Industry)
CEET	<i>Compagnie Energie Electrique du Togo</i> (Togo Electric Power Company)
CFAF	<i>Franc de la Communauté Financière Africaine</i> (Franc of the African Financial Community)
COVID-19	Coronavirus Disease
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
DDPF	<i>Direction de la Dette Publique et du Financement</i> (Directorate of Public Debt and Financing)
DMF	Debt Management Facility
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
ECF	Extended Credit Facility
EGP	Togo Economic Governance Project
EPRP	Emergency Preparedness and Response Plan
EU	European Union
FY	Fiscal Year
G2P	Government to Person
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation

IMF	International Monetary Fund
kWh	Kilowatt Hour
MDBAJ	Ministry of Grassroots Development, Handicraft and Youth
MEF	Ministry of Economy and Finance
MTDS	Medium-term Debt Management Strategy
NDP	National Development Plan
NPL	Non-Performing Loans
OTR	<i>Office Togolais des Recettes</i> (Togo Revenue Authority)
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PMT	Proxy Means Testing
PPA	Performance Policy Action
PPE	Personal Protective Equipment
PPP	Public-private Partnership
RCF	Rapid Credit Facility
REDISSE	Regional Disease Surveillance Systems Enhancement Project, Phase II
SCD	Systematic Country Diagnostic
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SOE	State-Owned Enterprise
SORT	Systematic Operations Risk-rating Tool
TA	Technical Assistance
TdE	<i>Société Togolaise des Eaux</i> (Togolese Water Company)
TECTP	Temporary Emergency Cash Transfer Program
TESSIP	Togo Energy Sector Support and Investment Project
UTB	<i>Union Togolaise de Banque</i> (Togolese Bank Union)
VAT	Value-added Tax
WAEMU	West African Economic and Monetary Union
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization

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REPUBLIC OF TOGO

TOGO COVID-19 CRISIS RESPONSE DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic
P174376	No

Proposed Development Objective(s)

The Program Development Objectives (PDO) of the proposed operation are to: (i) strengthen the crisis response framework for better health outcomes, (ii) mitigate the negative poverty and social impacts of the crisis, and (iii) lay the foundations for economic recovery.

Organizations

Borrower: REPUBLIC OF TOGO

Implementing Agency: MINISTÈRE DE L’ECONOMIE ET DES FINANCES

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Financing	70.00
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DETAILS

International Development Association (IDA)	70.00
IDA Credit	35.00
IDA Grant	35.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

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

Overall Risk Rating

**Results**

Indicator Name	Baseline	Target
1. Number of cases tested for COVID-19 by designated testing sites per 100,000 population	0 (2019)	1,000 (2020)
2. Percentage of all confirmed COVID-19 cases managed in designated isolation centers	0 (2019)	70 (2020)
3. Number of individuals registered receiving temporary income support in response to COVID-19	0 (2019)	500,000 (2020)
3a. Share of women with mobile money accounts (percent)	19.6 (2017)	23 (2021)
4. Number of households receiving cash transfers in rural areas	52,000 (2019)	90,000 (2020)
5. Vulnerable households temporarily benefitting from the suspension of billing for the provision of electricity	0 (2019)	100,000 (2020)
6. Number of households receiving seeds and fertilizers	250,000 (2019)	500,000 (2021)
7. Number of tax payments firms need to comply with per year	49 (2019)	35 (2021)
8. Maximum deviation of the realized external-to-domestic debt composition from the target external-to-domestic debt composition published in the MTDS (percent)	N/A (2019)	10 (2021)



IDA PROGRAM DOCUMENT FOR A PROPOSED GRANT AND CREDIT TO THE REPUBLIC OF TOGO

1. INTRODUCTION AND COUNTRY CONTEXT

1. This program document proposes a standalone COVID-19 Crisis Response Development Policy Financing (DPF) to mitigate the effects of the COVID-19 pandemic on the most vulnerable and lay the foundation for economic recovery. The financing of this operation consists of an IDA Grant of SDR 25.5 million (US\$35.0 million equivalent) and an IDA Credit of EUR 31.3 million (US\$35.0 million equivalent). The Program Development Objectives (PDO) are to: (i) strengthen the crisis response framework for better health outcomes, (ii) mitigate the negative poverty and social impacts of the crisis, and (iii) lay the foundations for economic recovery. This DPF is both urgent and critical given the magnitude of the health and economic crisis and the unanticipated financing need that opened because of the pandemic. This DPF is aligned with the Government's response plan and complements the recently approved COVID-19 Emergency Response and Systems Preparedness Strengthening Project (P173880). It also complements the on-going Togo Fiscal Management and Energy Reform Programmatic DPF Series (P169867, P172023), helping to enhance fiscal and debt management (PDO1 of the series). The operation is also supported by other ongoing World Bank technical assistance (TA) and investment projects and builds on complementarities with other donor interventions.

2. Prior to the COVID-19 crisis, Togo benefited from a stable macroeconomic framework, and growth was robust. Economic growth increased from 4.4 percent in 2017 to 5.3 percent in 2019 (2.7 percent in per capita terms), and inflation was low, at 0.7 percent in 2019. Between 2017 and 2019, Togo made substantial progress in strengthening macroeconomic stability, by reducing its fiscal deficit from 9.5 percent of GDP in 2016 to 1.2 percent in 2019 and placing its debt profile on a downward trajectory. Over the same period, Togo implemented many reforms to improve its business climate to attract more private investment as it strives to become a logistics hub for the West African region. As a result, its Ease of Doing Business ranking jumped by more than 50 places, from 156th in 2017 to 97th in 2019.

3. The unfolding COVID-19 crisis has led to a serious economic downturn and fiscal pressures as a result of both external and domestic shocks. On the external side, global trade disruptions have lowered Togo's exports and reduced activity at Togo's main port. On the domestic side, containment and mitigation measures are negatively impacting economic activity, leading to supply and demand shortfalls. As a result, growth is projected to slow sharply from 5.3 percent in 2019 to 0 percent in 2020 (which amounts to a contraction by 2.4 percent in per-capita terms), driven by a slowdown in services and exports as tourism and transport suffer a standstill and key markets are shut. This, together with labor income losses will subdue private consumption. In addition, the downturn is leading to lower revenues, increased expenditure needs, and a substantial increase in the fiscal deficit, from 1.2 percent of GDP in 2019 to 5.0 percent in 2020. Public debt will thus rise to 71.6 percent of GDP in 2020, instead of declining to 67.1 percent of GDP as previously expected.

4. Poverty and social conditions have worsened. Poverty is expected to increase as the income and consumption of the poorest and most vulnerable falls, especially for persons working in tourism, transport and agriculture. Price increases of food staples and imported goods have negatively impacted household welfare. Extreme poverty is projected to increase by 1 percent (80,000 people), compared to a pre-COVID-19 estimate that indicated a decline from 45.8 to 43.0 percent. Social protection and health measures supported by this operation are expected to mitigate the impact of these effects on the most vulnerable by sustaining household consumption and ensuring access to basic services, such as water and electricity.

5. Togo acted swiftly to mitigate and contain the health impact of the COVID-19 pandemic. Following the first



reported case of COVID-19 on March 6th, the Government enacted strict policies to manage the spread of the disease. It suspended flights from high-risk countries, cancelled international events, and banned all gatherings of more than 100 people. These measures were strengthened further at the end of March, when a state of health emergency and evening curfews were declared for a period of three months. Measures included the closure of land borders to passengers, and the closing of schools, places of worship, and nightclubs. These measures have helped contain the spread of the virus. Also, testing capacities were strengthened and the quality of contact tracing was improved. Testing capacities increased from 564 tests per day at the start of the pandemic to about 3,000 per day by the beginning of August. Overall, 43,344 tests (5.4 per 1,000 inhabitants) have been carried out since March 6th. As of August 2, 2020, 961 cases of COVID-19 were reported, with 660 recoveries and 19 deaths. In terms of the number of detected cases per capita, Togo has registered 120 cases per million individuals, compared to the Sub-Saharan Africa average of 646.

6. The authorities have also taken decisive measures to strengthen the health system and mitigate the socio-economic impact of the crisis. Togo was one of the first African countries to respond to the crisis, developing and quickly implementing the most urgent components of a comprehensive, multi-year response plan that aims to protect lives, livelihoods, and future growth prospects. The plan seeks to upgrade the health system, contain the economic fallout of the crisis, and provide targeted support to vulnerable households and firms. It is comprised of three pillars: (i) limiting the contagion of COVID-19 across the country and caring for the sick; (ii) preventing an increase in poverty, including through the introduction of NOVISSI, a cash transfer program recognized for its innovative features; and (iii) preparing for the post-COVID-19 recovery, with measures to support the private sector, protect jobs, and stimulate agricultural production.

7. The proposed emergency DPF is well aligned with the Government's response plan and is organized around three interrelated pillars. These pillars are also consistent with the framework of the WBG COVID-19 Response Approach Paper and with the pillars of the country's FY17-FY20 Country Partnership Framework (CPF):

- **Pillar 1 supports reforms to protect lives:** These include policy measures to strengthen the institutional capacity of the health sector and facilitate access to COVID-19 related medical products to help contain the spread of the virus, care for the sick, and build a more resilient health system for the future.
- **Pillar 2 supports reforms to protect livelihoods:** These include measures to cushion the impact of the crisis on the most vulnerable by expanding the coverage of targeted cash transfers in both urban and rural areas and providing free access to water and electricity. This pillar also supports the development of the digital and financial infrastructure needed to support cash transfers and other service delivery programs, such as in health and agriculture, over the long-term.
- **Pillar 3 supports reforms to protect the future:** These include policy measures to support the agricultural sector and improve agricultural productivity, enhance the digitalization of services, and improve fiscal and debt management.

8. In addition to participating in the G20 Debt Service Suspension Initiative (DSSI), the Government has called on its partners to support its national response plan. The COVID-19 crisis and the Government's response has led to a significant additional financing need of US\$345 million (5.9 percent of GDP) in 2020, which is expected to be met by the proposed operation, concessional support from other development partners, as well as domestic and regional financing. The International Monetary Fund (IMF) approved an Extended Credit Facility (ECF) disbursement (with an augmented quota) of US\$131 million in April 2020 and is preparing a Rapid Credit Facility (RCF) for an additional US\$70 million expected around September. Other financing is expected to come from concessional loans from the West African Development Bank (*Banque Ouest Africaine de Développement*, BOAD, US\$26 million) and the African Development Bank (AfDB, US\$15 million). Togo has also joined the DSSI, demonstrating its intention to use all possible opportunities



to maximize fiscal space for the crisis response and post-COVID-19 recovery. In addition, as part of the IDA Sustainable Development Finance Policy (SDFP), Togo has committed to strengthen debt transparency and management over FY21 through the preparation and publication of a compressive annual debt report, fiscal risk statement, and annual borrowing plan (ABP).

9. The current operation is informed by the 2016 Systematic Country Diagnostic (SCD) and is a critical component of the World Bank Group (WBG) overall response to COVID-19 in Togo. In addition to contributing to the national health response with US\$16 million,¹ the WBG is re-prioritizing its FY21-FY22 lending program around two pillars: (i) supporting private sector performance, economic transformation, and job creation (with a focus on agriculture); and (ii) improving human capital outcomes for the vulnerable (health, education, and an expansion of the social safety net program). The adjustments to the overall country program in response to COVID-19 are detailed in section 4.3.

10. The macroeconomic policy framework is adequate for the proposed operation. Following a sharp downturn in 2020, growth is expected to recover over the medium term, driven by an expected return of private consumption and stronger growth in services such as logistics, telecommunications, and transport. Substantial uncertainty nonetheless remains about this growth projection and downside risks prevail. The Government maintained strong fiscal discipline in 2017-2019 and is committed to returning to fiscal deficits below the 3-percent-of-GDP West African Economic and Monetary Union (WAEMU) convergence criterion by 2022. Also, Togo's performance was broadly satisfactory under the most recent IMF ECF program, which concluded in April 2020. The Togolese authorities have expressed their intention to request a successor program. Monetary and exchange rate policy is anchored in WAEMU membership. Public debt is sustainable, with a moderate risk of external debt distress, though the risk of overall debt distress is high.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

11. Prior to the COVID-19 pandemic, economic performance was robust in 2019. GDP growth reached 5.3 percent (2.7 percent in per capita terms) from 4.9 percent in 2018. Growth was supported by private consumption and public investment in infrastructure on the demand side and by an expansion in the industrial and services sectors on the supply side. The rise in public investment reflects an improvement in the selection and prioritization of public investment projects and the beginning of the implementation of the National Development Plan (NDP). The continued easing of political tensions in 2019 and a substantial improvement in the business climate as a result of Togo's reform drive in this area (notably the reduction in the time to create a new business and obtain construction permits) supported the expansion in the industrial and service sectors. Inflation decreased slightly in 2019 to 0.7 percent, while accelerating in the first half of 2020, reaching 2.4 percent (y-o-y) in April, driven by an increase in food prices related to supply disruptions. The external current account widened slightly from 3.5 percent of GDP in 2018 to 4.3 percent of GDP in 2019. This was driven by an increase in capital goods imports and lower phosphate and coffee exports. The current account deficit was financed through external concessional borrowing.

12. Between 2017 and 2019, Togo maintained a highly disciplinary fiscal stance, with deficits well below the WEAMU target of 3 percent of GDP. Although the fiscal stance loosened slightly in 2019, with a deficit of 1.2 percent of

¹ US\$8 million from Regional Disease Surveillance Systems Enhancement (REDISSE) Project, Phase II (P159040), which is already financing the emergency response, augmented by a US\$8 million Multi-phase Approach (MPA) operation with the COVID-19 Fast-Track Facility (P173880).



GDP, compared to 0.8 percent of GDP in 2018, these deficits were substantially lower than the historical peak of 9.5 percent of GDP reached in 2016. This extraordinary turnaround reflects the Government's sustained efforts to ensure fiscal discipline and several tax revenue mobilization and public investment reforms undertaken between 2017-2019, with the support of previous DPF operations. On the expenditure side, greater controls were placed on capital spending, by putting an end to the previous practice of pre-financing of public investment projects and by strengthening the selection and prioritization of public investment projects. On the revenue side, reforms to support the simplification of the tax system (through a reduced number of taxes), the reduction of tax exemptions, and the digitalization of the tax administration have helped to improve tax compliance and revenues.

13. Total revenues declined in 2019 even though tax revenues increased markedly. Total revenues (excluding grants) decreased from 20.3 percent of GDP in 2018 to 19.5 percent in 2019, as non-tax revenues dropped sharply from 3.8 percent of GDP to 2.3 percent. Non-tax revenue had risen substantially in 2018, from the collection of one-off 4G licensing fees. Tax revenues, by contrast, increased by 0.7 percent of GDP in 2019, supported by higher customs revenues and reforms supported by the ongoing DPF series (P172023), including the elimination of value-added tax (VAT) exemptions and the creation of a dedicated single account for the payment of VAT credits. For the first quarter of 2020, total revenues (excluding grants) were lower by 0.4 percent of GDP (y-o-y), reflecting a significant decline in non-tax revenues. Tax revenues mobilization, by contrast, was broadly unchanged as the decrease in custom revenues was offset by a slight increase in tax administration revenues.

Table 1. Contributions to GDP Growth, Demand and Supply Side

	2018	2019	2020	2021	2022	2023
Demand Side						
GDP Growth	4.9	5.3	0.0	3.0	4.5	5.0
Consumption	8.1	0.4	5.4	-6.1	2.8	2.6
Private Consumption	4.8	2.2	-0.6	1.1	2.2	2.0
Government Consumption	3.4	-1.7	6.0	-7.2	0.6	0.6
Investment	1.4	6.0	-3.0	8.7	3.5	3.7
Private Investment	0.9	3.8	-0.5	5.6	2.2	2.2
Government Investment	0.5	2.2	-2.5	3.1	1.3	1.5
Net Exports	-1.9	-1.1	-2.4	0.4	-1.8	-1.3
Change in Inventories	-2.8	0.0	0.0	0.0	0.0	0.0
Supply Side						
Agriculture	1.0	1.6	0.3	1.0	1.7	1.6
Industry	0.4	1.1	0.2	0.6	1.2	1.3
Services	3.4	2.7	-0.5	1.4	1.6	2.1

Source: National Authorities and World Bank and IMF estimates and projections as of July 24, 2020.

14. Expenditures declined slightly from 24.7 percent of GDP in 2018 to 24.5 percent of GDP in 2019, driven by lower recurrent spending. Recurrent spending declined by 0.7 percent of GDP in 2019. This was led by goods and services expenditures, which fell by 1.0 percent of GDP, following the implementation of a performance framework to optimize the use of budgetary resources. Capital spending, excluding the transaction with the Social Security Fund (*Caisse Nationale de Sécurité Sociale, CNSS*)², increased by 0.6 percent of GDP relative to 2018. Major projects included

² In Q4 2019, the Government transferred ownership of some government buildings to CNSS to pay social security contributions arrears of government employees. This transaction is recorded as negative investment and as a reduction in arrears stock. From the perspective of fiscal policy analysis, this transaction has been excluded to allow measuring fiscal efforts more accurately.



road rehabilitations and the construction of a fishing port.

Table 2. Togo's Key Macroeconomic Indicators

	2017	2018	2019	2020 Pre- COVID	2020 Post- COVID	2021	2022	2023
					Est.		Proj.	
Annual percentage change, unless otherwise indicated								
National Accounts and Prices								
Real GDP	4.4	4.9	5.3	5.5	0.0	3.0	4.5	5.0
Per capita GDP	1.8	2.3	2.7	2.9	-2.4	0.5	2.0	2.5
Exports (in CFAF)	-3.7	2.5	5.6	9.1	-10.1	7.3	8.9	9.1
Imports (in CFAF)	-18.6	6.6	7.3	11.3	-1.9	4.7	7.7	8.1
GDP deflator	0.8	1.7	2.1	1.7	4.6	4.4	2.9	2.9
Consumer prices (average)	-0.2	0.9	0.7	0.9	1.7	2.2	2.0	2.0
Selected Monetary Accounts								
Credit to nongovernment sector	1.7	3.1	4.4	8.1	4.2	0.2	3.5	5.1
Broad money (M2)	10	9.0	4.5	9.3	9.3	7.1	8.9	9.9
Percent of GDP, unless otherwise indicated								
Fiscal Accounts								
Total revenue and grants	21.4	23.9	23.4	24.0	19.6	23.7	23.8	24.1
Total expenditure and net lending	21.6	24.7	21.2	26.0	24.6	27.2	26.8	26.1
Overall budget balance	-0.3	-0.8	-1.2	-1.9	-5.0	-3.5	-3.0	-2.0
Primary balance	1.5	1.6	4.8	0.9	-2.0	-1.2	-0.5	0.7
Total public debt	76.0	76.2	70.9	66.0	71.6	69.5	67.3	64.1
External public debt	20.1	20.5	23.7	23.1	27.9	27.0	26.2	25.0
External Sector								
Current account balance	-3.5	-3.5	-4.3	-4.9	-5.9	-4.9	-4.6	-4.4
Foreign direct invest. (- = inflow)	-2.5	4.7	3.6	3.0	3.7	3.1	2.0	2.0
BCEAO gross reserves (in months of imports)	4.1	4.5	5.6					
Terms of trade (deterioration = -)	26.1	-1.4	-3.1	1.0	-0.9	0.8	4.4	1.0
LCU per US dollar (avg.)	580.9	555.2	585.9					
Memo item								
Nominal GDP (CFAF Billions)	2,789	2,975	3,199	3,469	3,346	3,598	3,869	4,181

Source: National Authorities and World Bank and IMF estimates and projections as of July 24, 2020.



15. Public debt has been on a downward trend. Public debt declined from 76.2 percent of GDP in 2018 to 70.9 percent of GDP in 2019. Primary surpluses and nominal GDP growth have helped drive debt lower. In 2019, domestic debt accounted for more than 66 percent of the total public debt. Domestic debt service reached 88 percent of total debt service. External debt, mostly multilateral, represented 23.7 percent of GDP. To reduce domestic debt, lower interest costs, and extend maturities, Togo conducted debt reprofiling operations in December 2019 and June 2020 to replace shorter-term, higher-interest domestic debt with longer-term, lower-interest external debt. Around 6 percent of GDP in debt was reprofiled, lowering debt service costs over 2020-22 by about US\$186 million (3.2 percent of GDP).

