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Report No: PGD477

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED CREDIT

IN THE AMOUNT OF EUR 178.8 MILLION (EQUIVALENT TO US$200.0 MILLION)

TO THE

REPUBLIC OF TOGO

FOR THE

SECOND SUSTAINABLE AND INCLUSIVE DEVELOPMENT POLICY FINANCING

November 11, 2024

Economic Policy Global Practice
Western And Central Africa Region

Republic of Togo

GOVERNMENT FISCAL YEAR

January, 1 – December, 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2024)

Currency Unit = CFA Franc (CFAF)

US$1.00 = CFAF 586

US$1.00 = Euro 0.89

US$1.00 = SDR 0.74

ABBREVIATIONS AND ACRONYMS

BCEAO	Central Bank of West African States (*Banque Centrale des États de l'Afrique de l'Ouest)*	MEF	Ministry of Economy and Finance
CAD	Current Account Deficit	NAP	National Adaptation Plan
CCDR	Country Climate and Development Report	NDC	Nationally Determined Contribution
CEET	Togo's Electric Power Company (*Compagnie Energie Electrique du Togo)*	PRA	Prevention and Resilience Allocation
CPIA	Country Policy and Institutional Assessment	PDO	Program Development Objective
CPF	Country Partnership Framework	PFR	Public Finance Review
CSO	Civil Society Organization	PFM	Public Financial Management
DPBEP	Multiannual Budget and Economic Plan (*Document de programmation budgétaire et économique pluriannuelle)*	PforR	Program-for-Results Financing
DPF	Development Policy Financing	PIA	Adétikope Industrial Park (*Plateforme Industrielle d'Adétikopé*)
DSA	Debt Sustainability Analysis	PPA	Performance and Policy Action
ECF	Extended Credit Facility	PPP	Public-private Partnership
GBV	Gender-based Violence	PSIA	Poverty and Social Impact Analysis
		PURS	Emergency Plan for the Savanes *(Programme d'urgence pour la région des Savanes)*
GDP	Gross Domestic Product	PV	Present Value
GHG	Greenhouse Gas	RSPM	National Social Registry *(Registre Social des Personnes et des Ménages)*
IBRD	International Bank for Reconstruction and Development	SDFP	Sustainable Development Finance Policy
IDA	International Development Association	SDR	Special Drawing Rights
IFC	International Finance Corporation	SOE	State-owned Enterprise
IMF	International Monetary Fund	UTB	Togolese Union Bank (*Togolaise de Banque*)
IPDCP	Data Protection Authority *(Instance de Protection des Données à Caractère Personne*)	WAEMU	West African Economic and Monetary Union
LDP	Letter of Development Policy	WBG	World Bank Group

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REPUBLIC OF TOGO

SECOND SUSTAINABLE AND INCLUSIVE DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Operation ID	Programmatic	If programmatic, position in series
P181238	Yes	2nd in a series of 2

Proposed Development Objective(s)

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

Organizations

Borrower:	Ministry of Economy and Finance		
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PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Total Financing	**200.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

IDA Resources (US$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
National Performance-Based Allocations (PBA)	200.00	0.00	0.00	0.00	200.00
Total	**200.00**	**0.00**	**0.00**	**0.00**	**200.00**

PRACTICE AREA(S)

Practice Area (Lead)

Macroeconomics, Trade and Investment

Contributing Practice Areas

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

OVERALL RISK RATING

Overall Risk	Substantial

RESULTS

Baseline	Closing Period
PROMOTING SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE ACTION	
Maize yield in Planned Agriculture Development Zones at the national level (Metric ton)	
Dec/2021	Dec/2025
1.50	3.00
Maize yield in Planned Agriculture Development Zones in the Savanes region (Metric ton)	
Dec/2021	Dec/2025
1.15	2.30
Share of female farmers in Planned Agriculture Development Zones (Percentage)	
Dec/2021	Dec/2025
30	41
Livret Foncier delivered (Number)	
Dec/2021	Dec/2025
0	360
Additional rural households connected to electricity (Number)	
Dec/2021	Dec/2025
0	210,500
Additional households connected to electricity in the Savanes region (Number)	
Dec/2021	Dec/2025
0	27,400
Share of renewable energy in installed electricity capacity (Percentage)	
Dec/2021	Dec/2025
34	38
Registered investment projects eligible for carbon credits (Number)	
Dec/2021	Dec/2025
0	5
BOOSTING HUMAN CAPITAL AND THE RESILIENCE OF VULNERABLE POPULATIONS	
Share of households registered in the social registry of individuals and households (RSPM) (Percentage)	
Dec/2021	Dec/2025
0	20
Number of Flagship safety net beneficiary households with a female designated beneficiary (Number)	
Dec/2021	Dec/2025
58,697	235,000
Goodness of fit between the number of teachers and students in public primary schools (Percentage)	
Dec/2021	Dec/2025
0.54	0.75
Share of female students achieving basic literacy in Grade 2 (Percentage)	
Dec/2021	Dec/2025
24.50	35
GBV survivors having benefited from at least one support service (Number)	
Nov/2021	Nov/2025
2,799	4,500
REBUILDING FISCAL SPACE FOR PRIORITY INTERVENTIONS	
Tax expenditures in percentage of overall revenues (Percentage)	
Dec/2021	Dec/2025
18	15
Share of public guarantees subject to credit risk evaluations (Percentage)	

Dec/2021	Dec/2025
0	100

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

I. COUNTRY CONTEXT AND OPERATION SUMMARY

1.1. **Togo's economy has exhibited robust growth over the past decade, poverty has declined but remains high, while structural transformation has been limited.** Supported by political stability and ongoing reforms, economic growth has averaged 5.2 percent between 2013 and 2023 (2.9 percent in per capita terms) and was able to maintain that momentum since 2020, despite a sequence of shocks. Rising public and private investment helped support economic resilience in recent years, but fiscal stimulus combined with the cost of responding to growing insecurity in the northern Savanes region led the budget deficit to a peak of 8.3 percent of GDP in 2022, before moderating to 6.6 percent in 2023. The poverty headcount ratio using the national poverty line stood at 43.8 percent in 2021/22, down from 45.5 percent in 2018/19, with significantly higher rates in rural areas (58.2 percent) and the Savanes region (64 percent). Key structural factors constraining faster and more inclusive growth in Togo include low yielding agricultural practices; large disparities in economic opportunities and access to basic services between rural and urban areas; and still limited strides in industrialization despite the expansion of port activities and the development of agro-processing industries. Moreover, in the absence of decisive climate action, Togo's development trajectory will be adversely impacted by intensifying climate pressures, with the largest effects felt by vulnerable populations, particularly those relying on agriculture as their main source of income.

1.2. **This proposed Development Policy Financing (DPF) is the second in a series of two operations aiming at supporting the foundation for Green, Resilient and Inclusive Development (GRID) in Togo.** The Program Development Objectives (PDO) are to (i) promote sustainable agriculture, rural electrification, and climate action; (ii) boost human capital and the resilience of vulnerable populations; and (iii) rebuild fiscal space for priority interventions. The operation will help address Togo's key development challenges in ending extreme poverty and promoting shared prosperity on a livable planet identified in recent World Bank diagnostics[1] by boosting economic opportunities in rural areas in an equitable and climate-conscious way, strengthening the resilience of vulnerable populations, improving learning outcomes in underserved areas, empowering women and supporting macroeconomic stability. It will also help leverage the private sector to meet development needs, with a particular focus on attracting new investments in the agriculture and energy sector. The proposed operation includes an International Development Association (IDA) credit of EUR 178.8 million (US$200 million equivalent) provided on standard 50-year IDA credit terms.

1.3. **The transformational reforms supported by this operation are needed to meet the primary goals of the FY25-FY29 Country Partnership Framework (CPF) and the government's 2025 Roadmap.** This operation will serve as a steppingstone for the delivery of the new CPF objectives of enhancing agricultural productivity, ensuring universal access to electricity, improving service delivery for vulnerable populations, driving ambitious climate action, and ensuring macroeconomic stability. It builds on robust sectoral engagements[2] to maximize impact and on the one World Bank Group (WBG) approach to find innovative solutions, including the possible use of the expanded instruments toolkit of the WBG guarantee platform to address short-term refinancing pressures. The reform program is also strongly anchored in the

[1] Notably the Country Economic Memorandum (P174741/2021), the Country Private Sector Diagnostic (2022), the Poverty and Gender Assessment (P176872/2022), the Jobs Diagnostic (P175453/2022), the Public Expenditure Review (P171688/2022), the Risk and Resilience Assessment (2023), the Public Finance Review (P179302/2024), and the ongoing Climate Change and Development Report (P180966/2024).

[2] Major operations building on and supporting this DPF program include the new Agricultural Multiphase Programmatic Approach (P180580), the Inclusive Development through Electricity Access project (P176769), the Social Assistance Transformation for Resilience Program for Results (P178835), the Improving Quality and Equity of Basic Education Project (P172674), the Sub-Saharan Africa Women Empowerment and Demographic Dividend project (P176693), and Togo's Public Sector Strengthening for Service Delivery Program (P176883).

government's 2025 roadmap and emergency plan for the Savanes region, therefore strengthening ownership and limiting the risk of policy reversals.

1.4. **The operation consists of mutually reinforcing reforms organized around the following three pillars (see Policy and Results Matrix in Annex 1):**

- **Pillar 1. Promoting sustainable agriculture, rural electrification, and climate action.** Boosting agricultural productivity and rural electrification are critical to accelerate structural transformation and reduce poverty and inequality. Moreover, the predominance of traditional rain-fed agriculture practices contributes to a high exposure to climate shocks, soil degradation and deforestation, particularly in poorer and more exposed northern regions. This operation will help address these challenges by (i) introducing the *Livret Foncier* to facilitate access to land tenure security for smallholder farmers (in particular for women), which should boost investment in more productive and sustainable agriculture practices, and preserve forest areas; (ii) unlocking a decade-long stalemate on electricity tariff reforms with the adoption of an optimized tariff structure, combined with a roadmap to restore the energy sector's viability and incentives for decentralized renewable energy production; and (iii) operationalizing the regulatory framework for carbon credit markets in order to mobilize additional financing for climate mitigation and adaptation efforts in sectors like agriculture and energy.

- **Pillar 2. Boosting human capital and the resilience of vulnerable populations**. Efforts to reduce extreme poverty in Togo are constrained by low levels of human capital and high exposure of vulnerable populations to shocks, particularly in rural areas. Reforms supported by this operation seek to mitigate those constraints by (i) ensuring more effective and efficient social protection and disaster response programs with the operationalization of a national social registry alongside a robust data protection framework; (ii) boosting learning opportunities for students in vulnerable areas through broader access to textbooks and periodic reviews of teachers' qualifications to improve their performance; and (iii) implementing a multisectoral protocol to support victims of gender-based violence (GBV) to support their livelihood and participation in education and the labor market.

- **Pillar 3. Rebuilding fiscal space for priority interventions.** A lack of fiscal space and exposure to fiscal risks from loss-making state-owned enterprise (SOEs) is constraining the government's ability to meet its ambitious development objectives and support priority investments and social programs. This operation is seeking to alleviate these constraints by supporting revenue mobilization through the rationalization of tax exemptions, supporting SOEs performance and oversight, and improving the management of sovereign guarantees and on-lending operations to SOEs to reduce associated fiscal risks. Efforts to restore the financial and operational health of the national electricity company, (*Compagnie Energie Electrique du Togo,* CEET) will further contribute to limiting associated contingent liability risks.

1.5. **Thanks to the government's strong commitment and robust progress with the results framework, the level of ambition of this second operation has been raised.** The reform program of this second and last operation in the series is aligned with the indicative triggers agreed in the first operation, but some have been reinforced or modified due to changing circumstances and government priorities. This includes among other things (i) the introduction of the *Livret Foncier* as a new title of customary land ownership which will significantly simplify access to land tenure security for smallholder farmers; (ii) more ambitious reforms in the energy sector with the long-awaited optimization of the tariff structure being complemented by additional commitments to improve the CEET's financial and operational performance, and promoting decentralized renewable energy production; and (iii) the operationalization of the social registry reinforced by the nomination of the president of the data protection authority. Results indicators were also upgraded by including additional targets on the number of *Livret Foncier* delivered by 2025 (PA#1), crop yields and rural electrification objectives for the Savanes region (PA#1 and #2), while others were revised up, including the targets for rural households connected to electricity (PA#2) and the distribution of teachers across the territory (PA#5) thanks to faster than expected progress.

Overall, the operation is on track to achieve its objectives, with available data showing significant progress on most result indicators.

1.6. **This operation will help reduce factors of fragility, in line with the objectives pursued by the Prevention and Resilience Allocation (PRA) granted in the context of Togo's new CPF.** New patterns of violence and instability have emerged in the Northern part of the country, with extremist groups instrumentalizing existing vulnerabilities and exploiting grievances linked to perceptions of marginalization, high rates of poverty and inequality, and limited opportunities for the youth. With its focus on supporting development opportunities in rural areas and improving the resilience of vulnerable populations to shocks, the proposed reforms are addressing key factors of fragility and complement the government's emergency plan for the Savanes region, notably through improved land security for smallholder farmers, the acceleration of rural electrification, improved targeting of social assistance programs, better access to quality teachers and learning material for students, and better protection against GBV. This contributes to key strategic objectives in conflict prevention and resilience considered as part of Togo's PRA, namely, to strengthen the social contract through improved social service delivery and limit risks of conflicts related to access to land, while advocating for environmental protection. To monitor progress, targets for crop yields and electrification rates in the Savanes region are included in the results framework of this operation.

1.7. **The proposed reforms are aligned with the adaptation and mitigation goals of the Paris Agreement.** They support the country's climate strategy, reducing greenhouse gas (GHG) emissions through improved agriculture land management (PA#1), the promotion of renewable energy (PA#2), and the operationalization of carbon credit markets (PA#3, see Annex 2 for details). The operation also focuses on adaptation measures, including by supporting investments in climate-smart agriculture practices (PA#1), resilience to climate change through the institutionalization of a shock response program to support poor and vulnerable households affected by natural hazard (PA#4), and additional fiscal space that could help support adaptation and emergency responses (PA#7 and PA#8). Climate hazards are unlikely to impact the contribution of any prior actions to development objectives.

II. MACROECONOMIC POLICY FRAMEWORK

2.1. **Togo's macroeconomic policy framework is adequate.** Growth in Togo has been resilient in recent years, supported by an ambitious public investment program and reforms stimulating private investment. However, fiscal space has been depleted and significant disparities in economic opportunities and access to basic services between rural and urban areas continued to hamper progress in reducing poverty and inequality. With the support of the International Monetary Fund (IMF) Extended Credit Facility (ECF) program approved in March 2024, the government has reaffirmed its commitment to reducing the fiscal deficit to 3 percent of gross domestic product (GDP) by 2025, lowering overall debt distress risks to moderate by 2026, and increasing the share of external concessional financing. This operation is also supporting efforts to strengthen fiscal sustainability through reforms encouraging revenue mobilization, ensuring better management of contingent liability risks, reducing financial and operational losses at CEET, and promoting greater public spending efficiency in education and social protection. The July 2024 World Bank-IMF Debt Sustainability Analysis (DSA) confirmed that Togo faces high overall debt distress risks over the next two years and moderate external debt distress risks, but short-term liquidity pressures have increased due to the upcoming repayment of a trade finance loan. The parallel use of Multilateral Investment Guarantee Agency (MIGA's) Short-Term Trade Finance (STTF) guarantee instrument to alleviate those pressures is currently under discussion. With the support of reforms backed by Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPAs), Togo's debt-management framework has improved in recent years, and the government's commitment to reforms remains strong as recognized by the continued improvement in Country Policy and Institutional Assessment (CPIA) scores, but further improvements are warranted, including on debt management capacity.

A. Recent Economic Developments

2.2. **Growth was robust in Togo in 2023 but is estimated to have moderated in 2024 due to decelerating exports and fiscal consolidation efforts.** Growth picked up to 6.4 percent in 2023, with an increased contribution of fixed capital formation. This was supported on the public sector side by new infrastructure work and the purchase of security equipment to address continued instability in the North, and on the private sector side by ongoing projects such as the development of the Adétikopé Industrial Plateform (PIA). Industrial activity exhibited positive momentum in 2023 but the sector faced increased headwinds later in the year from power shortages and slowing external demand. The agriculture sector continued to expand on the back of a favorable season, while services sector activity was supported by positive momentum in commercial services, which include financial services, transport, real estate, ICT and accommodation. In 2024, decelerating services sector activity and industrial production are estimated to have resulted in growth moderating to 5.3 percent, despite another favorable agricultural season. Aggregate demand is being supported by robust private investment and strengthening consumer spending as inflation moderates to an estimated 3.5 percent in 2024, down from 5.3 percent in 2023 and 7.5 percent in 2022 (Table 1).

Table 1: Selected Macroeconomic and Financial Indicators

	2020	2021	2022	2023	2024e	2025p	2026p	2027p
Annual percentage change, unless otherwise indicated								
National Accounts								
Real GDP Growth, at constant market prices	2.0	6.0	5.8	6.4	5.3	5.4	5.8	5.9
Private Consumption	-6.2	12.0	4.7	4.3	5.8	5.4	5.3	5.2
Government Consumption	1.8	0.2	7.2	6.3	2.7	4.3	4.3	6.0
Gross Fixed Investment	36.6	-0.4	11.3	12.0	4.7	4.5	6.6	8.2
Imports, Goods and Services	6.0	8.8	2.8	6.8	3.9	6.8	7.8	7.2
Exports, Goods and Services	1.6	14.3	5.3	5.8	4.0	5.4	6.2	7.0
Sectoral contribution to growth								
Agriculture (ppts)	0.8	1.0	1.2	0.9	1.1	1.0	1.0	1.1
Industry (ppts)	0.6	1.3	1.4	1.4	1.2	1.3	1.6	1.9
Services (ppts)	0.6	3.8	3.2	4.0	3.0	3.2	3.2	2.9
Inflation								
GDP deflator	1.9	2.5	4.2	2.7	3.1	3.1	2.7	2.4
Consumer prices (average)	1.8	4.5	7.5	5.3	3.5	3.0	2.7	2.3
External sector								
Current account balance	-0.3	-0.9	-3.0	-3.3	-3.5	-3.1	-2.7	-2.8
Net Foreign Direct Investment	-0.7	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4
Terms of trade	-6.2	1.4	-5.5	-1.6	-0.3	0.9	0.7	0.5
Percent of GDP, unless otherwise indicated								
Debt								
Public debt (external and domestic)	62.1	64.8	67.1	67.3	68.0	66.5	64.6	63.4
External debt	27.6	27.2	26.1	25.6	26.6	27.0	27.2	27.7
Fiscal Accounts								
Total revenue and grants	16.6	17.1	17.8	18.2	18.5	18.4	18.5	18.8
Total expenditure and net lending	23.7	21.8	26.0	24.8	24.6	21.5	21.5	21.7
Overall fiscal balance (with grants)	-7.0	-4.7	-8.3	-6.6	-6.1	-3.0	-3.0	-2.9
Memorandum items								
Nominal GDP (billion, local currency)	4259.5	4626.0	5095.8	5566.6	6046.1	6569.7	7141.5	7746.9
Nominal GDP (billion, US$)	7.4	8.3	8.2	9.2	10.1	11.0	11.9	12.9
Population (million)	7.8	7.9	8.1	8.3	8.5	8.7	8.8	9.0

Source: Central Bank of West African States (*Banque Centrale des États de l'Afrique de l'Ouest,* BCEAO), INSEED, IMF, and World Bank.
Note: Data for 2024 are estimated, actual forecasts are starting in 2025. Projections are those of the World Bank and may differ from the assessment of national authorities. The 2024 budget deficit includes the one-off impact of the recapitalization of the state-owned bank Togolese Union Bank (*Togolaise de Banque*, UTB) amounting to 1.6 percent of GDP in 2024.

2.3. **The government embarked in 2023 on a period of fiscal consolidation to bring the budget deficit back to 3 percent of GDP by 2025 and reduce overall debt risks to moderate by 2026**. On the spending side, a reduction in fuel subsidies helped initial consolidation efforts in 2023, while cuts in public investment are accounting for the bulk of the adjustment in 2024 (Table 2). On the revenue side, tax collection exceeded expectations in 2023 and the first half of 2024, thanks to improved tax administration and non-tax revenues. However, the volume of tax expenditure increased in 2023, driven by additional exemptions on necessity goods, construction material, and electric motorcycles. Preserving priority investment and social spending programs during a period of rapid fiscal consolidation highlight the importance of focusing on revenue mobilization efforts as well as the quality and selectivity of public spending. This operation contributes to these objectives by supporting the rationalization of tax expenditures, improving spending efficiency in education and social protection programs, and stimulating private investment in critical sectors such as agriculture and energy. Public debt increased to 67.3 percent of GDP in 2023, with external debt representing 25.6 percent of GDP (Table 3). Total debt service, including interest and amortization, reaching 52 percent of total revenue and grants in 2023, with around 80 percent of it accounted for by domestic debt service.

Table 2: Selected Fiscal Indicators (percent of GDP)

	2020	2021	2022	2023	2024e	2025p	2026p	2027p
Total Revenues and Grants	**16.6**	**17.1**	**17.8**	**18.2**	**18.5**	**18.4**	**18.5**	**18.8**
Tax Revenues	*12.5*	*14.0*	*14.0*	*14.7*	*15.3*	*15.8*	*16.1*	*16.4*
Direct Taxes	3.9	4.2	3.7	4.0	4.3	4.5	4.7	4.4
Taxes on Goods and Services	2.8	3.6	3.8	4.0	4.0	4.1	4.2	4.9
Taxes on International Trade	5.7	6.2	6.5	6.8	7.0	7.1	7.1	7.2
Non-Tax Revenues	1.6	1.3	1.2	1.0	1.1	1.1	1.1	1.2
Grants	*2.5*	*1.8*	*2.5*	*2.5*	*2.1*	*1.4*	*1.2*	*1.2*
Expenditures	**23.7**	**21.8**	**26.0**	**24.8**	**24.6**	**21.4**	**21.4**	**21.7**
Current Expenditures	*14.4*	*13.6*	*16.2*	*14.6*	*14.9*	*14.3*	*14.1*	*14.0*
Wages and Compensation	5.5	5.4	5.1	5.2	5.1	5.1	5.0	4.9
Goods and Services	3.1	2.9	3.5	3.4	3.3	3.3	3.2	3.3
Interest Payments	2.3	2.2	2.4	2.2	2.4	2.4	2.3	2.2
Current Transfers	3.4	3.1	5.2	3.8	4.1	3.6	3.7	3.7
Capital Expenditures	*9.3*	*8.2*	*9.8*	*9.9*	*8.3*	*6.8*	*7.0*	*7.4*
Overall Balance	-7.0	-4.7	-8.3	-6.6	-6.1	-3.0	-3.0	-2.9
Primary Balance	-4.7	-2.5	-5.8	-4.4	-3.8	-0.6	-0.7	-0.7
Government Financing	**7.5**	**7.2**	**10.7**	**7.6**	**4.4**	**2.6**	**3.5**	**3.8**
External (Net)	6.9	2.7	3.6	3.2	2.5	1.2	2.3	2.5
Domestic (Net)	0.6	4.5	7.1	4.3	1.9	1.4	1.2	1.3

Source: BCEAO, INSEED, IMF, and World Bank.
Note: Data for 2024 are estimated, actual forecasts are starting in 2025. Projections are those of the World Bank and may differ from the assessment of national authorities. The 2024 budget deficit includes the one-off impact of the recapitalization of the state-owned bank UTB amounting to 1.6 percent of GDP in 2024.

Table 3: Public Debt Indicators

	2020			2021			2022			2023		
	Billion of CFAF	Percent of Total	Percent of GDP	Billion of CFAF	Percent of Total	Percent of GDP	Billion of CFAF	Percent of Total	Percent of GDP	Billion of CFAF	Percent of Total	Percent of GDP
Total PPG Debt	**2,646**	**100.0**	**62.1**	**2,998**	**100.0**	**64.8**	**3,417**	**100.0**	**67.1**	**3,744**	**100.0**	**67.3**
Domestic Debt	**1,471**	**55.7**	**34.5**	**1,738**	**58.0**	**37.6**	**2,087**	**61.1**	**41.0**	**2,319**	**61.9**	**41.7**
Treasury bills	71	2.7	1.7		0.0	0.0		0.0	0.0	154	4.1	2.8
Treasury Bonds	1,252	47.3	29.4	1,524	50.8	32.9	1,834	53.7	36.0	1,917	51.2	34.4
Others	97	3.7	2.3	165	5.5	3.6	208	6.1	4.1	205	5.5	3.8
External Debt	**1,175**	**44.4**	**27.6**	**1,260**	**42.0**	**27.2**	**1,330**	**38.9**	**26.1**	**1,425**	**38.1**	**25.6**
Multilateral creditors	632	23.9	14.6	680	22.7	14.7	760	22.2	14.9	864	23.1	15.5
Bilateral Creditors	338	12.8	7.9	378	12.6	8.2	368	10.8	7.3	345	9.2	6.2
Paris Club	6	0.2	0.1	12	0.4	0.3	22	0.6	0.4	29	0.8	0.5
Non-Paris Club	332	12.5	7.8	366	12.2	7.9	346	10.1	6.8	316	8.4	5.6
Commercial Creditors	165	6.2	3.9	166	5.5	3.6	169	4.9	3.3	185	4.9	3.4
Memo items												
SOE guaranteed external debt	50	1.9	1.2	49	1.6	1.1	46	1.3	0.9	42	1.1	0.8

Source: Togolese authorities, IMF, and World Bank (July 2024)

2.4. **As a member state of the West African Economic and Monetary Union (WAEMU), Togo benefits from a stable currency and generally favorable financing conditions and can tap into regional debt markets.** The monetary and exchange rate policies of WAEMU are managed by the regional Central Bank BCEAO, maintaining a fixed peg between the CFA Franc and the Euro. To counter inflation across WAEMU countries, the BCEAO raised policy interest rates by a cumulative 150 basis points since the start of 2022 to 3.50 percent for liquidity calls and 5.50 percent for the marginal lending facility. The BCEAO maintained its policy stance unchanged in September 2024 with the regional inflation rate still above the WAEMU target of 3 percent, at 4.4 percent in August 2024, but monetary policy easing in the Euro Area and the United States have contributed to some improvements in global as well as regional financing conditions.

