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Report No: PAD1828

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED IDA CREDIT

IN THE AMOUNT OF EUR 17 MILLION  
(US\$18 MILLION EQUIVALENT)

TO THE

TOGOLESE REPUBLIC

FOR A

TRADE AND LOGISTICS SERVICES COMPETITIVENESS PROJECT

April 13, 2017

Trade and Competitiveness Global Practice  
Transport and ICT  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2017)

Currency Unit = EUR  
EUR 0.94312930 = US\$1

FISCAL YEAR  
July 1 – June 30

## ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ASYCUDA	Automated System for Customs Data
CITA	International Motor Vehicle Inspection Committee
CPC	Certificate of Professional Competence
CPF	Country Partnership Framework
CQS	Selection Based on the Consultants' Qualifications
DA	Designated Account
DPO	Development Policy Operation
ECOWAS	Economic Community of West African States
EOI	Expression of Interest
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
EU	European Union
FBS	Selection under a Fixed Budget
FM	Financial Management
GoT	Government of Togo
ICB	International Competitive Bidding
IFC	International Finance Corporation
IFR	Interim Financial Report
IGF	General Inspection of Finances ( <i>Inspection Générale des Finances</i> )
IMF	International Monetary Fund
IRU	International Trade and Road Union
JICA	Japan International Cooperation Agency
LCS	Least-Cost Selection
LPI	Logistics Performance Index
M&E	Monitoring and Evaluation
MOP	Ministry of Planning
MTR	Midterm Review
NCB	National Competitive Bidding
NPV	Net Present Value
OTR	Togolese Revenue Office ( <i>Office Togolais des Recettes</i> )

PFM	Public Financial Management
PCU	Project Coordination Unit
PIM	Project Implementation Manual
PSC	Project Steering Committee
QCBS	Quality- and Cost-Based Selection
RPF	Resettlement Policy Framework
SC	Strategic Committee
SEGUCE	<i>Societe d'Exploitation du Guichet Unique pour le Commerce Exterieur au Togo</i> (Managing company for One Stop Shop for Trade in Togo)
SME	Small and Medium Enterprise
SSS	Single-Source Selection
TA	Technical Assistance
TEU	Twenty-Foot Equivalent Unit
TFA	Trade Facilitation Agreement
TOR	Terms of Reference
TRS	Time Release Study
TC	Technical Committee
TTL	Task Team Leader
UCS	Use of Country System
UNCTAD	United Nations Conference on Trade and Development
UNDB	United Nations Development Business
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

Regional Vice President:	Makhtar Diop
Country Director:	Pierre Frank Laporte
Senior Global Practice Director:	Anabel Gonzalez
Practice Managers:	Rashmi Shankar, Nicolas Peltier-Thiberge
Task Team Leaders:	Maiko Miyake, Anne Cecile Sophie Souhaid

**TOGOLESE REPUBLIC**  
**Trade and Logistics Services Competitiveness Project**

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## PAD DATA SHEET

### TOGOLESE REPUBLIC

#### Trade and Logistics Services Competitiveness Project (P158982)

Report No.: PAD1828

Basic Information			
Project ID P158982	EA Category B - Partial Assessment	Team Leader(s) Maiko Miyake, Anne Cecile Sophie Souhaid	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 04-May-2017	Project Implementation End Date 30-Jun-2022		
Expected Effectiveness Date 04-Oct-2017	Expected Closing Date 30-Jun-2022		
Joint IFC Yes	Joint Level Joint Project - involving cofinancing with IFC (loan, equity, budget, other) or staffing		
Practice Managers/Manager Rashmi Shankar, Nicolas Peltier-Thiberge	Senior Global Practice Directors Anabel Gonzalez, Jose Luis Irigoyen	Country Director Pierre Frank Laporte	Regional Vice President Makhtar Diop
Borrower: Togolese Republic			
Responsible Agency: Ministry of Economy, Finance, and Development Planning			
Contact: Telephone No.:	Sani Yaya +(228)22213554	Title: Email:	Minister of Finance Secretariat.ministre@economie.gouv.tg
Project Financing Data (in US\$, Millions)			
<input type="checkbox"/> Loan	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Guarantee	
<input checked="" type="checkbox"/> Credit	<input type="checkbox"/> Grant	<input type="checkbox"/> Other	
Total Project Cost:	18.00	Total Bank Financing:	18.00
Financing Gap:	0.00		

<b>Financing Source</b>							<b>Amount</b>
International Development Association (IDA)							18.00
Total							18.00
<b>Expected Disbursements (in US\$, Millions)</b>							
Fiscal Year	2017	2018	2019	2020	2021	2022	
Annual	0.00	1,000,000	2,500,000	4,000,000	6,000,000	4,500,000	
Cumulative	0.00	1,000,000	3,500,000	7,500,000	13,500,000	18,000,000	
<b>Institutional Data</b>							
<b>Practice Area (Lead)</b>							
Trade & Competitiveness							
<b>Contributing Practice Areas</b>							
Transport & ICT							
<b>Proposed Development Objective(s)</b>							
The proposed project aims to improve the efficiency of trade logistics services in Togo.							
<b>Components</b>							
<b>Component Name</b>							<b>Cost (US\$, Millions)</b>
Strengthening the Logistics Services and the Road Transport Sector							10.70
Improving Trade Facilitation							4.80
Project Management							2.50
<b>Systematic Operations Risk-Rating Tool (SORT)</b>							
<b>Risk Category</b>					<b>Rating</b>		
1. Political and Governance					High		
2. Macroeconomic					High		
3. Sector Strategies and Policies					Moderate		
4. Technical Design of Project or Program					Substantial		
5. Institutional Capacity for Implementation and Sustainability					Substantial		
6. Fiduciary					Moderate		
7. Environment and Social					Moderate		
8. Stakeholders					Substantial		
9. Other					Substantial		
<b>OVERALL</b>					Substantial		