Table 3. Togo's Main Fiscal Indicators, 2018 – 2023, Percent of GDP

	2018	2019	2020 Pre- COVID	2020 Post- COVID	2021	2022	2023
				Est.		Proj.	
Revenue and grants	23.9	23.4	24.0	19.6	23.7	23.8	24.1
Total revenue	20.3	19.5	20.0	15.7	19.4	19.5	19.8
Tax revenue	16.5	17.2	17.8	14.3	17.2	17.3	17.5
Tax Administration (CI)	8.7	9.1	9.8	7.3	9.3	9.4	9.6
Custom Administration (CDII)	7.8	8.1	8.0	7.0	7.9	7.9	7.9
Non-Tax revenues	3.8	2.3	2.2	1.3	2.2	2.2	2.3
Grants	3.6	3.8	4.0	3.9	4.3	4.3	4.3
Budget support	1.1	1.9	0.5	1.6	0.6	0.6	0.6
Project	2.4	1.9	3.5	2.4	3.7	3.7	3.7
Expenditures and net lending	24.7	24.5	26.0	24.6	27.2	26.8	26.1
Current expenditure	17.9	17.2	16.5	19.2	17.7	17.3	16.3
Primary current spending	15.5	14.5	13.6	16.2	15.4	14.9	13.6
Wages and salaries	6.7	6.7	6.9	7.1	7.1	7.1	7.0
Goods and services	4.9	3.9	2.9	4.4	4.0	3.6	3.0
Transfers and subsidies	3.9	3.8	3.8	4.6	4.3	4.2	3.7
Interests	2.4	2.7	2.9	3.0	2.3	2.4	2.7
Public investment	6.8	7.4	9.5	5.5	9.5	9.5	9.7
Domestically financed	2.4	3.5	3.9	2.0	3.3	3.3	3.6
Foreign financed	4.4	3.8	5.6	3.5	6.2	6.2	6.2
Overall balance, incl grants (Commitment basis)	-0.8	-1.2	-1.9	-5.0	-3.5	-3.0	-2.0

Source: National Authorities and World Bank and IMF estimates and projections as of July 24, 2020.

16. Togo's monetary and exchange rate policies are managed by the Central Bank of West African States (*Banque Centrale des Etats d'Afrique de l'Ouest, BCEAO*), which maintains a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 5.6 months of imports in 2019, up from 4.5 months in 2018, on the back of fiscal consolidation and higher net capital inflows. Despite an unchanged tight monetary policy, regional liquidity pressures were alleviated due to higher BCEAO supply and lower demand for refinancing from banks. The real effective exchange



rate (REER) depreciated by 5 percent in 2019, due to Euro nominal depreciation against the US dollar combined with persistently lower inflation in WAEMU countries compared to trading partners.

17. Weaknesses in the two public banks to be privatized continue to weigh on the soundness and profitability of the financial sector where reforms are moving slowly. Non-performing loans (NPLs) remain high, at 16.9 percent of gross loans in June 2019, but are down from 18.3 percent in June 2018. In addition, the overall capital adequacy ratio dropped to 5.9 percent in 2018. Among the most affected are the two public banks, Togolese Bank for Commerce and Industry (*Banque Togolaise pour le Commerce et l'Industrie*, BTCI) and Togolese Union of Banks (*Union Togolaise des Banques*, UTB). Both banks continue to operate with negative equity, with the cost to recapitalize them estimated at about 3 percent of GDP. As part of the IMF ECF program, a tender for the sale of both banks was launched on September 20, 2019. However, the privatization process has encountered considerable delays, partly because of the uncertainty surrounding the presidential election held in February 2020 and lately from the COVID-19 crisis.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

18. The COVID-19 pandemic has led to a sharp deterioration in the economic outlook in 2020, working through both external and domestic channels. First, global trade disruptions have lowered Togo's exports and reduced activity at Togo's main port. Second, containment measures, travel restrictions, and border closures have led to domestic supply and demand shortfalls. As a result, growth is currently projected to collapse to 0 percent in 2020 (which is a 2.4 percent contraction in per capita terms). This is substantially lower than estimated potential GDP growth of 5.6 percent. On the supply side, the lower growth projection reflects the negative impact of COVID-19 on all sectors, especially services. Growth in the services sector is projected to decline by 0.5 percent, compared to an expected increase of 6.0 percent in the pre-COVID scenario. This is due mainly to the negative impact of travel restrictions and border closings on tourism, port and airport activities, and disruptions to retail supply chains. On the demand side, the growth projection reflects a 0.6 percent decline in private consumption from the inability of people to engage in income generating economic activity.

19. Despite high uncertainty, growth is expected to recover in 2021 as economic activity rebounds worldwide and containment measures are gradually lifted. Given the uncertainty surrounding the depth and duration of the pandemic, the medium-term growth path is highly uncertain. The effective implementation of the Government's COVID-19 response plan, including measures supported by the current operation, are crucial to sustaining growth in 2021 and beyond. Assuming a temporary shock with limited delayed effects, growth is expected to recover to 3.0 percent in 2021, as the global economic recovery enables a pickup in exports and the progressive lifting of COVID-19 containment measures enable a pickup in domestic economic activity. Also, the gradual resumption of infrastructure projects (mainly in the transport and energy sectors) will boost investment and private demand and drive economic growth. Growth will also benefit from the relaxing of infrastructure and inputs constraints in promising sectors such as tourism and agriculture. In the medium-term, growth is expected to recover more firmly and to reach 5.0 percent in 2023, driven by the continuous upgrading of public infrastructure and improvements to the business climate.

20. The external current account deficit will increase to 5.9 percent of GDP in 2020, reflecting a substantial drop in exports. A sharp decline in economic growth in key trading partners (including the European Union (EU) and other West African countries) will reduce exports. Conversely, the value of imports will be mitigated by a drop-in oil prices and from fewer imports of intermediate goods and machinery as economic activity and investment slow. The external deficit is expected to stabilize around 4.5 percent of GDP in the medium-term, reflecting a slight recovery of both exports and imports as containment measures are lifted in major trading partners. The current account deficit will remain financed



by grants and concessional loans.

21. In the short run, financial sector liquidity is expected to decline, leading to a deterioration in solvency metrics over the medium-term. Financial sector liquidity should decline from the simultaneous effect of (i) households needing more money to face economic hardship; (ii) firms unable to repay loans; and (iii) investors delaying their investment plans. As a result, several banks are expected to face liquidity shortages, prompting them to stop lending and search aggressively for resources. For cash rich banks, lending activity will most likely be directed toward financing the state deficit, which could weigh on private investment. In the medium-term, solvency measures should decline given the necessity to constitute provisions against a rising portfolio of NPLs. Some banks would need to be recapitalized to comply with the minimum regulatory requirement in terms of solvency ratios.

22. The BCEAO has announced a set of monetary policy measures to ease liquidity constraints. The regional central bank increased the liquidity available to commercial banks by reducing refinancing rates. It also changed its policy rate from a corridor of 2.5–4.5 percent to a fixed rate of 2.5 percent, allowing banks to satisfy their liquidity needs fully at a lower rate. This is the most accommodative policy stance the BCEAO has ever taken. It also allocated CFAF 25 billion to the BOAD to provide an interest rate subsidy to member countries and increase the amount of concessional loans for urgent investment and equipment expenses. To support firms affected by the crisis, the BCEAO relaxed the collateral requirements to access central bank refinancing and established a framework with the banking system to support firms with repayment difficulties. In its response, however, the BCEAO would need to make sure to maintain an adequate level of international reserve to support the currency peg with the Euro.

Table 4: External Financing Requirements and Sources, 2018-2023 (CFAF billion)

	2018	2019	2020	2021	2022	2023
GROSS FINANCING REQUIREMENTS	123.3	167.0	228.4	207.2	223.6	232.0
Current Account Deficit	102.7	136.8	197.8	174.7	178.6	182.3
Debt Amortization	20.6	30.2	30.6	32.4	45.0	49.8
FINANCING SOURCES	123.3	167.0	228.4	207.2	223.6	232.0
Foreign Direct Investment (net)	-139.5	-114.0	-124.6	-110.2	-77.6	-83.9
Net Portfolio Investment	91.9	59.0	62.5	58.7	55.3	52.3
Net Other Flows	-132.4	-78.4	-71.9	-153.9	-123.5	-128.8
Capital Account Balance	175.7	162.5	201.1	232.0	243.2	255.3
Short-term debt/Errors & Omissions	160.6	64.0	10.0	94.6	50.2	72.1
Change in Reserves (- = Increase)	-17.0	28.1	11.0	-1.2	-17.3	-27.9
Long-Term Debt (Excluding IMF)	-42.6	-6.7	67.8	88.7	95.4	103.1
IMF Credit (net)	26.5	52.5	72.5	-1.4	-2.0	-10.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0

Source: National Authorities and World Bank and IMF estimates and projections as of June 24, 2020.

23. The fiscal deficit is expected to widen substantially in 2020 reflecting lower revenues and social spending needed to address the COVID-19 pandemic. It will temporarily increase to 5.0 percent of GDP in 2020, compared to 1.9 percent expected pre-COVID-19. Tax revenues would decline to 14.3 percent of GDP in 2020, down from a pre-COVID-19 estimate of 17.8 percent from lower customs revenues and VAT receipts as economic activity declines. At the same time, current expenditures will reach 19.2 percent of GDP compared to the initially expected 16.5 percent of GDP. Total



expenditures, however, will fall slightly from the previous forecast because of a 4.0 percent decline in capital expenditures, with foreign-financed projects expected to decline by CFAF 79 billion (2.4 percent of GDP). Continued tax revenue mobilization efforts would help create fiscal space to increase productive investment and social expenditures in the medium-term. The authorities are strongly committed to bringing the fiscal deficit back below the WAEMU convergence criterion of 3 percent of GDP by 2022, which they had adhered to between 2017-2019. Consequently, the fiscal deficit is projected to average 2.8 percent of GDP over 2021-2023.

Table 5. Unanticipated FY20 Financing Needs and Sources

	January 2020		July 2020		Difference	
	Billions of CFAF	Percent of GDP	Billions of CFAF	Percent of GDP	Billions of CFAF	Percent of GDP
Total Revenue & Grants	833.4	24.0	656.1	19.6	-177.3	-5.2
Domestic Revenue	694.8	20.0	524.7	15.7	-170.1	-5.0
Taxes	617.5	17.8	479.7	14.3	-137.8	-4.1
Nontax revenue	77.3	2.2	45.0	1.3	-32.3	-1.0
Grants	138.6	4.0	131.4	3.9	-7.2	-0.2
Total Expenditure	900.5	26.0	824.2	24.6	-76.3	-2.3
Current Expenditure	571.2	16.5	641.3	22.0	70.1	2.1
Capital Expenditure	329.4	9.5	183.0	3.8	-146.4	-4.3
Overall Balance (including grants)	-67.1	-1.9	-168.2	-5.0	-101.1	-3.0
Overall Balance (excluding grants)	-205.7	-5.9	-299.6	-9.0	-93.8	-2.8
Estimation of Additional Financing Need in FY20						
Financing			299.6	9.0		
Pre-COVID 19 Financing			103.8	3.1		
External Financing (net, adjusted for changes in public investment)			192.7	5.8		
Domestic Financing (net)			-109.3	-3.3		
IMF ECF			20.3	0.6		
COVID-19 Financing			195.8	5.9		
World Bank Emergency DPF			41.2	1.2		
IMF ECF augmentation + CCRT + RCF			102.3	3.1		
West African Development Bank (BOAD)			15.0	0.4		
African Development Bank (AfDB)			8.5	0.3		
European Union			0.6	0.0		
DSSI Bilateral Debt Suspension			14.5	0.4		
Other (including Domestic Financing)			13.9	0.4		
Residual Financing Need			0.0	0.0		

Source: National Authorities and World Bank and IMF estimates and projections as of July 24, 2020.

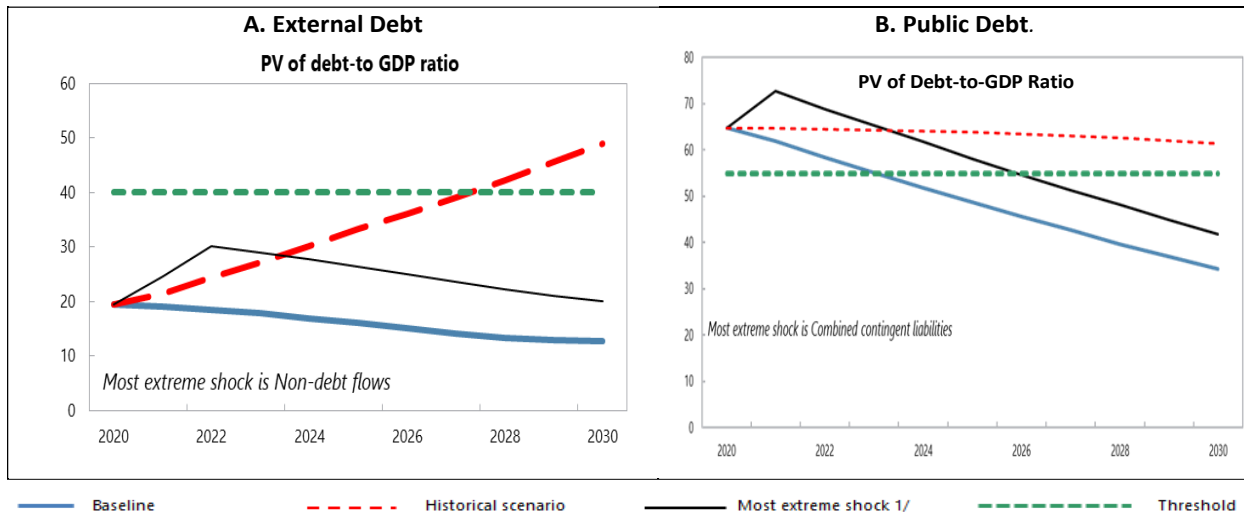
24. As a result of the large fiscal deficit in 2020, a significant unanticipated financing need of 5.9 percent of GDP has arisen (Table 5). Current estimates suggest that revenues will fall short of budget by 5.2 percent of GDP, while total expenditures will decline by 2.3 percent of GDP. External project financing would also be lower because of a decline in externally financed public investment. The World Bank and IMF proposed additional financing will cover 73 percent of the additional financing need (21 percent from the World Bank and 52 percent from the IMF). Other financing is expected



to come from concessional loans from the BOAD and AfDB and from the DSSI bilateral debt suspension program. Togo remains committed to mobilizing additional financing from concessional sources. The remainder of the financing need (0.4 percent of GDP) is expected to be covered by the issuance of bonds in the regional CFAF market.

25. Public debt remains sustainable with a moderate risk of external debt distress and a high risk of overall debt distress using the post COVID-19 pandemic scenario as the baseline. The latest available IMF-World Bank Debt Sustainability Analysis (DSA) was published in April 2020. The DSA was updated by World Bank staff for the purposes of this operation in consultation with the IMF. It includes the positive effects of the DSSI, planned additional borrowing, the June debt reprofiling operation, and the elimination of a previously expected draw-down in financial assets. Public debt as a percent of GDP is now expected to increase from 70.9 percent of GDP in 2019 to 71.6 percent of GDP in 2020. Pre-COVID-19, public debt had been expected to decline to 67.1 percent of GDP in 2020. As the Government is committed to fiscal sustainability, public debt is expected to decline again, reaching 69.5 percent of GDP in 2021, 67.3 percent of GDP in 2022 and 64.1 percent of GDP in 2023. The overall DSA assessment has not changed. Under the baseline and alternative scenarios, all external debt sustainability indicators remain below their indicative policy-relevant thresholds (Figure 1). However, under the historical scenario, several indicators breach their respective thresholds in outer years.

Figure 1. Selected External and Public Debt Indicators under Alternative Scenarios, 2020-30



Source: World Bank and IMF DSA, July 2020.

26. The Government continues to improve debt management and transparency. In the COVID-19 environment, the authorities are committed to prioritizing concessional external financing and will seek to return swiftly to the pre-crisis fiscal consolidation path started in 2017. In the medium-term, the Directorate of Public Debt and Financing (*Direction de la Dette Publique et du Financement*, DDPF) has continued to strengthen its debt management capacity. A new Medium-term Debt Management Strategy (MTDS) for 2020-2024 was published in March 2020. It provides information on the debt portfolio by currency, interest rate, maturity and instruments, as well as an analysis of portfolio risk, refinancing risk, market risk, and exchange rate risk. Since 2018, the Government has published a Debt Statistical Bulletin on a bi-annual basis. It contains comprehensive information on central government debt by type of currency, creditor,



and instrument. In addition, as part of the IDA SDFP, Togo has committed to strengthen debt transparency and management over FY21 through the preparation and publication of a compressive annual debt report, fiscal risk statement, and ABP. These measures are expected to form the basis for the FY21 Policy and Performance Actions (PPAs) under the SDFP. The World Bank Debt Management Facility (DMF) will support these reforms by providing TA to the DDPF to build capacity and improve transparency.

27. Downside risks to the outlook are high and depend on the depth and duration of the COVID-19 pandemic and Government policy to mitigate and contain it. A downside scenario assumes that the outbreak and containment measures would last for nine months instead of six months in the baseline. A protracted and deeper crisis would cause real GDP to shrink by 1.5 percent in 2020 (Table 6). It would involve a contraction in agriculture, services and local manufacturing from lower external and domestic demand and supply chain disruptions. Exports would decline more, further worsening the external current account balance, to 7.3 percent of GDP. The fiscal deficit would increase to 8.4 percent of GDP, as revenues drop further and spending to support households and firms increases. The additional financing need would increase by 3.4 percent of GDP, which would have to be covered mostly by regional and domestic financing. Under this downside scenario, public debt would rise to 74.4 percent of GDP.

28. The macroeconomic policy framework is adequate for the proposed operation. Following a sharp downturn in 2020, growth is expected to recover gradually over the medium term, driven by an expected robust return of private consumption and stronger growth in services such as logistics, telecommunications, and transport. Substantial uncertainty nonetheless remains about this growth projection and downside risks prevail. The Government maintained strong fiscal discipline in 2017-2019 and is committed to returning to fiscal deficits below the 3-percent-of-GDP WAEMU convergence criterion by 2022. Also, Togo’s performance was broadly satisfactory under the most recent IMF ECF program, which concluded in April 2020. The Togolese authorities have expressed their intention to request a successor program. Monetary and exchange rate policy is anchored in WAEMU membership. Public debt is sustainable, with a moderate risk of external debt distress, though the risk of overall debt distress is high.

Table 6. Selected Economic Indicators under the Baseline and Downside Scenarios

	2019e	2020p	2021p	2022p	2020p	2021p	2022p
		Current Baseline			Downside		
Real GDP	5.3	0.0	3.0	4.5	-1.5	4.0	5.0
Real GDP per capita	2.7	-2.4	0.5	2.0	-3.8	1.5	2.5
Current Account Balance	-4.3	-5.9	-4.9	-4.6	-7.3	-4.6	-4.4
Total Revenue and Grants	23.4	19.6	23.7	23.8	18.4	23.8	23.6
Tax Revenue	17.2	14.3	17.2	17.3	13.2	17.4	17.3
Non-Tax Revenue	2.3	1.3	2.2	2.2	1.2	2.0	2.0
Grants	3.8	3.9	4.3	4.3	4.0	4.4	4.3
Total Expenditure	24.6	24.6	27.2	26.8	26.9	27.5	26.7
Current Expenditure	17.2	19.2	17.7	17.3	23.0	17.9	17.1
Capital Expenditure	7.4	5.5	9.5	9.5	3.9	9.6	9.6
Overall Balance (incl. grants)	-1.2	-5.0	-3.5	-3.0	-8.4	-3.7	-3.1
Public Debt (external and domestic)	70.9	71.6	69.5	67.3	74.4	72.6	69.7
External Debt	23.7	27.9	27.0	26.2	28.3	27.4	26.5
Nominal GDP (billions CFAF)	3,198	3,346	3,598	3,869	3,315	3,560	3,815

Source: National Authorities and World Bank and IMF estimates and projections as of July 24, 2020.