2.5. **Togo's trade deficit narrowed in 2023, reflecting increasing phosphate exports, but the current account deficit (CAD) widened slightly amid slowing remittances.** In 2023, Togo's trade deficit narrowed thanks to strong demand and prices for raw phosphate, which accounts for 46 percent of goods exports. However, rising imports partially offset these gains, resulting in a trade deficit of 9.7 percent of GDP, down from 10 percent in 2022 and a decade average of 10.8 percent. The CAD rose slightly to 3.3 percent of GDP, from 3.0 percent in 2022, mainly due to slowing remittances.

2.6. **Financial stability risks remain limited despite solvency concerns affecting remaining state-owned bank UTB.** Togo's banking sector, while generally resilient, has some vulnerable institutions, mostly the last remaining state-owned bank, UTB. However, the recapitalization of UTB in 2024 through a one-off injection amounting to 1.6 percent of GDP, which was supported by the IMF ECF program, has helped mitigate those risks. The government provided funds to lift the bank's regulatory capital to zero, which prompted the supervisor to revise banking sector's solvency ratio to 7.5 percent at end-March 2024. The government has also commissioned an independent audit of the bank's regulatory capital. Beyond recapitalization efforts, authorities should strengthen the enforcement of prudential norms and prevent persistent breaches of capital adequacy ratios in the future, which ultimately hinder the banking system' ability to provide credit to the economy. The banking sector safety net also needs further strengthening, including by increasing reserves in the Deposit Guarantee and Resolution Fund, while the use of capital surcharges should help address risks related to the concentration of banks' portfolio and sovereign exposures. Stronger enforcement of supervisory actions by the Regional Banking Commission should also enhance deterrence and compliance.

B. Macroeconomic Outlook and Debt Sustainability

2.7. **The economic outlook remains positive, supported by the implementation of robust reforms, including those in this operation.** With global demand slowing and fiscal consolidation measures intensifying, growth in Togo is expected to moderate to 5.3 percent in 2024 (2.9 percent in per capita term), before gradually strengthening to 5.4 percent in 2025 and an average of 5.8 percent between 2026 and 2027. As public investment is scaled back, rising aggregate demand will notably be supported by ongoing and planned private investment projects around the Adétikope Industrial Platform and a recovery in consumer spending as inflationary pressures continue to taper down. Exports will provide an additional boost from 2025 as the global economy regains some strength while public investment is expected to pick up in 2026 as the bulk of fiscal consolidation efforts wind down. This operation will contribute to a positive medium-term outlook by supporting agricultural productivity, access to and reliability of electricity supply, and the resilience of vulnerable populations. Uncertainty associated with spillovers from the Sahel crisis and growing insecurity in the Savanes region could weigh on investment sentiment and slow fiscal consolidation efforts. The reform program of this operation should contribute to mitigating those factors, by helping to alleviate fragility risks in the Savanes region. The poverty rate is projected to decrease only gradually in 2024 and 2025 and more substantially in 2026, cumulating to a projected 4.4 percentage points decline from the 43.8 percent poverty rate observed in 2021. The baseline scenario assumes that the impact of recent shocks gradually recedes, while global financing conditions stabilize, and fiscal consolidation does not unduly impact critical infrastructure and social programs.

2.8. **The CAD is projected to narrow in coming years.** Recovering global demand and improving terms of trade are expected to result in the trade deficit narrowing gradually to 8.9 percent in 2027, from 9.7 percent in 2023 (Table 4). Earlier infrastructure investments are also expected to support productivity and exports, while imports should moderate in line with fiscal consolidation efforts and increased domestic production. The current account balance is also expected to narrow to 2.7 percent of GDP in 2027, helped by remittances reverting to pre-pandemic levels. Over the medium and long run, an improved business environment would help attract more inward foreign direct investment (FDIs), while investments in human capital would also contribute to growth and diversify service exports related to Togo's position as a regional trade, logistics, and banking hub. Fiscal consolidation and a shift towards long-term concessional external debt will help keep external debt risks in check.

Table 4: Selected External Sector Indicators (percent of GDP)

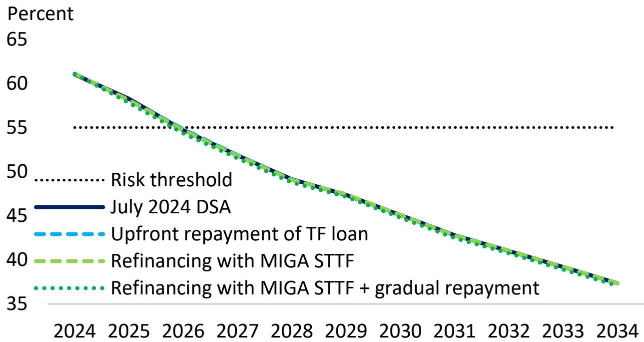
	2020	2021	2022	2023	2024e	2025p	2026p	2027p
Financing Requirements	***0.2***	***0.9***	***3.0***	***3.3***	***3.5***	***3.1***	***2.7***	***2.7***
Current Account Deficit	0.3	0.9	3.0	3.3	3.5	3.1	2.7	2.8
Trade Balance	-9.0	-9.0	-10.1	-9.7	-9.8	-9.3	-8.9	-8.9
Net Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Sources	***-1.9***	***0.7***	***3.0***	***3.3***	***2.2***	***2.0***	***1.9***	***2.2***
Capital Account Balance	5.0	5.7	5.4	4.7	3.7	3.0	3.2	3.2
Net Foreign Direct Investment	-0.7	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5	-0.6
Net Portfolio Investment	1.1	-1.1	-0.1	-0.9	-0.9	-0.9	-0.8	-0.8
Net All Other Flows	-7.3	-3.6	-1.9	-0.2	-0.3	0.4	0.1	0.5
Exceptionnal financing (IMF ECF, DSSI)	***2.1***	***0.2***	***0.0***	***0.0***	***1.3***	***1.1***	***0.8***	***0.5***

Source: BCEAO, INSEED, IMF, and World Bank.
Note: Data for 2024 are estimated, actual forecasts are starting in 2025. Projections are those of the World Bank and may differ from the assessment of national authorities.

2.9. **The fiscal consolidation strategy of the government includes a mix of spending restraints and revenue mobilization efforts**. As the government enters a period of rapid fiscal consolidation, it is facing difficult arbitrages that should seek to minimize disruptions to priority programs, public service delivery and economic activity. In line with the fiscal framework agreed in the context of the new ECF program of the IMF, the fiscal deficit is expected to decline to 4.5 percent of GDP in 2024 (excluding the one-off effect of the recapitalization of the state-owned bank UTB amounting to 1.6 percent of GDP) and 3.0 percent in 2025 driven on the expenditure side by a drop in capital spending and transfers and on the revenue side by sustained reforms of the tax and customs policy and administration and the rationalization of tax expenditures, which is supported by this operation. On the spending side, public investment is projected to moderate from 9.9 percent of GDP in 2023 to 6.6 percent in 2025, before recovering in later years in line with revenue mobilization efforts. Current spending is also expected to moderate but to a lesser degree, reflecting mainly restrains on the wage bill. Rising insecurity is exerting pressure on spending, representing a key risk to the attainment of deficit target in 2025. Reforms undertaken in this operation are expected to lead to efficiency gains in social protection programs by improving beneficiary targeting (PA#4), as well as in education by targeting the free textbook policy to vulnerable populations, ensuring private sector participation, and reinforcing digitalization efforts. This would be partially offset by increased funding to support GBV survivors (PA#6) and additional training for teachers following their evaluations (PA#5). On the revenue side, authorities are committed to increasing revenues by 0.5 ppt of GDP each year until 2027, supported by the introduction of new taxes and excise duties and a decreasing share of tax exemptions with the support from this operation and technical assistance from the IMF and the World Bank. Tax collection will be further strengthened by efforts towards arrears recovery, digitalization, and risk-based analyses. Still, increased focus on tax policy reforms as well as the selectivity, efficiency and execution of public investment and the mobilization of the private sector for infrastructure development would help anchor those consolidation efforts and limit disruptions to public service delivery.

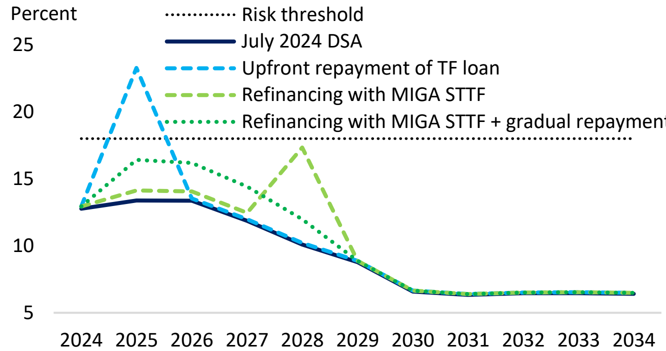
2.10. **Public debt is projected to be on a downward trend from 2025 onwards, with new borrowing relying more on concessional financing.** The public debt-to-GDP ratio is expected to gradually decline to 63.4 percent of GDP in 2027, down from a peak of 68 percent in 2024, as consolidation efforts continue. Gross financing needs in the next five years are projected to stem much less from the primary deficit (12 percent) than from significant debt refinancing needs (88 percent), particularly on the domestic side. Domestic refinancing needs in the short term continue to be a source of vulnerability but are projected to decline over the medium-term while financing conditions should ease. In line with the authorities' medium-term debt strategy, external sources will make up a larger share of financing in coming years (Table 2). Expected disbursements from IDA operations would account for the bulk of new external borrowing (67 percent), followed by the IMF ECF program (12 percent).

Figure 1: PV of public debt to GDP ratio under various assumptions



Source: World Bank and IMF (based on July 2024 DSA)
Note: TF loan stands for the EUR150m trade finance loan maturing in May 2025

Figure 2: External debt service to revenue ratio under various assumptions



Source: World Bank and IMF (based on July 2024 DSA)

2.11. **Togo continues to face moderate risk of external debt distress and high risk of overall debt distress.** The joint World Bank-IMF DSA published in July 2024 continued to place overall debt distress risk at a high level in the short term, with the present value (PV) of the public debt-to-GDP ratio projected to remain above the 55-risk threshold until 2026 (Figure 1). Reducing public debt below that threshold is one of the key planks of the ongoing IMF ECF program. In September 2024, S&P Global Ratings reaffirmed its 'B/B' ratings on foreign and local currency sovereign debt for Togo but revised its outlook to positive from stable, reflecting increased confidence in the government's fiscal consolidation strategy and access to additional concessional financing. Regarding external debt risks, the July DSA placed them firmly in the moderate category,[3] but the government has since disclosed a EUR 150 million short-term trade finance loan maturing in May 2025 that it is seeking to refinance. In the absence of a partial or total refinancing of this loan, upfront repayment could imply a one-year breach of the external debt service-to-revenue threshold in 2025, but such breach would be mechanically discounted in the DSA framework and would still point to moderate external debt risks. Options to alleviative those pressures exist, including through the World Bank guarantee platform. The parallel use of a new trade finance loan supported by one-year-Short-Term Trade Finance (STTF) guarantee instrument is under discussion, with the possibility of rolling it over at the end of each year over a period of three years. This could help limit short term liquidity pressures, particularly if combined with a gradual repayment of the principle (Figure 2). With the support of reforms backed by SDFP PPAs, Togo's debt-management framework has improved in recent years, notably through the publication of a Medium-Term Debt Strategy (MTDS), Annual Borrowing Plans that are aligned with the MTDS, Public Debt Bulletins that include additional data on categories of investors, Fiscal Risk Statement, new tools to ensure the efficient selection of bidders on regional debt markets, and improved management of contingent liabilities (including with the support of this operation). However, recent developments have highlighted the need to further improve debt management capacity. SOE debt guaranteed or underwritten by the state continues to represent an important source of contingent liability risks, accounting for 3.2 percent of GDP in 2022. Prior Actions 2 and 8 will help mitigate those risks by supporting CEET's return to financial and operational variability and reducing risks associated with guarantees and on-lending operations with SOEs.

[3] Model results mechanically indicate a low risk to external debt distress in Togo, but judgement is applied reflecting (i) an unquantified amount of debt denominated in domestic currency that is held by other countries in the region, which mean that external debt measured on a residency basis could be higher, with a corresponding drop in domestic debt; and (ii) the possibility that rollover pressure on domestic debt encourage the government to rely more than currently planned on external financing.

2.12. **The growth outlook is subject to both downside and upside risks.** Following a sequence of unprecedented shocks in recent years, longer lasting disruptions to global trade, commodity, and financial markets could have a large knock-on effect on a small, open, and relatively indebted economy like Togo. Additional downside risks include rising insecurity in the North and other spillovers from instability in the Sahel region that could weigh on investment, trade, and public finances. Climate shocks and other natural hazards could negatively affect agricultural productivity, while delays in implementing key reforms could deter private investment and job creation. Upside risks are identified as well, including faster reform implementation, resolution of regional uncertainties, and an easing of global financing conditions that could stimulate private investment more than currently anticipated, and help support fiscal consolidation efforts.

C. IMF Relations

2.13. **The Executive Board of the IMF approved in March 2024 a 42-month arrangement under the ECF for Togo, providing financing of SDR 293.60 million (about US$390 million).** The associated reform program aims to help maintain macroeconomic stability and accelerate poverty reduction by (i) making growth more inclusive while strengthening debt sustainability; and (ii) conducting structural reforms to support growth and limit fiscal and financial sector risks. Key policies include a strengthening of social spending and the social safety net, a growth-friendly fiscal consolidation thanks in part to ambitious fiscal revenue mobilization, structural reforms to support growth by enhancing the business environment, and banking sector reform including recapitalization of the remaining state-owned bank. Authorities are expected to strengthen debt sustainability through a fiscal consolidation strategy in line with a dual fiscal anchor of the program. The anchor's first element is to reduce the overall risk of debt distress from high to moderate (PV of public debt below 55 percent of GDP) by end-2026. The second element is to lower the fiscal deficit to 3 percent of GDP by 2025 to avoid overtaxing the regional market's ability to provide financing, in line with the regional convergence framework. To create space for priority spending, the authorities are also committed to raising revenue by an ambitious 0.5 percent of GDP every year. The ECF-arrangement is expected to catalyze further external financing, benefitting Togo and thereby contributing to its macroeconomic and external stability. Conclusion of the recent Article IV Consultations and the Staff-Level Agreement after the first review of the ECF program are presented in Annex 4.

III. PROPOSED OPERATION

A. Link to Government Program, CPF, other WBG operations, and Corporate Priorities

3.1 **The reform program supported by this operation is fully aligned with the objectives of the new FY25-FY29 CPF and the priorities of the government's 2025 Roadmap.** This operation will be a critical entry point to deliver the CPF objectives by supporting investments in sustainable agriculture, improving access to electricity, enhancing inclusive public service delivery, and increasing fiscal space for priority interventions. It is strongly anchored in the government's development strategy and its emergency plan for the Savanes region, ensuring strong reform buy-in and limiting the risk of policy reversals. It aims to strengthen efforts initiated under the first operation and builds on robust sectoral engagement to maximize impact.

3.2 **With its focus on supporting development opportunities for underserved rural areas and improving their resilience to shocks, the proposed reforms are also addressing key factors of fragility and contributes to conflict prevention in the North.** The reform program of this operation complements the government's emergency plan for the Savanes region and contributes to key strategic objectives around conflict prevention and resilience considered as part of Togo's PRA, namely, to strengthen the social contract through improved social service delivery, and limit risks of conflicts related to access to land, while advocating for environmental protection.

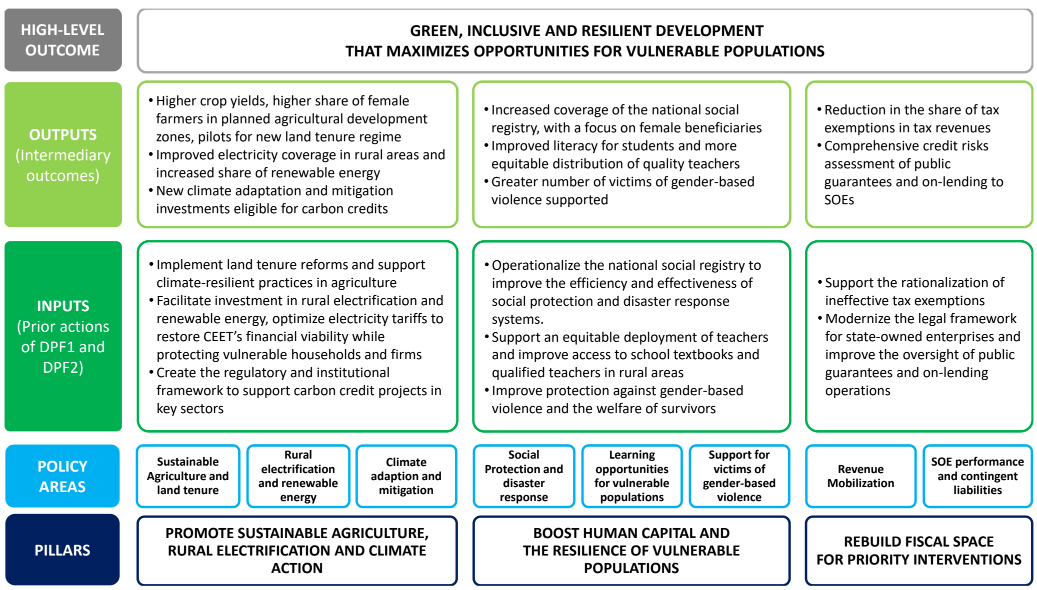
3.3 **The proposed DPF program is aligned with the adaptation and mitigation goals of the Paris Agreement.** First, the reform program is consistent with and supports the implementation of the country's climate strategy as spelled out in the 2021 National Determined Contribution (NDC) and the 2018 National Adaptation Plan (NAP). The NDC notably identifies the improvement of agriculture and forest land management and the support of renewable energy generation as key priorities, all of which are being encouraged by this operation. All prior actions are expected to have either a net positive or limited impacts on GHG emissions, with PAs #1, #2, #4, and #5 (land management, renewable energy, social protection, education) being universally aligned. While PA#1 supporting land tenure security in rural areas could potentially lead to increased emissions due to the agriculture sector's growth, the overall carbon intensity of the sector would decline through the promotion of more effective land use, better soil and water management and the preservation of forest areas. PA#2 will accelerate the transition towards renewable energy by stimulating investments in renewable energy production, while PA#3 will actively support investments in GHG emission reduction projects in sectors like energy, forestry, and agriculture. In terms of adaptation, climate hazards are unlikely to impact the contribution of any prior actions to development objectives. PAs #1 and #2 may be impacted by climate risks, for which appropriate mitigation measures are incorporated through the promotion of more climate-resilient agriculture practices and appropriate climate considerations in land management, as well as supporting diversification of electricity generation and appropriate infrastructure maintenance. PA#4 will help reduce the exposure of rural communities to climate shocks and support disaster risk management through better targeting of populations affected by climate-related disasters. The contribution of PAs #3, #5, #6, #7 and #8 are not directly at risk from climate shocks. A detailed review is presented in Annex 2. Therefore, all prior actions of the proposed DPF program are aligned with the adaptation and mitigation goals of the Paris Agreement.

3.4 **Reforms under the first pillar of the proposed operation will contribute to Maximizing Finance for Development (MFD-E) and are Private Capital Enabling (PCE), particularly in the agriculture and energy sector.** More specifically, PA#1 will remove barriers to investment in agriculture associated with unclear customary land tenure rights which prevent farmers to invest or access credit and can lead to land disputes and conflicts (see indicator 1.D on the number of *Livret Foncier* delivered). Facilitating women's access to land ownership will also support their economic empowerment and contribute to a more inclusive and sustainable agriculture sector that could attract socially responsible investors (see indicator 1.C on the share of female farmers in planned agricultural development zones (ZAAP)). Incentivizing smallholder farmers to invest in their land, adopting better seed technology, climate-smart practices and irrigation systems will bolster productivity and resilience to climate shocks, which will contribute to attracting investors in agriculture and associated value chains (see indicators 1.A&B on maize yields in ZAAPs at the national level and in the Savanes region). Similarly, PA#2 will help restore the financial and operational viability of the energy sector, improving access to electricity and ensuring its reliable supply, which are often cited as key constrains to private sector development in Togo (see indicators 2.A&B on the number of additional rural households connected to electricity at the national level and in the Savanes region). These reforms will also contribute to attracting investors in renewable power generation by strengthening the credibility of the CEET as an off-taker for private sector-led projects and encouraging the development of decentralized power generation from renewable sources in the private sector (see indicator 2.C on the share of renewable energy in installed electricity capacity). Moreover, PA#3 is establishing the regulatory framework for carbon credit markets in Togo that will help mobilize investors in climate mitigation projects, including in agriculture, forestry and energy sectors (see indicator 3 on the number of registered investment projects eligible for carbon credits).

B. Prior Actions, Triggers, Expected Results and Analytical Underpinnings

3.5 **This second operation will strengthen and reinforce the impact of measures adopted under DPF1 (P179294), while the level of ambition of individual reforms and of the results framework has been strengthened.** The proposed reforms are embedded in a clear theory of change (Figure 3) and address key constraints to sustainable poverty reduction highlighted in recent World Bank diagnostics[4] (Annex 3). Prior actions are aligned with the indicative triggers presented in DPF1, but some have been reinforced or modified due to changing circumstances and government priorities (See Annex 3 for details). First, PA#1 supporting land reforms was modified, replacing the planned law on agricultural land management with an equally if not more impactful reform creating the *Livret Foncier* with simplified access to land tenure security for smallholder farmers, including for women who are still underrepresented among landowners. Second, PA#2 on energy sector reforms was upgraded with the optimization of the tariff structure being complemented with additional commitments to improve the CEET's financial and operational performance and promote decentralized renewable energy production. PA#4 on the operationalization of the social registry was also strengthened by complementing the new data sharing mechanism with the nomination of the president of the data protection authority. Results indicators were upgraded by including an additional target for PA#1 on the number of *Livret Foncier* delivered, revising up the target for rural households connected to electricity under PA#2, and clarifying the role of the social registry and the flagship program on identifying the primary beneficiary of the latter within the household for PA#4. The operation is on track to achieve its objectives, with nearly all result indicators showing significant progress.

Figure 3: Theory of Change



PILLAR 1: PROMOTING SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE ACTION

3.6 **The first pillar of this operation supports reforms aimed at accelerating inclusive and sustainable development in rural areas.** This pillar includes reforms strengthening land tenure security with the aim of empowering smallholder farmers and bolstering their investments in more productive and sustainable practices, accelerating energy sector reforms, including an optimized tariff structure for electricity and support for renewable energy production, and creating the regulatory framework for carbon credit markets for climate adaption and mitigation projects. These goals are fully aligned with those of Togo's 2025 Roadmap and the 2021 NDC, which aim to make agriculture an engine of growth and job creation, attain universal access to electricity, and accelerate the transition to a low carbon economy.

[4] These notably highlight (i) the strategic importance of agriculture, energy, and the transition to a more climate-resilient economy to accelerate structural transformation and to create more and better-paying jobs; (ii) the centrality of education, girls' empowerment, and effective social protection programs to improve human capital and reduce poverty and fragility risks, which concentrate in rural areas; (iii) non-inclusive governance, uneven distribution of resources, infrastructure and services as key sources of fragility; and (iv) the need to boost revenue mobilization and to strengthen SOE governance and oversight to reinforce fiscal sustainability.

1.1. Sustainable agriculture intensification

***Prior Action #1**. To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a Decree establishing the Livret Foncier as a key instrument for facilitating access to a secure and reliable record of land ownership with a view to improving land security for smallholder farmers, women's access to land, and the enabling environment for forest protection.*

3.7 **Rationale.** Access to land ownership is a fundamental right for individuals and communities. It is also essential for rural development, enabling people to invest in their land, improve their living conditions and preserve natural resources. Traditional land tenure systems, which are based on customary law, often lack clear and secure property rights, making it difficult for farmers to invest or access credit, and can lead to land disputes and conflicts. Women are particularly disadvantaged, as they account for only 24.5 percent of all landowners in Togo (EHCVM 2021/22). Implementing reforms to provide more secure land rights and to formalize land tenure systems could help create a more enabling environment to modernize the agriculture sector, ensure sustainable land management, and boost rural development.