<b>Compliance</b>			
<b>Policy</b>			
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]	
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]	
Have these been approved by Bank management?	Yes [ ]	No [ ]	
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]	
<b>Safeguard Policies Triggered by the Project</b>			
	<b>Yes</b>	<b>No</b>	
Environmental Assessment OP/BP 4.01	<b>X</b>		
Natural Habitats OP/BP 4.04		<b>X</b>	
Forests OP/BP 4.36		<b>X</b>	
Pest Management OP 4.09		<b>X</b>	
Physical Cultural Resources OP/BP 4.11		<b>X</b>	
Indigenous Peoples OP/BP 4.10		<b>X</b>	
Involuntary Resettlement OP/BP 4.12	<b>X</b>		
Safety of Dams OP/BP 4.37		<b>X</b>	
Projects on International Waterways OP/BP 7.50		<b>X</b>	
Projects in Disputed Areas OP/BP 7.60		<b>X</b>	
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Strategic Committee (SC)		04-Oct-2017	
<b>Description of Covenant</b>			
Schedule 2, Section I, A. 3: The Recipient, not later than 30 days after the Effective Date, shall create and thereafter maintain the Strategic Committee (“SC”), at all times during the implementation of the Project, with composition, mandate and resources satisfactory to the Association, for the purpose of ensuring prompt and efficient strategic oversight, guidance and overall coordination of implementation of the Project. The SC shall be chaired by the minister responsible for planning and shall also include the ministers responsible for trade, transports and finance, as well as the secretary general of the President’s Office and the Togolese Reveue Offivce, <i>Office Togolaise de Recette</i> (OTR) general commissioner.			



Name	Recurrent	Due Date	Frequency	
Technical Committee		04-Oct-2017		
<b>Description of Covenant</b>				
Schedule 2, Section I, A. 4: The Recipient, not later than 30 days after the Effective Date, shall create and thereafter maintain a Technical Committee, at all times during the implementation of the Project, with composition, mandate and resources acceptable to the Association, for the purposes of supervising Project implementation, ensuring that, <i>inter alia</i> : (i) implementation is in line with the objectives and scope of the Project; and (ii) annual work plans are within the agreed time frame and budget. The Technical Committee shall be chaired by the Ministry of Transport and will include representatives from the Ministry of Commerce, OTR, the Project Coordination Unit (PCU) coordinator, the union of professionals certified by customs, employers' organization and the Recipient's chamber of commerce.				
<b>Source Of Fund</b>				
Source Of Fund	Name	Type		
IDA	Project implementation Manual	Effectiveness		
<b>Description of Condition</b>				
Article IV 4.01: The Additional Condition of Effectiveness consists of the following, namely that the Project Implementation Manual has been adopted by the Recipient in a manner satisfactory to the Association.				
<b>Team Composition</b>				
<b>Bank Staff</b>				
Name	Role	Title	Specialization	Unit
Maiko Miyake	Team Leader (ADM Responsible)	Head		GTCA1
Anne Cecile Sophie Souhaid	Team Leader	Sr. Transport. Spec.		GTI08
Mathias Gogohounga	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist		GGO07
Maimouna Mbow Fam	Financial Management Specialist	Sr. Financial Management Specialist		GGO26
Abdoul Wahabi Seini	Safeguards Specialist	Senior Social Development Specialist		GSU01
Abdoulaye Gadiere	Safeguards Specialist	Senior Environmental Specialist		GEN07
Adja Mansora Dahourou	Team Member	Senior Private Sector Specialist		GTC07

Akoua Gertrude Tah	Team Member	Team Assistant		AFCF2	
Barbara Weber	Team Member	Senior Operations Officer		GTC07	
Erich Carl Kieck	Team Member	Senior Private Sector Specialist		GTCTC	
Farah Dib	Team Member	Young Professional		GTC07	
Guillemette Sidonie Jaffrin	Team Member	Lead Private Sector Specialist		GTC07	
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Laurent Porte	Team Member	Knowledge and Learning Officer		GGELI	
Magueye Dia	Team Member	Senior Private Sector Specialist		GTC07	
Manuel Henriques	Team Member	Senior Private Sector Specialist		GTCTC	
Marc Marie Francois Navelet Noualhier	Team Member	Sr. Transport. Spec.		GTI08	
Matthieu Louis Bonvoisin	Counsel	Counsel		LEGAM	
Olivier Hartmann	Team Member	Senior Private Sector Specialist		GTCTC	
Tanangachi Ngwira	Team Member	Analyst		GTC07	
<b>Extended Team</b>					
<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>Location</b>		
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Togo	Maritime	Lomé	X		
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required?    Consultants will be required.					