2.3. IMF RELATIONS

29. On April 3, 2020, the IMF Executive Board concluded its sixth and final review of Togo's economic performance under the ECF arrangement. The completion enabled the disbursement of SDR 96.6 million (about US\$131.3 million), which included an augmentation of about US\$97.1 million to address the urgent financing needs stemming from the COVID-19 crisis. Economic performance under the ECF was broadly satisfactory. The key recommendations of the sixth review were to address the human and economic implications of the COVID-19 pandemic while building on the hard-won fiscal achievements of the last few years, continue revenue administration and public finance management (PFM) reforms, and accelerate reforms in the financial sector to safeguard financial stability and lower fiscal risks. In addition to the ECF disbursement, the IMF provided Togo with about US\$5.2 million in debt service relief (equivalent to Togo's debt service to the IMF for six months) to help address the impacts of COVID-19. This grant was financed by the Catastrophe Containment and Relief Trust (CCRT). Although the ECF arrangement ended in April 2020, the authorities have requested an RCF, expected for around US\$70 million in September, and a successor three-year ECF program, with preparations expected to start in December 2020. The macroeconomic framework presented in this Program Document has been updated compared to the Sixth ECF Review (see Annex 2) in close collaboration with IMF staff.

3. GOVERNMENT PROGRAM

30. The Government's priorities are outlined in the NDP for 2018-2022. The NDP's overall goal is to transform the economy structurally to achieve strong, sustainable, resilient and inclusive growth, create decent jobs, and improve social welfare. It consists of three pillars: (i) to establish a world-class logistics hub and business center; (ii) to develop agricultural processing, manufacturing and extractive industries; and (iii) to consolidate social development and make growth more inclusive. The NDP emphasizes good governance, improved PFM, development of the private sector and strong public private partnerships. It also aims to enhance the competitiveness of the economy by reducing the cost of energy and improving the quality of telecommunication and transport services.

31. Togo was one of the first African countries to respond to the crisis, developing and quickly implementing the most urgent components of a comprehensive, multi-year response plan that aims to protect lives, livelihoods, and future growth prospects. This comprehensive economic and social resilience plan seeks to upgrade the health system, contain the economic fallout of the crisis, and provide targeted support to vulnerable households and firms. It is comprised of three pillars: (i) limiting the contagion of COVID-19 across the country and caring for the sick; (ii) preventing an increase in poverty, including through the introduction of NOVISSI, an innovative cash transfer program and model for the sub-region; and (iii) preparing for the recovery, with measures to support the private sector, protect jobs, and stimulate agricultural production. The Government also launched a major risks communications campaign throughout the country in French and 17 local languages. Expenditures under the plan are to be financed by a mix of donor contributions, central government budget and voluntary donations from the private sector. From a fiscal perspective, once accounting for the reduced fiscal space and budget reallocation, an additional financing need of 5.9 percent of GDP remains.

32. This DPF operation supports the Government's COVID-19 response measures and the broader reform agenda highlighted in the NDP. This includes strengthening the country's ability to respond to the current and future health outbreaks, while safeguarding hard-won fiscal achievements. The plan also focuses on mitigating the impact of the crisis on the most vulnerable through targeted cash transfers programs and ensuring the access to water and electricity for



the poorest. Lastly, the operation supports measures that lay the foundations for a sustainable and resilient recovery including growth in the agricultural sector and an increase in farmers' income as well enhanced digitalization of services.

Box 1: Togo's COVID-19 Response Plan

1. Protecting Lives

- Declaration of the State of Health Emergency for three months.
- Detection and reporting of confirmed cases; strengthening laboratory diagnostic capacity and equipping treatment.
- Launch of a risk communication campaign throughout the country in French and 17 local languages.
- Establishment of call centers dedicated to the free number 111 (for any information relating to COVID-19) and to 113 (for monitoring travelers who arrived in Togo in March 2020).
- Implementation of the case management application, CommCare, for health workers.
- Opening of 11 treatment centers throughout the country to treat people with COVID-19.
- Strengthening the testing capacity of the National Institute of Hygiene from 10 tests per day at the beginning of the crisis to over 550 tests per day by the end of April 2020, open a new hospital with a capacity of 100 patients to quarantine confirmed COVID-19 cases.

2. Protecting the Most Vulnerable

- Establishment of a cash transfer program, NOVISSI for an initial period of three months for vulnerable individuals.
- Extending an existing rural cash transfer program under the Safety Nets and Basic Services Project (P157038) to about 40,000 additional households.
- Subsidize water and electricity bills for the poorest families.

3. Support to Firms and Preparing the Country for the Recovery

- Exempt import taxes and custom duties on medical equipment and other products used exclusively in the fight against COVID-19.
- Suspension of ongoing tax audits and penalties for the late payment of taxes due in the second quarter of 2020.
- Providing a three-month moratorium on debt service payments to the National Fund for Inclusive Finance (*Fonds National de la Finance Inclusive*, FNFI) affiliated micro-finance institutions, which are the main sources of funding for the informal sector.
- Rescheduling of submission deadlines for businesses that cannot submit their tax declarations on time and allowing small and medium enterprises to pay taxes in tranches.
- Implementation of an agricultural response plan, including the establishment of a service delivery digital platform for the provisioning of seeds, fertilizers, and mechanical equipment services to farmers.

Source: *Etat d'Urgence Sanitaire, Guide Pratique* (State of Health Emergency, Practical Guide), April 2020.



4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

33. The proposed standalone operation directly supports targeted areas of the Government’s COVID-19 response as well as its broader development agenda, while contributing to addressing its additional financing need. The operation is designed to support the Government’s health response to the crisis and help build a more resilient health system (Pillar 1), cushion the impact of the COVID-19 crisis on the most vulnerable households and construct the necessary digital and financial infrastructure for the delivery of future service delivery programs (Pillar 2), and lay the foundations for a sustainable and resilient recovery (Pillar 3). Future IDA lending programs will be more selective and focused on addressing key longer-term constraints.

34. The PDOs of the proposed operation are to: (i) strengthen the crisis response framework for better health outcomes, (ii) mitigate the negative poverty and social impacts of the crisis, and (iii) lay the foundations for economic recovery. As such, the operation is articulated around three mutually reinforcing pillars that balance the need to address critical emergency COVID-19 related issues with putting in place elements of a medium-term framework to accelerate recovery and strengthen resilience:

- ***Pillar 1 supports reforms to protect lives:*** These include policy measures to strengthen the institutional capacity of the health sector and facilitating access to COVID-19 related medical products to help contain the spread of the virus, care for the sick, and build a more resilient health system.
- ***Pillar 2 supports reforms to protect livelihoods:*** These include measures to cushion the impact of the crisis on the most vulnerable by expanding the coverage of targeted cash transfers in both urban and rural areas and providing free access to water and electricity. This pillar also supports the development of the digital and financial infrastructure needed to support cash transfers and other service delivery programs, such as in health and agriculture, over the long-term.
- ***Pillar 3 supports reforms to protect the future:*** These includes policy measures to support the agricultural sector and increase agriculture productivity, enhance the digitalization of services, and improve fiscal and debt management. As such, they address several of the key binding constraints for progress in poverty and shared prosperity identified in the SCD, notably: (i) barriers to entry and high distortions in the agricultural sector; (ii) underdeveloped ICT infrastructure; and (iii) poor fiscal governance.

35. The design of the DPF operation reflects the Government’s administrative capacity constraints and complex policy challenges, which have been aggravated by the crisis. The proposed prior actions are selective to avoid overwhelming the Government’s limited, and reduced, administrative resources during the crisis period. The prior actions are thoroughly grounded in recent analytical work (Annex 5). Moreover, Prior Action 8 supports legal reforms necessary for achieving the proposed IDA FY21 SDFP performance policy actions (PPAs).

36. The proposed operation builds on the WBG’s extensive and deep engagement in Togo and lessons learned from previous DPFs. The WBG’s experience in Togo demonstrated the critical importance of political commitment at the highest level, alignment on government priorities and selectivity in choice of reforms. In addition, it highlighted the need to support reforms with existing TA or other bank projects. To this end, the current operation incorporates the lessons learned by ensuring (i) that all prior actions and result indicators are well defined and were agreed to with the Government entities responsible for implementing the reforms; and (ii) complementarity with existing WBG’s projects



and TA. For instance, the selection of measures in the health and social protection sectors also reflects strong sectoral dialogue with the authorities through multiple complementary World Bank activities, including the Togo COVID-19 Emergency Response and System Preparedness Strengthening project (P173880) and World Bank TA under the Safety Nets and Basic Services Project (P157038). The selection of measures to support the agriculture sector and agricultural productivity, digitalization of services, and debt transparency have also benefited from strong sectoral dialogue. The agricultural measure leverages the accomplishments and inputs of the World Bank Agriculture Support Project (*Projet d'appui au secteur agricole, PASA, P159637*). The digitalization measure builds on the World Bank dialogue related to improving Togo's business climate and government institutions, as measured by the Doing Business and CPIA indicators. The World Bank DMF program is also available to support the debt transparency and management reforms by providing TA to the DDPF to build technical capacity and improve transparency.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1: Protecting Lives

Prior Action 1. To strengthen the coordinated health response to the COVID-19 outbreak, the Recipient, through Presidential Decree N. 2020/015/PR dated March 30, 2020, has (i) established a national committee for the coordination and the management of the COVID-19 response; (ii) initiated surveillance and contact tracing; and (iii) rolled out a laboratory diagnostics and case management system.

Prior Action 2. To improve the availability and access to COVID-19 treatment, the Recipient, through the Ministry of Public Health and Hygiene, has issued *Arrêté* N. 170/2020/MSHP/CAB/SG dated June 17, 2020 to all regional health directors to secure or designate facilities in each region as isolation centers as part of the preparedness and response activities.

Background and Rationale

37. Togo's health system faces many challenges in terms of coping with health emergencies, including those related to communicable diseases. On March 6, 2020, the Ministry of Public Health and Hygiene announced the first confirmed cases of COVID-19 in Lomé. The country has instituted an action plan to address the pandemic. The Government has reinforced measures to prevent the spread of COVID-19, including enforcing a curfew, revising working hours to allow workers to return home before the curfew and the suspension of all cultural and sporting events. All air travel has been suspended until further notice.

38. Surveillance of diseases with epidemic potential is a priority for the Government. It is carried out using the Integrated Disease and Response Surveillance (SIMR) approach proposed by the regional office of the World Health Organization (WHO-Afro). The goal of the SIMR is to improve health monitoring and response to diseases with high morbidity, mortality and disability in African countries. It is a strategy that involves community and health facilities at all levels. In Togo, community health workers are heavily involved at the peripheral level in the implementation of health interventions and early warning and awareness-raising campaigns.

39. To further strengthen its disease surveillance system and better control epidemics and epizootics in the country, Togo joined the REDISSE Project. REDISSE is an IDA-financed project supporting the countries of the Economic



Community of West African States (ECOWAS), which became effective in 2017. REDISSE has been very useful for the initial response to the COVID-19 epidemic. With the financial support of the REDISSE Project, Togo has obtained three medicalized ambulances, two mobile laboratories, thermoflash, thermal cameras, masks, personal protective equipment (PPE), and laboratory reagents, etc. In addition, a few treatment centers are being refurbished, and the REDISSE Project is supporting regions and health districts in disease surveillance, prevention and control.

40. If the COVID-19 virus continues to spread, it could have serious negative consequences. The number of confirmed COVID-19 cases is increasing rapidly, and the already overstretched healthcare system will not be able to cope with many more cases. Due to a lack of medical facilities, supplies, and access, patients infected with the virus might not be able to receive quality and timely treatment. At the same time, existing limited resources are shifting to the COVID-19 response, resulting in patients suffering from other diseases not being able to access the support they need. Early coordinated action by the Government and all relevant stakeholders is critical to slow the spread of COVID-19 in Togo and improve the preparedness of the health system to potential future crises.

Prior Actions and Expected Results

41. The Government has established a national committee to manage the COVID-19 response, developed a COVID-19 Emergency Preparedness and Response Plan (EPRP), and started to implement it (Prior Action 1). Led by the Ministry of Public Health and Hygiene, with inputs from the WHO, United Nations Children's Fund (UNICEF) and the World Bank, the EPRP aims at improving preparedness and response structures and mechanisms for early detection and effective management of the COVID-19 outbreak. EPRP measures include developing: (i) crisis management institutional capacity; (ii) diseases surveillance, by improving detection and reporting of cases; (iii) laboratory diagnostics capacity and supply across the country including for mobile laboratories; (iv) communication campaigns to raise awareness; (v) case management, with the renovation of 12 treatment centers equipped for COVID-19 patient management throughout the country free of charge; (vi) quarantine procedures and requisitioning of quarantine locations; and (vii) infection prevention, by training health workers in hygiene and infection prevention. These measures are being supported by the COVID-19 Emergency Response and Systems Preparedness Strengthening Project (P173880) and the regional REDISSE Project (P159040).

42. The Government has operationalized the health response plan and designated centers in each region of the country to isolate and treat the sick for use with epidemics like COVID-19 (Prior Action 2). These actions will increase the availability and access to COVID-19 related health services throughout the country. The sectoral committee led by the Ministry of Public Health and Hygiene is responsible for providing overall leadership for the pandemic response, establishing immediate priorities, overseeing response activities, and managing the budget. In addition, the institutional establishment of designated isolation and treatment centers in all regions will be used to support case management and containment activities. These centers will be used for the COVID-19 response and will be available in case of future epidemics.

43. The World Bank is supporting the COVID-19 response with two projects, consisting of about US\$17.1 million equivalent in financial support. One of these projects is the US\$8.1 million Togo COVID-19 Emergency Response and Systems Preparedness Strengthening Project (P173880) and the other one is US\$9 million for the regional REDISSE Project (P159040). These projects are providing financing and TA to support both the immediate COVID-19 response (risk communication and community engagement, surveillance, contact tracing and diagnostics, isolation, treatment and



case management) and activities to strengthen Togo's health system over the medium- and long-term.

44. The measures supported by this operation are expected to improve the coordination and efficiency of the COVID-19 health response and increase testing and treatment for all patients across the country. An expected result of the strengthening of the coordination of the health response and the implementation of the COVID-19 response plan will be the improved ability of the health care system to test and treat more COVID-19 patients. Thus, the number of cases tested for COVID-19 by designated testing sites is expected to rise from zero in 2019 to at least 1,000 per 100,000 persons (or over 1 percent of the population) in 2020. This compares to the following results obtained by Togo and other countries at the beginning of August 2020: 557 (Togo), 140 (Nigeria), 288 (Ethiopia; July 19th), 565 (Kenya), and 678 (Senegal). Also, the improvement in the availability of treatment centers is expected to increase the percentage of all confirmed COVID-19 cases managed in designated treatment centers from none in 2019 to 70 percent in 2020.

Pillar 2: Protecting Livelihoods

Prior Action 3. To support vulnerable populations in urban areas coping with the negative economic repercussions of the COVID-19 crisis, the Recipient has issued Presidential Decree N. 2020-037/PR dated May 18, 2020 approving a Temporary Emergency Cash Transfer Program (TECTP), and launched the TECTP to extend the coverage of the safety net program to registered individuals in areas covered by the health state of emergency measures for a period of three months.

Background and Rationale

45. In addition to the direct health impact, the COVID-19 pandemic is affecting household welfare via reduced labor income and loss of livelihoods. This is a result of the health state of emergency measures and the economic crisis, which have reduced earnings or led to unemployment and higher consumption prices for food and health care. It is anticipated that those working in the services sectors (hotels, restaurants, bars, barber shops, transport, etc.), including bus, taxi and motorbike taxi drivers, would be hit directly. Indirect secondary effects on other sectors stem from decreased demand from lower incomes and job losses in parts of the population.

46. While the impacts are felt across the board, continuing operations is likely to be particularly challenging for micro, small, and medium enterprises, which have fewer effective instruments at their disposal to manage shocks. For similar reasons, non-wage workers and wage workers in temporary contracts or in the informal sector, are also likely to be disproportionately affected. Even when the health crisis recedes and measures that restrict work and mobility ease, some sectors and segments of the population may face a longer route to recovery than others. The most affected populations include (i) informal workers in micro and small firms and daily wage workers, such as motorbike taxi drivers and persons who make a living by selling in markets or at traffic lights, who lose their jobs or face decreasing earnings; and (ii) small or family business owners that are forced to close or partially close their businesses.

47. Social safety nets in Togo currently cover mostly rural areas, leaving urban areas in need of mechanisms to quickly deliver social assistance to individuals and households. With World Bank support, the Government has successfully piloted since 2014 the implementation of key building blocks of a social safety net system, including cash transfers, cash-for-work or labor-intensive public works programs, and school feeding programs. These social protection measures have been implemented mainly in rural areas, targeting the most vulnerable in lagging regions of the country. To date, the school feeding program covers 315 schools and nearly 92,000 children. Fifty-seven thousand of the poorest households (around 257 thousand individuals) are receiving cash transfers through the Safety Nets and Basic Services



Project (P157038), and around 10,000 vulnerable youth have been targeted to participate in the IDA-financed cash-for-work and public works programs under the Employment Opportunities for Vulnerable Youth Project (P157036). All three programs are well established, with the school feeding program now fully financed by the Government, and the cash transfer program co-financed by the World Bank and the Government. However, a coverage gap remains in urban areas, where individuals and households are less likely to be covered by any kind of social assistance program. Of the approximately 64,000 cash-for-work beneficiaries in the country, only 9,000 are in urban areas.

Prior Actions and Expected Results

48. The Government has launched a new TECTP, NOVISSI (Prior Action 3). This program targets informal workers who have lost their livelihood and whose income are disrupted because of the health state of emergency measures implemented by the Government in response to the COVID-19 crisis. The program is expected to last for as long as the health state of emergency is in place. The NOVISSI program benefits adult informal workers whose work activities have been negatively affected by the containment measures in place in specific areas (namely in Greater Lomé, Agoè, and Tchaoudjo prefecture). It focuses on specific professions such as street vendors, motorcycle taxi drivers, and artisans. Temporary cash transfers serve as a partial substitution for lost income. Moreover, women receive a higher transfer than men. Eligible women receive CFAF 12,250 (US\$20.4; 35 percent of the minimum income) per month, while eligible men receive CFA 10,500 (US\$17.5; 30 percent of the minimum wage), paid in installments every two weeks. Women receive more because studies have shown that they spend more on supporting the household and children than men. According to the most recent data available, 65 percent of the NOVISSI program beneficiaries are women.

49. To disburse funds swiftly and accurately, the program operates digitally through a mobile registration system using quick codes (unstructured supplementary service data, USSD). Government to Person (G2P) transfers are provided through mobile money accounts, developed in coordination with telecom operators. The NOVISSI system enables applicants to self-register and then verifies beneficiary eligibility by confirming their identity against the voter registry and checking that their profession and location are among the targeted professions and locations. Togo was able to set up the new program as a short-term response to the crisis in just 10 days in part by utilizing data on location and occupation in the voter registry. The voter registry includes approximately 3.6 million individuals (out of a total population of about 8 million) compared to the national identity database with just 1.2 million individuals.

50. This measure also supports the closing of a gender gap in access to financial services. Despite progress in financial inclusion in recent years, a gender gap in mobile money accounts has remained persistent and even widened. For example, in 2017, 27.9 percent of men had a mobile money account, while only 19.6 percent of women did. By providing cash transfers via mobile money accounts, the NOVISSI program is encouraging those individuals – both women and men – who could benefit from the program but did not have mobile money accounts to create one. And, as NOVISSI provides a higher cash transfer to women, women and households have an even greater incentive to create mobile money accounts for the women of the household. Everyone in the household, including the men, benefits from the women’s participating in the program and the higher cash transfer, and the woman’s status within the household is strengthened.

51. With TA through the West African Unique Identification for Regional Integration and Inclusion (WURI) Phase II Project (P169594), the Government will ensure that future programs are fully inclusive by building shock-responsive social information systems. These systems will include a unified social registry informed by administrative and geospatial data and underpinned by a foundational unique identification platform. Through its TA, the WURI Project will support high-frequency household surveys to assess the effectiveness of the NOVISSI program, the accuracy of targeting,



and other program improvements, such as the effectiveness of the delivery mechanism (digital payment). TA will also support: (i) a program process evaluation, which will also document lessons learned to improve the program going forward; (ii) improvement of real time program reporting through an enhanced online dashboard; and (iii) the financial audit of the program.