3.8 **Reform description.** PA#1 seeks deeper agricultural land management reforms by improving land tenure security through the establishment of the *Livret Foncier* as a way of facilitating access to a secure and reliable record of land ownership. The new instrument will help formalize land tenure, simplify procedures and reduce the cost of issuing title deeds, and promote local land management, including for conflict resolution. Beyond positive impacts on farmers' livelihood and productivity, improved access of women to land ownership, creating safeguards in land use in a sector that currently has a significant impact on forest resources through deforestation and land degradation, it is essential to meet government's ambition to restore a 25 percent forest cover and reduce GHG emissions from land use activities by 28 percent by 2030. The reform of the *Livret Foncier* will help establish clearer boundaries between agricultural land and forest areas so that people know which lands are protected and will preclude any registration of forest areas. Stronger land tenure security for smallholder farmers will also support climate adaption by strengthening their capacity and willingness to invest in climate smart practices, ease access to credit and insurance, and facilitate disaster recovery. Authorities have expressed interest in a new land registration operation with the World Bank, which would complement this reform by providing technical assistance to modernize the legal and regulatory framework, and communication efforts presenting positive impact on farmers' livelihoods, improved land management, and environmental benefits, and to support the adoption of sustainable agricultural land practices in those areas. In addition, ongoing pilot operations include awareness campaigns to facilitate the inclusion of women in the land right registration procedures, with significant benefits in terms of economic empowerment and environmental sustainability.[5] The reform reinforces actions undertaken in the context of the first operation, which supported land tenure security for smallholder farmers through the expansion of planned agricultural development zones (ZAAP), and the implementation of the newly adopted government's strategy on irrigated agriculture in those areas. It also enhances key aspects of the upcoming Agricultural Multiphase Programmatic Approach (MPA, P180580) by facilitating access to finance and adoption of sustainable land management practices for smallholder farmers. Additionally, by increasing land security, it reassures investors and encourages private investments in agricultural value chains, which are critical for the sustainable transformation of the sector.

3.9 **Expected results.** Progress with reforms under the first and second operation will be measured through improvements in maize yields in ZAAPs, which are expected to double by 2025 (to 3 tons/ha at the national level and to

[5] For instance, Goldstein et al. (2018) demonstrated that a large-scale rural land registration program in Benin encouraged farmers, particularly women, to plant more trees and fallow unprotected land—areas outside beneficiary villages that were not registered—more frequently. A follow-up study by Wren-Lewis et al. (2020) further showed that this program reduced forest loss in Benin by about 20 percent.

2.3 tons/ha in the Savanes region),[6] by an increase in the share of female farmers participating in ZAAPs, from 30 percent in 2021 to 41 percent by 2025,[7] and by the number of initial *Livrets Foncier* delivered through pilot projects by end 2025.[8] Improved land tenure security through broader access to the *Livret Foncier* will ultimately boost crop yields and access to land ownership for women. A focus on maize yields holds significant potential for the rural poor since it is the most widely grown crop among poor farmers. Significant progress was already achieved with maize yields, reaching in 2023 to 2.57 at the national level and 1.97 in the Savanes region, while the target for female participation has been reached.[9] The upcoming agricultural MPA, which aims to boost agricultural production in ZAAPs, will accelerate progress on these result indicators by supporting land tenure security and enhancing the capacity of key stakeholders in the maize value chain, improving access to inputs, irrigation, and mechanization services, and attracting private investments through productive alliances and better access to finance.

1.2 *Rural electrification and renewable energy*

Prior Action #2*. To improve the viability of the energy sector, increase the production of renewable energy, and facilitate access to electricity, the Recipient has adopted, in accordance with the new roadmap for priority reforms in the sector, (i) an interministerial Arrêté establishing no later than April 1, 2025 a new tariff structure for electricity services that strengthens CEET's revenues while protecting vulnerable populations and industrial competitiveness; and (ii) a Decree clarifying the conditions for self-producers of electricity from renewable energy sources to access the grid.*

3.10 **Rationale.** Access to electricity in rural areas is particularly low in Togo, hampering economic development and perpetuating the use of high emission energy sources. The lack of sufficient resources and effective governance of the Rural Electrification and Renewable Energy Agency AT2ER and the national utility company CEET hinder rural electrification and the shift towards renewable energy. Poor governance, user charge leakage, and an inadequate tariff structure for electricity services play a significant role in poor financial and operational performance of the CEET which limits the sector's ability to develop new capacity and improve service quality. In particular, the current tariff structure implies that below cost services mostly benefit the non-poor and discourages decentralized renewables like rooftop solar.

3.11 **Reform description.** Actions supported by this operation include the adoption of (i) a roadmap for priority reforms in the energy sector to strengthen CEET's financial and operational viability, widen access to electricity, and improve energy security; (ii) an optimization of the tariff structure for electricity services that increase CEET's revenues and capacity to invest in new capacity, while ensuring greater protection for poor and vulnerable clients; and (iii) create incentives for decentralized renewable energy generation, notably for industrial clients to reduce their cost and accelerate the shift in the energy mix. The tariff optimization plan includes a target increase in average tariffs of 12.5 percent to be implemented by April 1, 2025, with an evaluation of subsequent tariff adjustment needs undertaken on an annual basis. The new tariff structure includes a more granular categorization of clients, cross-subsidization from large consumers to more vulnerable households and Micro, small, and medium enterprises (MSMEs), and incentives for industrial users to reduce consumption during peak hours and to invest in decentralized renewable energy. This optimization plan will ensure that alongside cost-reducing measures supported by the above-mentioned reform roadmap, CEET's financial and operational health could be significantly strengthened over the adjustment period. Social

[6] Despite the recent maize yield being close to target, the current target was maintained reflecting exceptional conditions that boosted productivity in last agricultural season (2023-2024), including a favorable rain season and fertilizers and improved seeds made available the West Africa Food System Resilience Program – a Regional World Bank project.
[7] The target has already been reached but based on the first ZAAPs there were state-of-the-art pilots. Maintaining the positive outcome while scaling up areas covered will remain a challenge.
[8] As the *Livret Foncier* will remain in pilot phase until end-2025, more outcome-oriented result indicators could not be reasonably appropriated to the reform.
[9] the first ZAAPs were state-of-the-art pilots, which will be difficult to replicate at scale with the expansion of areas covered.

tariffs will now apply to both postpaid and prepaid clients consuming less than 30Kwh per month and with a subscribed power of 2.2kva or less. This should help expand the social tariff coverage from 180,000 clients currently to 271,300 after switching low consumption clients to the appropriate subscribed power. This should be supported by a strong communication strategy aimed at low-income and vulnerable households to ensure that they are aware of the new social tariff requirements and more generally to explain the new tariff structure to the public and complementary measures to help reduce costs and improve service for consumers. Overall, the reform should support the purchasing power of low-income clients, reduce the regressivity of the tariff structure, and support the CEET's capacity to expand access in rural areas, thereby improving the welfare of the rural poor (see Poverty and Social Impact Analysis (PSIA) in Annex 3). Allowing decentralized producers of electricity from renewable energy sources to sell excess supply on the CEET's grid will also help reduce their energy bill while adding renewable energy capacity in the supply mix. All self-producers can participate after receiving access rights from the agency in charge of promoting renewable energy (AT2ER) and can sell up to 30 percent of their installed capacity. This will contribute to maintaining competitiveness of large industrial producers deciding to invest in solar PVs and boost renewable production. This reform complements actions undertaken in the context of the first operation, which included the adoption of a performance contract with the national utility company CEET and a more predictable financial framework for the AT2ER. It also helps mitigate fiscal risks associated with contingent liabilities from a loss-making and increasingly indebted CEET, complementing efforts undertaken under PA#8 to limit risks associated with public guarantees and on-lending operations to SOEs. The Inclusive Development through Electricity Access project (IDEA, P176769) is complementing the reforms under this DPF by supporting cost optimization at the CEET and boosting electricity access across the country, with a particular focus on underserved rural areas. IDEA's Performance-based conditions aim to make the CEET financially and operationally sustainable through the adoption of a restructuring plan, the deployment of smart meters; and the adoption of a revenue requirement methodology serving as a basis for the tariff optimization plan defined in this DPF.

3.12 **Expected results.** Reforms undertaken in the context of first and second operation are expected to increase the capacity of the CEET as well as the AT2ER to invest and increase private sector participation in rural electrification projects, which should contribute to increasing the number of additional rural households connected to electricity by +210,500 between 2021 (base year) and 2025, by 27,400 in the Savanes region. That target was upgraded from +150,000 in DPF1 reflecting significant improvements already observed up to 2024, with 144,760 additional rural households connected to electricity since 2021. In parallel, an increase in the share of renewable energy in installed electricity capacity is also expected, reaching an estimated 38 percent by 2025, up from 34 percent in 2021. The share increased to 37 percent in 2023 but is expected to fall in 2024 reflecting the government's emergency plan to address the ongoing energy crisis, which involves additional thermal production capacity. Investments considered under IDEA Project will help accelerate progress towards the rural electrification and renewable energy targets of this DPF operation.

1.3. Carbon credit mechanism

Prior Action #3*. To operationalize and strengthen the new carbon credit mechanism established by Decree in March 2023, the Recipient has adopted (i) a ministerial Arrêté identifying priority sectors and activities eligible for the carbon mechanism, and (i) a ministerial Arrêté operationalizing the national register of greenhouse gas mitigation activities, projects, and programs*.

3.13 **Rationale.** As the Paris Agreement targets significant reductions in GHG emissions, it has become critical for countries, companies, and organizations to focus on the decarbonization of their activities, which are increasingly achieved through carbon market initiatives. Stimulating high integrity carbon credit projects could not only accelerate climate mitigation and adaptation in Togo but will also be a crucial way to mobilize additional financing for rural development and natural resource management. This could also constitute an additional source of revenue for state and local authorities, creating fiscal space for priority spending in infrastructure and social services. The Africa Carbon Market Initiative, of which Togo is a participant, estimates that up to 50 percent of Togo's GHG emission reduction target could be covered by voluntary carbon credit projects, mobilizing up to US$60 million per annum in additional financing, and supporting up to 100,000 new jobs by 2030.

3.14 **Reform description.** PA#3 focusses on the operationalization of the new carbon market mechanism created under the first operation through the adoption of implementing regulations that will support actual project appraisal and accreditation. These include establishing rules for the management of the national register of GHG mitigation activities, projects and programs, and criteria for defining eligible sectors and activities. This regulatory framework aligns with international carbon credit integrity and certification standards as well as reporting and transparency requirements. Togo's Country Climate and Development Report (CCDR, P180966) is complementing the DPF reforms by identifying remaining regulatory, institutional, and capacity gaps to support efficient carbon markets in Togo and recommending further reforms to address these gaps. Since the opportunities associated with carbon markets are not well understood, targeted communication efforts can help showcase the benefit of carbon credit mechanisms and facilitate public buy-in.

3.15 **Expected results.** The results indicator for this reform sequence will be the processing and registration of 5 investment projects eligible for carbon credits by end-2025.[10] Africa's Carbon Markets Initiative is supporting the development and implementation of Togo's voluntary carbon market activation plan while the CCDR highlights priorities to develop a dynamic pipeline of projects eligible for carbon credits.

PILLAR 2: BOOSTING HUMAN CAPITAL AND THE RESILIENCE OF VULNERABLE POPULATIONS

3.16 **The second pillar of this operation focuses on improving the welfare and resilience of more vulnerable populations, particularly among underserved rural communities.** This pillar notably supports reforms aimed at broadening access to school textbooks and qualified teachers in rural areas, ensuring more effective social protection and disaster response programs, thanks to the operationalization of the dynamic social registry of individuals and households, and by establishing a multisectoral protocol to support victims of GBV. This pillar aligns with the government's ambition to improve public services access for all with a particular emphasis on improving the quality of education, enhancing gender equality, and access to social protection.

2.1. Social protection

> ***Prior Action #4****. To operationalize the social registry of individuals and households (RSPM) for more efficient and effective beneficiary targeting of social protection and shock responsive programs, the Recipient has adopted (i) an Arrêté defining data access and sharing mechanisms between the RSPM and other government and non-government entities to identify beneficiaries in compliance with the applicable data protection law and regulations, and (ii) a Decree appointing the president of the Personal Data Protection Authority.*

3.17 **Rationale.** Togo's fight against poverty is hampered by a high incidence of climate and other shocks impacting poor and vulnerable households disproportionally, and inadequate safety nets to prepare for and cope with shocks. In 2021, the national poverty rate stood at 43.8 percent, ranging from 64 percent in the Savanes region to 20.1 percent in Grand Lomé. Moreover, the poverty incidence among individuals from households with a single adult female was more than double that of households where the only adult is male (45.5 percent and 21.0 percent, respectively). The incomes of rural households are particularly exposed to shocks. In the absence of a robust social protection system, negative coping mechanisms such as reducing food consumption or selling productive assets, trap households in a poverty cycle. Gender inequalities fuel this further. Togo's social protection system remains fragmented, with insufficient resources to meet needs, and a nascent delivery system, which includes a national social registry (*Registre Social des Personnes et des Ménages, RSPM*), created by the April 2023 Decree supported by DPF1. Integrating climate hazard risk data into the

[10] A more outcome-oriented result indicator could not be linked to the reform, as eligible projects would only be their planning phase.

delivery system and implementing gender-specific measures through social programs are crucial to build household resilience and promote climate adaptation to support Togo's fight against poverty.

3.18 **Reform description.** PA#4 supports the RSPM operationalization, with a focus on data sharing mechanisms between the RSPM and other entities, and the operationalization of the personal data protection authority (*Instance de Protection des Données à Caractère Personnel*, IPDCP*)*. The data sharing mechanisms will adhere to applicable data protection regulations.[11] The IPDCP's mandate is to ensure compliance with relevant data protection laws, which is critical to build trust with citizens on the use of their personal data in the context of the RSPM. An interoperable social registry will allow for more efficient and accurate beneficiary targeting of the flagship safety net program and the shock response program. Georeferenced socio-economic data from the RSPM to assess monetary and non-monetary household vulnerability will be paired with climate hazard data to enable the government to identify and prioritize communities and households particularly vulnerable to climate shocks. Moreover, the use of digital platforms for mobile cash transfers will help ensure a rapid response, preventing lengthy waiting period that amplify losses induced by natural disasters and other covariate shocks. Improved targeting of poor and vulnerable households also aims to help strengthen food security in reducing factors of fragility and insecurity, notable in the Savanes region. The West Africa Unique Identification for Regional Integration and Inclusion (WURI) Program Phase 2 (P169594), and Togo's Social Assistance Transformation for Resilience (ASTRE) Program for Results (PforR) (P178835) will support these reforms to strengthen the application of data protection provisions for the RSPM and the full operationalization of the IPDCP.[12]

3.19 **Expected results.** Progress on the reforms will be monitored through the registration of 20 percent of households across the territory in the RSPM by 2025; and through an increase of households with a female designated beneficiaries of the safety net program from 58,697 in 2021 to 235,000 in 2025. Significant progress was made on the latter indicator, reaching a cumulative 184,647 in June 2024 thanks to parallel financing of the World Bank, the French Development Agency and domestic resources. One third of households with a female designated beneficiary (64,500), are from the Savanes. With the RSPM operationalization, the government aims to reach all 440,000 extreme poor households by 2028 under a consolidated flagship safety net program. The rollout of the consolidated flagship program will start in 2025, with an initial cohort of 40,000 female designated beneficiary households identified through the RSPM, complementing the French Development Agency's financing for an additional 14,000 female designated beneficiary households. The ASTRE PforR (P178835) will support progress towards these objectives by supporting the RSPM operationalization, and the rollout of the flagship social safety net program.

2.2. Education

Prior Action #5*. To improve learning opportunities for all students, the Recipient has adopted (i) a decree clarifying roles and responsibilities for every stage of the production and distribution chain for school textbooks to ensure their availability for all, including students with special needs and from vulnerable areas; and (ii) an Arrêté instituting a periodic assessment of teachers to identify their skills-based capacity-building needs.*

3.20 **Rationale.** Togo's education system struggles with widespread learning deficiencies and inequality, despite significant investments. Over 75 percent of students in early years of primary school fail to reach basic language

[11] The RSPM is an information system that supports outreach, intake, registration, and determination of potential eligibility for social programs and will contain up-to-date data on poor and vulnerable households, subject to Law No. 2019-014 dated October 29, 2019 on the protection of personal data and Recipient's Decree No. 2020-111/PR dated September 12, 2020 on the organization and functioning of the Data Protection Agency (IPDCP), which meet good international practices. Household vulnerability will be assessed based on monetary and non-monetary vulnerability criteria, currently being finalized and supported under the Togo Social Assistance Transformation for Resilience Program (P178835).
[12] Beyond the appointment of the IPDCP president, it is expected that all remaining members of the management committee will be jointly appointed for a three-year mandate by the end of May 2025, once the Senate is in place. Moreover, a budget allocation request for the IPDCP is under review as part of the preparation of the 2025 Finance Law, to staff the IPDCP, develop operational procedures and build staff capacity.

proficiency, hindered by teacher shortages, inadequate learning materials, and large rural-urban disparities. The scarcity of female teachers in rural areas,[13] especially, compounds learning gaps for girls and reinforces spatial inequalities. School textbooks, although free, do not reach all pupils, whether in urban or rural areas, and this has an impact on their level of skills acquisition. To break this cycle, Togo needs to address resource imbalances, increase the proportion of female teachers in rural areas, ensure that all teachers have the required skills, and ensure equitable access to learning materials. Only then can the full potential of its human capital and economic development be unlocked.

3.21 **Reform description.** PA#5 supports a new framework for the production and distribution of school textbooks to ensure broader access to poor and vulnerable students and is setting national standards for career and skills requirements for teachers. This includes a decree clarifying responsibilities in the textbook supply chain, including transparent and competitive textbook procurement for their elaboration, production and distribution, the prioritization of vulnerable areas for the supply of free textbooks to students, and the promotion of digital solutions to broaden access. In addition, the process of evaluating competencies of primary school teachers is being reinforced, with periodic assessment helping to identify specific training needs and develop performance incentives. The adoption of implementing regulation for the decree on the textbooks production chain, the creation of a national commission for the periodic review and update of their content, the establishment of dedicated budget line for the curriculum reform and teacher training will help complement these efforts to improve learning opportunities for students. Measures allowing students to study in better conditions, including those supported by PA#6 on improving care and ensuring continued school participation of girls that are victims of GBV, will also help reinforce the impact of these reforms. The Improving Quality and Equity of Basic Education Project (P172674) supports these reforms by acting on all stages of the textbook chain, strengthening teachers' competencies and ensuring equity of access.

3.22 **Expected results.** Progress with reforms supported by DPF1 and DPF2 are measured by the goodness-of-fit[14] between the number of teachers and students across public primary schools in Togo, which alongside efforts to improve teachers' competences should contribute to improving learning opportunities for students in underserved areas. Reflecting the implementation of DPF1 reforms on the distribution of teachers across the territory, the goodness-of-fit indicator is expected to increase from 0.54 in 2021 to 0.75 in 2025 (upgraded from 0.7 in the first operation thanks to faster-than-expected progress). This, together with the regular evaluation of teacher competences supported by the second operation should result in improved learning opportunities in underserved areas. The second results indicator is the share of Grade 2 female students achieving at least a minimum level of reading proficiency, which is expected to increase from 24.5 percent in 2019 to 35 percent in 2025. Progress with this crucial indicator is supported by the reform sequence of this programmatic operation, alongside the implementation of the Improving Quality and Equity of Basic Education Project (P172674) which will help accelerate progress towards higher reading proficiency by strengthening teachers' performance - restructuring pre-service and in-service training - rewriting programs, producing and distributing textbooks, and strengthening management and leadership of the sector with the involvement of communities.

2.3. Gender-based violence

Prior Action #6. *To strengthen girls and women's empowerment, the Recipient adopted an interministerial Arrêté establishing a harmonized multi-sectoral protocol to support survivors of Gender-Based Violence.*

[13] An increase in the share of female teachers is expected to have positive effects on girls' schooling: Girls often do not have appropriate role models when the proportion of women in the education sector is very low, and most educator positions are held by men. Moreover, parents might be reluctant to send their girls to schools, fearing the risk of gender-based violence from male teachers (Herz and Sperling 2004).

[14] Coefficient of determination of a regression using the number of teachers in schools as the dependent variable and the number of students in schools as the explanatory variable. It represents the proportion of the variance in the dependent variable predicted by the explanatory variable.

3.23 **Rationale.** GBV casts a long shadow in Togo, jeopardizing women's empowerment, and the **nation's** development. From girls facing harassment at school to the widespread scourge of intimate partner violence inflicting physical and economic harm on a staggering 35.7 percent of women in Togo, GBV steals opportunities, shatters families, and hampers poverty reduction efforts.[15] Inadequate support services and barriers to seeking assistance compound the trauma, leaving survivors and their children without the vital assistance they need. Togo therefore urgently needs to tackle this entrenched issue to build a future where women and girls can thrive, free from fear and violence.

3.24 **Reform description.** PA#6 consists of establishing a harmonized multi-sectoral protocol to support GBV survivors. The protocol defines the mechanisms and referral pathways for an integrated support system for survivors, stating the rights of survivors and the role of each actor from the first contact (police, health staff, social workers, justice system). All care services for survivors of sexual violence (health, legal and psychosocial) is to be provided free of charge, including a medical certificate. The protocol is modeled on international best practices and uses a survivor-centered approach. It will be rolled out in new One Stop Centers to support GBV survivors in Lomé, Kara and Savanes. The implementation of the protocol with be monitored by a multi-sector committee with representatives from relevant ministries and civil society organizations (CSO). The result of this reform will be improved with more accessible care for GBV survivors, in favor of their health, safety and overall well-being and their participation in education or work. The new protocol must be accompanied by a comprehensive communications campaign targeting students, teachers, and parents to remove access barriers to GBV support services. The Sub-Saharan Africa Women Empowerment and Demographic Dividend Plus (SWEDD+) project (P176693) has provided support for the preparation of the multisectoral protocol and will directly support its implementation through communication activities, better data management, improved support facilities and capacity building (administrative and political authorities, health service agents, social action agents, law enforcement and security forces, justice sector actors, and education sector actors).

3.25 **Expected results.** Progress following the reform will be assessed on the basis of the number of GBV survivors having benefited from at least one support service (of a health, psychosocial, legal/security, and/or economic nature), targeting a minimum of 4,500 cases by 2025 (2021 baseline is 2,799). The SWEDD+ project will help strengthen access of GBV survivors to support services, and help to improve the delivery of these services, and hence accelerate progress towards this results indicator.

PILLAR 3: REBUILDING FISCAL SPACE FOR PRIORITY INTERVENTIONS

3.26 **The third pillar focusses on restoring fiscal space by improving revenue mobilization and better managing contingent liabilities**. This pillar includes reforms aimed at rationalizing tax exemptions and strengthening transparency and accountability regarding decisions for new tax expenditures, reinforcing the oversight of SOEs, and reducing risks associated with public guarantees and on-lending operations. This supports the government’s goal of ensuring fiscal sustainability and ensuring sufficient resources to support priority investments and social spending.

3.1. Domestic resource mobilization

Prior Action #7: *To boost revenue mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted (i) the 2024 Finance Law including the rationalization 22 tax expenditure measures and (ii) an Arrêté mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Finance Law.*

3.27 **Rationale.** The success of Togo's revenue mobilization efforts will notably depend on broadening its tax base and better managing tax exemptions. In 2023, the country's tax-to-GDP ratio reached a still modest 14 percent, with tax exemptions mobilizing resources equivalent 2.6 percent of GDP, more than twice the national budget for social safety

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

net programs. Value added tax (VAT), corporate taxes, and customs duties contribute most to this revenue loss, often without demonstrated socio-economic benefits. Although past reforms emphasized transparency and technical capacity, concrete efforts to streamline tax exemptions have been limited so far. The opaque process of granting new exemptions, without thorough cost-benefit analysis and performance reviews, impedes further progress. To strengthen its financial situation, Togo must expand its tax base and rationalize, as well as monitor tax exemptions, ensuring transparency and optimizing revenue for critical infrastructure and social services.