## I. STRATEGIC CONTEXT

### A. Country Context

1. **Togo, a fragile, low income country located at the Gulf of Guinea in West Africa,** with a population of about 7.5 million and a land surface area of 56,600 sq km shares borders with Ghana (to the West), Benin (to the East), and Burkina Faso (in the North). The share of the population living below the national poverty line is 55 percent (2015). Togo was positioned at rank 162 (out of 188) in the 2015 United Nations Development Programme Human Development Report, with a life expectancy at birth of almost 60 years, an adult literacy rate of 60 percent, and a population with at least some secondary education of almost 27 percent.

2. **Togo's economy is open to international trade, and the country has a comparative advantage to serve as a transport and logistics hub, given its small size and its borders to three countries in the subregion.** The Port of Lomé is the deepest port along the West African coast with a natural depth of 14 meters. Given these geographic benefits, the country is well positioned in terms of access to regional and international markets. At an average, openness for trade score of 75.8 percent,<sup>1</sup> trade is a significant part of Togo's economy.<sup>2</sup>

3. **Transport and trade services are, therefore, highly strategic for Togo, giving rise to the need for improved logistics.** The focus on the transport services (including roads, ports, and airports) to support future growth of the industrial and service sectors is also part of the new program. Logistics include customs and administrative procedures, organization and management of international shipment operations, tracking and tracing, and the quality of transport and information technology infrastructure.<sup>3</sup> Transport and logistics influence the economic performance of other industries because they organize the movement of goods.<sup>4</sup> Transport and logistics services affect the efficiency and competitiveness of moving goods—be it agricultural produce, manufactured goods, or minerals—not only to the market but also to rural areas, hence contributing to improved livelihoods among low-income populations.

4. **To build on the natural assets, the Government has invested in physical infrastructure and implemented reforms.** To leverage further this comparative advantage, the Government has garnered the participation of donor and private sector resources to expand the country's port facilities and make sizeable investments in both urban and international road corridors. A consortium has a concession to develop and operate an electronic single window for foreign trade, which has contributed to significant simplification in trade formalities.

5. **A fast pace of public investment in Togo and a growing services sector have led to a relatively high growth rate accompanied by a deteriorating macro environment.** Despite the global recession, the economy has grown, on average, approximately five percent per year over

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<sup>1</sup> World Integrated Trade Solution (website in 2017).

<sup>2</sup> In comparison, Benin scores only 49.4 percent.

<sup>3</sup> Organisation for Economic Co-operation and Development paper.

<sup>4</sup> Transport and other logistics costs represented 10–20 percent of firms' sales in 2011–2012 in Germany, Finland, Estonia, and Kazakhstan (World Bank Logistics Performance Index [LPI] presentation at Transport Business Summit 2014 in Brussels).

the last three years, which is higher than the average observed in Sub-Saharan Africa. However, the fiscal situation deteriorated sharply during 2015 and 2016. The public debt-to-GDP ratio has increased to an estimated 77 percent in 2016, which is the highest in West Africa and greater than the threshold of 70 percent of GDP agreed to within West African Economic and Monetary Union (WAEMU).<sup>5</sup>

6. **In early 2017, the Government launched a new economic program to restore fiscal and debt sustainability.** The program is anchored on a three-year agreement with the International Monetary Fund (IMF), which is expected to be approved in April 2017. The program is based on a severe cut in fiscal spending and an increase in public revenue, necessary to restore fiscal space and reduce the debt burden. The fiscal adjustment will also promote a shift from capital to social expenditures to help reduce the cost of the fiscal adjustment on vulnerable groups and enhance human capital development in the longer term. To compensate for the reduction in public spending and mitigate its negative effect on economic growth, the Government's new program emphasizes the improvement of business-enabling environment to foster private sector development.

7. **With the continuing effort to improve trade facilitation, Togo ratified the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) in October 2015, which entered into force on February 22, 2017.** The country has already established a single window to permit traders to submit data and standardized trade documents to various authorities. The country has set up a National Trade Facilitation Committee, which is considered one of the first building blocks for the implementation of the TFA.

## **B. Sectoral and Institutional Context**

8. **Togo has improved its logistics performance significantly in recent years.** The Port of Lomé, as the gateway seaport, is the only port along the West African coast with a natural depth of 14 m. The concession to modernize and expand the port became operational in 2014. In addition, in 2014, the Togolese Revenue Office (*Office Togolais des Recettes*, OTR) became operational to improve the functioning of customs. These initiatives boosted the logistics performance of Togo, as seen in the World Bank Group's Logistics Performance Index (LPI).<sup>6</sup> In 2016, Togo's ranking was 92 among the 160 countries studied, up from 139 in 2014. The current ranking positions Togo in the middle of the pack of West African countries.<sup>7</sup>

9. **Despite a well-functioning port, Togo's logistics performance can benefit from improvements along the value chain.** Although Togo's transport sector is competitive within the region, especially in sea-to-sea transport, continual improvement in logistics efficiency will be important to retain the country's competitive advantage as a transport hub for the region (particularly given increased competition from neighboring ports). Of the six areas measured by

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<sup>5</sup> Togo draft Country Partnership Framework (CPF) FY2017–FY2020.

<sup>6</sup> It is an index measuring the competitiveness of countries based on the quality of logistics services.