52. With the development and the operation of the NOVISSI program, the Government has established the key building blocks for the establishment of an urban safety nets system. With the NOVISSI program, a delivery system to channel social benefits to those in need in urban areas has been developed. Indeed, with the program, the Government was able to successfully establish the following in a very short amount of time: (i) an outreach mechanism to inform the targeted population about the program; (ii) an intake and registration system; (iii) a mechanism for rapid assessment of needs and conditions; (iv) criteria for the determination of eligibility and making enrollment decisions; (v) a method to ascertain benefit levels; (vi) a system to notify beneficiaries of their eligibility and onboarding; and finally (vii) the delivery of benefits in a timely and predictable manner. Besides that, the Government also developed a grievance and redress mechanism through the establishment of a toll-free number available for the population to file complaints. Finally, through the TA of the WURI Project, the Government has (i) hired a firm to conduct a process evaluation of the program; (ii) hired an accountant and an external auditor to ensure proper program accountability through daily reconciliation of accounts with the Ministry of Economy and Finance (MEF); and (iii) hired additional staff to operate the program. In parallel, the Government is also working with scholars to assess its targeting methodology through high-frequency household surveys and the use of call details records and remote sensing data.

53. This measure is expected to provide temporary emergency cash-transfers to 500,000 individuals negatively impacted by the COVID-19 pandemic and currently not covered by any safety net. At least 50 percent of beneficiaries will be women. The temporary cash-transfer will help mitigate the impact on poverty of those who have lost income and stabilize their purchasing power, which will help to increase aggregate demand in an economy. By including a special targeting of women, who receive more money, it is expected that the program will contribute to improving the welfare for the entire household of which women are members. In addition, the share of women having a mobile money account is expected to increase from 19.6 percent in 2017 to 23 percent in 2021, thus narrowing the gender gap from 8.3 percentage points in 2017 to below that figure in 2021.

Prior Action 4. To support vulnerable populations in rural areas, the Recipient has (i) issued Arrêté No.004/20/MDBAJ dated June 16, 2020 to extend safety nets temporarily for a period six months in rural areas through the ongoing Safety Nets and Basic Services Project cash transfer program; and (ii) issued Arrêté No.005/20/MDBAJ dated June 16, 2020 to make payments digitally via mobile money.

Background and Rationale

54. Households in rural areas have also been negatively affected by the socioeconomic impacts of COVID-19. Implementing adequate social protection measures in response to COVID-19 is critical to saving both lives and livelihoods. Ensuring that these measures reach rural populations will be key to avoiding further spread of poverty and hunger. Vulnerable rural populations, in particular (i) women; (ii) children; (iii) rural subsistence and smallholder farmers; and (iv) other vulnerable rural populations will be significantly harmed by the direct and indirect economic impacts of COVID-19, leading to an increase in poverty. Rural farmers are least equipped to cope with the impact of the general economic contraction and increased input prices. Children from poor households will be strongly handicapped by the suspension of the school feeding programs. Poor and vulnerable households will suffer from the deferral of Government



programs, such as public works programs, and from overall rising food prices and loss of income.

55. Social protection can support income protection and relief for those impacted and assist them to bounce back from economic and health-related shocks. With the objective to increase income and consumption of targeted households and thus increase their ability to cope with shocks, the Government launched in 2019 a national cash transfer program in 685 of the poorest communities / villages of the country, most of which are in rural areas. However, the current coverage is well below needs. The program covered 52,000 households at end-2019, about 8 percent of poor households and 22 percent of extremely poor households. Beneficiary households are selected through proxy means testing (PMT) using a poverty-targeting database. With this system already in place, an expansion of cash transfers can be implemented using already existing channels of information and disbursement. As the pandemic is creating a class of ‘newly poor’ that have lost or could lose their basic source of income, the cash-transfers through the Government’s emergency program can be delivered in an efficient and effective way using an established delivery system, while expanding it temporarily to those identified as newly poor.

Prior Actions and Expected Results

56. The Ministry of Grassroots Development, Handicraft and Youth (MDBAJ), which implements the cash transfer program, through the National Agency for Grassroots Development Support (ANADEB), has extended the existing national cash transfer program to all households registered during the PMT survey in 2019 (Prior Action 4). The total number of households covered by the survey was approximately 90,000 including those eligible for the ongoing national cash transfer program. By deciding to extend benefits on a temporary basis to all 90,000 households, the Ministry will enact a horizontal expansion of the program to cover a greater number of households in need of support. Since the 685 villages covered by the survey are among the poorest in the country, inclusion errors should be minimal. In addition, to limit person-to-person contact, the payment of benefits will be delivered via mobile money. Following the example of the NOVISSI program, the Ministry will make use of the facilities offered by the BCEAO to ease access to mobile money during the COVID-19 pandemic. This program expansion also comes when the cash transfer program is transitioning to a fully digital payment system, which will ensure the delivery of benefits to targeted households in a timely, transparent and secure manner, and in full compliance with social distancing measures required to limit the spread of COVID-19 pandemic. The new infrastructure and the intake of vulnerable populations will also help to lay the foundation for a reliable system of providing cash transfers that will be responsive to future shocks.

57. The horizontal expansion of the cash transfer program to additional beneficiaries in rural areas is fully funded through Government own resources. The Government has made available additional resources to the ANADEB through the MDBAJ. This represents an additional commitment to the co-financing of the cash transfer program through IDA and government resources. With this expansion, the Government is more than doubling the number of beneficiaries of cash transfer program in rural areas, with its own resources. This represents a significant development on the social protection agenda in Togo as coverage of safety nets will more than double. Moreover, the development of a fully digital delivery mechanism at the ANADEB is a boost to the safety nets delivery system in the country.

58. The Safety Nets and Basic Services Project (P157038) will continue to support MDBAJ as it further develops and expands the rural cash transfer program. Specifically, the project will provide TA to support the development of a mobile payment module for the cash transfer management information system and an electronic grievance and redress mechanism. It will also subsidize the purchase of mobile phones for beneficiaries and support the communications campaign for new beneficiaries and for the grievance and redress mechanism. The project will also help establish additional capacities to manage the toll-free number that allows program beneficiaries to file complaints, which the



Government can quickly rectify.

59. This prior action is expected to increase the number of cash transfer beneficiaries by 38,000, from 52,000 at end-2019 to 90,000 households, thus temporarily broadening the coverage of safety nets in rural areas. The benefit level will be set at CFAF 5,000 per household per month, aligned with the benefit level of the national cash transfer program. This corresponds to approximately 20 percent of consumption of a household at the poverty line in rural areas. This temporary cash transfer will be paid for a period of six months, starting in July 2020. The program is expected to benefit mostly women as more than 95 percent of recipients of the ongoing cash transfer program are women.

Prior Action 5. To protect poor households affected by the crisis, the Recipient, has issued Decree N. 2020/038/PR dated May 18, 2020 and Decree N. 2020/039/PR dated May 18, 2020 requiring: (i) the Togo Water Utility (*Société Togolaise des Eaux*, TdE) and the Togo Electric Power Company (*Compagnie Energie Electrique du Togo*, CEET) to provide free water and electricity for the most vulnerable households during the period of the State of Health Emergency; and (ii) the Recipient to bear the related costs through the budget.

Background and Rationale

60. Water and electricity are basic needs. Access to safe water is especially important during infectious disease outbreaks, such as COVID-19. Hand washing is universally recognized as a frontline mitigation action, and safe water is an essential factor for disease prevention and the protection of human health. Disruptions to water service could have disastrous public health consequences, undermining other efforts to address the current outbreak and possibly lead to secondary impacts and the spread of water-borne diseases, such as cholera. Access to electricity is also essential, especially for the refrigeration of medicine and the operation of medical equipment, as an input to pumping and refrigeration that are essential for food security, as an input to digital services and livelihoods, and to facilitate continued learning by the young during the lockdown period.

61. Measures designed to maintain water and electricity services for the poorest must also consider the costs of these measures to the water and electricity utilities. To support vulnerable communities, the Government has essentially implemented payment holidays to ensure that basic services are maintained during the crisis. However, as both the water and electricity utilities, the TdE and the CEET are in financial distress, it is important that this measure not further weaken their financial viability, as this would further deteriorate the quality of service. In addition, because of the lockdown measures, it is expected that both utilities will have lower demand and thus lower revenues. Thus, it is important to ensure that any measures to support the vulnerable with water and electricity provisioning are temporary and can be timely phased out without compromising payment discipline and without becoming an unsustainable fiscal burden to the utilities.

Prior Actions and Expected Results

62. The Government has approved a waiver of water and electricity fees for vulnerable household for at least three months during the health state of emergency to be financed through the state budget (Prior Action 5). For the water sector, this includes households connected to TdE's network and water obtained from public standposts (*bornes fontaines*). For the energy sector, the program covers the first 40 kWh of electricity consumption, considered the basic lifeline level of electricity consumption. As such, it aims to meet the needs of vulnerable households, who, by definition, consume 40 kWh or less of electricity per month, while 25 percent of the poor make use of the electricity network. This



translates into a financial subsidy to vulnerable households of up CFAF 4,760 (US\$8.15) per month. Moreover, the costs of the waiver are to be financed from the revised 2020 budget, thus ensuring that the public utilities are not forced to bear the costs from the Government's policies to support the vulnerable during the COVID-19 crisis.

63. The water measure constitutes an emergency temporary measure aimed at ensuring service continuity of a key service in the fight against COVID-19 as well as for the overall well-being of vulnerable households. The Government elected for a measure targeting the social tranche to primarily benefit poor and vulnerable households collecting water at public standposts (*bornes fontaines*) and those with private connections but with moderate water consumption (below 10 m³ at the normal tariff of XOF 190/m³).³ In addition, World Bank policy and technical discussions to inform the Government's strategy to reach Sustainable Development Goal (SDG) 6 include recommendations now being considered as part of the Government's post-COVID recovery strategy, notably to improve the technical and financial performance of TdE.

64. The energy measure is a transitory subsidy regime expected to be phased out, while protecting the most vulnerable, as soon as the post-pandemic situation makes it feasible to reinstate payment discipline. As part of the Government's post-COVID-19 strategy, these transitory arrangements will be phased out and electricity tariffs will be rebalanced. A tariff study supported by the World Bank-funded Togo Energy Sector Support and Investment Project (TESSIP, P160377) and the second operation of the Fiscal Management and Energy Reform DPF series (P174376) will help determine the tariff structure and the level of social tariff to be implemented. These will be consistent with the long-term goals to strengthen the energy utility's operational performance and financial viability.

65. This measure is expected to provide temporary relief to 100,000 vulnerable households with their electricity consumption bills. The number of concerned households was obtained from a statistical analysis conducted by CEET using the electricity consumption cap of 40 kWh as the selection criteria. Close to 1.5 million people could also benefit from measures to ensure water provisioning at public standposts. .

Pillar 3: Protecting the Future

Prior Action 6. To guarantee access to agricultural inputs for the 2020-2021 agricultural campaign, the Recipient has (i) enrolled additional households in the YOLIM transfer platform; and (ii) established a digital platform for the provisioning of inputs and advisory services.

Background and Rationale

66. The agricultural sector has also suffered because of COVID-19. The import and export of inputs and agri-food products have been disrupted, which led in April to an increase in food prices by 4.6 percent (y-o-y) and by 3.3 percent (m-o-m) compared to March. Consequently, the Government released part of its food reserves to counteract the price increases and safeguard food security. However, this measure is not sufficient to cushion the impact of the crisis on the

³ While some vulnerable households may share a connection, the number of shared connections is limited for two reasons. First, TdE connections are limited and primarily located in Lomé (about 66,500 households) compared to 1.46 million people collecting water and benefiting from the measure at public standposts (*bornes fontaines*). Second, for those few vulnerable households who collect water from a second party (i.e. not on premise, from a public standpost, or from surface water), a substantial share does so from neighbors having their own private well – which is outside the purview of the water utility; nevertheless, these households would also benefit from the temporary water subsidy at public standposts, with water of superior quality than those from private wells.



availability of agricultural products as difficult-to-access agricultural inputs and labor mobility restrictions could have a negative impact on the current cropping season. This is compounded by the low mechanization of farming activities due to limited access to tractors and other farm equipment because of their high purchase and maintenance costs.

67. The agro-processing subsector has also been negatively impacted by the crisis. The agro-processing sector is running the risk of not having enough raw materials to feed the established factories, if production of needed commodities were to drop drastically. Limited access to finance is a key constraint in increasing agricultural production and the current crisis has worsened the situation because of the uncertainty regarding market prospects and how the pandemic will likely evolve. Considering this situation, the Government took adequate measures to foster agricultural production and prevent a food crisis in the country, while ensuring the provision of raw materials to maintain the processing capacities of agrobusiness SMEs.

68. Moreover, Togo is vulnerable to climate change, which could affect the agriculture sector through lower and volatile productivity. The country faces several environmental challenges because of increasing population pressures, poverty, and a mismatch between the rate at which resources are consumed and renewed. The most visible impact of climate change includes the decline of forest cover; the rise of the sea level, floods, and the salinization of wells; changing temperature patterns and irregular rainy seasons. Changing climate conditions also brings new pests, pathogens, and weed problems. These manifestations of climate change could significantly affect the agricultural sector through lower and volatile productivity, leading to increased food prices and insecurity, poverty, and mass migration to cities.

Prior Actions and Expected Results

69. The Government has adopted an agriculture response plan to ensure food security, increase the income of farmers, support growth and strengthen the sector. Plan measures include: (i) support for increased access to seeds (including climate-resilient seeds for maize and rice), fertilizers, and agricultural equipment; (ii) the establishment of a digital platform to facilitate the availability, mobility, and better management of the labor force in the sector; (iii) the establishment of a digital platform for the provisioning of mechanical equipment services; and (iv) the establishment of a digital platform for online training and agriculture advisory services, which will also continue to include good agricultural practices within the framework of climate smart agriculture (*Prior Action 6*).

70. The plan supports increased access to seeds, fertilizers and agricultural equipment. The measure will allow the enrollment of an additional 250,000 households in the newly established transfer platform that provides a “non-cashable” zero-interest credit to a maximum of CFAF 97,000 (US\$170) to eligible producers through an electronic wallet, to purchase key agricultural inputs (fertilizers, seeds, and phytosanitary products) covering up to one hectare of maize, rice, soybeans or cotton production. This temporary measure is meant to mitigate credit constraints faced by farmers in launching farming activities at the beginning of the cropping season and stimulate agriculture production. The platform was established with the support of the Ministry of Digital Economy and two GSM companies operating in Togo and is named YOLIM (which means harvest in the Kabye language). Over the medium-term, the gradual phasing out of agricultural subsidies is a key Governmental priority. Institutions and financial instruments (guarantees and risk sharing mechanisms, including agricultural insurance) are being established to ease access to credit for producers. The Government plans over the medium-term to reduce the level of subsidies significantly while limiting the use of subsidies to highly vulnerable groups under exceptional circumstances.

71. The plan also aims at facilitating labor mobility and improving the management of the labor force. As the labor mobility restrictions taken by the Government to prevent the rapid spread of the pandemic has negatively affected the



availability and provision of farm labor in many regions of the country. To mitigate this, the Ministry of Agriculture has set up a platform for agricultural labor hiring service operated with the support of workforce placement companies to facilitate the availability, mobility, and better management of the labor force in the sector, and through the issuance of a “laissez passer” travel document for hired workers.

72. The establishment of digital platforms for online training, agricultural advisory services, and the provision of mechanization-related farming services is a key dimension of the Government’s response plan. The measure will support e-extension services as an alternative form of dissemination of technologies and knowledge. This is required in the post COVID-19 environment as extension services agents are no longer able to conduct the usual face-to-face trainings with farmers and rural communities, because of restrictions imposed on meetings and gatherings of people. In addition, online training and advisory services would help to increase COVID-19 awareness and the spread of information about ways farmers and rural dwellers could protect themselves. Moreover, given low internet penetration in rural areas, e-extension services make use of both internet and mobile phones (SMS instant messages) to deliver advisory and training to producers. The country’s mobile penetration rate is above 82 percent. By establishing a digital platform through which private service providers could deliver these services to producers at a reasonable cost, timely land preparation for farming activities and labor productivity should increase.

73. In addition, through the implementation of the agriculture response plan, this DPF supports the use of climate-resilient seeds and the provisioning of advisory services within the framework of climate smart agriculture. Following fields trials, maize and rice climate resilient seeds (drought-resistant and flood-adapted) have been identified and are being promoted under the agriculture response plan to address the risks of increasingly erratic rainfalls and floods. Also, through the established digital platform for online training and agriculture advisory services, farmers will receive training on climate friendly agriculture practices to address specific climate risks like erratic rainfall, drought, water scarcity, floods, and soil erosion. These include (i) the use of agrometeorological data for early or late sowing, depending on the region; (ii) efficient use of water resource for agricultural production; (iii) integrated soil fertility management and erosion control; (iv) adequate use of crop rotation and intercropping; and (v) integrated pest and pathogens management. These training materials were developed with the support of the World Bank Agriculture Support Project (*Projet d'appui au secteur agricole, PASA, P159637*).

74. The measures described above are expected to increase the availability of agricultural inputs and the level of climate-adapted agriculture, enhance agricultural productivity, and raise farmers’ incomes. As a medium-term result, these measures are expected to increase the number of households receiving seeds and fertilizers from 250,000 in 2019 to 500,000 in 2020.

Prior Action 7. To support business continuity in time of crisis through digitalization of services, the Recipient has: (i) made mandatory the on-line payment of taxes by large and medium firms, through the revised 2019 Finance Law dated November 15, 2019; and (ii) enacted the Protection of Personal Data law dated October 29, 2019.

Background and Rationale

75. In the area of paying taxes, Togolese companies have been suffering from many in-person interactions at the Togo Revenue Authority (*Office Togolais des Recettes, OTR*) over the past years. According to the Doing Business 2020 report, a Togolese company had to comply with 49 payments per year, while the average in Sub-Saharan Africa was only



about 36 payments per year. To simplify tax procedures, OTR started a process of digitizing tax administration including the online filling and payment of taxes. The first step in 2018 was to establish an e-service platform to allow for the online filling of taxes by medium and large enterprises. Next, in November 2018, the electronic filling of taxes was made mandatory. Furthermore, to secure revenue collection, the e-service platform at the OTR was interconnected with payment platforms of selected banks, including EcoBank, UTB, and BTCl.

76. Electronic filing and electronic payment of taxes would have various benefits. It would reduce the number of interactions for firms and make the tax preparation process easier, including the ability to file a tax return from the office at a convenient time and the ability to prepopulate tax returns. It would increase efficiency, reduce physical interactions between tax officials and taxpayers, and eliminate the physical exchange of cash.

77. In addition, with more organizations embracing digital transformation and accelerating their pace to digitize every piece of information, individuals, institutions and businesses become increasingly vulnerable to sophisticated cyber-attacks and data breaches. In Togo, there is an increasing number of businesses now using sensitive data on digitally transformative technologies like cloud, virtualization, big data, IoT, etc. that further increases their exposure to data breaches. Hence, safeguarding sensitive data within these new technology environments becomes a priority to improve trust of consumers in digital services delivered by providers.

Prior Actions and Expected Results

78. The Revised 2019 Financial Law dated November 15, 2019 makes mandatory the electronic filing and payment of taxes by large and medium firms (Prior Action 7). In parallel, the OTR has developed and launched a platform for electronic filing covering several taxes, such as the Value Added Tax, the Corporate Income Tax and other small taxes (<https://e-services.otr.tg>). Electronic payment has also been made possible thanks to the participation of major banks, such as EcoBank, UTB, BTCl, *Banque Atlantique* (Atlantic Bank), Orabank, and mobile payment with Flooz and T-money. OTR conducted several communication campaigns and provided assistance for first time users to ensure a smooth transition from paper filing to electronic filing. The decision of making mandatory the online payment of taxes is a critical step in the tax administration reform agenda because it (i) complements the online-filing reform completed in 2018; (ii) further enhances the digitization of services; and (iii) helps secure Government revenues by reducing the likelihood of corruption and increasing tax compliance as the procedures are automated and simplified.

79. The Personal Data Protection Act Law was adopted in October 2019. It fills the legal void found at the institutional, corporate and individual levels in service provision to Togolese citizens. In addition, it also defines the concept of personal data and establishes the creation of a national authority for the protection of personal data (Personal Data Protection Authority). The Law regulates collection, transmission, storage, use and protection of personal data. It ensures that any processing of personal data, in any form, does not violate freedoms and the fundamental rights of people.

80. The IDA-EU Economic Governance Project (EGP; P158078) is supporting these reforms through TA to strengthen the institutional framework for tax policy. This project continues to help build capacity at the OTR and finance the implementation of an electronic system of taxpayer filing and documentation. The EGP is also implementing a survey of taxpayer services and support archiving of taxpayer files.