3.28 **Reform description**. PA#7 is complementing improvements in tax expenditure analysis by mandating transparent and evidence-based decisions on new tax exemptions as well as rationalizing 22 tax expenditure measures. The Arrêté gives responsibility to The National Committee for the Evaluation of Tax Expenditure (CONEDEF, created with the support of the first operation) and the Tax Policy Unit (UPF) to assist all sectoral ministries and other entities in drafting proposals for texts containing new tax exemptions, prepare cost-benefit analyses and define results indicators. These would be annexed to annual Finance Law and help support tax expenditure rationalization efforts through regular performance reviews. Additionally, the 2024 Finance Law included the rationalization of 22 tax expenditure measures, including the rationalization of property tax exemptions by limiting them to the main dwelling, exemptions from import, excise and other duties on the acquisition of tourism vehicles, the rationalization of reduced VAT for hotels, and the removal of tax exemptions for medical equipment granted as part of the response to the COVID-19 pandemic. Further steps in the rationalization of tax expenditures will include an assessment by the CONEDEF of exemptions granted under special economic zones and impact evaluations of other tax expenditures to assess their efficiency and develop further recommendations to reduce their impact on revenues. Togo’s Public Sector Strengthening for Service Delivery Program (PSSSP, P176883) currently under preparation is including technical assistance activities to support tax expenditure rationalization and overall revenue mobilization.

3.29 **Expected results.** Progress under these reforms will be monitored through the reduction of the amount of tax expenditures as a proportion of overall fiscal revenues, representing at most 15 percent by 2025, from 18 percent in 2021. Following a drop in 2022, this ratio increased back to 17.6 percent in 2023 reflecting new exemptions for essential goods, construction material and electric motorcycles, but the rationalization of tax expenditure measures supported by this operation (0.8 ppt of fiscal revenues) will help revert the trend in 2024. The SDPF PPAs in FY23/24/25 and the PSSSP project are supporting similar objectives and will contribute to accelerating progress towards the results indicator target.

3.2 SOEs performance and contingent liabilities

Prior Action #8*. To improve the accountability and performance of state-owned enterprises and better manage contingent liabilities, the Recipient has approved (i) an Arrêté establishing a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) an Arrêté mandating the production of an annual report analyzing consolidated financial results, debts and guarantees of companies with majority state ownership to be annexed and summarized in the multiannual budget and economic programming document (DPBEP).*

3.30 **Rationale.** SOEs are an important source of fiscal risks, stemming from explicit and implicit contingent liabilities (e.g., guaranteed and non-guaranteed debt) and the impairment of assets (e.g., in the form of on-lent loans). In recent DSA prepared by the IMF and World Bank, a contingent liability shock from SOEs amounting to 2 percent of GDP was factored in stress tests, most notably from the energy company CEET, water company TdE and the public pension fund. Given the still partial nature of available debt statistics for SOEs, contingent liabilities could even be more pronounced, emphasizing the importance of a strong framework for assessing and managing such risks. A draft law establishing a new legal framework for SOEs was prepared under DPF1 and should result in stronger oversight and performance monitoring, but estimating the impact of SOEs on the state budget and on contingent liabilities remains difficult due to the lack of critical financial information and a robust framework to assess credit risks associated with public guarantees and on-lending operations to SOEs. This emphasizes the importance of greater transparency around the financial and operational health of SOEs, borrowing practices and associated fiscal risks.

3.31 **Reform description.** PA#8 seeks to improve the management of public guarantees and on-lending operations and enhance transparency of financial data and information from SOEs. This will include expanding the collection and monitoring of debt data, explicitly requiring additional reporting for SOE loans obtained through the government or guaranteed by the government, including the creditor, outstanding obligation, repayment schedule, and terms of lending for each loan. This will be accompanied by a formal process for assessment, pricing, and monitoring of the risk associated with these loans. In addition, transparency of financial data and information from SOEs will be strengthened through annual reporting of SOE financial results, debt and guarantees, which will be annexed to the multiannual budget and economic programming document (*Document de programmation budgétaire et économique pluriannuelle,* DPBEP). This document accompanies the annual Finance Law and will thereby contribute to informing discussions on fiscal risks associated with SOEs and appropriate mitigation measures. These reforms are expected to improve transparency and accountability, support Togo's creditworthiness, and complement efforts to restore confidence in the financial and operational health of the CEEP, to which PA#2 of this operation is making a substantial contribution. Togo's Public Sector Strengthening for Service Delivery Project (PSSSP, P176883) will support efforts to improve and expand reporting and monitoring of SOE financial results, while the IDEA Project (P176769) complements these reforms, supporting the CEET's financial viability, transparency, and debt sustainability.

3.32 **Expected results.** Progress will be assessed the share of guarantees and on-lending operations to SOEs subject to credit risk evaluations, targeting a 100 percent coverage by 2025. The SDPF PPAs are supporting similar objectives while the Togo's PSSSP P4R is helping to support capacity building to undertake analysis of SOE's financial performance and credit risks.

C. Consultations and Collaboration with Development Partners

3.33 **The policy and institutional reforms supported under the DPF program have benefited from formal consultations and collaboration with development partners.** The government carried out country-wide consultations with various stakeholders, including central and local authorities, members of parliament, unions, private sector operators, CSO (religious groups, women's organizations, the media, development organizations, and youth groups) in the preparation of its 2025 roadmap, subsequent sector strategies. There were significant inputs from International Finance Corporation (IFC) on private-sector-related issues, including on sector specific reforms in agriculture and energy, as well as SOE's performance. Notably, this operation will help gradually increase private sector participation through public-private partnerships (PPP). IFC is currently supporting the PPP unit in developing a list of PPP-ready projects, with a framework to assess the climate resilience and environmental sustainability. The reforms supported by this operation also complement those of other development partners, which focus on land, energy, social protection, education, GBV, agriculture, public finance management (PFM), and tax reforms. Critical reforms like the piloting of land tenure rights and the electricity tariff optimization plan under Pillar 1 have benefited from consultations with key stakeholders and will be accompanied by outreach activities and communication campaigns to present their rationale and benefits. Regarding the *Livret Foncier*, an information campaign is currently being carried out in the pilot operation sites with Millennium Challenge Corporation (MCC) funding to publicize the new land document. The World Bank will use the results of these pilots to feed the dialogue on land reform and prepare land related investments. Regarding the tariff optimization plan, the IDEA Project will help finance a communication campaign to build awareness and buy-in, including from vulnerable populations that stand to win from the reform. Awareness of education reforms supported by this operation will be supported by workshops with key stakeholders. The GBV reforms were adopted through an inclusive process involving CSO, United Nations (UN) agencies and bilateral development partners, and will be widely disseminated with support from the SWEDD+ project. Effective communication and increased public awareness can help mitigate potential challenges in implementing an ambitious reform program and help strengthen commitment and transparency, which are crucial for the success of this operation. Remaining reform gaps could be addressed in a subsequent programmatic DPF series.

IV. OTHER DESIGN AND APPRAISAL ISSUES

A. Poverty and Social Impacts

4.1 **Overall, the policy and institutional reforms supported under the proposed DPF are expected to support a resilient economy and have positive social impacts.** The section below summarizes key findings while a more detailed PSIA is presented in Annex 3.

4.2 **Reforms under Pillar 1 aimed at promoting sustainable agriculture, rural electrification and climate action are expected to increase the welfare of poor rural communities.** Strengthening land tenure security in rural areas through more accessible land registration (PA#1) can help landholders access credit by using their land title as collateral, incentivize farmers to invest in their land through the adoption of improved agricultural practices leading to higher production and productivity, hence, improve food security and generate higher agricultural incomes. By clarifying and protecting their land rights, female farmers will also be able to better secure their access to land, inheritance, and undertake productive investments to increase their income. This will not only contribute to gender equality but will also lead to poverty reduction. The multiple positive effects of women's landownership on their human capital, economic and agency related outcomes are well-documented in the literature.[16]

4.3 **The optimization of electricity tariffs (PA#2) will ensure that poorest households are generally better off while improving the sector's capacity to invest in rural electrification.** By ensuring better targeted lifeline tariffs and subsidies for low-income households, the new tariff structure will provide greater support for the poorest and most vulnerable households. In fact, the social tariff coverage should increase from 180,000 clients currently to 271,300 after switching low consumption clients to the appropriate subscribed power, which should be supported by a robust communication strategy. Based on the overall tariff adjustment scenario considered until 2027 and after the necessary reallocation of client subscriptions, the share of energy costs in the consumption basket of the poorest two deciles is projected to decrease slightly from 0.35 to 0.30 percent, while the wealthiest decile will see their electricity expenditure increase from 2.4 percent to 3.7 percent. As a result of the reform, the purchasing power of the poorest two deciles is expected to increase by 0.8 percent and 0.7 percent, respectively, while the wealthiest two deciles would see declines of 0.2 percent and 0.4 percent, respectively. While most households in the lowest decile will see similar or lower energy bills, around 15 percent of them could face higher prices after the reform. While contributing to a less regressive tariff structure, the reform will also strengthen the sector's capacity to invest in new production and distribution resources to boost access, particularly in rural areas. This will not only support the poor but also enhance economic opportunities among the broader rural population. For instance, microsimulation results indicate that increasing access to electricity for an additional 210,000 rural households between 2021 and 2025, as considered in this operation, could result in the Human Opportunity

[16] Securing land rights for women offers potential to reduce their vulnerability, as female farmers without titles to their land are often particularly vulnerable in the contexts of natural disasters and relocation (Nyahunda et al. 2021; Otsuki, K., Jasaw 2017; Quan, J., & Dyer 2008; Reale & Handmer 2011). Owning land also grant women farmers access to relief measures for crop loss due to climate shocks, which will also benefit their families (Otsuki, K., Jasaw 2017; Vasavada 2022).

Index (HOI)[17] increasing by over 14 percentage points. This in turn is expected to reduce structural inequality in access to electricity by approximately 16 percentage points.[18]

4.4 **Operationalizing the regulatory framework for carbon credit projects (PA#3) is expected to generate social and economic benefits** in the long term but may increase inequality in the short term, which should be mitigated through effective revenue sharing mechanisms. Carbon markets are expected to boost climate mitigation, adaptation, and natural capital preservation while generating additional revenue for infrastructure and social services. However, they may initially exacerbate inequality if only larger companies and wealthier individuals can access these markets, highlighting the need for equitable access and revenue-sharing mechanisms.

4.5 **Reforms under Pillar 2 aimed at boosting human capital and resilience to shocks are expected to improve access to basic services, increase social inclusion and strengthen coping strategies.** Improved targeting of social assistance beneficiaries through the operationalization of the social registry (PA#4) will ensure that social protection programs are more efficiently targeted towards those in genuine need, thereby reducing vulnerability and poverty more effectively. Improving access to school manuals and quality teachers in underserved rural areas (PA#5) is expected to enhance welfare and reduce the urban-rural divide while improving learning and addressing gender inequalities. Finally, strengthening the support for victims of GBV (PA#6) is expected to reduce pervasive adverse effects on human capital development and improved care in favor of the health, safety, overall well-being and participation in education and work of GBV survivors.

4.6 **Reforms under Pillar 3 aimed at rebuilding the fiscal space are not expected to have short-term poverty and social impacts but could have medium to long-term impacts by creating fiscal space for pro-poor spending.** More specifically, the rationalization of tax exemption including on property taxes, taxes on the sale of vehicles, and VAT exemptions on hotel stays (PA#7) could help reduce inequality, as poorly targeted measures disproportionately benefit wealthy individuals and businesses, while providing little or no benefit to low-income households. Similarly, improvements in fiscal risk management will serve to protect funding for critical social and infrastructure projects that could benefit the poor.

B. Environmental, Forests, and other Natural Resources Aspects

4.7 **Togo has a well-defined legal and regulatory environmental and social framework.** The Ministry of Environment and Forest Resources (*Ministère de l'Environnement et des Ressources Forestieres*) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. Within the ministry, the National Agency of Environment Management (*Agence Nationale de Gestion de l'Environnement*, ANGE) oversees compliance with national environmental standards for all projects. Over the last two decades, the government has made significant strides in mainstreaming environmental sustainability assessments. While the agency is understaffed in terms of number of people and underequipped in terms of number of vehicles for field visits and material for data collection, its technical capacities for environmental and social risks management are considered acceptable. The World Bank is assisting with a range of initiatives, including capacity building and support to increase the decentralization of ANGE outside of the capital, Lomé. Capacity building was developed in June 2024 for ANGE and COMEX which is the national Entity within the Ministry of Economy and Finance (MEF) in charge of compensations to landowners in the whole country. National

[17] The Human Opportunity Index (HOI) measures how individual circumstances (i.e. place of residence, gender, and education of the household head) can affect a child's access to basic opportunities such as water, education, electricity, and sanitation. It is a synthetic measure of how far a society is from universal access to essential goods or services, and how equitably access is distributed across individuals. The HOI thus combines coverage rates and equality in a single measure.
[18] In the current context, structural inequality refers to the unequal distribution of access to electricity between rural and urban areas which result in unequal opportunities for economic and social development.

environmental and social assessment is being conducted by the World Bank during FY25 to strengthen and align the national system with the World Bank Environmental and Social Framework.

4.8 **Reforms under the first pillar of the proposed operation are expected to support the country's environment, forests, or other natural resources.** The first pillar of the proposed operation aims primarily at accelerating rural development by boosting agricultural productivity and sustainability, rural electrification through renewable energy sources, and climate-smart investments. PA#1 is expected to promote land tenure security which should incentivize farmers and landowners to invest in sustainable land management practices (see Annex 2 and 4 for details). When farmers have secure rights, they are more likely to invest in soil conservation, agroforestry, and other measures to protect the environment and maintain long-term productivity. Secure land tenure can also encourage investments in renewable energy and other environmentally friendly practices. PA#2 will promote renewable energy sources and help support rural electrification efforts, which should reduce the need for alternative lighting means such as kerosene lamps, which harm the environment and contribute to respiratory diseases. PA#3 aims to support investment projects eligible for carbon credits, hence contributing directly to GHG emission reduction and supporting adaptation efforts. Prior actions under the second and third pillars are expected to have limited impacts on the country's environment and natural resources, but PA#4 supporting more effective targeting of social protection and disaster response programs could potentially have some positive impact by limiting the risk of environmental degradation by destitute populations following severe shocks.

C. PFM, Disbursement, and Auditing aspects

4.9 **Togo has made significant strides in improving its PFM system, though challenges persist.** Since January 1, 2021, program-based budgeting has been fully implemented, with devolved commitment authority to ministries and heightened roles for financial controllers and Program Managers. The budget is published promptly after its approval in the Official Gazette and the published budget, together with budget execution reports are publicly available online. This also includes increased accountability for mismanagement before the Court of Auditors. The 2022 Public Expenditure and Financial Accountability (PEFA) report shows progress in PFM reforms, with Togo performing well in budget planning and reliability, but weaker in external scrutiny and asset/liability management. Public procurement and PPP have been reinforced through new laws and related decrees, a code of ethics, and enhanced oversight of large projects and third-party project implementation. Ongoing reforms include the implementation of the action plan on the professionalization of public procurement, and the implementation of an E-Government Procurement (E-GP) solution to be financed through Togo's Public Sector Strengthening for Service Delivery Project (PSSSP, P176883). Budgets have been timely approved and published online for the past five years. Togo's debt management has improved with the publication of various strategies and reports. Future PFM enhancements will focus on strengthening internal and external control mechanisms, treasury management, and digitalizing procurement processes.

4.10 **The 2023 IMF Safeguards Assessment of BCEAO has not been made available to the team.** Therefore, the team reviewed the Statutory audit status, and the review revealed that the auditors have issued an unqualified opinion on BCEAO's financial statements for FY 2020,[19] FY 2021,[20] FY 2022,[21] and FY 2023.[22] The review concluded that the foreign exchange control environment is adequate. Improvements continue to be made to move financial reporting closer to International Financial Reporting Standards (IFRS).

4.11 **Disbursement and Auditing Arrangements.** No major changes in the PFM system and the Foreign Exchange Control environment had occurred since the approval of the Togo's First Sustainable and Inclusive DPF (P179294) of this

[19] https://www.bceao.int/fr/publications/etats-financiers-de-la-bceao-au-titre-de-lexercice-2020
[20] https://www.bceao.int/fr/publications/etats-financiers-de-la-bceao-au-titre-de-lexercice-2021
[21] https://www.bceao.int/fr/publications/etats-financiers-de-la-bceao-au-titre-de-lexercice-2022
[22] https://www.bceao.int/fr/publications/etats-financiers-de-la-bceao-au-titre-de-lexercice-2023

series which was approved by the World Bank Board on September 6th, 2023. Consequently, the Fiduciary Risk remains at "Substantial" and IDA reserves the right to request an audit of the dedicated foreign currency account. Substantial fiduciary risk rating is mainly due to financial statements of the central administration lacking transparency and accountability, with 12.2 percent of expenditures not accounted for, delays in producing annual reports, and inadequate monitoring of budget implementation. Furthermore, Togo needs to strengthen its budget execution and control processes, including the regulation of in-year budget adjustments, the control of payroll statements, and the management of arrears. Togo also falls short of PEFA standards in terms of external audit and oversight, and there is a need to improve the scope and nature of external audits, as well as the transparency and follow-up of audit report.[23] Some of the above weaknesses would be addressed with the help of the Public Sector Strengthening for Service Delivery Program (P176883). Disbursements for DPF2 will be contingent on the satisfactory implementation of the policy program and maintenance of a sound macroeconomic framework. Upon effectiveness, the government of Togo will request depositing the funds into a Dedicated Euro Account at BCEAO, which is part of Togo's foreign-exchange reserves. Within five days of deposit, an equivalent amount will be credited to Togo's budget management system, in compliance with World Bank standards. The government must report all transactions to the World Bank within 30 days. Disbursements from this account will support budgeted government expenses, using the official exchange rate. If funds are misused, the government must promptly refund them to IDA, and such amounts will be canceled. As a due diligence measure, IDA will obtain confirmation from the Government of Togo that : (i) the sum of the proceeds was received into an account of the government that is part of the country's official foreign exchange reserves (including the date and the name/number of the government's bank account in which the amount has been deposited); and (ii) an equivalent amount has been accounted for in the country's budget management system (including the Chart of Accounts name/account number, the date of transfer, and the exchange rate used). Confirmation will be expected within 30 days of disbursement. If the proceeds of the financing are used for ineligible purposes as defined in the Financing Agreement, the World Bank will require the Recipient to promptly refund an equal amount to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

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

D. Monitoring, Evaluation, and Accountability

4.13 **The monitoring and evaluation (M&E) system remains the same as in previous DPF operations.** M&E activities will be anchored in the attached policy matrix (Annex 1) and led by the MEF. Regular discussions will take place with the government and the donor community on progress, results, 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. This Matrix defines relevant indicators and empirical benchmarks to monitor progress during implementation, based on publicly available or administrative data easily available for the government, overcoming the constraints typical of a data-poor environment. It also enables a thorough ex-post evaluation following the end of the program in 2025. The World Bank team will monitor the implementation of the reforms through missions, periodic reports from the MEF, and the implementation of the projects that are supporting the operations and request corrective measures as needed until the

[23] 2022. PEFA Report. Previous assessments were published in 2008 and 2016.

closure of the operation. Continued support from development partners through financing and/or TA is also necessary for the successful implementation of the reforms.

4.14 ***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 DPF may submit complaints to the responsible country authorities, appropriate local/national grievance mechanisms, or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit https://accountability.worldbank.org.

V. SUMMARY OF RISKS AND MITIGATION

5.1 **The overall level of risk to the development objectives of the proposed operation is assessed as substantial.** The respective risk ratings are included in Table 5. Uncertainty regarding the regional and global environment, rising insecurity in the North, and lingering governance challenges could adversely impact the development objectives of this operation.

5.2 **Macroeconomic risks are substantial.** Fiscal consolidation imperatives, combined with significant debt refinancing pressures, regional instability and climate shocks could adversely impact the PDOs. These risks are partially mitigated by reforms supported by this operation, including measures to support domestic resource mobilization, limit contingent liability risks from poorly performing SOEs, and access to concessional financing alleviating short-term refinancing pressures, as well as reforms to increase resilience to shocks through climate-smart agriculture practices and more effective social protection and disaster response systems. However, the materialization of some of these risks, including security threats requiring additional military spending or financial stress on regional markets could strain fiscal sustainability and impact the government's ability to deliver high-quality public services over time. The commitment to reduce the budget deficit to 3 percent of GDP in 2025 alongside reforms to boost revenues as well as spending efficiency and improve debt management are important to alleviate debt sustainability concerns, although rising insecurity could pose significant challenges to both spending prudence and reform momentum. Togo's banking sector, while generally resilient, has some vulnerable institutions, most notably the last remaining state-owned bank UTB. The implementation of a new IMF ECF program will help mitigate those risks, anchoring fiscal consolidation commitments and supporting the recapitalization of UTB. Implementation of the DPF also bolsters commitment. WAEMU's membership also provides an anchor for macroeconomic stability in Togo and help mitigates interest rate and exchange rate risks.

5.3 **Risks around sector strategies and policies are substantial.** Relatively limited human resources, administrative capacities, and political economy constraints impact Togo's ability to formulate and implement sector strategies and policies. Reforms in this operation address some of those institutional challenges, notably improvements in the management and oversight of SOEs, improving the institutional framework and mandate of key public sector entities and oversight bodies. As the DPF covers a wide range of sectors, close supervision by the authorities and ongoing support from the World Bank team, including individual sector specialists will be key.

5.4 **Fiduciary risks are substantial.** Overall, the World Bank has assessed implementation performance of the PFM reform programs in Togo to date and government's commitment to their improvement as satisfactory. The fiduciary risk associated with the proposed operation is nevertheless rated substantial based on the status of the PFM systems, accounting systems and auditing arrangements. Continuing efforts to reinforce the public financial and budgetary management are supported by various operations including the Public Sector Strengthening for Service Delivery Program (P176883) recently approved, and effective since October 2024.

5.5 **Other risks: Terrorist threats and insecurity.** New patterns of violence and instability have emerged in recent years, with pockets of insecurity taken roots in the North and instability among neighboring countries (Burkina, Niger) potentially disrupting access to these important markets. With its focus on supporting development opportunities for underserved rural areas and improving their resilience to shocks, the proposed DPF operation will contribute to limiting the risks of escalating fragility in the North, notably through the expansion of planned agriculture development zones in the *Savanes*, the acceleration of rural electrification efforts, and improved targeting of social assistance programs.