<sup>7</sup> Ghana 88, Nigeria 90, Côte d'Ivoire 95, and Benin 115.

the LPI,<sup>8</sup> and even after the improvement at the port, Togo's performance is still lagging in the areas of 'Quality of Trade and Transport Infrastructure' and 'Competence and Quality of Logistics Services', in which Togo's score is the lowest. Infrastructure performance is hampered by poor quality and costly electricity and information and communication technology services<sup>9</sup> as well as the absence of a railroad (unlike in Côte d'Ivoire, Nigeria, and Benin).

**10. Togo has made the least progress on the 'Competence and Quality of Logistics Services' LPI score between 2007 and 2016, despite making significant progress on the overall LPI score.** The overall LPI score increased from 2.25 on a scale of 1 to 5 in 2007 to 2.62 in 2016, whereas the 'Competence and Quality of Logistics Services' score only increased slightly, from 2.40 to 2.46 in the same period, while Togo's regional peers improved this score much more during the same period.<sup>10</sup>

**11. Strengthening logistics competence implies building the capacity of the logistics workforce in Togo.** Capacity-building efforts to build the sector so far have been insufficient. Logistics activities are labor intensive at all levels, and performance is highly dependent on the quantity and quality of the workforce. In Togo, an accreditation or certification program to define the skills needed for each job category and classify the skill level is lacking at all levels. The extent of on-the-job training in Togo is also very limited. The lack of certifications for professional skills in logistics in Togo means that expertise acquired on the job cannot be transferred easily, leading to a lack of flexibility for logistics professionals seeking employment.

#### **Box 1. Logistics Jobs**

Operative logistics refers to services such as driving trucks and forklifts and warehouse pickers. The workers performing this category of services normally carry out basic operational tasks and do not have staff responsibilities. Administrative logistics services refer to traffic planning, expedition, warehouse clerks, and customs clearing. The tasks are oriented toward information processing and have limited supervisor or managerial responsibilities.

**Logistics supervisors:** This category includes logistics services staff with frontline responsibility, controlling logistics operations on the ground rather than in the office. Examples are shift leaders in warehouses or team leaders in a traffic department.

**Logistics managers:** This category includes managerial staff with higher-level decision-making responsibility. The extent of these responsibilities can range from junior through middle management roles to board-level responsibility for logistics and supply chain strategy.

**12. The logistics sector in Togo today also lacks a well-defined legal and regulatory framework.** In the transport sector, there is no permit required to become a driver beyond having an 'E' driving license. A Certificate of Professional Competence (CPC driver according

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<sup>8</sup> Efficiency of customs and border clearance; quality of trade and transport infrastructure; ease of arranging competitively priced shipments; competence and quality of logistics services, which includes trucking, forwarding, and customs brokerage; ability to track and trace consignments; and frequency with which shipments reach consignees within scheduled or expected delivery time.

<sup>9</sup> Togo draft CPF FY2017–FY2020.

<sup>10</sup> Côte d'Ivoire from 2.38 (2007) to 2.62 (2016), Burkina Faso from 2.33 (2007) to 2.78 (2016), Nigeria from 2.38 (2007) to 2.74 (2016), and Ghana from 1.75 (2007) to 2.54 (2016), each on a scale from 1 (worst) to 5 (best). Benin was the only country in the region that—like Togo—did not see much change in its logistics competence score and, in fact, witnessed a slight decline (2007: 2.56; 2016: 2.47).

to the Road Transport Training Academy and International Trade and Road Union [IRU] Academy), which confirms additional professional skills than driving (transport regulations, stowing, and so on), and practical training with driving school trucks do not exist in Togo. Similarly, a Certificate of Professional Competence (CPC manager according to the IRU Academy) to operate a company (for either commercial or own account) does not exist. A certificate for driving any type of forklift should be implemented. On the managerial side, there is no mechanism to certify one's competence to manage a transport company or become a maintenance technician (for industrial vehicles such as trucks and buses and for logistics, forklifts) or a trainer at a driving school dedicated to training drivers of big trucks. With no formalities to become a trucker, the sector has reached overcapacity, with most trucks undertaking an unprofitable number of trips per year. A similar issue exists for non-transport logistics professions, where a lack of certification prevails. While increased (mandatory) certification in certain cases may inhibit recruitment, in the longer term, it contributes to upgrading professional standards.

**13. The truck fleet in Togo (the main mode of transporting goods) is very old, and transporters lack access to finance for newer trucks.** The registration record of trucks in Togo shows an average of 22 years, and a survey commissioned by the World Bank indicated 17 years, with 43 percent of the surveyed operators using trucks older than 17 years. These older trucks are likely to have more mechanical problems, and any delay in delivery incurs a cost. Furthermore, a major breakdown could mean a huge financial burden for small-scale truckers. Older trucks are also less energy efficient and are more frequently involved in road accidents. However, access to finance for truck renewal is hard to come by, and most operators finance new trucks from cash flow, in the absence of banking solutions.

**14. Togo's logistics performance also depends on continued improvement in the efficiency of customs and border clearance.** Research shows that time and costs associated with procedures for importing and exporting and for transit have an impact on trade even more than time and costs associated with their transport.<sup>11</sup> Although Togo is doing relatively well on various benchmarks related to customs and administrative procedures within the region, there is significant room for improvement when compared globally. This also needs to be understood in the context where the country faces the pressing needs to address the governance challenges (Systematic Country Diagnostic 2016).<sup>12</sup> Improving efficiency and transparency of the functioning of the control agencies goes a long way in tackling the governance challenge. Through the computerization of the single window, which significantly reduced direct interaction between traders, chartering and forwarding agents, and control officers, the Government has already taken a significant step forward. However, given the importance of streamlined, efficient, and transparent customs and other border agency procedures in the overall competitiveness of the trade logistics services, further efforts are warranted when it comes to customs clearance procedures.