81. Electronic filing and payment of taxes is expected to reduce the number of interactions between tax users and the tax authority from 49 in 2019 to 35 or lower in 2021. Moreover, electronic services facilitate a transparent and efficient platform for interactions between taxpayers and tax authorities. They benefit taxpayers by reducing the



number of interactions and avoid errors by enabling automated verification of transactions. They also lower the vulnerability of public services to political interference. Economies with fewer tax payments have a lower perceived level of public sector corruption. These systems also benefit the tax authorities by lowering operational costs, such as those associated with the processing and handling of paper tax returns, allowing human and financial resources to be reallocated to efforts that improve services to taxpayers. The Personal Data Protection Act Law will further protect individuals and businesses from potential data breach and reinforce trust and confidence in digital transactions including digital financial services and payments.

Prior Action 8. To improve debt transparency and management, the Recipient has issued an *arrêté* No. 090/MEF/SG dated April 7, 2020 requiring: (i) the General Directorate of Finance and Budget to publish on the Government's website on an annual basis a fiscal risk statement; and (ii) the Directorate of Public Debt and Financing to publish on the Government's website on an annual basis an Annual Debt Report with an evaluation of the implementation of the Medium Term Debt Management Strategy (MTDS) for that year.

Background and Rationale

82. The Government continues to improve debt transparency, which is key to support flexible and sustainable borrowing. In the COVID-19 environment, the authorities are committed to prioritizing concessional external financing and will seek to return swiftly to the pre-crisis fiscal consolidation path started in 2017. Over the last years, the DDPF has continued to strengthen its debt management capacity. A new MTDS for 2020-2024 was published in March 2020. It provides information on the target debt portfolio by currency, interest rate, maturity and instruments, as well as an analysis of portfolio risk, refinancing risk, market risk, and exchange rate risk. Since 2018, the Government has also published a Debt Statistical Bulletin on a bi-annual basis.

83. Debt management and transparency could be further improved by adjusting fiscal and debt assumptions to the COVID-19 shock while mitigating potential fiscal risks. The COVID-19 pandemic is adversely impacting public finances through higher spending and lower revenues and could affect the financial viability of some state-owned enterprises (SOEs). In that context, contingent liabilities could turn into actual liabilities, generating a substantial risk to the Government's budget. It is critical therefore that the country develop and publish a fiscal risks statement

Prior Action and Expected Results

84. The Government has issued an *arrêté* requiring the publication of a fiscal risk statement and an Annual Debt Report with an evaluation of the implementation of the MTDS (Prior Action 8). Both reports will be produced on an annual basis going forward. These measures support further improvement in debt transparency by making the authorities explicitly accountable for their debt management decision and anticipate the impact of the potential realization of a portion of its contingent liabilities. These reforms to the legal framework will also support the completion of the three proposed FY21 PPAs as part of the IDA SDFP.

85. The World Bank DMF program is available to support these reforms by providing TA to the DDPF to build technical capacity and improve transparency. The DMF program is ready to support the DDPF in: (i) updating the MTDS and (ii) producing the fiscal risk assessment.

86. The debt measures supported by this DPF are expected to enhance overall debt management. Specifically, they



are expected to incentivize the authorities to adhere to the strategy communicated to investors and stakeholders, as measured by the deviation of the realized external-to-domestic debt composition from the target external-to-domestic debt composition published in the MTDS. This deviation should not be greater than 10 percent in 2021.

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

87. This proposed operation is aligned with the WBG COVID-19 Response Approach Paper *Saving Lives, Scaling-up Impact and Getting Back on Track*. The first pillar focuses on saving lives with immediate health measures that can help contain the pandemic through a strong institutional coordination of the response and enhanced availability and access to COVID-19 treatment. The second pillar aims to mitigate the impact of the pandemic on livelihoods by implementing a new cash transfer program in urban areas, extending the existing rural area social safety net program and alleviating the burden of electricity and water bills for the poorest. The third pillar supports the post-COVID-19 transition and the strengthening of the resilience for future pandemics by improving farmers' access to agricultural inputs, enhancing the digitalization of services, and strengthening debt transparency.

88. The key areas of support under the DPF are consistent with the key pillars of the Togo CPF FY17-FY20 (Report number 112965-TG) discussed by the Board of Executive Directors on May 16, 2017. They are also consistent with the adjustments to the CPF proposed in the 2019 Performance and Learning Review (Report number 139734-TG) and with the Togo Country Program Adjustment Responding to COVID-19. Policy reforms related to health and social protection in this operation contribute to the CPF Focus Area II on Inclusive Public Service Delivery, notably by supporting the strengthening of social safety nets for the most vulnerable and improved health services. Also, measures to enhance digitalization of services and improve debt transparency are directly linked to the CPF Focus Area 1 on Private Sector Performance and Job Creation.

89. The reform agenda supported by this operation builds upon several World Bank investment and TA projects underpinned by the World Bank's approach to respond to COVID-19 and the FY17-FY20 CPF. These include the Togo COVID-19 Emergency Response and System Preparedness Strengthening Project (P173880) and the REDISSE Project (P159040) for Pillar 1 and the Safety Nets and Basic Services Project (P157038) for Pillar 2. Measures related to digitalization and debt transparency for Pillar 3 benefit from the regular macroeconomic and debt dialogue provided by the World Bank and are supported by the Togo Economic Governance Project (EGP, P158078).

90. This operation is part of a broader reorientation of the WBG engagement to support Togo in its COVID-19 response. While options for the re-allocation / cancellation within the existing portfolio are limited,⁴ the IDA19 program planned under the recent PLR will be adjusted by delaying some operations.

- *To save lives*, the World Bank has provided US\$16 million in health financing, combining two sources: US\$8 million from the REDISSE Project (P159040), which is already financing the emergency response, augmented by a US\$8 million MPA operation with the COVID-19 Fast-Track Facility (P173880).
- *To protect the poor and vulnerable*, TA is being provided to improve the NOVISSI platform and transform it into a modern G2P payment system and by the ongoing Urban Development and Infrastructure Project (P161772), which supports COVID-affected areas for water, sanitation and hygiene (WASH) investments. Planned projects for FY21-F22 include Essential Health Services for Universal Coverage (P174266, FY21);

⁴ Only US\$95.4 million national IDA remains undisbursed given implementation progress (with a high disbursement ratio of 37.4 percent as of end-June).



a COVID-19 Education Response Project (P174166, Global Partnership for Education (GPE), FY20) to ensure learning continuity; Improving Quality and Equity of Basic Education (IDA+GPE,P172674, FY22); and a new Social Safety Net Project (FY22), which will expand the current Safety Nets and Basic Services Project (P157038) into a national program. World Bank Performance-based financing options will also be explored.

- To *save livelihoods, preserve jobs, and ensure more sustainable business growth and job creation*, the ongoing Employment Opportunities for Vulnerable Youth Project (P158036) will continue to provide jobs for the most vulnerable. The DPF series and Emergency DPF will support reforms aimed at laying the foundations for economic recovery and improving the business environment. The Regional West Africa Food System Resilience Program (P172769, FY21) will support the Agriculture sector, and a potential energy access program to be funded from a SUF could also be considered. International Finance Corporation (IFC) is adding new activities to its existing program by: (i) supporting digital financial services development to assist rural agent mobile money networks, implementing agricultural value chain digitization, and rolling out new digital channels with local banks; (ii) working on a facility with local banks and aggregators to finance small agriculture producers affected by COVID-19; (iii) exploring risk sharing facilities and the establishment of an SME guarantee fund; and (iv) providing TA to the Government to address microfinance institutions' needs and build resilience.
- To *strengthen policies, institutions, and investment for resilient, inclusive, and sustainable growth*, the ongoing Economic Governance Project (P158078) is being restructured to focus on sustaining the continuity of government services. Moreover, cross cutting themes of governance and institutional capacity building will be included in all sectoral operations, and DPFs will support related system-wide reforms.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

91. The policy and institutional reforms supported under this DPF program reflect extensive consultations between the Government and its stakeholders. These include meetings with the chamber of commerce, employers' associations, trade unions, and development partners, during which protection of vulnerable households and firms and support to the agriculture sector were highlighted. A strong emphasis was also put on the need to strengthen the alignment of donor support with Government priorities and initiate reforms to accelerate economic recovery. Consequently, Pillars 2 and Pillar 3 of the current operation support reforms to protect the most vulnerable households and improve agriculture productivity.

92. The policy program also reflects formal consultations between World Bank staff and Government officials. The design of the program supported by this DPF is the product of an extensive consultative process involving government officials in May and June 2020. It also builds on the Government's response plan, which benefited from input from the chamber of commerce, employers' associations, and development partners.

93. The World Bank maintains close collaboration and coordination with other development partners in supporting the Government's response to the crisis. The World Bank has maintained close coordination with in-country development partners, including the IMF, the WHO, the United Nation Development Program (UNDP), and the EU. The World Bank team has closely coordinated with the IMF, especially on the macroeconomic policy framework, the assessment of the impact of COVID-19 on the economy, and the estimation of the additional financing need. The World Bank holds regular discussions with the EU and the AfDB to ensure the complementarity of the reforms supported by our respective programs. The UNDP is supporting the Government in assessing the impact of the crisis on its various dimensions and to strengthen the modelling and forecasting capacities of the General Directorate of Economic Studies



and Analyses.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

94. While the COVID-19 outbreak is likely to worsen poverty and social conditions in Togo, policy actions supported under the proposed operation are expected to mitigate some of the impact on the poor and vulnerable. The COVID-19 crisis is likely to have long-lasting economic and social impacts given the direct and indirect effects of the disease on public health and household income. The direct income losses arise from social distancing and economic lockdown, increased out of pocket expenditures and loss of earning directly linked to illness. Indirect impacts of the crisis on the households include a loss of labor income due to the decline of economic activities in sectors directly affected by the COVID-19 pandemic such as air transport, tourism and related sectors, but also on informal sectors. These impacts are expected to be especially severe for poor and vulnerable households. Measures that strengthen Togo's crisis response, including the provision of the necessary health and emergency services based on enhanced surveillance and contact tracing, the strengthening of diagnostic capacities and the improvement of the availability and access to COVID-19 would help curb the spread of the outbreak, and lower disease transmission among the most vulnerable. Furthermore, actions aimed at protecting the most vulnerable segments of the population will have positive effects on well-being, especially for those at the bottom of the income distribution. Actions that help the economic recovery, including through support to farmers, enhanced digitalization of services and sound debt management and transparency will help protect jobs and livelihoods, maintain consumption of the poorest households (through the new NOVISSI cash transfer program) and speed up the recovery from the impact of COVID-19 over the medium term.

95. Prior Actions 1 and 2 under Pillar 1, which support the establishment of a national committee for the coordination of the COVID-19 health response and the strengthening of access to COVID-19 testing and treatment are likely to have positive effects on the welfare of households. Reforms under Prior Action 1 will help contain widespread contagion and increase the Government's preparedness in terms of health services and emergency response. This will help reduce the adverse effects of illness on the income of the poor. In addition, reforms under Prior Action 2, which ensures the availability and access to COVID-19-related diagnostic and treatment, will provide relief and incentives for those feeling sick to seek treatment. This is expected to have positive direct health effects not only for the individual but also for society in general as it allows early detection and containment. It will also translate into higher productivity and income.

96. Prior Actions under Pillar 2 which seek to protect livelihoods by strengthening social safety nets and securing access to water and electricity for the poorest are expected to have significant direct positive effects on the well-being of the poor and the most vulnerable. Prior Action 3 will provide extra revenue to all NOVISSI beneficiaries, thereby allowing them to mitigate the crisis impact. This direct additional income support will enable several thousand poor households to mitigate the shock from the reduction in other sources of income and support household preparedness going forward. Prior Action 4 extends the safety net coverage in rural areas, where the poverty rate is the highest (69 percent of the population) and access to health services is limited. Since rural households tend to depend more on remittances from relatives in urban area, economic shutdowns in urban areas will have an adverse impact on their revenues. The rural cash transfer program will help the beneficiaries compensate for this reduction in remittances. Prior Action 5 aims to ensure access to water and electricity to the poorest in the context of sharp decline in revenues. This is not only important to maintain the purchasing power of the poor, but also to preserve health and protect livelihoods. In addition, while some pre-crisis non-vulnerable households might also benefit from this measure, the wide impact of



the COVID crisis renders this temporary relief beneficial to provide basic services to households likely to see a substantial income shock whether already poor or at risk of becoming so.

97. Prior Actions under Pillar 3 are expected to have a modest positive indirect impact on poverty. Prior Action 6 focuses on improving access to agricultural inputs and will therefore positively affect agricultural productivity and farmers' income. Also, by increasing agricultural productivity, it will likely reduce food prices and increase the purchasing power of the poor. Prior Action 7 supports the implementation of online tax payments, which are expected to reduce the overall administrative burden of companies, including MSMES, as well as individuals. The associated reduction of administrative costs will have an indirect positive impact on the viability of businesses and the income of individuals. It will also protect lives by promoting social distancing. Prior Action 8 supports improved debt transparency with the view of reducing fiscal risks and generating the fiscal space needed to invest in pro-poor spending such as education, health, water and sanitation.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

98. Overall the pillars supported by the current operation are not likely to have significant negative effects on the country's environment, forests, or other natural resources. The first pillar aims primarily at saving lives by establishing a national committee for the coordination and the management of the COVID-19 response. The second seeks to protect livelihoods in assisting people with cash transfers and dropping temporarily the payment of the consumption of water and electricity for the most vulnerable households. Based on a preliminary assessment of these two pillars, no significant adverse environmental effects are anticipated. In addition, Prior Action 5 under Pillar 2 could be beneficial to environment and natural resources as the financing, through a temporary fiscal subsidy to the CEET, to allow the most vulnerable households to continue having access to electricity without paying will safeguard forests that could be exploited for firewood if the electricity were to be suspended because of non-payment of bills. However, if not properly managed hazardous medical waste resulting from COVID-19 designated health care facilities and laboratories could be detrimental to the environment. Also, Prior Action 6 under Pillar 3 related to protecting the future is likely to be associated with negligible to moderate adverse impacts on the environment, forests and natural resources as it intends to support the use of fertilizers that could be harmful if its use is not safely managed.

99. Potential environmental effects related to the implementation of Prior Actions 1, 2 and 6 would be attenuated through the existing legal and institutional framework and by using a set of proposed mitigation measures. Togo has an acceptable legal and regulatory environmental and social framework. The 2008 framework law on the environment and 2009 health code, which determines the conditions of medical care waste management, are in full alignment with international standards. Building on this legal framework, a national healthcare waste management action plan applicable to all health facilities was established through a decree of the Minister of Health and Public Hygiene. At the institutional level, the supervision of health care waste management is entrusted to the Directorate of Basic Hygiene and Sanitation (DHAB), which carries out frequent monitoring of the implementation and compliance with the provisions of the waste management plans at each level of each administrative subdivision (regional, prefectural and district). Potential risks to the environment from the use of fertilizers would be reduced by providing training and advisory services to farmers on the safe use of fertilizers, as is normally done at the beginning of each cropping season and is also planned in the COVID-19 agricultural response plan. Training and advice are provided by public entities, including the *Institut du Conseil Agricole du Togo* (ICAT), which oversees the agricultural extension services, with the support of producers' organizations. Other mitigation measures include the promotion of the use of organic fertilizers and the strengthening of government capacities in terms of quality control and monitoring of the use of chemical fertilizers,



which is already on-going with the support of World Bank operations and in coordination with the Center for the Purchase and Management of Agricultural Inputs (*Centrale d'Achat et de Gestion des Intrants Agricoles*, CAGIA).

100. Any potential adverse impacts of this operation will be addressed and monitored through the national legislation and procedures in place in Togo. In accordance with the environmental legislation of Togo, any activity or investment that might be associated with a potential adverse impact on the environment or communities would be subject to the development of an Environmental and Social Impact Assessment (ESIA) and/or a Resettlement Action Plan (if necessary). For that purpose, the Government has established strict guidelines to ensure that all planned reforms including PPPs comply with environmental regulations. The environmental impact assessments and any other environmental and social instruments would be prepared in accordance with national law and regulations and good international industry practice.

101. The Ministry of Environment and Forestry Resources (MERF) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. Within the ministry, the National Agency of Environment Management (*Agence Nationale de Gestion de l'Environnement*, ANGE) oversees compliance with national environmental standards for all projects. The unit's technical capacities are acceptable, but the number of staff is too low to cover the entire country. As such, the Government is actively recruiting additional staff to allow the agency to fulfil its mission. The World Bank is assisting with a wide range of initiatives, including capacity building and support to increase the decentralization of ANGE to other parts of the country outside of the capital, Lomé. The World Bank is also assisting environmental and social experts to create a professional association.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

102. The institutional framework for PFM was improved with the adoption of Organic Law No. 2014-013 of June 27, 2014, to bring budgeting in line with the WAEMU Directives. This law redirects the public financial system toward a more results-based approach in budgetary management to improve the effectiveness of expenditure and public policies; increase transparency in public expenditure management; and adopt a performance approach based on programs, goals, and results indicators. The results expected from this comprehensive reform are: (a) realistic and sustainable budget estimates by programs; (b) comprehensive budget packages determined within the framework of multiyear budgetary and economic planning; (c) a more rational allocation of budgetary resources based on performance indicators so that the goals of accelerated growth and employment creation are actually targeted; (d) increased responsibility for the principal commitment authorizers (Ministers and Presidents of institutions) so as to improve de-concentration and impose accountability; (e) effective supervision by the Parliament of the execution of budget laws fostered by budget performance projects and reports by programs and ministries; and (f) ex-post controls to assess the effectiveness of management and performance. The Government budget is made publicly available on the Government website www.togoreforme.com and in printed form, in accord with the provision in BP 8.60.

103. However, the 2016 Public Expenditure and Financial Accountability (PEFA) assessment revealed continued weaknesses in Togo's PFM system: (a) poor budget credibility due to major variations between forecasts and budget execution, changes made in the initial composition of expenditures, particularly through supplementary budgets, and underestimation of tax expenditure forecasts; (b) a high level of off-budget operations (over 10 percent of total expenditures); and (c) poor predictability and inadequate supervision of budget execution. The Treasury single account system is still not in place in Togo, annual cash flow plans are developed but not systematically updated and not operational, and the current budgetary regulation mechanism is not effective as it is not based on a regularly updated cash flow plan. Payroll supervision is limited by the nonexistence of a direct link between the civil service and payroll



files, and it is incomplete with respect to the documentation of changes made.

104. Despite having improved considerably in recent years, the national procurement system continues to suffer from inefficiencies. The system meets the baseline quality standards defined in the 2005 WAEMU directives. Nevertheless, more effort is required to improve public procurement performance and PPP implementation. The 2016 PEFA, the 2016 Public Expenditure Management and Financial Accountability Review (PEMFAR) and the IMF Public Investment Management Assessment (PIMA, 2016) revealed the following weaknesses:

- low efficiency, as the procurement process and control and complaint mechanisms are too slow, wasting public resources and delaying the implementation of public investment projects;
- fairness concerns, with 17 percent of public contracts awarded on a single-source basis in 2019; and
- transparency issues, with non-disclosure of information on contracts awarded.

These shortcomings pose several governance challenges, such as the lack of appropriate procedures to ensure a transparent procurement process. Togo also needs to align its legal framework for procurement and public-private partnerships (PPPs) with the requirements of the new WAEMU directives and address the findings of the ongoing Methodology for Assessing Procurement Systems (MAPS) II. Furthermore, a more rigorous legal framework for the use of PPPs is required, as the country increasingly uses PPPs to finance and operate large infrastructure projects.

105. The review of the 2018 and 2019 audited financial statements of BCEAO, in absence of the latest IMF report of the on-site Safeguards Assessment of the BCEAO, revealed that there is still in place an acceptable foreign exchange control environment. The BCEAO continued to enhance its governance framework and continued to publish a full set of audited financial statements and is gradually bringing its practices into conformity with International Financial Reporting Standards (IFRS) starting with the financial year 2015. The BCEAO has improved the quality of the explanatory notes that accompany its financial statements. An internal audit charter is in place, mechanisms for improving risk management and risk prevention established, and follow-up of internal and external audit recommendations strengthened. The 2016-2018 strategic plan also contains some objectives and actions that aim to strengthen risk management and improve the overall governance management of BCEAO. The external auditors expressed unmodified (“clean”) opinions on the financial statements of the years 2018 and 2019. The review of the 2018 and 2019 audited financial statements and the IMF 2013 quadrennial safeguards assessment report found that since 2013 the BCEAO has launched a series of reforms to enhance the capacity of its accounting system, including: (i) upgrading its practices to conform with international financial reporting standards; and (ii) strengthening the external audit arrangements by appointment of an international firm applying International Standards of Audit (ISA) for the audits and by reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes. The implementation of these recommendations is being monitored by the IMF as part of its “rolling measures” approach.