Table 5: Summary Risk Ratings

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

ANNEX 1. Policy and Result Framework

Prior actions and Triggers		Results		
Prior Actions under DPF 1	**Prior Actions under DPF 2**	**Results Indicators**	**Baseline**	**Target**
PILLAR 1 – PROMOTING SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE ACTION				
Prior Action #1. To promote climate-smart agriculture intensification, the Recipient has adopted three Arrêtés (i) enacting the 2024-28 strategy on irrigated agriculture; (ii) creating eighty planned agricultural development zones (ZAAP) where this strategy is being implemented; and (iii) clarifying conditions for the acquisition and distribution of fertilizers by the state in exceptional circumstances.	**Prior Action #1.** To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a Decree establishing the *Livret Foncier* as a key instrument for facilitating access to a secure and reliable record of land ownership with a view to improving land security for smallholder farmers, women's access to land, and the enabling environment for forest protection.	**Indicator #1.A:** Maize yield in Planned Agriculture Development Zones at the national level (metric ton per hectare) **Indicator #1.B:** Maize yield in Planned Agriculture Development Zones in the Savanes region (metric ton per hectare) **Indicator #1.C:** Share of female farmers in Planned Agriculture Development Zones (percentage) **Indicator #1.D:** Livret Foncier delivered (number)	Value (2021): 1.5 tons / h Value (2021): 1.15 tons / h Value (2021): 30 percent Value (2021): 0	Value (2025): 3.0 tons / h Value (2025): 2.3 tons / h Value (2025): 41 percent Value (2025): 360
Prior Action #2. To boost rural connectivity and accelerate the energy transition, the Recipient has adopted an Arrêté establishing a sustainable financing framework for the rural electrification and renewable energies agency (AT2ER) and signed a new performance contract with the national utility company CEET supporting the improvement of its financial and operational performance.	**Prior Action #2.** To improve the viability of the energy sector, increase the production of renewable energy, and facilitate access to electricity, the Recipient has adopted, in accordance with the new roadmap for priority reforms in the sector, (i) an interministerial Arrêté establishing no later than April 1, 2025 a new tariff structure for electricity services that strengthens CEET's revenues while protecting	**Indicator #2.A:** Additional rural households connected to electricity (number) **Indicator #2.B:** Additional households connected to electricity in the Savanes region (number)	Value (2021): 0 Value (2021): 0	Value (2025): +210,500 Value (2025): 27,400

Prior actions and Triggers		Results		
	vulnerable populations and industrial competitiveness; and (ii) a Decree clarifying the conditions for self-producers of electricity from renewable energy sources to access the grid.	**Indicator #2.C:** Share of renewable energy in installed electricity capacity (percentage)	Value (2021): 34 percent	Value (2025): 38 percent
Prior Action #3. To reduce GHG emissions and attract new investments in sustainable agriculture, forestry and renewable energy, the Recipient has adopted a decree establishing the regulatory and institutional framework to manage carbon credits and carbon reduction units.	**Prior Action #3.** To operationalize and strengthen the new carbon credit mechanism established by Decree in March 2023, the Recipient has adopted (i) a ministerial Arrêté identifying priority sectors and activities eligible for the carbon mechanism, and (ii) a ministerial Arrêté operationalizing the national register of greenhouse gas mitigation activities, projects, and programs.	**Indicator #3:** Registered investment projects eligible for carbon credits (number)	Value (2021): 0	Value (2025): 5
PILLAR 2 – BOOSTING HUMAN CAPITAL AND RESILIENCE OF VULNERABLE POPULATIONS				
Prior Action #4. To improve the efficiency of social protection systems, the Recipient has adopted a decree establishing the *Registre Social des Personnes et des Ménages* (RSPM, Social Registry), making it mandatory to use the RSPM for the selection of beneficiaries for any aid or social assistance programs.	**Prior Action #4.** To operationalize the social registry of individuals and households (RSPM) for more efficient and effective beneficiary targeting of social protection and shock responsive programs, the Recipient has adopted (i) an Arrêté defining data access and sharing mechanisms between the RSPM and other government and non-government entities to identify beneficiaries in compliance with the applicable data protection law and regulations, and (ii) a Decree appointing the president of the Personal Data Protection Authority.	**Indicator #4.A:** Share of households registered in the social registry of individuals and households (RSPM) (percentage) **Indicator #4.B:** Flagship safety net beneficiary households with a female designated beneficiary (number)	Value (2021): 0 Value (2021): 58,697	Value (2025) : 20 percent Value (2025) : 235,000

Prior actions and Triggers		Results		
Prior Action #5. To support the deployment of quality teachers in rural and underserved areas, the Recipient has adopted an *arrêté* regulating transfers of teachers and administrative staff in primary, secondary, and technical education.	**Prior Action #5.** To improve learning opportunities for all students, the Recipient has adopted (i) a decree clarifying roles and responsibilities for every stage of the production and distribution chain for school textbooks to ensure their availability for all, including students with special needs and from vulnerable areas; and (ii) an Arrêté instituting a periodic assessment of teachers to identify their skills-based capacity-building needs.	**Indicator #5.A**: Goodness of fit between the number of teachers and students in public primary schools (coefficient of determination) (percentage) **Indicator #5.B:** Share of female students achieving basic literacy in Grade 2 (percentage)	Value (2021): 0.54 percent Value (2019): 24.5 percent	Value (2025): 0.75 percent Value (2025): 35 percent
Prior Action #6. To strengthen girls and women's empowerment, the Recipient adopted a Law for the protection of students against sexual violence, strengthening prevention measures, support mechanisms for survivors and sanctions for perpetrators.	**Prior Action #6.** To strengthen girls and women's empowerment, the Recipient adopted an Arrêté establishing a harmonized multi-sectoral protocol to support survivors of Gender-Based Violence.	**Indicator #6:** GBV survivors having benefited from at least one support service (health, psychosocial, legal/security, and/or economic) (number)	Value (2021): 2,799	Value (2025): 4,500
PILLAR 3 – REBUILDING FISCAL SPACE FOR PRIORITY INTERVENTIONS				
Prior Action #7: To improve the management of tax exemptions and help rationalize inefficient ones, the Recipient has adopted an *arrêté* creating the National Committee for the Evaluation of Tax Expenditures and endorsed a list of 22 tax exemption measures to be repealed.	**Prior Action #7:** To boost revenue mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted (i) the 2024 Finance Law including the rationalization 22 tax expenditure measures and (ii) an Arrêté mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Finance Law.	**Indicator #7:** Tax expenditures in percentage of overall revenues (percentage)	Value (2021): 18 percent	Value (2025): 15 percent

Prior actions and Triggers		Results		
Prior Action #8. To strengthen the governance and performance of state-owned enterprises (SOEs), the Recipient, through its Council of Ministers, submitted to Parliament a law establishing a new legal framework for companies with public financial participation to improve management, internal and external control systems, and performance monitoring and evaluation.	**Prior Action #8.** To improve the accountability and performance of state-owned enterprises and better manage contingent liability risks, the Recipient has approved (i) an Arrêté establishing a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) an Arrêté mandating the production of an annual report analyzing consolidated financial results, debts and guarantees of companies with majority state ownership, to be annexed and summarized in the multiannual budget and economic programming document (DPBEP).	**Indicator #8:** Share of public guarantees and on-lending to SOEs subject to credit risk evaluations (percentage)	Value (2021): 0 percent	Value (2025) : 100 percent

PRIOR ACTION	LEGAL EVIDENCE OF DPF2
PA #1	• *Décret N°2024-052/PR fixant les conditions, les modalités de délivrance et la valeur juridique du livret foncier*
PA #2	• *Arrêté interministériel N° 72/MMRE/MEF/MPDC/MCACL portant adoption du plan pluriannuel d'optimisation tarifaire et de mise en œuvre de la première révision de la grille tarifaire* • *Arrêté interministériel N° 54/MMRE/MEF/CAB/2024 portant adoption de la feuille de route des reformes prioritaires du secteur de l'énergie* • *Décret N°2024-053/PR fixant les conditions d'octroi et de retrait du droit d'accès au réseau électrique national de distribution pour l'injection d'électricité à base des énergies renouvelables*
PA #3	• *Arrêté n°38/MERF définissant les secteurs prioritaires et les activités éligibles aux mécanismes de carbone* • *Arrêté n°39/MERF fixant les modalités de gestion du registre national des activités, projets et programmes d'atténuation des émissions des gaz à effet de serre au Togo*
PA #4	• *Arrêté n°007/24/MENTD/CAB relatif aux conditions d'accès et de partage de données du Registre social des personnes et des ménages* • *Décret N°2024-047/PR Portant nomination du président de l'Instance de Protection des Données à Caractère Personnel (IPDCP)*
PA #5	• *Décret N°2024-051/PR fixant les modalités de production et de mise à disposition des manuels scolaires* • *Arrêté n°_165/MEPST définissant les types d'évaluation du personnel enseignant*
PA #6	• *Arrêté interministériel n°020/MASSPF/MEF/MSHP/MJL/MSPC instituant le protocole de prise en charge des victimes de violences basées sur le genre*
PA #7	• *Arrêté n°148/MEF/UPF portant encadrement de l'octroi des mesures fiscales dérogatoires*

	• *Loi n°2023-017 portant loi de finances, exercice 2024*
PA #8	• *Arrêté n° 134/MEF/SG/DGTCP/DELFIC/2024 portant procédures d'octroi et de gestion de la garantie ou de l'aval de l'Etat et de rétrocession de prêts public* • *Arrêté n° 320/MEF/SG/DGTCP/DELFIC/2024 portant approbation du rapport annuel sur les états consolidés des entreprises détenues majoritairement par l'État*

ANNEX 2. Paris Alignment Assessment

Program Development Objectives: support a green, inclusive, and resilient development in Togo by (i) promoting sustainable agriculture, rural electrification, and climate action; (ii) boosting human capital and the resilience of vulnerable populations; and (iii) rebuilding fiscal space for priority interventions.	
Step 1: Taking into account our climate analysis (e.g., CCDRs), is the operation consistent with the country climate commitments, including for instance, the NDC, NAP, LTS, and other relevant strategies?	**Answer** Yes. **Explanation**: The reform program is consistent with and supportive of the implementation of the country's climate strategies presented in the 2021 NDC and the 2018 National Adaptation Plan (NAP). The NDC notably identifies the improvement of agriculture and forest land management and the support of renewable energy generation as key priorities. This operation is supporting mitigation efforts that will help achieve the NDC's emissions target. Moreover, the program is aligned with the NAP priority adaptation measures for each target sector and envisions Togo achieving resilient and decarbonized economic development and growth.
Mitigation goals: assessing and reducing the risks	
Context: Togo's GHG emissions are among the lowest in the world and are largely from the land use sector. GHG emissions in Togo were estimated at about 41,000 Kt of CO2 equivalent in 2018, about 2.5 percent of emissions in Nigeria and 0.3 percent of the Sub-Saharan African total. Overall, Togo is ranked 149th out of 209 countries in emissions per capita. However, total GHG emissions have more than tripled since 1995, with more than 90 percent of it accounted for by agriculture, forestry, and other land use (AFOLU), followed by the energy sector, transport, and energy-consuming industrial sectors.	
Pillar Objective: Promote sustainable agriculture, rural electrification, and climate action	
Prior Action 1: Enhancing land ownership records and tenure security through establishment of the *Livret foncier*	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: Land administration and management activities are Universally Aligned for mitigation. Since the prior action focuses on improving land management rather than on expansion in agricultural land (i.e. shifting production on existing agricultural lands), it can indirectly contribute to reducing GHG emissions. By strengthening land tenure security and formalizing land ownership, this PA will bolster a conducive environment for agricultural modernization, sustainable land use, and rural development. Ensuring secure land tenure will encourage long-term investments in sustainable land use practices (e.g., agroforestry, soil conservation, and organic farming), water management, and discourage deforestation. Which will, in turn, foster the economy decarbonization and boost agricultural productivity, reducing pressure to expand farmland.
Conclusion for PA 1:	
This PA is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Prior Action 2: Improving the viability of the energy sector, optimizing the electricity tariff structure, and promoting renewable energy	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation:** The NDC identifies achieving 100 percent electrification by 2030 through deployment of 300 mini-grids and electrifying 555,000 households through solar kits and installing 88MW of hydroelectric power and 99MW of solar power. Nevertheless, the lack of sufficient resources for the Rural Electrification and Renewable Energy Agency AT2ER and the national utility company CEET hinder rural electrification and the shift towards renewable energy. Updating electricity tariff will help support renewable energy generation, expand rural electrification, and help reduce reliance on high-emissions alternatives (petrol generators and wood fires). Additionally, the prior action supports the production of decentralized renewable energy through the adoption of a decree

	allowing self-producers of electricity from renewable energy sources to sell their surplus production on the CEET grid. Moreover, improving CEET's capacity to maintain and renew power generation and distribution infrastructures will help reduce the risk of disruptions associated with climate hazards and pre-empt CEET's performance losses from unforeseen climate events. Importantly, renewable energy generation is universally recognized as a key climate change mitigation strategy.
Conclusion for PA 2:	
This PA is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Prior Action 3: Operationalizing the new national carbon market mechanisms	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The policy reform supports the adoption of implementing regulations that will support actual project appraisal and accreditation, thereby contribute to accelerating climate mitigation. In fact, the reform is designed to attract investments in activities that have proven benefits in terms of GHG emission reduction by providing a regulatory and institutional framework for carbon credits, permits and taxes. Carbon credits are considered a key instrument for international coordination on climate change mitigation, as articulated in Article 6 of the Paris Agreement on Climate Change.
Conclusion for PA 3:	
This PA is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Pillar Objective: Boost human capital and the resilience of vulnerable populations	
Prior Actions 4-6: Operationalize the new unique social registry, improve learning opportunities, support GBV survivors	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: These activities are each universally aligned for mitigation. The expected impact on GHG emissions from this pillar is likely to be minimal, as it deals primarily with provision of government services in a climate-neutral manner. The focus on capacity building of public services is not expected to reinforce or introduce any barriers to low-GHG pathways.
Conclusion for PAs 4-6:	
This pillar is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Pillar Objective: Rebuild fiscal space for priority interventions	
Prior Actions 7 & 8: Tax expenditure review and SOE oversight	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The expected impact on GHG emissions from this pillar is likely to be minimal, as it deals primarily with the management of government finances in a climate-neutral manner. But they can set the stage for systemic changes that promote climate mitigation through improved efficiency, accountability, and investment in sustainable infrastructure. For instance, formal review of tax exemption policies may allow for reduction of existing lock-ins, while fiscal oversight of SOEs, including utilities, could potentially be used to highlight the cost of legacy infrastructure and other environmentally hazardous spending. The reforms could help reduce barriers to the transition to low-GHG emissions development pathways by improving oversight of public utilities and reduction of resource wastage.
Conclusion for PAs 7 & 8:	
This pillar is aligned for mitigation goals, as it meets the criteria for step 2. Further consideration of Step 3 is not necessary.	
Mitigation goals: Conclusion of the Paris Alignment Assessment for the Program	

Overall, the DPF program is aligned with the mitigation goals of the Paris Agreement. Prior Actions are expected to either directly support GHG emissions reductions and carbon sinks in certain sectors or have no to minimal impact on GHG emissions.	
Adaptation and resilience goals: assessing and managing the risks	
General context: Togo's geographic, climatic, and socioeconomic conditions make it highly vulnerable to the impacts of climate change and other environmental hazards, making resilience a high priority. Togo ranks 138 among 181 countries in most extreme climate vulnerability (187 being the most vulnerable). Looking forward, prolonged droughts and more variable rainfalls could negatively affect agricultural productivity and increase fragility risks, particularly in northern regions where exposure to such shocks is more pronounced and where poverty and insecurity risks concentrate. Additionally, heat waves could become more common, with heat stress impacting human health, worker productivity, and agricultural yields. At the same time, the frequency of floods could also increase with climate change, impacting food security and infrastructure, and encouraging communicable, and water borne diseases. This operation is supporting resilience-enhancing measures, with a particular focus on rural population in underserved areas.	
Pillar Objective: Promote sustainable agriculture, rural electrification, and climate action	
Prior Action 1: Enhancing land ownership records and tenure security through establishment of the *Livret foncier*	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation**: Climate hazards are not expected to impact this reform as it focuses on accelerating land tenure and secure titling. However, by bolstering investment, it will indirectly enhance resilience. Moreover, stronger land tenure security for smallholder farmers will support climate adaption by strengthening their capacity and willingness to invest in climate smart practices, ease access to credit and insurance, and facilitate disaster recovery.
Conclusion for Prior Action 1	
This PA is aligned for adaptation and resilience goals: the design of the prior action is expected to reduce climate vulnerabilities and incorporates best practices in the country context.	
Prior Action 2: Improving electricity tariff	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** No. **Explanation**: CEET's performance improvements (i.e., efforts to enhance efficiency and loss reduction measures) could potentially be affected by climate hazards, highlighting the importance of maintenance work and upgrades on the electricity network. The prior action will help support the CEET's capacity to maintain and renew the electricity infrastructure to reduce the impact of climate hazards and pre-empt any further performance losses to CEET from unforeseen climate events.
Conclusion for Prior Action 2	
This PA is aligned for adaptation and resilience goals: while there are significant risks identified in A2, the design of the prior action reduces these risks and incorporates best practices in the country context.	
Prior Action 3: Operationalizing the new national carbon market mechanisms	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** No. **Explanation**: Even though climate hazards could affect natural capital and the ability to generate carbon credits, this reform only focuses on the regulatory mechanisms by defining priority sectors and operationalizing committee in charge of certifying eligible projects. As a result, climate hazards are not relevant and are not expected to impact this reform.
Conclusion for Prior Action 3	
This PA is aligned for adaptation and resilience goals.	
Pillar Objective: Boost human capital and the resilience of vulnerable populations	
Prior Actions 4-6: Operationalize the new unique social registry, improve learning opportunities, support GBV survivors	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior	**Answer** No. **Explanation**: While there may be individual risks, such as teacher access to schools or reduced connectivity to information systems following a climate shock, these risks are minimal and not expected to impact the prior actions' contribution to the Development Objective.

action's contribution to the Development Objective(s)?	
Conclusion for Prior Actions 4-6	
This pillar is aligned for adaptation and resilience goals: Step A2 requirements are met, so further analysis is not required.	
Pillar Objective: Rebuild fiscal space for priority interventions	
Prior Actions 7 & 8: Tax expenditure review and SOE oversight	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer** No. **Explanation**: While climate hazards can adversely affect fiscal space, they are not likely to impact the achievement of the Pas nor their contributions to fiscal space and the development objective.
Conclusion for Prior Actions 7 & 8	
This pillar is aligned for adaptation and resilience goals: Step A2 requirements are met, so further analysis is not required.	
Adaptation goals: conclusion of the Paris Alignment Assessment for the Program Overall, the DPF program is aligned with the adaptation goals of the Paris Agreement. The operation has been screened for disaster risks, with agriculture, energy and education identified as priority sectors. Of these, agriculture and, to a lesser degree, energy were identified as sectors with significant exposure to future climate hazards. The above-mentioned resilience-enhancing measures are contributing to reduce exposure to climate hazards. Therefore, climate hazards are unlikely to impact the contribution of the Prior Actions to development objectives, except for Prior Actions 1 and 2 for which appropriate risk reduction measures have been incorporated. Further, all Prior Actions are expected to contribute to adaptation and resilience, either directly or indirectly.	
OVERALL CONCLUSION OF PARIS ALIGNMENT ASSESSEMENT: **The operation is aligned with both the adaptation and mitigation goals of the Paris Agreement.**	

ANNEX 3. Operation Specific Annex

Matrix of Key Changes to Original Policy Matrix

Indicative triggers for DPF 2 as envisaged in DPF 1	Prior Actions for DPF 2	Rationale for changes
PILLAR 1 – PROMOTING SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE ACTION		
Indicative Trigger #1. To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a draft Law on Agriculture Land Management ("Loi relative à la réforme agro-foncière"), including provisions to facilitate women's access to land and to protect forests and other protected ecosystems. **RI 1.A:** Maize yield in Planned Agriculture Development Zones with a 2025 target of 3.0 tons / hectares **RI 1.B:** Share of female farmers in Planned Agriculture Development Zones with a 2025 target of 40 percent	**Prior Action #1.** To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a Decree establishing the Livret Foncier as a key instrument for facilitating access to a secure and reliable record of land ownership with a view to improving land security for smallholder farmers, women's access to land, and the enabling environment for forest protection. **RI 1.A:** Maize yield in Planned Agriculture Development Zones at the national level with a 2025 target of 3.0 tons / hectares **RI 1.B:** Maize yield in Planned Agriculture Development Zones in the Savanes region with a 2025 target of 2.3 tons / hectares **RI 1.C:** Share of female farmers in Planned Agriculture Development Zones with a 2025 target of 41 percent **RI 1.D:** Livret Foncier delivered with a 2025 target of 360	*Updated- **Prior Action #1** on land tenure reform was adjusted as the agricultural land management law will not be completed in 2024. This has been replaced by a decree establishing the Livret Foncier that will create a new pathway to a secure and reliable record of land ownership for smallholder farmers.* ***RI 1.A:** Unchanged* ***RI 1.B:** New indicator* ***RI 1.C:** Upgraded due to faster than expected progress* ***RI 1.D:** New indicator*
Indicative Trigger #2. In order to improve the targeting of subsidized electricity services exclusively on low-income households, facilitate decentralized renewable energy production and preserve industrial competitiveness, the beneficiary has adopted and applied an optimized structure for electricity tariffs reflecting system costs and based on a formula for calculating CEET's revenue requirements. **RI 2.A:** Additional rural households connected to electricity with a 2025 target of +150,000	**Prior Action #2.** To improve the viability of the energy sector, increase the production of renewable energy, and facilitate access to electricity, the Recipient has adopted, in accordance with the new roadmap for priority reforms in the sector, (i) an interministerial Arrêté establishing no later than April 1, 2025 a new tariff structure for electricity services that strengthens CEET's revenues while protecting vulnerable populations and industrial competitiveness; and (ii) a Decree clarifying the conditions for self-producers of electricity from renewable energy sources to access the grid. **RI 2.A:** Additional rural households connected to electricity with a 2025 target of +210,500 **RI 2.B:** Additional rural households connected to electricity in the Savanes region with a 2025 target of +27,400	*Updated- **Prior Action #2** was significantly strengthened by adding to a first tariff revision, support for decentralized renewable energy producers to reduce costs and increase the supply of renewable energy, and a roadmap for priority reforms for the energy sector.* ***RI 2.A:** Upgraded due to faster than expected progress* ***RI 2.B:** new indicator*

RI 2.B: Share of renewable energy in installed electricity capacity with a 2025 target of 40 percent	**RI 2.C:** Share of renewable energy in installed electricity capacity with a 2025 target of 38 percent	***RI 2.C:*** *Modifié compte tenu du plan d'urgence du gouvernement qui prévoit une augmentation des capacités de productions thermiques.*
Indicative Trigger #3. To operationalize and strengthen the new carbon credit mechanism, the Beneficiary has adopted *Arrêtés* clarifying the conditions for the authorization, commercialization and revenue allocation of carbon credits and carbon taxes. **RI 3:** Registered investment projects eligible for carbon credits with a 2025 target of 5	**Prior Action #3.** To operationalize and strengthen the new carbon credit mechanism established by Decree in March 2023, the Recipient has adopted (i) a ministerial Arrêté identifying priority sectors and activities eligible for the carbon mechanism, and (ii) a ministerial Arrêté operationalizing the national register of greenhouse gas mitigation activities, projects, and programs. **RI 3:** Registered investment projects eligible for carbon credits with a 2025 target of 5	*Updated -* ***Prior Action #3*** *on carbon credit market regulations was clarified, as discussions with authorities highlighted that the two critical implementing regulations for which World Bank support would be particularly impactful were the identification of priority sectors and the establishment of a national registry.* ***RI 3:*** *Unchanged*
PILLAR 2 – BOOSTING HUMAN CAPITAL AND RESILIENCE OF VULNERABLE POPULATIONS		
Indicative Trigger #4. To ensure that the RSPM can be sustainably used to target beneficiaries for social protection and natural disaster response programs, the Recipient has adopted Arrêtés establishing data sharing mechanisms between the RSPM and other government agencies holding relevant information in compliance with applicable data protection regulations. **RI 4.A :** Households with a female designated as recipient of social safety net programs registered in the national social registry with a 2025 target of 300,000 **RI 4.B :** Share of households benefiting from the flagship social safety net program with a 2025 target of 5.7 percent	**Prior Action #4.** To operationalize the social registry of individuals and households (RSPM) for more efficient and effective beneficiary targeting of social protection and shock responsive programs, the Recipient has adopted (i) an Arrêté defining data access and sharing mechanisms between the RSPM and other government and non-government entities to identify beneficiaries in compliance with the applicable data protection law and regulations, and (ii) a Decree appointing the president of the Personal Data Protection Authority. **RI 4.A:** Share of households registered in the social registry of individuals and households with a 2025 target of 20 percent **RI 4.B:** Number of Flagship safety net beneficiary households with a female designated beneficiary with a 2025 target of 235,000	*Updated -* ***Prior Action #4*** *clarifies that the Arrêté is establishing data sharing and interoperability mechanisms between the RSPM and other government agencies and added the nomination Decree of the president of the Personal Data Protection Authority, which is also critical to operationalize the RSPM as it will allow the authority to start recruiting its staff and develop its procedures and work-program.* ***RI 4.A:*** *the indicator was revised as the RSPM does not designate the main beneficiary of a program, which is the responsibility of the program itself. According to EHCVM 2021, there are approximately 1.9 million households throughout the country. The 20 percent target amounts to 380,000 households registered in the RSPM at the end of December 2025.* ***RI 4.B:*** *the indicator was revised to integrate the gender component that was lost for* ***RI 4.A****.*
Indicative Trigger #5. To improve learning opportunities for primary school students, the Recipient has adopted (i) a decree establishing a new model for the production and distribution of school textbooks including provisions on copyright and digitalization and (ii) an Arrêté instituting a periodic assessment of teachers with a view to identifying their	**Prior Action #5.** To improve learning opportunities for all students, the Recipient has adopted (i) a decree clarifying roles and responsibilities for every stage of the production and distribution chain for school textbooks to ensure their availability for all, including students with special needs and from vulnerable areas, and (ii) an Arrêté instituting a	*Updated -* ***Prior Action #5*** *clarifies the objective of decree on school textbook availability with its focus on the entire production cycle.*

capacity-building needs on the basis of identified skills to practice the teaching profession. **RI 5.A:** Goodness of fit between the number of teachers and students across primary schools with a 2025 of 0.70 (coefficient of determination) **RI 5.B:** Share of students achieving basic literacy in grade 2 with a 2025 target of 35 percent	periodic assessment of teachers to identify their skills-based capacity-building needs. **RI 5.A:** Goodness of fit between the number of teachers and students across primary schools with a 2025 of 0.75 (coefficient of determination) **RI 5.B:** Share of female students achieving basic literacy in grade 2 with a 2025 target of 35 percent	***RI 5.A:*** *Upgraded due to faster than expected progress* ***RI 5.B:*** *Updated to focus on female students*
Indicative Trigger #6. To strengthen girls and women's empowerment, the Recipient adopted an Arrêté establishing a harmonized multi-sectoral protocol to support survivors of Gender-Based Violence. **RI 6:** GBV survivors having benefited from at least one support service with a 2025 target of 4,500	**Prior Action #6.** To strengthen girls and women's empowerment, the Recipient adopted an interministerial Arrêté establishing a harmonized multi-sectoral protocol to support survivors of Gender-Based Violence. **RI 6:** GBV survivors having benefited from at least one support service with a 2025 target of 4,500	*Unchanged* ***RI 6:*** *Unchanged*
PILLAR 3 – REBUILDING FISCAL SPACE FOR PRIORITY INTERVENTIONS		
Indicative Trigger #7: To boost revenue mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted a Decree mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Budget Law and adopted necessary regulations to repeal 22 tax exemption measures. **RI 7:** Tax expenditures in percentage of overall revenues with a 2025 target of 13 percent	**Prior Action #7:** To boost revenue mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted (i) the 2024 Finance Law including the rationalization 22 tax expenditure measures and (ii) an Arrêté mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Finance Law. **RI 7:** Tax expenditures in percentage of overall revenues with a 2025 target of 15 percent	*Updated -* ***Prior Action #7*** *now includes the actual rationalization of 22 tax expenditure measures in the 2024 Finance Law* ***RI 7:*** *the indicator target (and reference value in 2021) were revised up, reflecting a broadening of the coverage of this indicator in the 2023 Tax Expenditure Report.*
Indicative Trigger #8. To improve transparency and better manage contingent liabilities associated with SOEs, the Recipient has (i) approved an Arreté setting out a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) produced a report on consolidated financial results, debts and guarantees of companies with majority state ownership to be annexed to the Finance Law.	**Prior Action #8.** To improve the accountability and performance of state-owned enterprises and better manage contingent liability risks, the Recipient has approved (i) an Arrêté establishing a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) an Arrêté mandating the production of an annual report analyzing consolidated financial results, debts and guarantees of companies with majority state ownership, to be annexed and summarized in the multiannual budget	*Updated –* ***in part (ii) of Prior Action #8****, the report on consolidated financial statements of SOEs will still be annexed in the annual Finance Law, but through the multiannual budget and economic programming document (DPBEP). The law (LOLF) establishes a well-defined list of documents to be annexed to the Finance Law, including the DPBEP.*