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<sup>11</sup> Organisation for Economic Co-operation and Development paper.

<sup>12</sup> Togo ranks poorly in Worldwide Governance Indicators. On the 'quality of regulation' indicator, Togo is at the bottom among the comparator countries. For the indicators 'voice and accountability', 'rule of law', 'government effectiveness', and 'control of corruption' Togo is among the worst (Systematic Country Diagnostic).

## C. Higher Level Objectives to which the Project Contributes

15. **The proposed Trade and Logistics Services Competitiveness Project is consistent with the World Bank Group’s draft CPF FY2017–FY2020 for Togo.** The CPF’s first pillar, ‘Sustainable, Inclusive Growth and Job Creation’, includes a focus on strengthening the performance of infrastructure services sectors critical to competitiveness and growth. The outcome sought is “improved transport, trade logistics services, and maintenance of road infrastructure.”<sup>13</sup> The project also comes as the World Bank’s intervention for regional integration through the Abidjan-Lagos Corridor Project ends and is well positioned to carry through the support to Togo to participate in the regional trade dialogue. This is well aligned with the World Bank’s strategy in Africa to support regional integration to improve connectivity, leverage economies of scale, and enhance productivity.<sup>14</sup> This project uses the same analytical framework deployed for the preparation of the Regional Trade Facilitation and Competitiveness Development Policy Operation (DPO) for Côte d’Ivoire and Burkina Faso (P129282), with the view to engage on the trade facilitation policy dialogue in a consistent manner with all the countries across the region.

16. **The project is also consistent with the World Bank Group’s twin goals,** specifically the goal to eradicate poverty, by offering to reduce the cost of trade logistics, which in turn improves firms’ competitiveness and contributes to reduce the cost and increase the accessibility of basic commodities for the population in rural areas, and by increasing employability in the logistics sector. The project also reduces indirect costs borne by society at large from pollution, destruction of road infrastructure, and accidents.

17. **The project is consistent with national and regional programs on transport and trade facilitation financed by other technical and financial partners.** The European Union (EU) is going to launch a technical assistance (TA) aiming to (a) improve road maintenance governance, (b) improve the fluidity and management of regional corridors, and (c) set up a pool fund to finance technical studies required for infrastructure investments. Japan International Cooperation Agency (JICA) has developed a ring master plan to map out several regional corridors and their investment plans. JICA is also supporting the interconnectivity of customs between Togo and Burkina Faso. African Development Bank (AfDB) is supporting the establishment of a joint border post between Togo and Benin as well as various initiatives of the *Office Togolais des Recettes* – OTR (Togolese Revenue Office) to make their operation more efficient. Consultations were held with the partners, and the effort of coordination will continue.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

18. **The proposed project aims to improve the efficiency of trade logistics services in Togo.**

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<sup>13</sup> Togo draft CPF FY2017–FY2020.

<sup>14</sup> <http://www.worldbank.org/en/region/afr/overview#2>.

19. **Project activities and projected outcomes are linked through the following theory of change:** Improving the legal and regulatory framework for the Togolese road transport and logistics services sector, (aligned with regional trade integration efforts), will introduce clear criteria for professionalizing the sector, which—combined with capacity development of relevant public and private sector actors through training and certification—will help establish a pool of fewer but better-qualified and licensed transport and logistics professionals, for example, truck drivers, freight forwarders, warehouse pickers, or traffic planners. At the same time, Togo’s fleet of trucks will be renewed and reduced in number (including through a buyback scheme for old trucks, a leasing scheme for new ones, and the encouragement of micro operators to form associations). These combined measures will increase the efficiency of the system, in the sense that fewer yet more modern and productive trucks will be operating in the country. Training skilled logistics professionals will enable the sector to deal with rising freight volumes, increase the predictability of shipments, enhance the quality of logistics services, and eventually lower the cost of arranging shipments for exports and imports and for transit. It also offers the chance to retrain workers who were displaced by the reforms, as well as foster youth employment.

20. **To complement the modernization of the logistics sector, trade facilitation reforms aim to reduce port dwell time and transit time,** which will further improve the efficiency of trucks by reducing idle time and limit trade transaction costs. As a result of these improvements, it is expected that (a) the total time for import and export and for transit will go down, eventually generating cost savings for the private sector, and (b) the frequency with which shipments reach consignees within expected or scheduled delivery times will improve, eventually generating additional cost savings from reduced uncertainty.

### **Project Beneficiaries**

21. **Many public and private stakeholders in the trade and logistics community stand to benefit from the program.** First, there are government agencies that will receive support from the project such as the Ministries of Infrastructure, Transport, Commerce, Industry, Promotion of the Private Sector, and Tourism and OTR. Second, there are private sector beneficiaries such as transport companies, truck drivers, and other logistics services professionals who will benefit from the provision of a capacity-building program. The indirect beneficiaries are all the users of the transport logistics services. A report jointly published by three United Nations agencies argues that trade and transport facilitation reforms have a disproportionately positive impact on small and medium enterprises (SMEs).<sup>15</sup> The project aims at reducing the cost of trade logistics in Togo as well as in neighboring, landlocked countries and, therefore, will benefit anyone who needs to consume tradable goods. Finally, the project benefits the broader society by reducing pollution, destruction of road infrastructure through overloading, and accidents.