106. Togo’s fiduciary risks are substantial, and IDA reserves the right to request an audit of the dedicated foreign currency account. However, this DPF series promotes greater fiscal and debt transparency that should establish stronger controls and lower fiduciary risks over time.

107. The proposed operation would consist of a single-tranche development policy grant of SDR 25.5 million (equivalent to US\$35.0 million) and a single-tranche development policy credit of EUR 31.3 million (equivalent to US\$35.0 million). The Recipient of the proposed IDA grant and credit is the Republic of Togo, represented by the MEF. The proposed financing would follow IDA’s disbursement procedures for development policy operations and would not be linked to specific purchases. The disbursement of grant and credit proceeds would be subject to satisfactory



implementation of the development policy program and maintenance of a satisfactory macroeconomic framework.

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

109. The closing date for the operation will be September 30, 2021.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

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

111. Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org."

6. SUMMARY OF RISKS AND MITIGATION

112. The overall risk rating for the proposed operation is substantial. This assessment is consistent with the CPF risk assessment and reflects several interrelated risks that could jeopardize the achievement of the PDOs. These include political and governance risks, macroeconomic risks, fiduciary risks, and other risks. Other risks are related to the possibility that the depth or duration of the COVID-19 pandemic could be larger or longer than currently envisioned, with adverse effects on the health sector, economy, and general welfare. A close dialogue with the Government; World



Bank's support through the current operation and the Togo COVID-19 Emergency Response and Systems Preparedness Strengthening Project (P173880); and strong coordination with the IMF and other stakeholders will act as mitigating factors by helping the Government maintain the momentum of structural reforms while providing the needed resources to address the fallout of the COVID-19 outbreak. Substantial risks to the implementation of the PDOs are described in greater detail below, and all risks are summarized in Table 7.

113. Political and governance risks are rated as substantial. Political tensions have receded since May 2017, and presidential elections took place in February 2020 without much disruption. However, the political context remains fragile, which could be exacerbated by increasing social demands should the COVID-19 crisis deepen further. In addition, as Government priorities are shifted toward the very short term, it could be difficult to maintain fiscal discipline and the momentum of reforms. A close dialogue with the Government and other stakeholders as well as coordination with the IMF are the best way to mitigate these risks, as they will help maintain the focus on structural reforms to ensure business continuity and results that benefit the population at large..

114. Macroeconomic risks are substantial and could increase if the COVID-19 pandemic deepens or continues for longer than expected. The severity of the economic fallout as a result of the COVID-19 crisis could delay economic reforms, as the focus of government efforts would be on cushioning the most vulnerable from the negative impact of the crisis. In addition, the projected decline in taxes due to the slowdown in economic growth combined with a substantial increase of current expenditures has increased fiscal sustainability risks. In that context, it could be difficult for the Government to continue to finance its health and social response program if the crisis lasts longer than expected. The implementation of the cash transfer program as well as the supply of water and electricity to the vulnerable could be at risk. These risks are compounded by the implementation of some tax exemptions to mitigate the impact of COVID-19 in the tourism sector and to reduce the cost of imports directly linked to the COVID-19 response. The continued support from donors and the Government's swift policy actions to cushion the economic impact of the COVID-19 outbreak could shorten the duration of the crisis while providing needed resources to finance the Government's response plan.

115. Fiduciary risks are substantial. Important weaknesses persist in expenditure and cash management. These could be worsened during the current COVID-19 crisis where the tracking, accounting and transparent reporting of resources deployed in the emergency become challenging. To mitigate the fiduciary risk, all COVID-19 related expenses will be channeled through the regular state budget and follow regular PFM processes. In addition, a supplemental budget is being prepared to account for the unexpected spending and declines in revenues induced by the COVID-19 response. Additional mitigation measures include strengthening staffing, budgeting, accounting, financial control, and disbursement capacities of the Government. IMF TA in this area as well as the World Bank EGP project helps mitigate these risks.

116. Other risks are substantial, linked to the impact of the COVID-19 pandemic on the health system and more generally on the economy and the general welfare of the population. Notwithstanding the Government's proactivity in responding to the spread on the virus, the probability of further spread of the virus in Togo is high and the adverse effects on the health sector, the economy, and general welfare could be substantial and consequently impact the attainment of the development objectives of this operation. These could also distract the Government's attention from some of the important structural reforms under the proposed operation, including those intended to support the recovery from the crisis. Also, the burden on the healthcare system from COVID-19 could impede the treatment of other diseases and the provision of other routine care (preventive, promotional, and adaptive), which could hamper human capital accumulation over the long term. Key mitigating factors to these risks include support provided by the World



Bank through the Togo COVID-19 Emergency Response and Systems Preparedness Strengthening Project (P173880), to assist the authorities in case detection, confirmation, contact tracing, recording and reporting of the outbreak to limit the spread of the virus. Support under this proposed operation, as well as financing from the IMF and from other donors, will also help to mitigate the health, economic and poverty impacts of COVID-19 and therefore the overall risks associated with the crisis.

Table 7: Summary Risk Ratings

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



ANNEX 1: POLICY AND RESULTS MATRIX

Prior Actions	Results		
	Indicator Name	Baseline	Target
Pillar 1: Protecting Lives			
Prior Action 1. To strengthen the coordinated health response to the COVID-19 outbreak, the Recipient, through Presidential Decree N. 2020/015/PR dated March 30, 2020, has (i) established a national committee for the coordination and the management of the COVID-19 response; (ii) initiated surveillance and contact tracing; and (iii) rolled out a laboratory diagnostics and case management system.	Number of cases tested for COVID-19 by designated testing sites per 100,000 population	0 (2019)	1,000 (2020)
Prior Action 2. To improve the availability and access to COVID-19 treatment, the Recipient, through the Ministry of Public Health and Hygiene, has issued <i>Arrêté</i> N. 170/2020/MSHP/CAB/SG dated June 17, 2020 to all regional health directors to secure or designate facilities in each region as isolation centers as part of the preparedness and response activities.	Percentage of all confirmed COVID-19 cases managed in designated isolation centers	0 (2019)	70 (2020)
Pillar 2: Protecting Livelihoods			
Prior Action 3. To support vulnerable populations in urban areas coping with the negative economic repercussions of the COVID-19 crisis, the Recipient has issued Presidential Decree N. 2020-037/PR dated May 18, 2020 approving a Temporary Emergency Cash Transfer Program (TECTP), the NOVISSI program, and launched the TECTP to extend the coverage of the safety net program to registered individuals in areas covered by the health state of emergency measures for the time of three months.	Number of individuals registered receiving temporary income support in response to COVID-19	0 (2019)	500,000 (2020)
	Share of women with mobile money accounts (percent)	19.6 (2017)	23 (2021)
Prior Action 4 To support vulnerable populations in rural areas, the Recipient has: (i) issued <i>Arrêté</i> N. 004/20/MDBAJ dated June 16, 2020 to extend safety nets temporarily for a period of six months in rural areas through the ongoing Safety Nets and Basic Services Project cash transfer program; and (ii) issued <i>Arrêté</i> No.005/20/MDBAJ dated June 16, 2020 to make payments digitally via mobile money.	Number of households receiving cash transfers in rural areas	52,000 (2019)	90,000 (2020)
Prior Action 5. To protect poor households affected by the crisis, the Recipient, has issued Decree N. 2020/038/PR dated May 18, 2020 and Decree N. 2020/039/PR dated May 18, 2020 requiring: (i) the Togo Water Utility (<i>Société Togolaise des Eaux</i> , TdE) and the Togo Electric Power Company	Vulnerable households temporarily benefitting from the suspension of billing for the provision of electricity	0 (2019)	100,000 (2020)



Prior Actions	Results		
Prior Actions	Indicator Name	Baseline	Target
<p>(Compagnie Energie Electrique du Togo, CEET) to provide free water and electricity for the most vulnerable households during the period of the State of Health Emergency; and (ii) the Recipient to bear the related costs through the budget.</p>			
Pillar 3: Protecting the Future			
<p>Prior Action 6. To guarantee access to agricultural inputs for the 2020-2021 agricultural campaign, the Recipient has (i) enrolled additional households in the YOLIM transfer platform; and (ii) established a digital platform for the provisioning of inputs and advisory services.</p>	<p>Number of households receiving seeds and fertilizers</p>	<p>250,000 (2019)</p>	<p>500,000 (2021)</p>
<p>Prior Action 7. To support business continuity in time of crisis through digitalization of services, the Recipient has: (i) made mandatory the on-line payment of taxes by large and medium firms, through the revised 2019 Finance Law dated November 15, 2019; and (ii) enacted the Protection of Personal Data law dated October 29, 2019.</p>	<p>Number of tax payments firms need to comply with per year</p>	<p>49 (2019)</p>	<p>35 (2021)</p>
<p>Prior Action 8. To improve debt transparency and management, the Recipient has issued Ministerial Arrêté N. 090/MEF/SG dated April 7, 2020 requiring: (i) the general Directorate of Finance and Budget to publish on the Government's website on an annual basis a fiscal risk statement; and (ii) the Directorate of Public Debt and Financing to publish on the Government's website on an annual basis an Annual Debt Report, with an evaluation of the implementation of the Medium Term Debt Management Strategy (MTDS) for that year.</p>	<p>Maximum deviation of the realized external-to-domestic debt composition from the target external-to-domestic debt composition published in the MTDS</p>	<p>N/A (2019)</p>	<p>10 (2021)</p>



ANNEX 2: IMF RELATIONS ANNEX

IMF Executive Board Completes the Sixth Review under Togo's ECF Arrangement and Augments Disbursement to Address the Impact of COVID-19

April 3, 2020

- The Executive Board decision allows an immediate disbursement of US\$131.3 million to Togo, which is almost four times larger than previously foreseen.
- The augmentation of access will help the authorities address the human and economic implications of COVID-19 pandemic.
- After three years of implementation of the Fund-supported program, performance is satisfactory in most sectors; reforms encountered delays in the financial sector.

Washington, DC – The Executive Board of the International Monetary Fund (IMF) completed the sixth and final review of Togo's economic performance under a program supported by an Extended Credit Facility (ECF) arrangement. [1] The completion of the review enables the disbursement of SDR 96.63 million (about US\$131.3 million), bringing total disbursements under the arrangement to SDR 247.65 million (about US\$336.4 million).

Togo's three-year arrangement of SDR 176.16 million (about US\$239.3 million, 120 percent of Togo's quota) was approved on May 5, 2017 (see Press Release No.17/151). In completing the sixth review, the Executive Board also approved the authorities' request for an augmentation of access under the ECF arrangement of 48.7 percent of Togo's quota (SDR 71.49 million or about US\$97.1 million) to address the urgent financing need stemming from the authorities' efforts and plans to control the spread of COVID-19 and mitigate its economic impacts.

Togo made significant progress during 2017-19 under the Fund-supported program in several areas, while reforms remain incomplete in a key sector. Economic recovery was firming up but has recently been hindered by the COVID-19 pandemic. Growth projections for 2020 have been significantly revised downwards. The fiscal deficit and the balance of payment financing gap are expected to widen substantially due to revenue loss, higher healthcare spending, and weaker exports.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

“Togo's performance under the ECF-supported program has been broadly satisfactory. While the economic recovery was firming up, it has recently been hindered by the COVID-19 pandemic. The macroeconomic outlook is subject to a high degree of uncertainty.

“The authorities are taking immediate actions to address the human and economic implications of the COVID-19 pandemic while safeguarding the hard-won fiscal achievements. During 2017-



19, Togo has been complying with the WAEMU convergence criterion of a fiscal deficit not exceeding 3 percent of GDP. For 2020, the fiscal deficit and the balance of payments financing gap are forecast to widen due to additional healthcare spending and other impacts of COVID-19 on the economy. Nonetheless, public debt is still projected to remain on a downward path.

“Structural reforms are progressing on revenue administration and public financial management. Progress has been made on collection of tax arrears, online submission of customs declarations, and steps toward program-based budgeting. It will be important to implement recommendations from a recent Tax Administration Diagnostic Assessment Tool, address remaining deficiencies in essential customs functions, and bolster voluntary compliance to ensure strong permanent revenue. Following up on key recommendations from the 2016 and 2019 Public Investment Management Assessments is also essential. In addition, pursuing a prudent borrowing policy and strengthening debt management capacity are necessary to safeguard debt sustainability.

“Togo is amongst the best performers in the improvement of the business environment in recent years. It will be important to pursue such reforms, including strengthening governance, and to implement the measures outlined in the National Development Plan to support strong and inclusive growth. Completing the delayed reforms of the two state-owned banks is paramount to safeguarding financial stability and preventing risks to the state budget.”

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems



Table 1. Togo: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024	
	Estimates				Projections					
	(Percentage change, unless otherwise indicated)									
National income, prices, and exchange rates										
Real GDP	5.6	4.4	4.9	5.3	3.0	4.0	5.5	5.5	5.5	
Real GDP per capita	2.9	1.8	2.3	2.7	0.5	1.4	2.9	2.9	2.9	
GDP deflator	1.5	0.9	1.7	2.1	4.6	4.4	2.9	2.9	2.9	
Consumer price index (average)	0.9	-0.2	0.9	0.7	2.0	2.0	2.0	2.0	2.0	
GDP (CFAF billions)	2,649	2,789	2,975	3,199	3,446	3,742	4,062	4,411	4,789	
Exchange rate CFAF/US\$ (annual average level)	592.8	580.9	555.2	585.9	...	...	...	...	...
Real effective exchange rate (appreciation = -)	-2.3	0.7	-1.3	...	...	...	...	...	...
Terms of trade (deterioration = -)	-2.6	26.1	-1.4	-3.0	1.3	0.8	3.7	0.7	1.1	
	(Percentage change of beginning-of-period broad money)									
Monetary survey										
Net foreign assets	5.8	1.7	0.5	10.1	1.2	1.5	2.0	1.9	1.8	
Net credit to government	-2.3	9.5	2.7	-9.7	0.6	0.0	0.3	0.6	0.6	
Credit to nongovernment sector	7.5	1.7	3.1	4.4	10.2	8.3	7.7	7.4	7.8	
Broad money (M2)	12.6	10.0	9.0	4.5	13.5	9.3	9.3	9.3	9.4	
Velocity (GDP/end-of-period M2)	1.9	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.7	
	(Percent of GDP, unless otherwise indicated)									
Investment and savings										
Gross domestic investment	33.5	25.9	26.8	25.1	26.6	26.0	29.5	33.1	33.3	
Government	13.9	6.3	6.8	4.1	9.6	9.3	9.5	9.7	9.9	
Nongovernment	19.6	19.6	20.0	21.0	17.0	16.7	20.0	23.4	23.4	
Gross national savings	23.7	23.9	23.3	20.8	21.6	21.7	25.0	28.8	29.2	
Government	4.3	6.0	6.0	6.2	5.9	7.8	8.0	8.3	8.6	
Nongovernment	19.4	17.9	17.3	14.6	15.7	13.9	17.0	20.5	20.6	
Government budget										
Total revenue and grants	21.6	21.4	23.9	23.4	23.8	23.9	24.1	24.3	24.5	
Revenue	18.7	18.2	20.3	19.5	19.7	19.9	20.0	20.3	20.5	
Tax revenue	16.8	16.1	16.5	17.2	17.5	17.7	17.8	18.0	18.1	
Total expenditure and net lending ¹	31.1	21.6	24.7	24.5	27.4	25.4	25.5	25.8	25.7	
Domestic primary balance ¹	-4.5	0.8	2.4	1.5	0.9	2.9	2.9	2.9	2.9	
Overall primary balance (commitment basis, incl. grants) ¹	-7.2	1.5	1.6	1.5	-0.7	1.0	1.0	1.0	1.0	
Overall balance (commitment basis, incl. grants) ¹	-9.5	-0.3	-0.8	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3	
Overall primary balance (cash basis, incl. grants)	-7.2	-0.3	-1.8	1.5	-0.7	1.0	1.0	1.0	1.0	
Overall balance (cash basis, incl. grants)	-9.5	-2.1	-4.2	-1.2	-3.6	-1.5	-1.4	-1.4	-1.3	
External sector										
Current account balance	-9.8	-2.0	-3.5	-4.2	-4.9	-4.3	-4.4	-4.3	-4.1	
Exports (goods and services)	35.3	33.1	31.8	31.3	28.4	28.4	28.5	28.6	28.8	
Imports (goods and services)	-53.7	-43.5	-43.5	-43.4	-41.3	-40.7	-40.8	-40.8	-40.8	
External public debt ²	20.2	20.1	20.5	23.7	25.2	24.5	23.8	22.9	22.0	
External public debt service (percent of exports) ²	4.9	5.9	4.8	4.9	4.8	4.4	5.1	5.8	6.3	
Domestic public debt ³	61.2	55.8	55.7	47.1	42.0	38.6	35.6	33.0	30.6	
Total public debt ⁴	81.4	76.0	76.2	70.9	67.1	63.1	59.3	55.9	52.6	
Total public debt (excluding SOEs) ⁵	78.0	72.7	73.6	68.7	65.3	61.5	58.0	54.8	51.7	
Memorandum item:										
Private consumption (percent of GDP)	73.7	65.9	66.4	67.7	51.3	57.9	63.8	63.9	63.2	

Sources: Togolese authorities and IMF staff estimates and projections.

¹ Excluding transaction with the Social Security Fund, CNSS.² Includes state-owned enterprise external debt.³ Includes prefinancing debt, domestic arrears and state-owned enterprise domestic debt.⁴ Includes prefinancing debt, domestic arrears and state-owned enterprise debt.⁵ Includes prefinancing debt and domestic arrears.



ANNEX 3: LETTER OF DEVELOPMENT POLICY

MINISTRE DE L'ECONOMIE
ET DES FINANCES

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

SERVICE DU SUIVI DES RELATIONS BM&BAD

N° 2066 /MEF/SP-PRPF/BM-BAD



REPUBLIQUE TOGOLAISE
Travail-Liberté-Patrie

Lomé, le 04 AOUT 2020

Le Ministre

Objet : Lettre de Politique de Développement

Monsieur le Président,

La présente Lettre de Politique de Développement (LPD) présente la situation de la crise sanitaire due à la pandémie de COVID-19 et ses effets socio-économiques. En effet, la pandémie de coronavirus qui touche actuellement presque tous les pays du monde, n'épargne pas le Togo. Depuis le premier cas recensé le 6 mars 2020, la pandémie n'a cessé de progresser. Dans un premier temps, le rythme a semblé se stabiliser mais les déconfinements dans les pays voisins ont eu pour incidence d'accroître le nombre de cas parmi les personnes revenant de voyages. Cette pandémie met en mal la mise en œuvre de la stratégie nationale de développement (PND 2018-2022) qui vise à transformer structurellement l'économie, pour une croissance forte, durable, résiliente, inclusive, créatrice d'emplois décents et permettant de réduire la pauvreté. Pour faire face à la situation, le gouvernement recherche l'appui technique et financier de l'ensemble des différents partenaires techniques et financiers notamment celui de la Banque Mondiale (BM) à travers le Programme d'appui budgétaire d'urgence.

I. Contexte socioéconomique

1. Depuis décembre 2019, une maladie du Coronavirus dénommée COVID-19 est apparue à Wuhan (Chine), provoquant l'infection de plusieurs personnes dans le monde. Avec le nombre important de personnes et de pays touchés, l'Organisation Mondiale de la Santé (OMS) l'a déclaré comme une pandémie. A la date du 14 juillet 2020 on compte plus de 13 382 020 personnes infectées dans le monde avec plus de 580 038 décès et plus de 7 445 299 personnes guéries. Au Togo, à la même période, on compte 731 cas confirmés positifs dont 188 cas actifs, 528 cas guéris et 15 décès. Cette évolution vertigineuse de la pandémie interpelle tous les gouvernants du monde. Pour freiner la propagation de la COVID-19, plusieurs mesures ont été prises par l'ensemble des pays du monde. Ces mesures vont de la fermeture des frontières jusqu'au confinement total des populations, entraînant ainsi un ralentissement de l'activité économique.