RI 8: Share of public guarantees subject to credit risk evaluations with 2025 target of 100 percent	and economic programming document (DPBEP). **RI 8:** Share of public guarantees subject to credit risk evaluations with 2025 target of 100 percent	***RI 8:** Unchanged*

Environment and Poverty/Social Analysis

Prior Actions	Significant environment effects	Significant poverty, social or distributional effects
Pillar 1: PROMOTING SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE ACTION		
Prior Action #1. To support efficient, equitable and sustainable land use for agriculture production, the Recipient has adopted a Decree establishing the *Livret Foncier* as a key instrument for facilitating access to a secure and reliable record of land ownership with a view to improving land security for smallholder farmers, women's access to land, and the enabling environment for forest protection.	Positive, with potential risks from increased agriculture production. Ensuring secure land tenure will encourage long-term investments in sustainable land use practices, water management, discourage deforestation and the expansion of farmland.	Yes, positive with potential equity risks. Strengthening land tenure security for smallholder farmers will help support their livelihoods and improve food security. Increased landownership by women will also contribute to boosting their human capital, economic opportunity and agency.
Prior Action #2. To improve the viability of the energy sector, increase the production of renewable energy, and facilitate access to electricity, the Recipient has adopted, in accordance with the new roadmap for priority reforms in the sector, (i) an interministerial Arrêté establishing no later than April 1, 2025 a new tariff structure for electricity services that strengthens CEET's revenues while protecting vulnerable populations and industrial competitiveness; and (ii) a Decree clarifying the conditions for self-producers of electricity from renewable energy sources to access the grid.	Positive, with potential adverse effects through higher energy consumption. Promoting renewable energy sources and supporting rural electrification efforts will reduce GHG emissions and the need for alternative energy sources that harm the environment.	Yes, positive. By ensuring better targeted lifeline tariffs and expanding rural access, reforms supported by this operation will improve the livelihood of low-income households, particularly in rural areas.
Prior Action #3. To operationalize and strengthen the new carbon credit mechanism established by Decree in March 2023, the Recipient has adopted (i) a ministerial Arrêté identifying priority sectors and activities eligible for the carbon mechanism, and (i) a ministerial Arrêté operationalizing the national register of greenhouse gas mitigation activities, projects, and programs.	Positive. PA#3 will contribute directly to GHG emission reduction and supporting adaptation efforts.	Yes, positive with potential equity risks. Operationalizing the regulatory framework for carbon credit projects is expected to generate social and economic benefits in the long term but may increase inequality in the short term that should be mitigated through effective revenue sharing mechanisms.
Pillar 2: BOOSTING HUMAN CAPITAL AND THE RESILIENCE OF VULNERABLE POPULATIONS		
Prior Action #4. To operationalize the social registry of individuals and households (RSPM) for more efficient and effective beneficiary targeting of social protection and shock responsive programs, the Recipient has adopted (i) an Arrêté defining data access and sharing mechanisms between the RSPM and other government and non-government entities	Potentially positive. PA#4 supports more effective targeting of social protection and disaster response programs. limiting the risk of	Yes, positive. Improved targeting of social assistance beneficiaries through the operationalization of the social registry will ensure that social protection programs are

to identify beneficiaries in compliance with the applicable data protection law and regulations, and (ii) a Decree appointing the president of the Personal Data Protection Authority	environmental degradation by destitute populations following severe shocks.	more efficiently targeted towards those in genuine need, thereby reducing vulnerability and poverty more effectively.
Prior Action #5. To improve learning opportunities for all students, the Recipient has adopted (i) a decree clarifying roles and responsibilities for every stage of the production and distribution chain for school textbooks to ensure their availability for all, including students with special needs and from vulnerable areas, and (ii) an Arrêté instituting a periodic assessment of teachers to identify their skills-based capacity-building needs.	No impact	Yes, positive. Improving access to school manuals and quality teachers in underserved rural areas is expected to enhance welfare and reduce the urban-rural divide while improving learning and addressing gender inequalities.
Prior Action #6. To strengthen girls and women's empowerment, the Recipient adopted an interministerial Arrêté establishing a harmonized multi-sectoral protocol to support survivors of Gender-Based Violence.	No impact	Yes, Positive. Strengthening the support for victims of gender-based violence is expected to reduce pervasive adverse effects on human capital development and improved care in favor of the health, safety, overall well-being and participation in education and work of GBV survivors.
Pillar 3: REBUILDING FISCAL SPACE FOR PRIORITY INTERVENTIONS		
Prior Action #7: To boost revenue mobilization and ensure transparent and cost-effective tax expenditure decisions, the Recipient has adopted (i) the 2024 Finance Law including the rationalization 22 tax expenditure measures and (ii) an Arrêté mandating that proposals for new tax and customs exemptions and other preferential tax regimes be accompanied by a cost-benefit analysis and results indicators to be published in annex to the Finance Law.	No impact	Indirect positive impact. The rationalization of tax exemption including on property taxes, taxes on the sale of vehicles, and VAT exemptions on hotel stays could help reduce inequality, as poorly targeted measures disproportionately benefit wealthy individuals and businesses, while providing little or no benefit to low-income households.
Prior Action #8. To improve the accountability and performance of state-owned enterprises and better manage contingent liability risks, the Recipient has approved (i) an Arrêté establishing a legal and operational framework for assessing the risk, pricing, and monitoring of public guarantees and on-lending, and (ii) an Arrêté mandating the production of an annual report analyzing consolidated financial results, debts and guarantees of companies with majority state ownership, to be annexed and summarized in the multiannual budget and economic programming document (DPBEP).	No impact	Indirect positive impact. Improvements in fiscal risk management will serve to protect funding for critical social and infrastructure projects that could benefit the poor.

Detailed Poverty/Social Analysis

1. **Overall, the policy and institutional reforms supported under the proposed DPF are expected to support a resilient economy and have positive social impacts.** The policy actions in Pillar 1 aimed at promoting sustainable agriculture and rural electrification and climate action are expected to increase welfare. Policy reforms under Pillar 2 aimed at

boosting human capital and resilience to shocks are expected to increase coping strategies amongst vulnerable populations, improve access to basic services, increase social inclusion, and reduce gender inequality. The policy actions under Pillar 3 aimed at rebuilding the fiscal space by improving the management of tax exemptions and reducing fiscal risks associated with contingent liabilities from SOEs is not expected to have short-term poverty and social impacts but could have medium to long-term impacts by opening fiscal space for pro-poor spending.

2. **Improved access to land registration and titling systems in rural areas (PA#1) should help boost smallholder farmers' income and stimulate job-creating investments.** Securing land tenure tends to incentivize farmers to invest in their land, adopt improved agricultural practices, expand their production, and create jobs. This can boost agricultural productivity, leading to higher incomes for rural households and improved food security. With land as collateral, farmers can also secure credit to invest in agricultural technologies, livestock, business ventures, or education. This enables them to diversify their income streams and improve their livelihoods. Land tenure security also plays a critical role in empowering women and marginalized groups. By clarifying and protecting their land rights, women can secure their access to land, inheritance, and income. This can contribute to gender equality and reduce poverty.

3. **The new electricity tariff structure (PA#2) aims to improve the targeting of subsidized electricity services and increase capacity of the CEET to expand access, benefiting the poor in both urban and rural areas.** Over 60 percent of the implicit subsidies from the current tariff structure go to the top 20 percentile richest households while barely 2 percent are received by the bottom 20, making them highly regressive. By ensuring better targeted lifeline tariffs and subsidies for low-income households, the new tariff structure will provide greater support for the poorest and most vulnerable households. In fact, the social tariff coverage should increase from 180,000 clients currently to 271,300 after switching low consumption clients to the appropriate subscribed power, which should be supported by a robust communication strategy. Based on the overall tariff adjustment scenario considered until 2027 and after the necessary reallocation of client subscriptions, the new tariff structure will lead to significant changes in the distribution of implicit electricity subsidies, with the poorest two deciles (D1 and D2) experiencing a 140 percent increase in their relative share, while the wealthiest two deciles (D9 and D10) would see a decline of 26 percent (Figure A3.1). This is expected to lead to an overall increase in the share of subsidies received by the poor, while the share received by the non-poor declines, regardless of the area of residence (Figure A6.2).

Figure A3.1 Distribution of implicit electricity subsidies by consumption decile and residence (percent share)

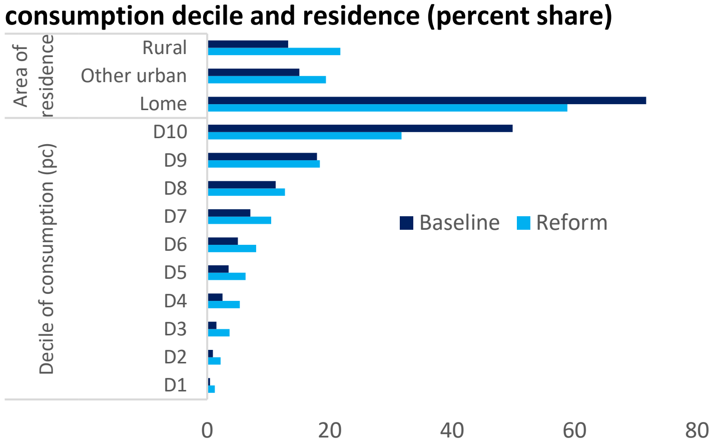
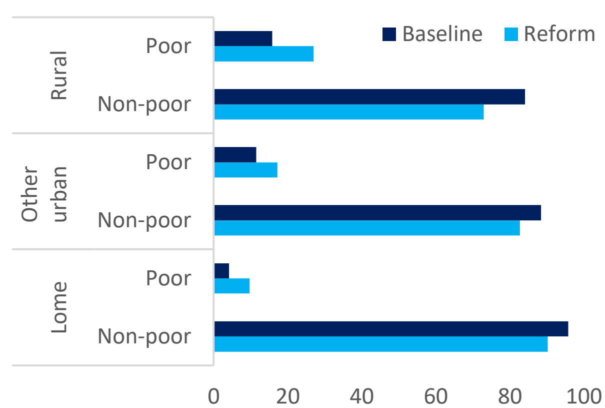


Figure A3.2 Distribution of implicit electricity subsidies by poverty status and residence (percent share)



Source: World Bank staff calculations based on EHCVM 2018/19 and Togos' national electricity company (CEET)

4. **The tariff reform will also influence the share of electricity costs in households' budget slightly benefiting the purchasing power of the poorest.** In fact, after the reform, the share of energy expenditures in the total consumption of the poorest deciles (D1 and D2) is projected to decrease slightly from 0.35 to 0.30 percent, while the wealthier

households (D10) will see their electricity expenditure increase from 2.4 percent to 3.7 percent (Figure A3.3). As a result of the reform, the purchasing power of the poorest deciles (D1 and D2) is therefore expected to increase by 0.8 percent and 0.7 percent, respectively, while the wealthiest deciles (D9 and D10) will see declines of 0.17 percent and 0.44 percent, respectively (Figure A3.4). While most households in the poorest decile will see lower or similar energy costs, 15 percent of them will still experience an increase, compared to 62 percent of households in the wealthiest decile (Figure A3.5).

Figure A3.3 Electricity cost as a share of total expenditures (in percent)

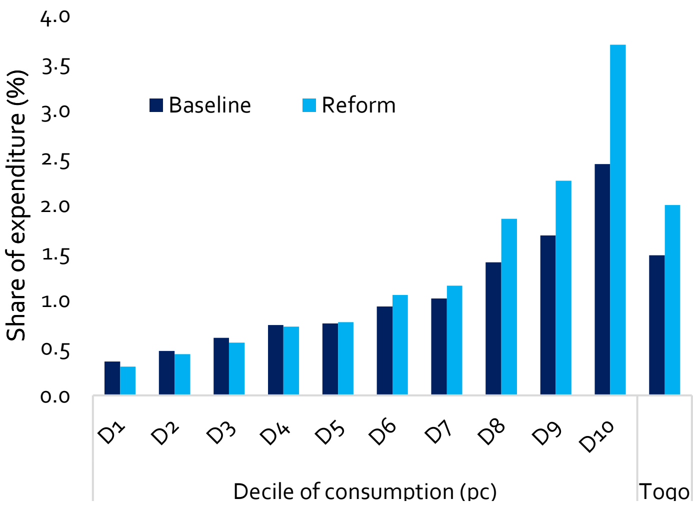


Figure A3.4 Changes in purchasing power after the tariff reform by consumption deciles and residence area (percent)

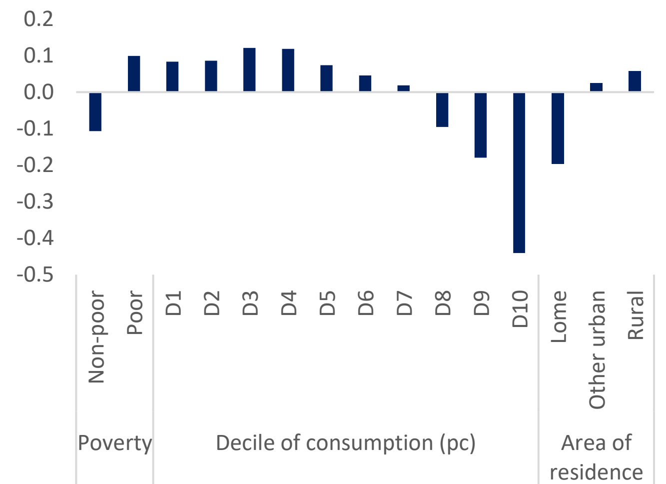


Figure A3.5 Share of households facing higher tariffs (percent)

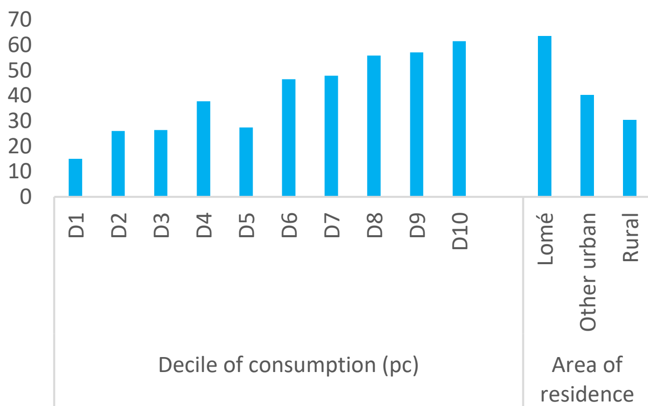
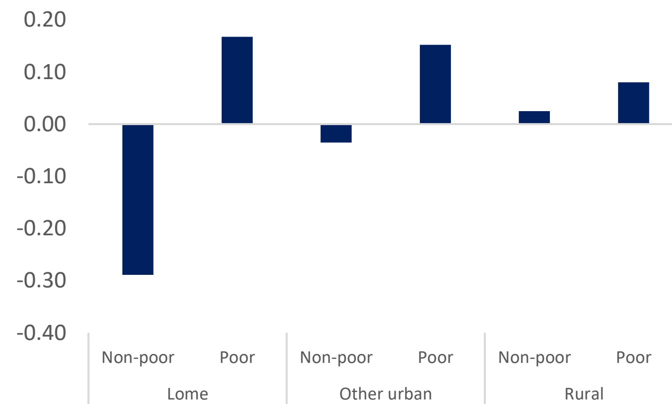


Figure A3.6 Changes in purchasing power after the tariff reform by poverty status (percent)



Source: World Bank staff calculations based on EHCVM 2018/19 and Togos' national electricity company (CEET).

5. **The concentration of lower electricity costs among poorer households is also reflected in the geographical impact of the reform, with rural areas, where a larger proportion of lower-income households reside, benefiting more.** Specifically, 30.4 percent of households in rural areas are expected to face higher tariffs, which is lower compared to 40.2 percent in other urban areas and 63.4 percent in Lome. As a result, households in rural areas are expected to experience a slight increase in purchasing power of 0.06 percent. Meanwhile, households in other urban areas will see a much smaller increase in purchasing power of 0.02 percent, whereas households in Lome are projected to face a decrease in purchasing power of 0.19 percent due to the higher incidence of increased tariffs. However, when

analyzing the impact by poverty status within residence area, the evidence suggests that the poor are expected to benefit the most from the increase in purchasing power across all areas, with households in Lomé likely to gain the most (Figure A6.6).

6. **Increasing the capacity of the national utilities company CEET to invest in rural electrification will also help reduce poverty and inequality by expanding economic opportunities in both agriculture and non-agriculture sectors.** According to the analysis based on the EHCVM survey data, access to electricity increases the likelihood of nonfarm participation by 15 percent, which is positively correlated with investment in inputs (especially in hiring labor) and, consequently, with crop yields. Moreover, access to electricity can extend the time that students spend learning in the evenings and increase the amount of time teachers can devote to lesson preparation, thus enhancing the learning and teaching processes. As a result, access to electricity provides a significant number of monetary and non-monetary opportunities. For instance, microsimulation results indicate that increasing access to electricity for an additional 210,000 rural households will raise the Human Opportunity Index (HOI)[24] by over 14 percentage points. This in turn is expected to reduce structural inequality in access to electricity by approximately 16 percentage points.[25]

7. **Improving the regulatory framework for climate mitigation and adaption projects (PA#3) is expected to generate social and economic benefits but may increase inequality in the short-term, which should be mitigated through effective revenue sharing mechanisms.** Carbon markets are expected to accelerate climate mitigation and adaptation and preserve natural capital endowment while providing additional revenues will increase priority spending in infrastructure and social services. Nevertheless, carbon credits may increase inequality if only larger companies and wealthy individuals are more likely to be able to take advantage of such markets, emphasizing the importance of access and revenue sharing mechanisms.

8. **The reforms to improve the efficiency of social assistance (PA#4) is expected to reduce poverty and vulnerability to poverty.** Improved targeting of social assistance beneficiaries through the operationalization of the social registry (PA#4) will ensure that social protection programs such as cash transfers are more efficiently targeted towards those in genuine need, thereby reducing vulnerability and poverty more effectively. Indeed, better targeted cash transfers can help households smooth their consumption and reduce negative coping mechanisms, increase human capital accumulation, and reduce poverty. Moreover, evidence shows that the provision of cash transfers to female members of beneficiary households can enhance human capital outcomes of women and girls and boost their economic empowerment, hence creating a pathway out of poverty. To simulate the impact of cash transfers on poverty, we conducted a microsimulation assuming targeted assistance to the poor, designating women as the primary beneficiaries. The results show that the program is projected to reduce poverty by 0.6 percentage points in 2024 and 1.1 percentage points in 2025, lifting approximately 156,000 people out of poverty by 2025.

9. **Improving access to school manuals and quality teachers in rural and underserved areas (PA#5) is expected to enhance welfare and reduce the urban-rural divide while also addressing gender inequalities.** Several studies have shown that school textbook availability and gratuity have a positive impact on poverty and inequality,[26] by bridging

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

[25] In the current context, structural inequality refers to the unequal distribution of access to electricity between rural and urban areas which result in unequal opportunities for economic and social development.

[26] Glewwe, P., Kremer, M., & Moulin, S. (2009). "Many Children Left Behind? Textbooks and Test Scores in Kenya." American Economic Journal: Applied Economics, 1(1), 112-135; NESCO (2021). "Global Education Monitoring Report 2020: Inclusion and Education: All Means All; old, T., Kimenyi, M., Mwabu, G., & Sandefur, J. (2018). "Free Primary Education in Kenya: Enrollments, Achievement, and Local Accountability." Journal of African Economies, 27(4), 515-536.

the education gap often seen in impoverished communities (17 percent increase in enrollment in Kenya). Providing free school textbooks to primary school students in Togo is estimated to increase enrollment rates by 10 percent and reading scores by 20 percent. By improving the quality of teacher evaluation systems, the proposed reform is also expected to improve teachers' skills and knowledge. This will not only enhance the overall quality of teaching but also ensure that every student, regardless of their socio-economic background, receives effective and engaging instruction, thereby leading to reduced inequality. Furthermore, countries with more rigorous teacher evaluation systems tend to have lower dropout rates and higher rates of educational attainment. This can lead to the long-term accumulation of human capital, which is crucial for socio-economic development.

10. **Strengthening the support for victims of GBV (PA#6) is expected to reduce pervasive adverse effects on human capital development.** GBV has a devastating impact on human capital development, hindering the educational progress, economic involvement, and overall well-being of both women and children. By establishing a multisectoral protocol to provide holistic support to GBV survivors, this reform will be improved care in favor of the health, safety, overall well-being and participation in education and work of GBV survivors.

11. **The rationalization of tax exemption (PA#7) and improvement in the management of contingent liabilities from SOEs (PA#8) are not expected to have short-term poverty and social impacts but can potentially lead to positive impacts in the medium to long run**. Poorly targeted tax exemptions can exacerbate poverty by disproportionately benefiting wealthy individuals and businesses, while providing little or no benefit to low-income households. This can lead to a redistribution of wealth from the poor to the wealthy, further widening the gap between rich and poor in Togo. The rationalization of existing tax exemptions and greater accountability around decisions for new measures would help alleviate these risks and boost revenues to support pro-poor spending. Similarly, improvements in fiscal risk management will serve to protect funding for critical social and infrastructure projects.

ANNEX 4. Required Accompanying Documentation

Letter of Development Policy

ORIGINAL FRENCH VERSION

REPUBLIQUE TOGOLAISE

Ministère de L'Economie et des Finances

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

DIVISION DU SUIVI DES RELATIONS AVEC BM-BAD

Lomé, le 30 OCT 2024

Le Ministre

A

Monsieur Ajay Banga,
Président du Groupe
de la Banque Mondiale

1818H Street NW
Washington DC 20433

USA

N° 3144 **/MEF/SP-PRPF/BM-BAD**

Objet : Lettre de Politique de Développement

Monsieur le Président,

La présente lettre de politique de développement (LPD) présente la situation économique dans un contexte de chocs successifs (sanitaire, sécuritaire, inflationniste et conflits géopolitiques) et les résultats enregistrés par le Togo dans la mise en œuvre de sa stratégie nationale de développement ainsi que les perspectives pour 2024-2026. Elle décrit les objectifs des politiques de développement définis par les autorités en vue de la poursuite de la mise en œuvre de la feuille de route gouvernementale 2020-2025 qui tient compte de la vision nationale et des aspirations présidentielles. Pour atteindre ces objectifs, le gouvernement sollicite l'appui technique et financier du Groupe de la Banque Mondiale à travers la deuxième opération d'appui au financement de politique de développement durable et inclusif du Togo.

I. Contexte socioéconomique

Au terme de la crise de la pandémie de covid-19 en 2020, l'activité économique a repris en 2021 grâce au renforcement du dynamisme dans les différentes branches d'activités notamment celles de l'industrie alimentaire, de la construction et des transports. Le taux de croissance s'est alors établi à 6,0%, soutenu du côté de la demande par la dynamique de la consommation privée et des exportations dans un contexte de reprise forte et synchronisée de l'économie mondiale.

En 2022, le Togo a fait face à une forte accélération de l'inflation intérieure induite par les effets conjugués des différents chocs. Cette situation a conduit l'Etat à faire d'importants engagements budgétaires qui ont permis de maintenir la croissance à 5,8%. Le taux d'inflation moyen a atteint 7,6 % contre 4,5 % en 2021 et le déficit budgétaire s'est creusé davantage pour se situer à 8,3 % du PIB contre 4,7 % du PIB en 2021 du fait des efforts de soutien au pouvoir d'achat des populations et des dépenses de sécurité.

En 2023, l'activité économique a bénéficié de la bonne exécution des projets et réformes de la Feuille de route gouvernementale « Togo 2025 », notamment les réformes structurelles et l'instauration d'un climat des affaires plus attractif aux investissements privés. Le taux de croissance du PIB réel est estimé à 6,4% avec un taux d'inflation en baisse qui est ressorti à 5,3%. Cette performance économique, adossée à une gestion prudente des finances publiques notamment la baisse des dépenses d'acquisition des biens et services, des dépenses de transfert et des dépenses d'investissement hors PIP, entrainerait un déficit budgétaire de 6,6% du PIB.