22. **The transport sector is heavily dominated by male actors, but the project has broader indirect benefits to women.** The trucking survey indicated that only four percent of the workforce in the sector is women. However, the gain from lower transport costs and better access to markets benefits many women. This is especially the case with respect to consumer

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<sup>15</sup> United Nations. 2016. *Making the WTO Trade Agreement Work for SMEs*.



goods and agricultural trade in fruits/vegetables for urban consumption markets where women traders are particularly active.

### **PDO Level Results Indicators**

23. **Success in achieving the proposed PDO will be measured by the following outcome indicators:** (a) transit time, (b) predictability of transit time, and (c) number of logistics businesses compliant with the reformed legal and regulatory environment. Transit time will be measured within the Togolese border. Predictability is measured by the standard deviation of the transit time from the arrival of ships to reaching the border crossing at Cinkanse.

## **III. PROJECT DESCRIPTION**

### **A. Project Components**

24. **The proposed project will include the following three components:** Strengthening the Logistics Services and the Road Transport Sector (US\$10.7 million equivalent); Improving Trade Facilitation (US\$4.8 million equivalent); and Project Management (US\$2.5 million equivalent).

#### **Component 1: Strengthening the Logistics Services and the Road Transport Sector**

*Subcomponent 1a: Improving the Legal and Regulatory Framework for the Transport and Logistics Services Sector (US\$4.6 million equivalent)*

25. **The project will improve the Togolese legal and regulatory framework for the transport and logistics services sector,** through the provision of support for the following activities: (a) the review and update of the legal and regulatory framework, including validation workshops for the updated framework and the carrying out of a study on the freight market; (b) the carrying out of capacity-building activities for the public sector to (i) improve their ability to design and carry out reforms and (ii) improve systematic knowledge exchange; and (c) the design and establishment of a registry for the proper recording of professionals and trucks in the sector.

26. **Priority areas of the legal and regulatory framework that need attention are** (a) licensing of a number of professional categories within the trade logistics services sector (trainers for merchandise truck drivers' licensing, drivers for merchandise trucks, owners of transport companies, and freight forwards) and (b) regulating access to freight contracts currently being allocated inefficiently. The project will work in close collaboration with the advisory project of the International Finance Corporation (IFC) on trade facilitation in Togo. Clarifying the rights and obligations of the private operators will improve the transparency of the governance of the transport and logistics sector. With supporting communication campaign and sensitization, as well as the installation of a hotline, it should help counter some predatory behavior of government agencies.

27. **The legal and regulatory framework in Togo will be developed in close coordination with its neighboring countries in the context of regional trade integration.** A model of these various professional definitions and frameworks has already been developed in Burkina Faso

through the regional DPO for Côte d'Ivoire and Burkina Faso. Given the importance of the Lomé-Ouagadougou Corridor for Togo, it is beneficial to have a framework that is largely harmonized with that of Burkina Faso. The project supports an enhanced policy dialogue as well as peer-to-peer learning from the existing experiences of neighboring countries.

**28. The project will also finance the design and establishment of a registry where information on professionals can be properly recorded.** To ensure the adequate supervision of the sector, once a new legal and regulatory framework is adopted, the project will invest in a registry so that the relevant government agencies can monitor the sector.

*Subcomponent 1b: Building Capacity of the Trade Logistics Services Sector (US\$3.1 million equivalent)*

**29. This subcomponent aims to build capacity of the trade logistics service sector,** through the provision to support (a) capacity-building activities for private sector actors in logistics; (b) development and improvement of a certification and accreditation system program for drivers and managers of transport companies; (c) development of a vocational training program; (d) delivery of training in several logistics services functions: operational, administrative, supervisory, and/or managerial jobs, focusing on operational and administrative functions; (e) acquisition of equipment and training facilities, and the refurbishment to jump-start training delivery for both the transport and non-transport sectors; and (f) formalization of the transport sector, including (i) necessary studies and assessments needed to foster formalization; (ii) stakeholder dialogues to address challenges of formalization; (iii) sensitization and communication campaigns to ensure that the information on the process and requirement of formalization is properly communicated; and (iv) capacity building for all the entities that are taking steps toward formalization.

**30. The project will cover a wide range of participants across the trade logistics services value chain,** including drivers, managers of trucking companies, freight forwarders, warehouse pickers, warehouse clerks, traffic planners, warehouse operators, and customs brokers. The training program proposed here, to be implemented in close collaboration with the IRU, is first targeted at workers whose jobs are at risk due to the proposed reforms and who need reskilling to perform other logistics services functions. The activity will provide opportunities for people to develop marketable skills for immediate employment in operational-level jobs in logistics (for example, forklift drivers and warehouse pickers).

*Subcomponent 1c: Improving the Conditions to Modernize Trucks (US\$3.0 million equivalent)*

**31. Under this subcomponent, the project will help improve conditions to modernize trucks,** through the provision of support for the introduction of leasing as a financial instrument to support the renewal of trucks, including (a) supporting the introduction of the legal and regulatory framework to allow leasing activities; (b) building the capacity of both the supply and demand sides of the leasing market; (c) improving the system of periodic mechanical checkups for the progressive elimination of extremely old trucks from the market; and (d) introducing a buy back scheme of old trucks.