2. Selon le Fonds Monétaire International (FMI), la pandémie de coronavirus va provoquer une récession économique mondiale en 2020. Cette récession pourrait être plus forte que celle observée lors de la crise financière de 2008-2009. Dans ce cas, la production industrielle, les exportations et les importations baisseraient drastiquement.

3. Sur le plan macroéconomique, l'analyse de l'impact de la pandémie COVID-19 au Togo s'est faite par les services du Ministère de l'économie et des finances en deux (2) scénarii. Le scénario 1, fait l'hypothèse que la pandémie durerait six mois avec un confinement partiel de la population. Le taux de croissance du PIB réel s'établirait à 1,3%, soit une perte de 4,2 points de croissance par rapport à la projection du taux de croissance initial de 5,5% en 2020. Par contre, le scénario 2 fait l'hypothèse que la pandémie durerait neuf mois avec un confinement partiel de la population. Le taux de croissance, avec ce scénario, se situerait à -1,5%, soit une perte de 7,0 points de croissance par rapport au taux de croissance initialement prévu. L'inflation mesurée par le déflateur du PIB serait de 3,1% dans le scénario 1 contre 2,8% dans la prévision initiale.

4. L'investissement privé serait considérablement réduit à 600,1 milliards de FCFA contre 714,7 milliards de FCFA initialement prévus pour 2020, soit une baisse de 114,6 milliards et 188,2 milliards de FCFA pour le scénario 1 et le scénario 2 respectivement.

5. Avec le ralentissement de l'activité économique imputable à la pandémie du Coronavirus, les recettes de l'Etat (dons compris), prévues à 894,3 milliards de FCFA en 2020, ne pourraient pas être réalisées en totalité. Dans le scénario 1, les recettes fiscales et les recettes non fiscales seraient respectivement de 580,6 milliards et 45,0 milliards de FCFA contre 678,4 milliards et 77,0 milliards de FCFA dans la loi de finances 2020. Ainsi, les recettes totales de l'Etat seraient de 757,7 milliards de FCFA, soit une perte de recettes de 136,6 milliards par rapport à la situation de référence. Cette baisse pourrait s'accroître dans le cas du scénario 2, pour se situer à 197,5 milliards de FCFA.

6. Du côté des dépenses publiques, les dépenses courantes devraient augmenter de 161,9 milliards de FCFA par rapport au budget initial dans le scénario 1. Cette hausse s'expliquerait par la hausse de la consommation publique dans le cadre de la lutte contre la pandémie du COVID-19. Les dépenses en capital enregistreraient une baisse qui s'établirait respectivement à 3,9% du PIB dans le scénario 1 et à 4,0% dans le scénario 2 contre 9,5% dans le scénario initial. Le solde budgétaire global s'établirait à -5,0% du PIB dans le scénario 1 et à -8,8% du PIB dans le scénario 2 contre une prévision initiale de -1,9% du PIB.

II. Stratégie du Gouvernement en réponse à la crise sur les plans sanitaires, social et économique

7. Pour faire face à la pandémie, le Togo à l'instar de tous les pays du monde a pris des mesures idoines pour lutter contre le COVID-19. Ces mesures, en plus de celles prises par les pays partenaires du Togo, ont entraîné la réduction de l'activité économique dans tous les secteurs. Il s'agit notamment des transports, du tourisme, de la restauration, du commerce et des industries manufacturières et extractives. Il en résulterait une baisse de la production, des échanges extérieurs, des investissements privés et de la consommation privée. L'ampleur de ces effets dépendra de la propagation de la pandémie et de la durée de la crise sanitaire. Le coût estimatif global des mesures au stade actuel pourrait se chiffrer à 400 milliards de francs CFA. Aussi, le Gouvernement a-t-il mis en place un Fonds National de solidarité et de relance économique de 400 milliards de francs CFA. Ce fonds, qui est un fonds de concours au budget de l'Etat, est une partie intégrante du budget, géré comme des lignes budgétaires, sera financé



d'une part, sur les ressources budgétaires de l'Etat et, d'autre part, par les apports des PTF ainsi que toutes les bonnes volontés nationales et internationales et permettra de soutenir la stratégie mise en place pour juguler les effets de la pandémie.

Cette stratégie s'articule autour des trois (3) axes ci-après :

8. Riposte sanitaire à travers notamment l'instauration de l'Etat d'urgence sanitaire pour une période de trois (3) mois à compter du 1^{er} avril 2020, la mise en place des laboratoires mobiles et l'application de l'ensemble des mesures barrières édictées par l'OMS pour lutter contre la propagation de la pandémie. Le plan comporte, au niveau sanitaire, deux volets : les besoins immédiats pour endiguer la pandémie et le renforcement du système de santé par la réhabilitation des infrastructures et la dotation en équipements sanitaires à moyen terme. Une enveloppe de 110 milliards de francs CFA sera allouée aux actions prévues dans ce cadre.

9. Stabilisation de l'activité économique à un niveau acceptable par un soutien à la consommation des ménages en assurant notamment les transferts monétaires, la gratuité de l'eau et de l'électricité pour les tranches sociales durant les 3 mois ainsi que le réajustement des horaires de travail des fonctionnaires. Pour la stabilisation de l'activité économique, le gouvernement affectera des ressources à hauteur de 110 milliards de francs CFA.

10. Relance de l'économie à travers des mesures en faveur des entreprises. Dans ce cadre, une réflexion est engagée sur la situation des jeunes entrepreneurs qui viennent de lancer leurs activités, la mise en place de mesures spécifiques d'accompagnement pour soutenir la production agricole et assurer l'autosuffisance alimentaire, réflexion en cours avec le secteur privé en vue de l'adoption de mesures de soutien à la consommation, à la production et à la sauvegarde de l'emploi, étude sur la situation fiscale des entreprises, notamment celles qui sont les plus exposées aux conséquences de la crise. Une enveloppe de 180 milliards de francs CFA sera réservée aux actions visant la relance de l'économie nationale. Dans le domaine agricole, un plan de riposte est mis en place et en cours d'implémentation.

11. Pour pallier aux effets de la pandémie sanitaire et relancer l'économie, le gouvernement a pris un certain nombre de mesures en faveur des entreprises surtout les PME/PMI qui sont plus exposées aux conséquences de la crise. Ces mesures concernent : (i) exonération de droits et taxes sur le matériels agricoles ; (ii) suspensions des pénalités de retard pour les entreprises qui se trouveraient dans l'impossibilité de déposer leurs états financiers dans les délais ; (iii) suspension des pénalités de retard pour les entreprises qui se trouveraient dans l'impossibilité de déposer leurs états financiers dans les délais prévus au 31 mars 2020 pour les entreprises individuelles et au 30 avril pour les entreprises sociétaires ; (iv) suspension de toutes les procédures de recouvrement forcé des impôts et poursuites fiscales en cours durant toute la période de l'état d'urgence sanitaire ; (v) suspension des procédures de contrôles fiscaux externes sur place au sein des entreprises et leur limitation aux entreprises non-citoyenne pour les cas avérés de fraudes durant la période de l'état d'urgence sanitaire ; (vi) exonération des droits et taxes de douane, en dehors des prélèvements communautaires et des taxes de prestations de services sur le matériel médical et les produits utilisés exclusivement dans le cadre de la lutte contre la COVID-19 au cours de cette période ; (vii) réduction de 50% sur le deuxième acompte de la TPU prévu à l'article 57 du LPF est accordée, aux entreprises individuelles, aux transporteurs routiers, aux artisans et assimilés relevant de la TPU ; (viii) réduction spéciale de 25% sur l'acompte de la Patente telle que visé à l'article 118 du CGI et à l'article 83 du LPF est accordée, aux entreprises opérant dans le secteur des transports, aux hôtels, aux restaurants et organismes assimilés agréés, ainsi qu'aux organisateurs de circuit



touristique agréés, au titre de l'exercice fiscal 2020 ; (ix) suspension de l'application des sanctions fiscales en cas de redressement fiscal. Cependant, pour des motifs de statistiques fiscales, ces pénalités légalement notifiées seront comptabilisées ; (x) réduction de la taxe foncière en portant le taux de cette taxe sur les propriétés non bâties à 0,5% de la valeur vénale et celui sur les propriétés bâties à 7,5% de la valeur locative cadastrale sous abattements de 50% ; (xi) exonération de la taxe foncière pour les propriétés bâties à usage d'habitation effectivement occupées par leurs propriétaires. Ces mesures sont déjà en applications en attendant la prise de l'ordonnance ou de la loi de finances rectificative pour régulariser. La plupart de ces mesures sont prises uniquement à cause de la pandémie et seront arrêtées à la fin de la crise sauf celles contribuant à l'amélioration du climat des affaires et à la mise en œuvre du PND. L'ensemble de ces mesures ont un impact sur les recettes fiscales dont la baisse est estimée à 157 675 586 176 FCFA.

III- Perspectives pour 2020-2021

12. Le Gouvernement reste déterminé à maintenir un cadre macroéconomique et budgétaire sain en dépit de la crise de la COVID-19 et poursuivre l'amélioration de la gestion des finances publiques dans le cadre du renforcement de la gouvernance économique et financière. Le gouvernement a l'intention aussi de solliciter un nouveau programme avec le FMI après celui achevé en Avril 2020. A cet effet, il poursuivra la mise en œuvre de son plan d'action des réformes de la gestion des finances publiques (PA-RGFP) qui couvre la période 2017-2021 ; les réformes du budget programme, y compris la publication de données budgétaire, l'approfondissement des mesures de recouvrement des recettes, la sélection et la hiérarchisation des projets d'investissements publics sur la base d'une analyse rigoureuse coût-bénéfice. Les réformes de digitalisation des processus publics devront également être renforcées en vue d'assurer la continuité de l'administration et du service public en période de crise.

13. Le Gouvernement reste résolument engagé à renforcer la transparence et la gestion soutenable de la dette. L'élaboration d'une nouvelle stratégie de gestion de la dette à moyen terme axée sur la garantie de la soutenabilité de la dette et la minimisation du coût de service de la dette ainsi que l'élaboration et la publication des bulletins statistiques sur la dette publique seront poursuivis. Cette nouvelle stratégie d'endettement sur la période 2020-2024 a été publiée en mars 2020 et donne une préférence à la mobilisation des financements concessionnels et aux dons. La mise en œuvre de cette stratégie permettra de rallonger la maturité des prêts et de substantiellement réduire le niveau d'endettement à moyen terme. Par ailleurs, l'exigence de publication systématique des informations à caractère économique et financier, y compris celles relatives à la dette a été renforcée par la signature en avril 2020 de l'arrêté no 090/MEF/SG relatif à la publication des documents et information à caractère économique, financier et budgétaires du Togo. Un plan annuel de financement tenant compte des besoins de financement liés à la COVID-19 sera produit et publié sur le site web du gouvernement à l'issue du collectif budgétaire en cours de préparation. Un appui technique de la Banque Mondiale à la Direction de la Dette et du Financement permettrait de renforcer les capacités humaines et consolider les acquis en matière de gestion de la dette et de transparence. Le Togo participe également à l'initiative de suspension du service de la dette adoptée par les ministres des finances du G20 en réponse à la demande de la Banque mondiale et du Fonds monétaire international (FMI) afin de permettre à nos pays de consacrer toutes les ressources disponibles à la gestion des impacts grave de la crise sanitaire mondiale de la COVID-19. Les ressources ainsi dégagées permettront de lutter efficacement contre la pandémie et de relancer l'économie. Pour la gestion



transparente des ressources mobilisées dans le cadre de cette crise sanitaire un mécanisme de suivi est mis en place et sera consolidé.

Programme d'appui budgétaire d'urgence

Objectif général

14. Le programme vise à mettre en place des mesures sanitaires pour faire face à la pandémie de la COVID-19, des mécanismes pour soutenir les populations vulnérables et les plus affectées par les effets de ladite pandémie et de préparer la relance économique. Le programme est structuré autour de trois grands axes à savoir :

- ✓ Axe 1 qui vise à protéger les vies humaines a pour objectif (i) de renforcer la réponse du pays à la pandémie et (ii) d'améliorer la disponibilité et l'accès au traitement de la COVID-19.
- ✓ Axe 2 concerne le renforcement des moyens de subsistance des populations les plus vulnérables dans les régions rurales et urbaines et surtout celles touchées par les effets de la pandémie.
- ✓ Axe 3 vise à relancer les activités socio-économiques notamment dans le secteur de l'agriculture et d'améliorer le climat des affaires ainsi que la transparence de la gestion de la dette publique.

Réformes soutenues par le programme et les résultats attendus

15. Les mesures dans le cadre de la protection des vies humaines sont entre autres : (i) la création par décret présidentiel d'un comité national de coordination et de gestion de la réponse à la COVID-19 ; (ii) le renforcement de la surveillance et la recherche des contacts ; (iii) le déploiement d'un système de diagnostic et de gestion des cas en laboratoire ; et (iv) la prise d'un arrêté demandant à tous les directeurs régionaux de la santé de sécuriser ou de désigner des établissements dans chaque région comme centres d'isolement des malades de la COVID-19.

16. En ce qui concerne le renforcement des moyens de subsistance des populations les plus affectées par les effets de la pandémie, les principales mesures retenues sont : (i) la prise d'un décret présidentiel approuvant un programme de transferts monétaires d'urgence pour étendre la couverture du programme de filets sociaux aux personnes inscrites dans les zones couvertes par l'état d'urgence sanitaire pour une période de trois mois ; (ii) la prise d'un arrêté pour étendre temporairement la couverture sociale (pendant six mois) dans les zones rurales par le biais du programme de transferts monétaires du projet de filets sociaux et services de base ; (iii) la prise d'un arrêté pour systématiser le paiement digital via mobile money de ces aides ; (iv) la prise de décrets portant gratuité de la tranche sociale de la consommation d'eau et de l'électricité aux ménages les plus vulnérables (c'est-à-dire les abonnés qui paient le tarif social) pendant la période de l'état d'urgence sanitaire, et les dispositions pour la prise en charge de ces dépenses par le budget de l'Etat.

17. Pour ce qui concerne le programme de transferts monétaires NOVISSI, il vise à soutenir tout citoyen togolais éligible ayant perdu son revenu en raison de l'adoption des mesures de riposte contre le Coronavirus. Le programme vise à fournir aux personnes et familles les plus vulnérables, des soutiens financiers mensuels, tout au long de l'état d'urgence. Ce soutien



financier mensuel est d'un montant minimum de 12 250 FCFA par mois pour les femmes et de 10 500 F CFA pour les hommes. Le gouvernement togolais travaille pour améliorer le ciblage des bénéficiaires, et la transparence, d'une part, à travers les méthodes les plus appropriées permettant d'atteindre les ménages les plus pauvres et les plus vulnérables en milieu urbain, et d'autre part à travers le développement en cours de la plateforme e-ID Togo qui permettra d'identifier de façon biométrique et unique chaque individu résident sur le territoire togolais. Cette mesure permettra d'atteindre environ 1,2 million de togolais. Le coût estimatif du programme serait de 43,4 milliards de F CFA (suivant le scénario 2).

18. S'agissant de la gratuité de la tranche sociale de la consommation de l'eau, elle est prévue pour une durée de trois (3) mois et concerne tous les ménages y compris ceux n'ayant pas de branchement dans les domiciles et utilisant les bornes fontaines publiques dans les milieux urbains, les utilisateurs des mini-adduction d'eau dans les zones semi-urbaines et des forages publics dans les zones rurales. L'opération va concerner environ 3,6 millions de personnes. En ce qui concerne l'électricité, cette gratuité concernent les clients basse tension disposant d'un équipement de comptage 2 fils, réglé sur 5 Ampères ou 10 Ampères et dont l'usage est exclusivement domestique ainsi que les ménages hors réseau notamment ceux qui sont électrifiés dans le cadre de l'initiative présidentielle CIZO, soit environ 450 000 ménages. En vue de ne pas fragiliser ces institutions, le gouvernement mettra en place une ligne budgétaire pour couvrir les charges estimées à environ 1,9 milliards par mois pour la CEET et à environ 455 millions par mois pour la TDE. Au-delà de ces actions temporaires de réponse à la crise, le gouvernement reconnaît l'importance de réformes en faveur d'une amélioration de la performance de la TDE et de la CEET pour assurer leur soutenabilité et leur capacité à répondre à une demande grandissante. Dans le secteur de l'eau ces réformes devront notamment répondre aux problèmes de fuites sur le réseau, à la qualité des eaux des forages privés et au tarif de l'eau. Dans le secteur d'électricité, les efforts vont se poursuivre avec l'appui de la Banque dans le cadre du Projet de réformes et d'investissements dans le secteur de l'énergie au Togo (PRISET) par la finalisation du plan directeur du développement des infrastructures électriques dont l'élaboration est en cours et dont la mise en œuvre permettra à terme de retenir uniquement les investissements qui tirent à la baisse le coût de production. La mise en œuvre de l'étude tarifaire en cours permettra également de définir le coût financier et le tarif d'équilibre du secteur et de mettre en place les mécanismes pour maintenir cette situation d'équilibre. Par ailleurs, le modèle financier déjà mis en place est l'outil de décision permettant d'avoir l'impact de chaque investissement sur l'équilibre financier du secteur. Toutes ces mesures visent à assurer une optimisation des coûts financiers et opérationnels de la CEET.

19. Pour la relance de l'économie, les mesures prises dans le secteur agricole concernent, entre autres, l'accès des agriculteurs aux intrants agricoles pour la campagne agricole 2020-2021 et le renforcement de la résilience. A cet effet, (i) des ménages supplémentaires sont inscrits sur la plateforme de transfert YOLIM ; et (ii) une plateforme numérique de prestation de services pour la fourniture des intrants et des services de conseil est mise en place. Par ailleurs, pour améliorer la transparence dans les finances publiques notamment la gestion de la dette, les mesures prises sont les suivantes : (i) la prise d'un arrêté relatif à la publication des documents et informations à caractères économique, financier et budgétaire, y compris la déclaration des risques budgétaires ; et (ii) la publication d'un rapport annuel sur la dette publique, comprenant une évaluation de la mise en œuvre de la Stratégie à Moyen Terme de la Dette (SMTD), sur le site Web du gouvernement. Les mesures dans le domaine du climat des affaires portent sur l'amélioration de la digitalisation des services : (i) rendre obligatoire le paiement en ligne des impôts pour les grandes et moyennes entreprises ; et (ii) promulguer la loi sur la protection des données personnelles.



20. Le plan de riposte Agricole à la COVID-19 consiste à mettre en œuvre des mesures spécifiques visant à renforcer la capacité de production des ménages ruraux à travers entre autres la mise en place du programme de crédit aux producteurs agricoles par l'octroi des intrants et/ou labour, des semences, équipements de maîtrise de l'eau et de l'appui conseil. Ce plan permettra de toucher 512 000 ménages agricoles environ.

Suivi et évaluation du programme

21. Le Ministère de l'Economie et des Finances est chargé de la mise en œuvre générale du Programme d'appui budgétaire d'urgence. Le suivi quotidien et l'évaluation du programme sont de la responsabilité du Secrétariat Permanent pour le suivi des Politiques de Réformes et des Programmes Financiers (SP-PRPF). Cette structure coordonne la mise en œuvre des politiques de réformes et des programmes du Gouvernement. Le Gouvernement fournira des rapports trimestriels à la Banque mondiale sur les progrès dans la réalisation du programme par rapport aux calendriers et aux indicateurs de performance convenus.

Requête de financement

22. Les perspectives de croissance de l'économie togolaise sur la période 2019-2020 étaient favorables avec un taux de croissance préalablement projeté à 5,5%. Malheureusement, la crise sanitaire va entraîner un taux de croissance projeté dans le meilleur des cas à 1,3% et dans le pire des cas à -1,5%. Par la présente, le Gouvernement s'engage, à prendre toutes les dispositions nécessaires pour mettre en œuvre les mesures et actions retenues dans le cadre de ce programme et réitère sa demande, auprès de la Banque pour la mise en place du financement sollicité. Les financements identifiés, y compris l'appui sollicité à la Banque mondiale, permettraient d'avoir le collectif budgétaire gestion 2020 équilibré.