L'année 2024 serait caractérisée par la poursuite de l'exécution de projets structurants de la feuille de route gouvernementale 2025, à forte coloration sociale, porteurs de croissance inclusive aboutissant, à terme, à un taux de croissance projeté à 6,6% du PIB. L'inflation serait maitrisée sous le seuil de 3% grâce aux mesures prises par le gouvernement pour atténuer les tensions inflationnistes et le déficit budgétaire devrait s'améliorer pour se situer à 5,9 % du PIB en raison de la poursuite des réformes visant la consolidation budgétaire.

Concernant la dette publique, l'encours rapporté au PIB est passé de 65,84 % en 2022 à 66,65 % du PIB en 2023. Le taux d'endettement extérieur et celui de la dette intérieure sont respectivement de 25,74% et 40,92% en 2023.

II. Les perspectives 2024-2026

Les perspectives économiques du Togo s'inscrivent dans le contexte de la poursuite de la mise en œuvre de la feuille de route « Togo 2025 » dont la vision et les objectifs visent à accélérer la croissance économique pour atteindre un nouveau palier permettant au pays de consolider les bases de son émergence, à l'horizon 2030, et réduire durablement la pauvreté. Selon les prévisions, sur la période 2024-2026, la croissance moyenne annuelle du PIB serait de 7,0% passant de 6,6% en 2024 à 7,0% en 2026, soutenue par les réformes stratégiques en cours, la mise en œuvre de la Plateforme Industrielle d'Adétikopé (PIA) et la forte contribution des différents secteurs (tertiaire (+4,6%), secondaire (+7,0% et primaire (+7,2%)). L'inflation serait maintenue dans les limites de 3% à moyen terme, grâce notamment aux performances attendues dans le secteur agricole pour un meilleur approvisionnement des marchés en produits vivriers.

Au titre des finances publiques, un accent particulier sera mis sur le respect de la discipline budgétaire, le renforcement du contrôle a priori et le suivi de la capacité d'absorption des crédits liés à l'investissement. Les recettes budgétaires rapportées au PIB seraient en moyenne de 20% sur la période 2024-2026, tirées par la hausse progressive des recettes fiscales qui représenteraient en moyenne 15,5% du PIB, passant de 14,9% en 2024 à 16,2% en 2026. Les opérations budgétaires dégagent un solde (dons compris) déficitaire de 5,9% du PIB en 2024 contre 6,6% en 2023 avec un objectif de 3% en 2025. Les déficits budgétaires seront financés par l'excédent des opérations de trésorerie.

Les recettes budgétaires sont projetées à 1.279,1 milliards en 2024 ; 1.298 milliards en 2025 et 1429,3 milliards en 2026. En pourcentage du PIB, elles représenteraient en moyenne 19,8% sur la période. Elles progresseraient en moyenne de 8,1% sur la période. La hausse constatée serait liée essentiellement aux efforts de mobilisation des recettes fiscales et non fiscales. Ces prévisions de recettes budgétaires tiennent compte des hypothèses macroéconomiques, de la politique fiscale et des mesures prises en vue d'accroître les recettes non fiscales sur la période considérée.

S'agissant des dépenses budgétaires pour l'année 2024, elles s'élèveraient à 1.636,3 milliards contre 1.554,7 milliards en 2023. Elles sont projetées à 1.496,6 milliards en 2025 et à 1.639 milliards en 2026. Elles représentent en moyenne 23,3% du PIB sur la période.

La stratégie d'endettement retenue pour la période 2024-2026 vise à atténuer le risque de refinancement en rallongeant la maturité moyenne du portefeuille qui devrait se situer entre 6,5 ans et 10,5 ans à l'horizon 2026 contre 6,4 ans projetée en 2023. L'encours de la dette publique rapporté au PIB est passé de 60,3% du PIB en 2020 à 65,8% du PIB en 2022.

En termes de perspectives, le taux d'endettement public se situerait à 61% en 2026, soit une baisse de 4,8 points de pourcentage par rapport à 2022 grâce à la consolidation budgétaire ramenant le déficit budgétaire à 3% du PIB à partir de 2025. Cette tendance permettra de ramener le risque de surendettement global élevé à un risque de surendettement modéré à l'horizon 2026 avec une marge suffisante pour absorber les chocs et maintenir le risque de surendettement extérieure à un niveau modéré sur les moyens et longs termes.

Les réformes du Gouvernement au cours de la période 2024-2026 :

Sur le plan de la gouvernance et transparence, le Gouvernement reste déterminé à maintenir un cadre macroéconomique et budgétaire sain et à poursuivre l'assainissement de la gestion des finances publiques. A cet effet, le Togo a conclu, le 1er mars 2024, un accord avec le FMI pour un montant de 390 millions de dollars US, appuyé par la Facilité élargie de crédit (FEC), couvrant une période de 42 mois. Une évaluation de la performance du système de gestion des finances publiques, selon la méthodologie PEFA, a été réalisée en intégrant les thématiques "genre et climat" sur la période 2019-2021. La performance de la gestion de la dette (DEmPA) a également fait l'objet d'une évaluation avec l'appui de la Banque Mondiale.

En matière de politique fiscale, le gouvernement ambitionne de renforcer la mobilisation des recettes fiscales, la rationalisation des dépenses fiscales, le renforcement de l'équité et de la justice fiscale, et la promotion des mesures fiscales à caractère sociale. Les principales réformes comprennent : (i) la poursuite de la dématérialisation des procédures douanières, fiscales et de gestion cadastrale et foncière ; (ii) l'amélioration du rendement des impôts fonciers à travers (a) la mise en place d'un système d'informations foncières (SIF) (b) la connexion des bases de données sur le foncier et le cadastre et l'utilisation d'un numéro d'identification unique des biens immobiliers et (c) la poursuite des enquêtes foncières dans certaines communes du grand Lomé et dans les chefs-lieux de région ; (iii) le renforcement de la gestion des dépenses fiscales afin de rationaliser les mesures inefficaces, assurer une évaluation transparente des nouvelles mesures, et automatiser la gestion des régimes dérogatoires ; et (iv) la poursuite de la gestion active de la dette dans l'optique de rallonger sa maturité moyenne et donc de lisser la part des recettes consacrées au remboursement du service de la dette.

Les efforts du gouvernement visent le renforcement de la couverture des dépenses sociales et sécuritaires face aux menaces terroristes qui pèsent sur le pays. Ces mesures permettront d'assurer la résilience de l'économie face aux chocs éventuels, de l'inclusion sociale afin d'assurer la relance économique conformément aux objectifs de la déclaration de politique générale. Les principales mesures envisagées à cet effet sont les suivantes : (i) la réduction des dépenses d'acquisition de matériels et mobiliers des ministères et institutions et un recentrage des projets d'investissement sur les priorités afin de financer les dépenses urgentes du moment ; (ii) le renforcement de la mise en œuvre du budget programme dans toute l'administration publique dans l'optique d'une gestion axée sur les résultats ; (iii) la poursuite et le renforcement de l'application des nouveaux textes régissant la commande publique et la digitalisation des procédures ; (iv) la poursuite de la réorganisation des ministères en vue de les mettre en phase avec les exigences de la gestion axée sur les résultats ; (v) l'amélioration de la capacité d'absorption des ressources allouées aux projets d'investissement public ; (vi) le renforcement de l'analyse et de la communication sur les risques budgétaires ; et (vii) la poursuite de la vulgarisation de l'information budgétaire.

Au niveau du secteur agricole, le gouvernement ambitionne de faire de l'agriculture un véritable moteur de croissance et de création d'emplois à travers l'amélioration de la productivité et des rendements agricoles, le renforcement des industries de transformation agro-alimentaires et le développement de l'agriculture à haute valeur ajoutée et l'amélioration de l'accès au financement et aux marchés pour les agriculteurs. A cet effet, l'accent est mis sur : (i) la poursuite du programme de promotion des zones d'aménagement agricole planifiées (ZAAP) dont l'objectif est « un canton, une ZAAP » ; (ii) la poursuite de la cartographie et du remembrement des terres rurales ; (iii) la création de droits fonciers plus sûrs et plus propice à la modernisation du secteur agricole (iv) la promotion, la transformation et la commercialisation de produits agroalimentaires ; (v) le développement de l'entrepreneuriat féminin ; (vi) la mise en œuvre d'un programme de résilience des systèmes alimentaires ; et (vii) la poursuite de la mise en place de l'agropole de Kara.

En matière de politique et de sécurisation foncière, le gouvernement a initié, dans le cadre de sa feuille de route, six (06) principales réformes prioritaires pour renforcer la mise en œuvre des différents projets. Parmi celles-ci, figure la « réforme de la politique foncière agricole (R1) » dont les objectifs visent à : (i) améliorer la productivité et les rendements agricoles ; (ii) assurer la sécurité alimentaire au Togo ; (iii) renforcer les industries de transformation agroalimentaire en encourageant l'agriculture à haute valeur ajoutée ; et (iv) améliorer l'accès des agriculteurs aux financements et aux marchés. Les réformes visant la sécurité foncière en milieu rural, la préservation des forêts, l'encouragement de la productivité agricole et la meilleure gestion du capital naturel sont en cours de mise en œuvre. Aussi, la mise en œuvre des projets pilotes de cartographie de terres d'environ 5500 hectares avec remise de récépissés / livrets fonciers aux ayants-droits sont en cours avec l'appui du projet de réforme foncière pour l'accroissement de la productivité agricole (LRAP).

Dans le secteur énergétique, le gouvernement ambitionne d'étendre le réseau et déployer les systèmes décentralisés pour atteindre 75% d'électrification et renforcer la capacité de production, de transport et de distribution d'électricité. Aussi, il compte améliorer la viabilité du secteur de l'énergie, accroitre la production d'énergie renouvelable, faciliter l'accès aux services d'électricité au profit des couches vulnérables et améliorer la compétitivité industrielle. Ainsi, l'accent sera mis sur : (i) le projet d'extension du réseau électrique dans les centres urbains (PERECUT) ; (ii) la construction de la ligne de transport haute tension 161 KV sur Kara-Mango-Dapaong et postes associés ; (iii) la fourniture, l'installation et la maintenance d'un portefeuille de 50.000 lampadaires solaires ; (iv) l'électrification de 350 localités par kits solaires photovoltaïques ; (v) le renforcement des actions du Fonds Tinga ; (vi) la construction d'une ligne de jonction de 161 KV Momé-Hagou-Adjarala ; (vii) le projet de construction d'une centrale photovoltaïque d'une capacité de 42 MW à Awandjelo ; (viii) le projet de réalisation de minicentrales solaires au Togo ; (ix) le programme d'urgence de renforcement de la résilience dans la région des Savanes (PURS) composante énergie et (x) le projet régional d'intervention d'urgence en énergie solaire (RESPITE). Le gouvernement s'est également engagé à mettre en œuvre une feuille de route des réformes prioritaires dans le secteur de l'énergie afin de renforcer la viabilité financière et opérationnelle de la CEET, d'élargir l'accès à l'électricité et d'améliorer la sécurité énergétique du pays. Ces réformes visent notamment une optimisation des tarifs d'électricité, une réduction des coûts de production et d'approvisionnent de la CEET, et des incitations à la production décentralisée à partir d'énergie renouvelable.

S'agissant de l'action sociale et de la protection sociale, le gouvernement entend renforcer la protection sociale et civile. A cet égard, il mettra l'accent sur : (i) la poursuite des actions de mise en place du Registre Social des personnes et des ménages en vue des actions sociales plus ciblées (RSPM) ; (ii) la poursuite du programme d'appui aux populations vulnérables (PAPV) ; (ii) la promotion de la couverture maladie universelle ; (iii) la mise en œuvre du programme de transformation de l'assistance sociale pour la résilience au Togo ; (iv) le renforcement de la protection des enfants ; et (v) l'appui à l'insertion socioprofessionnelle des personnes handicapées et (vi) le projet de cohésion sociale - Golfe de Guinée.

En ce qui concerne l'équité et l'égalité du genre, le gouvernement ambitionne de mettre fin à toutes les formes de discrimination à l'égard des femmes et filles, à lutter contre les inégalités et l'exclusion sociale, à autonomiser les femmes et les filles et à rendre effective leur participation à la prise de décision à tous les niveaux du processus de développement. A cet effet, l'accent sera mis sur : (i) le renforcement du dispositif national de lutte contre les violences basées sur le genre ; (ii) l'appui et l'accompagnement des initiatives et activités génératrices de revenus pour les femmes à travers le Projet d'autonomisation des femmes rurales au Togo (PAFeRT) et le Projet régional d'autonomisation des femmes et du dividende démographique (SWEDD) ; (iii) la poursuite de l'élaboration des budgets sensible au genre (BSG) pour l'ensemble des ministères et institutions de la République ; (iv) la poursuite des activités de renforcement de capacités des femmes dans le domaine du leadership politique et économique ; et (v) le rehaussement de 20 à 25% de la part réservée aux jeunes et aux femmes entrepreneurs dans les attributions de marchés publics.

Au niveau de l'environnement, le gouvernement s'attache à assurer une gestion durable des ressources naturelles en faveur d'une résilience face aux effets des changements climatiques en mettant un accent particulier sur : (i) la mise en place d'un mécanisme d'octroi et de gestion des crédits carbone ; (ii) la gestion durable des terres et écosystèmes semi-arides dans les régions de la Kara et des Savanes ; (iii) l'anticipation et la réponse aux risques climatiques majeurs ; (iv) le programme de la mobilité verte ; et (v) l'appui à la lutte contre le changement climatique.

S'agissant des enseignements primaire et secondaire, le gouvernement entend d'offrir une éducation accessible au plus grand nombre et en phase avec le marché du travail. A cet effet, l'accent sera mis sur : (i) l'augmentation des capacités d'accueil scolaire à travers les constructions scolaires et (ii) l'amélioration de la qualité de l'enseignement à travers le projet d'amélioration de la qualité et de l'équité de l'éducation de base (PAQEEB) ainsi que le projet d'amélioration de l'accès et de la qualité de l'éducation au Togo (PAAQET). Les réformes visant le renforcement de la politique de manuels scolaires et à disposer d'enseignants suffisamment qualifiés en vue d'améliorer les possibilités d'apprentissage des élèves sont également en cours de mise en œuvre.

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

Objectifs généraux

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

Pilier #1 – Promouvoir l'agriculture durable, l'électrification rurale et l'atténuation au climat. Ce pilier porte sur : (i) des réformes foncières soutenant une utilisation efficace, équitable et durable des terres pour la production agricole ; (ii) des réformes visant l'amélioration de la viabilité du secteur de l'énergie, l'accroissement de la production d'énergie renouvelable, et la facilitation d'accès aux services d'électricité tout en protégeant les couches vulnérables et la compétitivité industrielle ; et (iii) la mise en œuvre et le renforcement du nouveau mécanisme de crédit carbone. Ces objectifs sont pleinement alignés à ceux de la feuille de route et de la contribution déterminée au niveau national (CDN) 2021 pour faire face au changement climatique, qui visent à faire de l'agriculture un moteur de croissance et de création d'emplois, à atteindre l'accès universel à l'électricité et à accélérer la transition vers une économie plus résiliente au changement climatique.

Pilier #2 – Renforcer le capital humain et la résilience des populations vulnérables : le deuxième pilier se concentre sur (i) l'opérationnalisation du registre social des personnes et des ménages (RSPM) pour en faire un instrument flexible et pérenne permettant de cibler les bénéficiaires des programmes de protection sociale et de réponse aux chocs ; (ii) l'accès aux manuels scolaires et l'amélioration des possibilités d'apprentissage de tous les élèves ; et (iii) le renforcement de l'autonomisation des filles et des femmes. Ce pilier s'aligne sur l'ambition du gouvernement d'améliorer l'accès aux services publics pour tous avec un accent particulier sur l'amélioration de la qualité de la protection sociale, de l'éducation, et de l'égalité des sexes.

Pilier #3 : Reconstituer la marge de manœuvre budgétaire pour les interventions prioritaires : Ce pilier consiste en des réformes visant à (i) stimuler la mobilisation des recettes et garantir des décisions transparentes en matière de dépenses fiscales et (ii) améliorer la responsabilité et les performances des entreprises d'État et de mieux gérer les passifs éventuels. Ce pilier appuie l'objectif du gouvernement d'assurer la viabilité budgétaire et d'améliorer les services publics.

Réformes soutenues par la deuxième opération

Les réformes mises en œuvre dans le cadre du Pilier #1 incluent : (i) l'adoption d'un décret fixant les conditions et les modalités de délivrance du livret foncier ; (ii) la prise d'un arrêté interministériel adoptant la feuille de route des réformes prioritaires du secteur de l'énergie ; (iii) la prise d'un arrêté interministériel établissant, à compter de la facturation du mois de mars 2025, une nouvelle structure tarifaire pour les services d'électricité ; et (iv) l'adoption d'un décret clarifiant les conditions d'accès des auto-producteurs d'électricité à base de sources d'énergies renouvelables au réseau de la CEET ; (v) la prise d'un arrêté définissant les secteurs prioritaires et les activités éligibles aux mécanismes de carbone ; et (vi) la prise d'un arrêté fixant les modalités de gestion du registre national des activités, projets et programmes d'atténuation des émissions des gaz à effet de serre.

Les réformes mises en œuvre dans le cadre du Pilier #2 incluent : (i) la prise d'un arrêté établissant des mécanismes de partage de données entre le RSPM et d'autres entités gouvernementales afin d'identifier les bénéficiaires conformément à la loi et aux règlements applicables en matière de protection des données ; (ii) l'adoption d'un décret portant nomination du président du comité de gestion de la nouvelle autorité de protection des données à caractère personnel ; (iii) l'adoption d'un décret fixant les modalités de production et de mise à disposition des manuels scolaires ; (iv) la prise d'un arrêté interministériel définissant les types d'évaluation du personnel enseignant des premier et second cycles des enseignements général et technique ; et (v) la prise d'un arrêté interministériel établissant un protocole multisectoriel harmonisé pour soutenir les victimes basés sur le genre.

Les réformes mises en œuvre dans le cadre du Pilier #3 incluent : (i) la prise d'un arrêté portant encadrement de l'octroi des mesures fiscales dérogatoires en République togolaise ; (ii) la rationalisation de 22 mesures de dépenses fiscales par la loi de finances 2024 ; (vi) la prise d'un arrêté portant procédures d'octroi et de gestion de la garantie ou de l'aval de l'Etat et de rétrocession de prêts publics et (vii) la prise d'une arrêté portant approbation du rapport annuel agrégé, exercice 2022, sur les entreprises publiques du Togo.

Pour assurer la pleine mise en œuvre de ces réformes et maximiser leur impact, le gouvernement s'engage également à (i) préparer et adopter les arrêtés d'application du décret fixant les conditions et les modalités de délivrance du livret foncier suite à la finalisation des projets pilotes ; (ii) assurer la mise en œuvre de la première révision de la structure des tarifs d'électricité avant fin mars 2025 ; (iii) nommer les neuf (9) autres membres du comité de direction de l'Instance de Protection des Données à Caractère Personnel avant fin mai 2025 ; (iv) préparer et adopter les arrêtés d'application du décret fixant les modalités de production et de mise à disposition des manuels scolaires avant le fin juin 2025 ; et (v) accélérer la préparation et publier l'évaluation d'impact des exonérations fiscales existantes et nouvelles.

Les principaux résultats attendus du Programme

Dans le cadre du Pilier 1, les réformes soutenues par le Programme devraient contribuer à augmenter le rendement des cultures et l'accès aux terres agricoles pour les femmes dans les zones d'aménagement agricole planifiées (ZAAP), à délivrer les premiers livrets fonciers, à améliorer l'accès à l'électricité pour les populations rurales, notamment dans la région des savanes, à accroître la part des énergies renouvelables dans la production d'électricité et à attirer de nouveaux investissements dans des projets d'adaptation et d'atténuation du changement climatique.

Dans le cadre du Pilier 2, les réformes devraient contribuer à l'augmentation de la couverture des programmes de protection sociale, une meilleure adéquation entre la répartition des enseignants et le nombre d'étudiants par école, l'amélioration de l'alphabétisation de base en deuxième année, et à un meilleur accompagnement des victimes de violences basées sur le genre.

Dans le cadre du Pilier 3, les réformes soutiendront la mobilisation des recettes par la rationalisation des dépenses fiscales et prévoient l'évaluation systématique des risques de crédit associés aux garanties publiques et prêts rétrocédés.

Suivi et évaluation du programme

Le ministère de l'économie et des finances est chargé de la mise en œuvre générale du programme soutenu par les réformes visant un développement durable et inclusif, le renforcement du capital humain et la résilience aux chocs et la création d'un espace fiscal. Le suivi quotidien et l'évaluation du programme sont de la responsabilité du secrétariat permanent pour le suivi des politiques de réformes et des programmes financiers (SP-PRPF). Cette structure coordonne la mise en œuvre des politiques de réformes et des programmes du gouvernement. Le gouvernement fournira des rapports trimestriels à la Banque Mondiale sur les progrès dans la réalisation du programme par rapport aux calendriers et aux indicateurs de performance convenus.

Requête de financement

Les perspectives de croissance de l'économie togolaise restent favorables en dépit des chocs successifs (sanitaire, sécuritaire, inflationniste et conflits géopolitiques), avec un taux de croissance du PIB réel projeté à 6,6% pour 2024 et un déficit budgétaire (don compris) estimé à 5,9 % du PIB en 2024 avec un objectif de 3 % en 2025. Il convient de noter que dans la loi des finances 2024, un niveau de recettes totales (hors dons) est projeté à 1104,1 milliards de FCFA contre des dépenses estimées à 1636,3 milliards FCFA dégageant ainsi un besoin de financement total de 532,2 milliards de FCFA.

Par la présente, le gouvernement s'engage, à prendre toutes les dispositions nécessaires pour mettre en œuvre les mesures et actions retenues dans le cadre du programme et réitère sa demande, auprès de la Banque pour la mise en place du financement sollicité. Les financements identifiés y compris l'appui sollicité à la Banque mondiale, permettraient d'équilibrer le budget 2024 en privilégiant les financements concessionnels.

Tout en vous remerciant pour les appuis multiformes que la Banque Mondiale ne cesse d'apporter aux efforts de développement du Togo, je vous prie d'agréer, Monsieur le Président l'assurance de ma considération distinguée.

REPUBLIQUE TOGOLAISE
LE MINISTRE
Ministère de l'Economie et des Finances

Essowè Georges BARCOLA

ENGLISH TRANSLATION

REPUBLIQUE TOGOLAISE

Ministère de L'Economie
et des Finances

PERMANENT SECRETARIAT FOR MONITORING
REFORM POLICIES AND
FINANCIAL PROGRAMS

BM-BAD FOLLOW-UP DIVISION

Lomé, le

The Minister

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Mr Ajay Banga,
President of the World Bank Group
1818H Street NW
Washington DC 20433

USA

N°3144/MEF/SP-PRPF/BM-BAD

Subject: Development Policy Letter

Mr. President,

This Development Policy Letter (LPD) presents the economic situation following the triple shock (health, security and inflation) and the results achieved by Togo in implementing its national development strategy, as well as the outlook for 2024-2026. It describes the development policy objectives defined by the authorities with a view to the continued implementation of the government's 2020-2025 roadmap, which takes into account the national vision and presidential aspirations. To achieve these objectives, the government is seeking technical and financial support from the World Bank Group through the second operation to support the financing of Togo's sustainable and inclusive development policy.

I. Socio-economic context

At the end of the covid-19 pandemic crisis in 2020, economic activity picked up again in 2021 thanks to increased dynamism in the various branches of activity, notably the food industry, construction and transport. The growth rate then stood at 6.0% in 2021, supported on the demand side by the momentum of private consumption and exports against the backdrop of a strong, synchronized recovery in the global economy.

In 2022, Togo faced a sharp acceleration in domestic inflation induced by the combined effects of the triple shock. This situation led the State to make major budgetary commitments, which enabled growth to be maintained at 5.8% in 2022. The average inflation rate reached 7.6% in 2022, compared with 4.5% in 2021, and the budget deficit widened further to 8.3% of GDP in 2022, compared with 4.7% of GDP in 2021, as a result of efforts to support the population's purchasing power and security spending.

In 2023, economic activity benefited from the successful implementation of projects and reforms set out in the government's "Togo 2025" roadmap, notably structural reforms and the creation of a more attractive business climate for private investment. The real GDP growth rate is estimated at 6.4% in 2023, with a falling inflation rate of 5.3%. This economic performance, backed by prudent management of public finances, notably lower spending on goods and services, transfers and capital expenditure excluding PIP, would result in a budget deficit of 6.6% of GDP.

The year 2024 should be characterized by the continued implementation of structuring projects from the government's 2025 roadmap, with a strong social focus, driving inclusive growth and ultimately leading to a projected growth rate of 6.6% of GDP. Inflation is expected to remain below 3%, thanks to measures taken by the government to reduce inflationary pressures, while the budget deficit should improve to 5.9% of GDP as a result of ongoing fiscal consolidation reforms.

Public debt as a percentage of GDP will rise from 65.84% in 2022 to 66.65% in 2023. The external and domestic debt ratios will be 25.74% and 40.92% respectively in 2023.