32. **The project will coordinate with the ongoing Transport Sector Modernization and Corridor Trade Facilitation Project** in Côte d'Ivoire (P156900) to exchange lessons learned.

### **Component 2: Improving Trade Facilitation**

33. **Component 2 will provide support for the implementation of the WTO's TFA for the improvement of the enabling environment to achieve higher-quality trade logistics services**, including the necessary support to enhance the efficiency of customs administrations as well as other border and trade management agencies to improve overall trade facilitation. The component will be implemented in close coordination with the IFC Advisory Service project on trade facilitation in Togo.

34. **The project will further support** (a) the provision of improved customs processing services to compliant traders and logistics services providers, (b) the development of a methodology and tools to identify under-invoicing, and (c) the implementation of a trusted traders program.

35. **The project will also support the implementation of the updated customs code** through (a) the provision of technical assistance for the development of regulations and related operating procedures and (b) the carrying out of awareness campaigns in preparation for the implementation of the new legislation of the new legal framework.

36. **Last but not least, the project will contribute to the stakeholder dialogue to improve trade and transport facilitation.** There will be support to the functioning of the national committees on trade facilitation and transport to ensure implementation of the TFA and coordinate the regional dialogue with neighboring countries, with the objective of updating existing or adopting new bilateral agreements, and take full advantage of the customs interconnection program supported by other development partners (JICA, EU, and AfDB).

37. **The measures financed by the proposed project will contribute to the improvement of governance.** For example, undervaluation for fiscal evaluation and sharing the gain with the public sector actors are common challenges found worldwide. Strengthening the risk management system, sorting between 'trusted traders' with high compliance track records and those non-compliant traders, will help address the issue.

### **Component 3: Project Management**

38. **The project will provide support to the Project Coordination Unit (PCU) for the coordination and implementation of project activities, including procurement, financial management (FM), monitoring and evaluation (M&E), and reporting.** This coordinating unit will be housed in the Ministry of Planning (MOP), a coordinating ministry, and will be staffed by individuals solely employed in the implementation of the project.

#### **B. Project Financing**

39. **The total project cost is US\$18 million.** IDA will finance 100 percent of the project cost.

## Project Cost and Financing

Project Components	Project Cost (US\$, millions)	IDA Financing (US\$, millions)	% Financing
1. Strengthening the Logistics Services Sector and the Road Transport Sector	10.70	10.70	100
2. Improving Trade Facilitation	4.80	4.80	100
3. Project Management	2.50	2.50	100
Total Project Costs	18.00	18.00	100
Front-end Fees	0.00	0.00	
<b>Total Financing Required</b>	18.00	18.00	100

### C. Lessons Learned and Reflected in the Project Design

40. **The World Bank’s extensive experience in supporting transport, logistics, and trade facilitation and the work in Togo provide invaluable lessons for the proposed project:**

- (a) **The preceding IDA-funded Togo Private Sector Development Support Project (P122326),** closed by June 30, 2016, faced a number of challenges triggering an ‘unsatisfactory’ final outcome rating. These challenges included, among others, the (i) lack of readiness for implementation, (ii) lack of coordination among key stakeholder institutions, (iii) lack of government leadership and ownership, and (iv) lack of coordination between IFC and the World Bank. The proposed project has drawn consequences from these issues by (i) ensuring readiness for implementation through activities covered by a Project Preparation Advance, that is, the preparation of key terms of references (TORs), and limiting the number of effectiveness condition; (ii) extensive consultations with both public and private sector representatives, complemented by a capacity assessment of the Project Implementation Unit, a Poverty and Social Impact Assessment, and a survey where a representative sample of transport operators in Togo was interviewed to gauge the challenges they face—these consultations will ascertain government ownership and inform activities to address identified weaknesses; and (iii) careful design of an IFC Advisory Service project to create synergies while providing hands-on support to project implementation.
- (b) **A simple project objective and design are critical in light of the inherent complexity of trade facilitation operations and the large number of stakeholders involved.** Lessons drawn from the same preceding project demonstrate that the project should have a limited number of themes to tackle. The project objective, therefore, is to improve the efficiency of trade logistics in Togo through two main streamlined components addressing the key challenges identified in the sector.
- (c) **The financing mechanism for renewal of fleets needs to consider that vehicles are not optimal collateral because of the quick depreciation.** The Transport and Urban Mobility Project (P101415) in Senegal recognized, while supporting the

renewal of fleets, that a traditional financing will be less appealing to financial institutions.<sup>16</sup> This also leads the current project to propose the use of leasing as the financial instrument of choice.