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



***Monsieur David R. Malpass
Président de la Banque Mondiale
1818 H Street NW
Washington DC 20433***

USA



**MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES**

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

SERVICE DU SUIVI DES RELATIONS BM&BAD

N° 2066/MEF/SP-PRPF/BM-BAD



REPUBLIQUE TOGOLAISE
Travail-Liberté-Patrie

Lomé, August 4, 2020

The Minister

Subject: Letter of Development Policy

Dear Mr. President,

This Development Policy Letter (DPL) presents the status of the health crisis due to the COVID-19 pandemic and its socio-economic effects. Indeed, the coronavirus pandemic that currently affects almost all countries in the world does not spare Togo. Since the first recorded case on March 6, 2020, the pandemic has continued to progress. Initially, the pace seemed to stabilize, but deconfinement in neighboring countries has increased the number of cases among people returning from travel. The pandemic is undermining the implementation of the National Development Plan (NDP 2018-2022), which aims at structurally transforming the economy for strong, sustainable, resilient and inclusive growth that creates decent jobs and reduces poverty. To address the situation, the Government is seeking the technical and financial support of all the various technical and financial partners, particularly the World Bank (WB) through the Emergency Budget Support Program.

I. Socio-economic context

1. Since December 2019, a coronavirus disease called COVID-19 has appeared in Wuhan (China), infecting many people around the world. With the large number of people and countries affected, the World Health Organization (WHO) has declared it a pandemic. As of July 14, 2020, more than 13,382,020 people were infected around the world with more than 580,038 deaths and more than 7,445,299 people cured. In Togo, during the same period, there were 731 confirmed positive cases including 118 active cases, 528 cured cases and 15 deaths. This vertiginous evolution of the pandemic is a challenge for all governments in the world. To curb the spread of COVID-19, several measures have been taken by all countries in the world. These measures range from border closures to the total containment of populations, leading to a slowdown in economic activity.

2. According to the International Monetary Fund (IMF), the coronavirus pandemic will cause a global economic recession in 2020. This recession could be stronger than the one observed during the 2008-2009 financial crisis. In that case, industrial production, exports and imports would fall drastically.

3. At the macroeconomic level, the analysis of the impact of the COVID-19 pandemic in Togo was carried out by the Ministry of Economy and Finance services in two (2) scenarios. Scenario 1 assumes that the pandemic would last six



months with partial containment of the population. The real GDP growth rate would be 1.3%, or a loss of 4.2 percentage points compared to the original projection of 5.5% in 2020. Scenario 2, on the other hand, assumes that the pandemic would last nine months with partial population containment. The growth rate in this scenario would be -1.5%, a loss of 7.0 percentage points from the initial projected growth rate. Inflation measured by the GDP deflator would be 3.1% in Scenario 1 compared to 2.8% in the original projection.

4. Private investment would be considerably reduced to CFAF 600.1 billion compared to CFAF 714.7 billion initially projected for 2020, or a decrease of CFAF 114.6 billion and 188.2 billion for scenario 1 and scenario 2 respectively.

5. With the slowdown in economic activity due to the Coronavirus pandemic, the State's revenue (including grants), projected at CFAF 894.3 billion in 2020, could not be fully realized. In Scenario 1, tax and non-tax revenues would be CFAF 580.6 billion and CFAF 45.0 billion respectively against CFAF 678.4 billion and CFAF 77.0 billion in the 2020 finance law. Thus, total State revenue would be CFAF 757.7 billion, or a revenue loss of CFAF 136.6 billion compared to the baseline situation. This decrease could be accentuated in the case of scenario 2, to CFAF 197.5 billion.

6. On the public expenditure side, current expenditures are expected to increase by CFAF 161.9 billion compared to the initial budget in scenario 1. This increase would be explained by the rise in public consumption as part of the fight against the COVID-19 pandemic. Capital expenditures would record a decrease which would be respectively 3.9% of GDP in scenario 1 and 4.0% in scenario 2 against 9.5% in the initial scenario. The overall fiscal balance would be -5.0% of GDP in Scenario 1 and -8.8% of GDP in Scenario 2 compared to an initial forecast of -1.9% of GDP.

II. Government Strategy to Respond to the Crisis in the Health, Social, and Economic Domains

7. To face the pandemic, Togo, like all countries in the world, has taken appropriate measures to combat COVID-19. These measures, in addition to those taken by Togo's partner countries, have led to a reduction in economic activity in all sectors. These include transport, tourism, catering, trade, and manufacturing and extractive industries. The result would be a fall in production, foreign trade, private investment and private consumption. The magnitude of these effects will depend on the spread of the pandemic and the duration of the health crisis. The overall estimated cost of the induced effect of these measures at the current stage could amount to 400 billion CFA francs. The Government has therefore set up a National Solidarity and Economic Recovery Fund of CFAF 400 billion. This fund, which is a State aid fund and is an integral part of the budget managed using standard budget procedures, will be financed on one hand from the State budget and on the other hand by the technical and financial partners and all national and international voluntary donations, and will support the strategy established to curb the effects of the pandemic.

This strategy revolves around the following three (3) axes:

8. Health response particularly through the establishment of a state of health emergency for a period of three (3) months from 1 April 2020, the establishment of mobile laboratories and the application of all the barrier measures enacted by the WHO to fight against the spread of the pandemic. The plan includes, at the health level, two components: the immediate needs to contain the pandemic and the strengthening of the health system by rehabilitating infrastructure and providing health facilities in the medium term. A budget of CFAF 110 billion will be allocated to the actions planned within this framework.

9. Stabilization of economic activity at an acceptable level by supporting household consumption through the provision of cash transfers, free water and electricity for households paying the social tariff during the 3 months of the state of health emergency and adjustment of working hours for civil servants. For the stabilization of economic



activity, the Government will allocate resources up to CFAF 110 billion.

10. Boosting the economy through measures in favor of enterprises. Within this framework, a reflection is being undertaken on the situation of young entrepreneurs who have just launched their activities, the implementation of specific accompanying measures to support agricultural production and ensure food self-sufficiency, a reflection in progress with the private sector with a view of adopting measures to support consumption, production and safeguard employment; a study on the fiscal situation of enterprises, particularly those most exposed to the consequences of the crisis. A budget of CFAF 180 billion will be earmarked for actions aimed at reviving the national economy. In the agricultural sector, a response plan is being put in place.

11. In order to mitigate the effects of the health pandemic and revive the economy, the Government has taken a number of measures to help businesses, especially SMEs/SMIs, which are more exposed to the consequences of the crisis. These measures concern: (i) exemption from duties and taxes on agricultural equipment; (ii) suspension of penalties for late filing of financial statements for businesses that are unable to file their financial statements on time; (iii) suspension of penalties for late filing of financial statements for businesses that are unable to file their financial statements on time as of March 31, 2020 for sole proprietorships and April 30, 2020 for corporate businesses; (iv) suspension of all forced tax collection procedures and ongoing tax proceedings throughout the period of the state of health emergency; (v) suspension of external on-site tax audit procedures within companies and their limitation to non-citizen companies for proven cases of fraud during the period of the state of health emergency; (vi) exemption from customs duties and taxes, other than Community levies and taxes for provision of services, on medical equipment and products used exclusively in the fight against COVID-19 during this period; (vii) 50% reduction on the second installment of the Single Professional Tax (SPT) provided for in Article 57 of the Tax Procedure Book (LPF) shall be granted to individual companies, road transporters, craftsmen and similar approved bodies covered by the SPT; (viii) special reduction of 25% on the advance payment of the Patent as referred to in Article 118 of the tax code (CGI) and Article 83 of the LPF is granted to companies operating in the transport sector, approved hotels, restaurants and similar organizations, as well as approved tour operators, for the 2020 fiscal year; (ix) suspension of the application of fiscal sanctions in case of tax reassessment. However, for reasons of tax statistics, these legally notified penalties will be counted; (x) reduction of property tax by raising the rate of this tax on land properties to 0.5% of the market value and that on built properties to 7.5% of the rental value with a rebate of 50%; (xi) exemption from property tax for properties used for residential purpose and actually occupied by their owners. These measures are already implemented pending the adoption of the Ordinance and the revised Finance Law to regularize the situation. Most of these measures are being taken solely because of the pandemic and will be stopped at the end of the crisis, except for those contributing to the improvement of the business climate and the implementation of the NDP. All these measures have an impact on tax revenues, the decline of which is estimated at CFAF 157,675,586,176.

III- Perspectives for 2020-2021

12. The Government remains committed to maintaining a sound macroeconomic and fiscal framework despite the COVID-19 crisis and continuing to improve public financial management as part of the strengthening of economic and financial governance. The Government also intends to seek a new program with the IMF after the one completed in April 2020. For this purpose, it will continue implementing its Public Financial Management Reforms Action Plan (PFM-RAP) covering the period 2017-2021; program-based budgeting reforms, including the publication of budget data, deepening of revenue collection measures, selection and prioritization of public investment projects based on rigorous cost-benefit analysis. Reforms for the digitalization of public processes will also need to be strengthened to ensure the continuity of administration and public services in times of crisis.



13. The Government remains firmly committed to strengthening transparency and sustainable debt management. The development of a new Medium-Term Debt Management Strategy (MTDS) focused on ensuring debt sustainability and minimizing debt service costs, as well as the preparation and publication of statistical bulletins on public debt will be continued. This new debt strategy for the period 2020-2024 was published in March 2020 and gives priority to the mobilization of concessional financing and grants. The implementation of this strategy will make it possible to extend the maturity of loans and substantially reduce the level of debt in the medium term. In addition, the requirement for systematic publication of economic and financial information, including the one relating to debt, was reinforced by the signature in April 2020 of Order No. 090/MEF/SG on the publication of economic, financial and budgetary documents and information in Togo. An annual borrowing plan taking into account the financing needs related to COVID-19 will be produced and published on the Government website at the end of the budget revision currently being prepared. Technical support from the World Bank to the Directorate of Public Debt and Financing would help strengthening human capacities and consolidate achievements made in terms of debt management and transparency. Togo is also participating in the Debt Service Suspension Initiative adopted by the G20 finance ministers in response to the request of the World Bank and the International Monetary Fund (IMF) in order to allow our countries to devote all resources available to manage the severe impacts of the global COVID-19 health crisis. The resources thus freed will make it possible to fight effectively against the pandemic and to revive the economy. For the transparent management of the resources mobilized in the context of this health crisis, a monitoring mechanism has been set up and will be consolidated.

The Emergency Budget Support Program

General Objective

14. The program aims at implementing health measures to deal with the COVID-19 pandemic, mechanisms to support vulnerable populations and those most affected by the effects of the pandemic and to prepare for economic recovery. The program is structured around three main axes, namely:

- ✓ Axis 1 on protecting human lives aims at (i) strengthening the country's response to the pandemic and (ii) improving the availability and access to COVID-19 treatment.
- ✓ Axis 2 concerns the strengthening of the livelihoods of the most vulnerable populations in rural and urban areas, especially those affected by the effects of the pandemic.
- ✓ Axis 3 aims at laying the foundation for the recovery of socio-economic activities, particularly in the agricultural sector, and to improve the business climate and the transparency of public debt management.

Reforms Supported by the Program and Expected Results

15. Measures for the protection of human lives include (i) the establishment by presidential decree of a national committee for the coordination and management of the COVID-19 response; (ii) the strengthening of surveillance and contact tracing; (iii) the deployment of a laboratory diagnostics and case management system; and (iv) issuing an Arrêté requiring that all regional health directors secure or designate facilities in each region as COVID-19 patient isolation centers.

16. Regarding strengthening livelihoods of the populations most affected by the effects of the pandemic, the main measures are as follows: (i) the issuance of a Presidential Decree approving an emergency cash transfer program to extend the coverage of the social safety net program to people registered in areas covered by the state of health emergency for a period of three months; (ii) the issuance of an Arrêté to temporarily extend social coverage (for six



months) in rural areas through the cash transfer program under the Social Safety Nets and Basic Services Project; (iii) the issuance of an Arrêté to systematize the digital payment of this aid via mobile money; (iv) the adoption of decrees providing the most vulnerable households (or subscribers who pay the social tariff) with free water and electricity during the period of the state of health emergency, and provisions for the coverage of this expenditure by the State budget.

17. Regarding NOVISSI cash transfers, it is intended to support any eligible Togolese citizen who has lost income as a result of the adoption of the COVID-19 response measures. The program aims at providing the most vulnerable individuals and families with monthly financial support throughout the state of emergency. This monthly financial support amounts to a minimum of CFAF 12,250 per month for women and CFAF 10,500 for men. The Togolese Government is working to improve the targeting of beneficiaries, and transparency, on one hand, through the most appropriate methods to reach the poorest and most vulnerable households in urban areas, and on the other hand, through the ongoing development of the e-ID Togo platform, which will enable the biometric and unique identification of each individual residing on Togolese territory. This measure will make it possible to reach approximately 1.2 million Togolese. The estimated cost of the program would be CFAF 43.4 billion (according to scenario 2).

18. Regarding free water consumption for households paying the social tariff, it is planned for a period of three (3) months and concerns all households, including those without a connection in their home and using public standpipes in urban areas, users of mini-water supply in semi-urban areas and users of public boreholes in rural areas. The operation will affect around 3.6 million people. Regarding electricity, this free access concerns low-voltage customers with 2-wire metering equipment, set at 5 or 10 amps and whose use is exclusively domestic, as well as off-grid households, particularly those electrified under the CIZO presidential initiative, about some 450 000 households. In order not to weaken the financial situation of these institutions, the Government will set up a budget line to cover the cost estimated at CFA 1.9 billion per month for CEET and CFA 455 million for TDE. Beyond these temporary actions to respond to the crisis, the government recognizes the importance of reforms to improve the performance of the TDE and the CEET to ensure their sustainability and their ability to meet growing demand. In the water sector, these reforms will have to respond in particular to the problems of leaks on the network, the quality of water from private wells and the price of water. In the electricity sector, efforts will continue with the support of the Bank in the framework of the Energy Sector Reform and Investment Project in Togo (PRISET) through the finalization of the development of a master plan of electricity infrastructure, the development of which is in progress and whose implementation will ultimately enable us to select only investments which lower the cost of production. The implementation of the current tariff study will also make it possible to define the financial cost and the equilibrium tariff for the sector and to put in place the mechanisms to maintain this equilibrium. In addition, the financial model already in place is the decision-making tool making it possible to assess the impact of each investment on the financial equilibrium of the sector. All these measures are aimed at optimizing the financial and operational costs of CEET.

19. For economic recovery, the measures taken in the agricultural sector concern, among other items, to ensure farmers' access to agricultural inputs for the 2020-2021 agricultural campaign and to build resilience. To this end, (i) additional households are registered on the YOLIM transfer platform and (ii) a digital service delivery platform for inputs and advisory service has been established. In addition, to improve transparency in public finance, including debt management, the following measures are undertaken (i) the adoption of an arrêté relating to the publication of economic, financial and budgetary documents and information, including a fiscal risk statement; (ii) the publication of an annual debt report, including an assessment of the implementation of the Medium-Term Debt Management Strategy (MTDS) on the Government website. Measures in the area of business climate focus on improving the digitalization of services: (i) making online payment of taxes mandatory for large and medium-sized enterprises; and (ii) enacting the law on the protection of personal data.



20. The agricultural response plan to COVID-19 consists of implementing specific measures to strengthen the production capacity of rural households through, among other things, the establishment of a credit program for agricultural producers by providing inputs and/or ploughing, seeds, water management equipment and advisory support. This plan will permit to reach approximately 512,000 farming households.

Monitoring and Evaluation of the Program

21. The Ministry of Economy and Finance is responsible for the overall implementation of the Emergency Budget Support Program. Daily monitoring and evaluation of the program is the responsibility of the Permanent Secretariat for the Monitoring of Reform Policies and Financial Programs (SP-PRPF). This structure coordinates the implementation of the Government's reform policies and programs. The Government will provide quarterly reports to the World Bank on progress in the implementation of the program with respect to the agreed timetables and performance indicators.

Request for Financing

22. The growth prospects for the Togolese economy over the period 2019-2020 were favorable with a growth rate previously projected at 5.5%. Unfortunately, the health crisis will lead to a projected growth rate of 1.3% at best and -1.5% at worst. The Government hereby undertakes to take all the necessary measures to implement the measures and actions selected under this program and reiterates its request to the Bank for the establishment of the requested financing. The financing identified, including the support requested from the World Bank, would make it possible to balance the 2020 revised budget.

Please accept, Sir, the assurance of my highest consideration.

Sani YAYA

***Mr. David R. Malpass
President of the World Bank Group
1818 H Street NW
Washington, DC 20433***

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ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Pillar 1: Protecting Lives		
Prior action 1	No.	Yes, positive. It will reduce negative impact of illness on income
Prior action 2	No.	Yes, positive. It will provide a positive direct health effect, higher productivity and income.
Pillar 2: Protecting Livelihoods		
Prior action 3	No.	Yes, positive. It will provide extra revenues to the poor in urban area
Prior action 4	No.	Yes, positive. It will provide extra revenues to the poor in rural area and compensate for the decline in remittances.
Prior action 5	Yes, positive. It will lower chances that poor will need to use firewood for energy.	Yes, positive. It will maintain the purchasing power of the poor, protect health and livelihoods.
Pillar 3: Protecting the Future		
Prior action 6	Yes, potentially negative. It will support the use of fertilizers, which could harm the environment if not managed safely.	Yes, positive. Increase of agricultural productivity and income.
Prior action 7	No.	Yes, positive. It will reduce the overall administrative burden, protect lives by promoting social distancing.
Prior action 8	No.	Yes, positive. It will free up fiscal space to spend on pro-poor spending.



ANNEX 5: DPF PRIOR ACTIONS AND ANALYTICAL UNDERPINNINGS

Prior Actions	Analytical Underpinnings
Pillar 1: Protecting Lives	
Prior Action 1	Strengthening preparedness for COVID-19 in cities and urban settings: Coronavirus disease (COVID-19) technical guidance note (WHO 2020). Key findings: The adoption of a coordinated multisectoral whole-of-government and whole-of-society approach is essential to ensure coherence in measures across different levels of governance and promote willingness to comply.
Prior Action 2	Critical Preparedness, Readiness and Response Actions for COVID-19: Coronavirus disease (COVID-19) technical guidance (WHO 2020). Key findings: A national public health EPRP is critical for guiding response. Diagnostic testing for COVID-19 is critical for tracking the virus, understanding epidemiology, informing case management, and for suppressing transmission.
Pillar 2: Protecting Livelihoods	
Prior Action 3	The Economic Policy Response to the COVID-19 Crisis (World Bank, 2020). Key findings: Use of existing structures especially where there are social safety nets in place is the preferred social policy response. Other channels that should be considered are community-driven and local mechanisms. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures (World Bank 2020). Key findings: Cash transfer programs are the most widely used interventions by governments for social assistance.
Prior Action 4	Africa’ Pulse: Assessing the Economic Impact of COVID-19 and Policy Response in Sub-Saharan Africa, Africa’s pulse (World Bank 2020). Key findings: Implementing social protection programs to support workers, especially those in the informal sector are key to mitigate the impact of the crisis on poor.
Prior Action 5	The Economic Policy Response to the COVID-19 Crisis (World Bank, 2020) Togo Strategic Diagnostic for Water, Sanitation and Water Resources (World Bank,2020) Key findings: Enhancing the resilience of households and services depends on improved infrastructure, with action needed to create better regulatory environments and increase access to water and sanitation, electricity, and broadband.
Pillar 3: Protecting the Future	
Prior Action 6	Africa’ Pulse: Assessing the Economic Impact of COVID-19 and Policy Response in Sub-Saharan Africa, Africa’s pulse (World Bank 2020). Key findings: The sharp declines in the services and agriculture sectors are indications that the crisis would severely hit the poorest and the most vulnerable. A food crisis is looming unless measures are rapidly taken to protect the most vulnerable, keep global food supply chains alive, and mitigate the pandemic’s impacts across the food system.
Prior Action 7	Tax Administration Diagnostic Assessment Tool, TADAT (IMF and World Bank 2019) Sixth Review under the ECF Arrangement (IMF 2020) Key findings: The on-line payment of taxes is very limited and should be enhanced to reduce administrative costs and strengthen permanent tax revenues collection.
Prior Action 8	TA Report on Debt Management Performance Assessment (World Bank 2016) G20 Note on Strengthening Public Debt Transparency (IMF and World Bank 2018) Key findings: Public debt transparency plays a critical role in ensuring effective risk assessment to support sustainable borrowing and lending practices.