II. The 2024-2026 outlook

Togo's economic outlook is set against the backdrop of the ongoing implementation of the "Togo 2025" Roadmap, whose vision and objectives aim to accelerate economic growth to a new level, enabling the country to consolidate the foundations for its emergence by 2030, and reduce poverty sustainably. According to forecasts, over the period 2024-2026, average annual GDP growth will be 7.0%, rising from 6.6% in 2024 to 7.0% in 2026, underpinned by ongoing strategic reforms, the implementation of the Adétikopé Industrial Platform (PIA) and the strong contribution of the various sectors (tertiary (+4.6%), secondary (+7.0% and primary (+7.2%)). Inflation is expected to remain within 3% in the medium term, thanks in particular to the expected performance of the agricultural sector, which is expected to improve the supply of food products to markets.

In terms of public finances, particular emphasis will be placed on respecting budgetary discipline, strengthening a priori control and monitoring the absorption capacity of investment-related credits. Budget revenues as a percentage of GDP are expected to average 20% over the 2024-2026 period, driven by the gradual rise in tax revenues, which are expected to average 15.5% of GDP, rising from 14.9% in 2024 to 16.2% in 2026. Fiscal operations will show a deficit balance (including grants) of 5.9% of GDP in 2024, with a target of 3% in 2025.

Budget revenues are projected at 1,279.1 billion in 2024, 1,298 billion in 2025 and 1,429.3 billion in 2026. As a percentage of GDP, they would represent an average of 19.8% over the period. They will grow by an average of 8.1% over the period. This increase is essentially due to efforts to mobilize tax and non-tax revenues. These budget revenue forecasts take into account macroeconomic assumptions, tax policy and measures taken to increase non-tax revenues over the period under review.

Budget expenditure for 2024 is forecast at 1,636.3 billion, compared with 1,554.7 billion in 2023. They are projected at 1,496.6 billion in 2025 and 1,639 billion in 2026. They represent an average of 23.3% of GDP over the period. The budget balance, including grants, as a percentage of GDP would be -5.9% in 2024, compared with -6.6% in 2023. It will be -3% in 2025 and -2.9% in 2026. Budget deficits will be financed by the cash surplus.

The debt strategy adopted for the period 2024-2026 is designed to mitigate refinancing risk by extending the average maturity of the portfolio, which should be between 6.5 and 10.5 years by 2026, compared with the 6.4 years projected in 2023. Outstanding public debt as a percentage of GDP has risen from 60.3% of GDP in 2020 to 65.8% of GDP in 2022. In terms of outlook, the public debt ratio would be 61% in 2026, down 4.8 percentage points on 2022, thanks to fiscal consolidation bringing the budget deficit down to 3% of GDP from 2025. This trend will make it possible to reduce the risk of high overall indebtedness to a risk of moderate over-indebtedness by 2026, with sufficient margin to absorb shocks and maintain the risk of external over-indebtedness at moderate levels over the medium and long term.

Government reforms in the period 2024-2026:

In terms of governance and transparency, the Government remains determined to maintain a sound macroeconomic and budgetary framework, and to pursue the consolidation of public finance management. To this end, on March 1, 2024, Togo signed a US$390 million arrangement with the IMF, supported by the Extended Credit Facility (ECF), covering a 42-month period. An assessment of the performance of the public financial management system, based on the PEFA methodology, has been carried out, integrating gender and climate themes over the period 2019-2021. The performance of debt management (DEmPA) was also assessed with the support of the World Bank.

In terms of tax policy, the government's ambition is to strengthen tax revenue mobilization, rationalize tax expenditure, reinforce equity and tax justice, and promote social tax measures. The main reforms include: (i) the continued dematerialization of customs, tax and cadastral and land management procedures; (ii) the improvement of property tax yields through (a) the implementation of a land information system (SIF) (b) the connection of land and cadastral databases and the use of a unique property identification number and (c) the continuation of land surveys in certain communes of Greater Lomé and in regional capitals; (iii) strengthening the management of tax expenditure in order to rationalize inefficient measures, ensure transparent evaluation of new measures, and automate the management of derogatory regimes; (iv) pursuing active debt management with a view to extending its average maturity and thus smoothing the proportion of revenues devoted to debt servicing.

The government's efforts are aimed at strengthening coverage of social and security expenditure in the face of the terrorist threats facing the country. These measures will ensure the resilience of the economy in the face of possible shocks, and social inclusion to ensure economic recovery in line with the objectives of the general policy statement. The main measures envisaged to this end are as follows: (i) reducing expenditure on equipment and furniture for ministries and institutions, and refocusing investment projects on priorities in order to finance the most urgent expenses of the moment; (ii) reinforcing the implementation of program budgeting throughout the public administration, with a view to results-based management; (ii) continuing and reinforcing the application of new texts governing public procurement and the digitization of procedures; (iii) continue to reorganize ministries to bring them into line with the requirements of results-based management; (iv) improve the absorption capacity of resources allocated to public investment projects; (v) strengthen analysis and communication of budget risks; and (vi) continue to disseminate budget information.

In the agricultural sector, the government aims to make agriculture a real driver of growth and job creation by improving productivity and agricultural yields, strengthening agri-food processing industries and developing high value-added agriculture, and improving access to financing and markets for farmers. To this end, the focus is on: (i) the continuation of the program to promote planned agricultural development zones (ZAAP), with the objective of "one canton, one ZAAP"; (ii) the continuation of rural land mapping and consolidation; (iii) the creation of more secure land rights, more conducive to the modernization of the agricultural sector; (iv) the promotion, processing and marketing of agri-food products; (v) the development of women's entrepreneurship; (vi) the implementation of a food system resilience program; (vii) the continued development of the Kara agropolis.

In terms of land tenure policy and security, the government has initiated six (06) main priority reforms as part of its roadmap to strengthen the implementation of various projects. These include the "reform of agricultural land policy (R1)", whose objectives are to: (i) improve agricultural productivity and yields; (ii) ensure food security in Togo; (iii) strengthen agri-food processing industries by encouraging high value-added agriculture; and (iv) improve farmers' access to financing and markets. Reforms aimed at securing land tenure in rural areas, preserving forests, encouraging agricultural productivity and better management of natural capital are currently being implemented. Pilot projects to map some 5,500 hectares of land and issue receipts/land registers to rightful owners are also underway, with support from the Land Reform for Agricultural Productivity (LRAP) project.

In the energy sector, the government's ambition is to extend the grid and deploy decentralized systems to achieve 75% electrification, and to strengthen electricity production, transmission and distribution capacity. It also intends to improve the viability of the energy sector, increase renewable energy production, facilitate access to electricity services for vulnerable groups and improve industrial competitiveness. Emphasis will be placed on: (i) the PERECUT project to extend the power grid in urban centers; (ii) the construction of the 161 KV high-voltage transmission line from Kara-Mango-Dapaong and associated substations; (iii) the supply, installation and maintenance of a portfolio of 50.000 solar street lamps; (iv) the electrification of 350 localities with photovoltaic solar kits; (v) the strengthening of the Tinga Fund; (vi) the construction of a 161 kV Momé-Hagou-Adjarala junction line; (vii) the project to build a 42 MWp photovoltaic power plant in Awandjelo ; (viii) the project to build mini solar power plants in Togo; (ix) the emergency resilience-building program in the Savanes region (PURS), with its "energy" component; and (x) the regional solar energy emergency response project (RESPITE). The government is also committed to implementing a roadmap of priority reforms in the energy sector to strengthen CEET's financial and operational viability, expand access to electricity and improve the country's energy security. These reforms include optimizing electricity tariffs, reducing CEET's production costs, and providing incentives for decentralized electricity generation from renewable energy sources.

With regard to social action and protection, the government intends to strengthen social and civil protection. In this respect, it will focus on: (i) continuing to set up the Social Register of Persons and Households for more targeted social action (RSPM); (ii) continuing the support program for vulnerable populations (PAPV); (ii) promoting universal health coverage ; (iii) implementing the social assistance transformation program for resilience in Togo; (iv) strengthening child protection; (v) supporting the socio-professional integration of disabled people and (vi) the social cohesion project - Gulf of Guinea.

With regard to gender equity and equality, the government aims to put an end to all forms of discrimination against women and girls, combat inequality and social exclusion, empower women and girls and make their participation in decision-making effective at all levels of the development process. To this end, emphasis will be placed on: (i) strengthening the national system for combating GBV; (ii) supporting and accompanying income-generating initiatives and activities for women through the Togo Rural Women's Empowerment Project (PAFeRT) and the Regional Women's Empowerment and Demographic Dividend Project (SWEDD); (iii) the continued development of gender-sensitive budgets (BSG) for all the Republic's ministries and institutions; (iii) the pursuit of capacity-building activities for women in the field of political and economic leadership; and (iv) an increase from 20% to 25% in the share reserved for young people and women entrepreneurs in the awarding of public contracts.

In terms of the environment, the government is committed to ensuring sustainable management of natural resources to promote resilience to the effects of climate change, with particular emphasis on: (i) setting up a mechanism for granting and managing carbon credits; (ii) sustainable management of semi-arid lands and ecosystems in the Kara and Savanes regions; (iii) anticipating and responding to major climate risks; (iv) the green mobility program; (v) support for the fight against climate change.

With regard to primary and secondary education, the government intends to offer education that is accessible to as many people as possible and in line with the job market. To this end, the focus will be on: (i) increasing school intake capacity through school construction and (ii) improving the quality of education through the Basic Education Quality and Equity Improvement Project (PAQEEB) and the Togo Education Access and Quality Improvement Project (PAAQET). Reforms aimed at strengthening the textbook policy and providing sufficiently qualified teachers to improve learning opportunities for pupils are also being implemented.

Budget support program to strengthen sustainable and inclusive development in Togo

General objectives

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

Pillar #1 - Promoting sustainable agriculture, rural electrification and climate action. This pillar focuses on: (i) land tenure reforms supporting efficient, equitable and sustainable use of land for agricultural production; (ii) reforms aimed at improving the viability of the energy sector, increasing renewable energy production, and facilitating access to electricity services while protecting the vulnerable and industrial competitiveness; and (iii) implementing and strengthening the new carbon credit mechanism. These objectives are fully aligned with those of the Roadmap and the Nationally Determined Contribution (NDC) 2021 to address climate change, which aim to make agriculture an engine of growth and job creation, achieve universal access to electricity and accelerate the transition to a more climate-resilient economy.

Pillar #2 - Strengthening human capital and the resilience of vulnerable populations: the second pillar focuses on (i) operationalizing the Social Register of Persons and Households (RSPM) to make it a flexible and sustainable instrument for targeting the beneficiaries of social protection and shock-response programs; (ii) access to school textbooks and improving learning opportunities for all pupils; and (iii) empowering girls and women. This pillar is aligned with the government's ambition to improve access to public services for all, with a particular focus on improving the quality of social protection, education and gender equality.

Pillar #3: Rebuild fiscal space for priority interventions. This pillar consists of reforms aimed at (i) boosting revenue mobilization and ensuring transparent fiscal spending decisions, and (ii) improving the accountability and performance of SOEs and better managing contingent liabilities. This pillar supports the government's objective of ensuring fiscal sustainability and improving public services.

Reforms supported by the second operation

Reforms implemented under Pillar #1 include: (i) the adoption of a decree a establishing the Livret Foncier as a key instrument for providing a secure and reliable record of land ownership; (ii) the adoption of an interministerial *Arrêté* adopting the roadmap for priority reforms in the energy sector; (iii) the adoption of an interministerial *Arrêté* establishing by end March, 2025 a new tariff structure for electricity services; and (iv) the adoption of a decree clarifying the conditions of access for self-producers of electricity from renewable energy sources to the CEET grid; (v) the adoption of an *Arrêté* defining the priority sectors and activities eligible for carbon mechanisms; and (vi) the adoption of an *Arrêté* setting out the terms and conditions for managing the national register of GHG mitigation activities, projects and programs.

Reforms implemented under Pillar #2 include: (i) an *Arrêté* establishing data-sharing mechanisms between the RSPM and other government entities in order to identify beneficiaries in accordance with applicable data protection laws and regulations; (ii) the adoption of a decree appointing the president of the management committee of the new personal data protection authority ; (iii) the adoption of a decree setting out the procedures for producing and making available school textbooks; (iv) the adoption of an interministerial *Arrêté* instituting a periodic assessment of teachers with a view to identifying their capacity-building needs ; (v) the adoption of an interministerial *Arrêté* establishing a harmonized multi-sector protocol to support gender-based victims.

The reforms implemented under Pillar #3 include: (i) the issue of a decree governing the granting of tax exemptions in the Togolese Republic; (ii) the rationalization of the 22 tax expenditure measures by the 2024 Finance Act; (vi) the issue of a decree governing procedures for granting and managing the State guarantee or endorsement and the retrocession of public loans and (vii) the issue of a decision approving the aggregate annual report, fiscal year 2022, on Togo's public companies.

To ensure the full implementation of these reforms and maximize their impact, the government is also committed to (i) preparing and adopting the implementing regulation for the Decree setting the terms and conditions for issuing the livret foncier following the completion of the pilot projects; (ii) ensuring the implementation of the first revision of the electricity tariff structure by end March; (iii) appointing the 9 other members of the management committee of the new personal data protection authority before end May, 2025; (iv) preparing and adopting the implementing regulation for the decree setting the terms and conditions for producing and making available school textbooks before end June, 2025; and (v) accelerate the preparation and publish impact assessments of existing and new tax exemptions.

The main results expected from the program

Under Pillar #1, the reforms supported by the Program should help to increase crop yields and access to farmland for women in planned agricultural development zones (ZAAPs), issue the first land registers, improve access to electricity for rural populations, increase the share of renewable energies in electricity production, and attract new investment in climate change adaptation and mitigation projects. Under Pillar #2, the reforms should help to increase coverage of social protection programs, better match the distribution of teachers to the number of students per school, improve basic literacy in second grade, and provide better support for victims of GBV. Under Pillar #3, the reforms will support revenue mobilization by rationalizing fiscal spending, and provide for the systematic assessment of credit risks associated with public guarantees and on-lending.

Program monitoring and evaluation

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

Financing request

Growth prospects for the Togolese economy remain favorable despite the triple shock (health, security and inflation), with a projected real GDP growth rate of 6.6% for 2024 and a budget deficit (including grants) estimated at 5.9% of GDP in 2024, with a target of 3% in 2025. It should be noted that in the 2024 Finance Act, total revenues (excluding grants) are projected at 1,104.1 billion FCFA, compared with estimated expenditure of 1,636.3 billion FCFA, giving rise to a total financing requirement of 532.2 billion FCFA.

The government hereby undertakes to take all necessary steps to implement the measures and actions identified in the program, and reiterates its request to the World Bank for the requested financing. The financing identified, including the support requested from the World Bank, would enable the 2024 budget to be balanced, with priority given to concessional financing.

While thanking you for the multifaceted support that the World Bank continues to provide to Togo's development efforts, please accept, Mr. President, the assurance of my highest consideration.

Essowè Georges BARCOLA

IMF Relations Note

PRESS RELEASE

PR24/320

IMF Executive Board Concludes 2024 Article IV Consultation with Togo

FOR IMMEDIATE RELEASE

Washington, DC – September 6, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Togo.

Following a series of shocks in recent years, Togo continues to face headwinds, including persistent challenges of food security and terrorist attacks, while broader development needs remain acute. Fiscal expansion implemented in response to the shocks has helped preserve robust economic growth but has also pushed up public debt, reversing the debt reduction achieved during the 2017–20 ECF-arrangement, eroding fiscal space and buffers to absorb shocks, and contributing to regional vulnerabilities in the West African Economic and Monetary Union (WAEMU). In response to these challenges, in March 2024, the International Monetary Fund approved the authorities' request for a new arrangement under the Extended Credit Facility.

Against a background of a substantial strengthening of fiscal revenue and a beginning of fiscal consolidation in 2023, the macroeconomic outlook is broadly favorable. Growth is expected to remain robust, while fiscal revenue is expected to rise further. There are no substantial domestic or external disequilibria, with low inflation and a well-contained current account deficit.

The outlook is however subject to elevated risks, including from a potential intensification of terrorism, potential difficulties in securing affordable regional financing, and banking sector challenges. In the longer run, economic performance is also subject to the risk of weakening debt sustainability should efforts to achieve sufficient fiscal consolidation while maintaining robust growth disappoint.

The 2024 Article IV consultation focused on how the Togolese authorities can best (i) anchor macroeconomic stability by ensuring fiscal consolidation to enhance debt sustainability, (ii) conduct structural reforms to lay the basis for sustained growth, and (iii) strengthen social inclusion to accelerate progress towards the Sustainable Development Goals and support medium-term growth prospects.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. (Article IV consultations with countries benefitting from Fund financial arrangements are held every other year.) A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' policies, which enabled Togo to weather the series of shocks of recent years relatively well, with continued growth and progress towards the Sustainable Development Goals. However, significant challenges remain, including from the sharp increase in the debt burden in recent years and terrorist attacks at the northern border, while development needs remain acute. Against this background, Directors encouraged the authorities to maintain full commitment to the recently approved ECF arrangement with the Fund and continue their efforts to strengthen debt sustainability and implement reforms to boost inclusive growth and reduce poverty. These efforts should be well communicated to ensure social cohesion and supported by the Fund's capacity development.

Directors underscored the importance of continued growth-friendly fiscal consolidation, guided by the dual fiscal anchor adopted under the ECF, to ensure debt sustainability and create fiscal buffers. They welcomed the recent large increase in fiscal revenue and called for further measures, comprising tax policy and revenue administration elements. Such measures could be considered as a part of an overarching fiscal strategy that considers taxation and spending together to help reach both efficiency and income distribution goals. In that context, creating space for priority spending, particularly on health and education, will be imperative to promote social inclusion while expanding cash transfers could further improve the social safety nets. The authorities should also continue to strengthen public financial management, including the oversight of state-owned enterprises.

Directors noted that to boost growth it will be important to strengthen the business environment, accelerate productivity gains, and attract more private investment. Strengthening of the governance and anti-corruption frameworks will be key. In this regard, they encouraged the authorities to request an IMF governance diagnostic assessment. Directors noted the dynamic economic activity at the special economic zone while encouraging cautious implementation of industrial policies, considering their cost and benefits. The authorities should also continue addressing the existing financial sector vulnerabilities and increasing the capacity of banks to provide credit to the private sector. Improving access to infrastructure and utilities and building climate resilience, potentially with support by an RSF arrangement, remains key. Further enhancing data provision to the Fund is also important.

It is expected that the next Article IV Consultation with Togo will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Togo: Selected Economic and Financial Indicators, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Estimates				Projections					
	(Percentage change, unless otherwise indicated)									
Real GDP	2.0	6.0	5.8	5.6	5.3	5.3	5.5	5.5	5.5	5.5
Real GDP per capita	-0.4	3.5	3.3	3.1	2.8	2.8	3.0	3.0	3.0	3.0
GDP deflator	1.8	2.5	3.7	2.9	2.2	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	1.8	4.5	7.6	5.3	2.7	2.0	2.0	2.0	2.0	2.0
GDP (CFAF billions)	4,253	4,621	5,069	5,507	5,927	6,366	6,850	7,371	7,932	8,536
Exchange rate CFAF/US$ (annual average level)	575	554	622	606	...	...	...	...	...	...
Real effective exchange rate (appreciation = –)	-2.0	-1.4	2.3	-5.4	...	...	...	...	...	...
Terms of trade (deterioration = –)	-1.3	6.5	-0.1	4.4	-2.7	-2.5	0.4	1.1	1.0	0.7
Monetary survey	(Percentage change of beginning-of-period broad money)									
Net foreign assets	14.1	5.6	-0.6	6.2	2.7	2.4	3.0	2.8	2.2	2.2
Net credit to government	-1.6	-0.3	8.0	0.2	-2.9	1.0	1.2	2.0	0.2	0.2
Credit to nongovernment sector	0.2	6.0	10.7	1.5	9.4	4.0	4.4	4.6	4.8	4.8
Broad money (M2)	11.4	12.3	14.9	8.5	8.8	7.4	7.6	7.6	7.6	7.6
Velocity (GDP/end-of-period M2)	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Investment and savings	(Percent of GDP, unless otherwise indicated)									
Gross domestic investment	21.4	23.4	25.9	28.0	26.0	24.4	25.0	25.8	26.7	27.2
Government	9.3	8.2	9.7	11.5	9.3	7.3	7.7	8.3	8.9	9.4
Nongovernment	12.1	15.2	16.2	16.5	16.7	17.1	17.3	17.5	17.8	17.8
Gross national savings	21.1	21.2	22.5	25.1	22.7	21.0	21.9	23.3	24.4	24.9
Government	2.2	3.6	1.4	4.8	4.4	4.3	4.7	5.3	5.9	6.4
Nongovernment	18.9	17.6	21.0	20.3	18.3	16.8	17.2	18.0	18.5	18.5
Government budget										
Total revenue and grants	16.6	17.1	17.6	19.8	19.0	18.8	19.2	19.7	20.1	20.5
Revenue	14.1	15.3	15.1	16.8	16.9	17.3	17.8	18.3	18.7	19.3
Tax revenue	12.5	14.0	13.9	14.8	15.2	15.7	16.2	16.7	17.2	17.7
Expenditure and net lending (excl. banking sector operation)	23.7	21.8	26.0	26.6	23.9	21.8	22.2	22.7	23.1	23.5
Overall primary balance (commitment basis, incl. grants)	-4.7	-2.5	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (commitment basis, incl. grants, excl. banking sector operations)	-7.0	-4.7	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (commitment basis, incl. grants)	-7.0	-4.7	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
Overall primary balance (cash basis, incl. grants)	-4.7	-3.4	-5.9	-3.9	-4.0	-0.5	-0.6	-0.8	-1.0	-1.1
Overall balance (cash basis, incl. grants, excl. banking sector operations)	-7.1	-5.6	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, incl. grants)	-7.1	-5.6	-8.3	-6.7	-6.4	-3.0	-3.0	-3.0	-3.0	-3.0
External sector										
Current account balance	-0.3	-2.2	-3.5	-2.9	-3.3	-3.3	-3.1	-2.5	-2.3	-2.3
Exports (goods and services)	23.3	23.7	26.6	25.5	25.6	25.5	26.1	26.3	26.3	26.2
Imports (goods and services)	-32.3	-34.0	-38.8	-36.2	-35.7	-34.8	-34.4	-34.2	-34.0	-34.0
External public debt[1]	27.6	27.3	26.2	25.9	27.4	28.7	29.6	30.4	30.6	30.2
External public debt service (percent of exports)[1]	6.9	5.2	8.3	8.2	8.4	9.1	9.1	8.2	7.2	6.5
Domestic public debt[2]	34.6	37.6	41.2	42.1	42.4	39.8	36.9	34.6	32.8	31.8
Total public debt[3]	62.2	64.9	67.4	68.0	69.8	68.6	66.5	65.0	63.4	62.0
Total public debt (excluding SOEs)[4]	60.1	63.0	65.8	66.6	68.6	67.6	65.7	64.3	62.8	61.5
Present value of total public debt[3]	...	...	...	60.5	61.0	58.3	54.7	51.8	49.1	47.4

Sources: Togolese authorities and IMF staff estimates and projections.

[1] Includes state-owned enterprise external debt.
[2] Includes domestic arrears and state-owned enterprise domestic debt.
[3] Includes domestic arrears and state-owned enterprise debt.
[4] Includes domestic arrears.

Staff Level Agreement following the ***First Review of the IMF ECF program, October 24, 2024***: link

Bibliography

Prior Actions	Bibliography	Operational Support
PILLAR 1 – PROMOTING SUSTAINABLE AGRICULTURE, RURAL ELECTRIFICATION AND CLIMATE ACTION		
PA #1	Country Economic Memorandum (2021) Systematic Country Diagnostic Update (2022) Country Private Sector Diagnostic (2022) Agriculture and Rural Connectivity PFR (2024) Climate Change and Development Report (2024)	Agricultural Multiphase Programmatic Approach (P180580)
PA #2		Inclusive Development through Electricity Access project (P176769)
PA #3		Climate Change and Development Report (2024)
PILLAR 2 – BOOSTING HUMAN CAPITAL AND RESILIENCE OF VULNERABLE POPULATIONS		
PA #4	Country Economic Memorandum (2021) Systematic Country Diagnostic Update (2022) Poverty and Gender Assessment (2022), Jobs Diagnostic (2022) Public Expenditure Review (2022) Risk and Resilience Assessment (2023) Climate Change and Development Report (2024)	Social Assistance Transformation for Resilience PforR (P178835)
PA #5		Improving Quality and Equity of Basic Education Project (P172674)
PA #6		Subsaharan Africa Women Empowerment and Demographic Dividend Project Plus (SWEDD+, P176693)
PILLAR 3 – REBUILDING FISCAL SPACE FOR PRIORITY INTERVENTIONS		
PA #7	Country Economic Memorandum (2021) Systematic Country Diagnostic Update (2022) Public Expenditure Review (2022) Agriculture and Rural Connectivity PFR (2024)	Togo’s Public Sector Strengthening for Service Delivery Program (P176883)
PA #8		Togo’s Public Sector Strengthening for Service Delivery Program (P176883)