- (d) **Making cooperatives bankable is not a straightforward task.** The Agriculture Investment and Market Development Project (P143417) in Cameroon and the Transport Sector Modernization and Corridor Trade Facilitation Project (P156900) both partnered with IFC to extend access to finance for groups of small operators. In Cameroon, the project took much longer to extend financing than expected, because the capacity building needed for potential borrowers was underestimated. In Côte d'Ivoire, it is too early to tell as the project just entered effectiveness; however, it suffices to say that IFC has had a difficult time increasing the financing opportunity without having an accompanying capacity-building program. Both cases highlight the needs to address the demand-side constraint of access to finance—capacity constraints to make these groups/associations/cooperatives bankable. On the other hand, IFC's project, Cargill Coops (600283), to support cooperatives in the cocoa sector, demonstrated success because of its hands-on approach to build the capacity of cooperatives. This is why the present project insists on building the ecosystem around the leasing activities.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

41. **The proposed activities require the engagement of several sectoral ministries.** The Ministry of Commerce is responsible for improving the *Societe d'Exploitation du Guichet Unique pour le Commerce Exterieur au Togo* (SEGUCE), Managing Company for One Stop Shop for Trade in Togo, and implementing the WTO TFA (Bali Accord) as well as for fostering vocational training for logistics, while the Ministry of Transport is responsible for formalizing the road transport industry and opening the freight market. The proposed activities are fully aligned with the National Strategy for Road Transport championed by the Ministry of Transport, which will be adopted soon. The Ministry of Transport already hosts a national committee for transport facilitation, established by the Economic Community of West African States (ECOWAS), whereas the Ministry of Commerce is in the process of setting up a national committee of trade facilitation, dedicated to the implementation of the Bali Accord. Customs falls under the Ministry of Finance through the OTR.

42. **Given the multisectoral nature of the project, governance will be structured in two layers of the project, which requires strong coordination capabilities.** The Government authorities have designated the Ministry of Planning (MOP) to house the PCU and play a coordination role for the project, as it has done so for the Abidjan-Lagos Corridor Project. As a coordinating ministry, it can convene all other ministries (formally and informally) to work together. Project implementation will be undertaken collaboratively through (a) the Steering Committee, (b) the PCU, and (c) focal points of the participating ministries and agencies.

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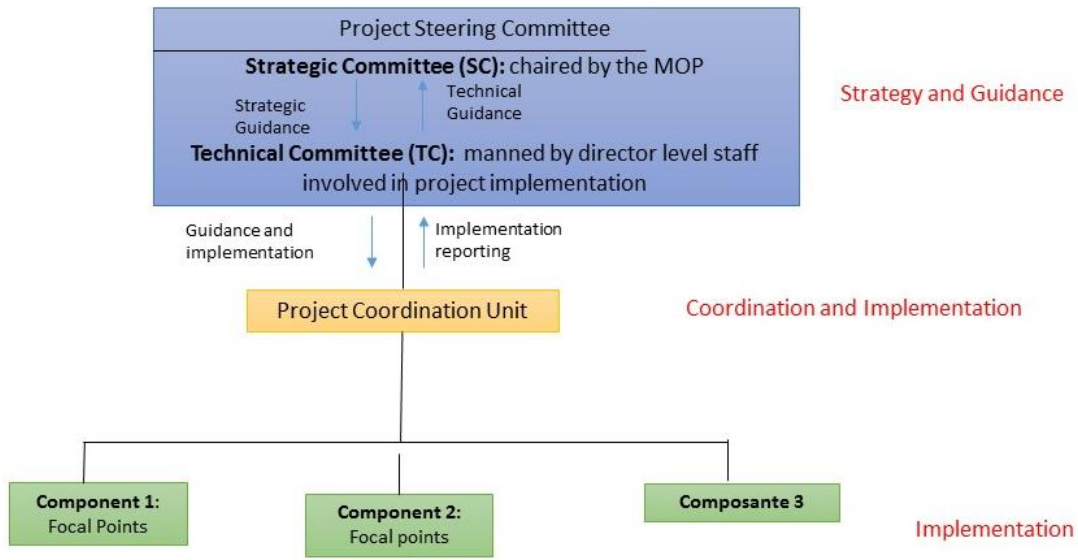
<sup>16</sup> IFC internal memo. *Senegal Bus Renewal Program Assessment 2016*.

43. **The PCU will be housed in the MOP, with a team of dedicated staff, who may be either direct-hire staff or consultants but solely dedicated to implementation of the project.**

44. **The Government of Togo (GoT) identified IRU as a TA partner for the capacity building related to the trucking sector.** The IRU is an international association of not-for-profit organizations working in the road and transport sectors in over 100 countries and has a consultative status with the United Nations Economic and Social Council. The World Bank and IRU signed a memorandum of understanding for cooperation in 2012. The IRU Academy is mandated to disseminate professional standards in the transport sector. The organization is well positioned to provide the GoT with the global experience in setting the professional standard of the transport industry. The IRU will support the improvement of the legal and regulatory framework for the transport sector, design the certification system, develop a curriculum for training, build capacity of the training center during the start-up phase, provide operational support to the training center in the initial phase, run capacity-building programs, and support the design and implementation of the formalization program. The IRU will be selected through single-source procurement process, and a management contract will be signed with the IRU.

45. **The GoT identified the International Motor Vehicle Inspection Committee (CITA) as a TA partner for the capacity building related to the vehicle inspection mechanisms.** CITA is an international association of vehicle inspection companies, public, private, and mixed, working in over 50 countries and has a consultative status with the United Nations Economic Commission for Europe, which is the United Nations body in charge of the development of the international transport instruments. The organization is well positioned to provide the GoT with the global experience in setting the technical standard of the vehicle inspections. CITA will support, jointly with the World Bank-managed Global Road Safety Fund, the assessment of the legal and regulatory framework for the vehicle inspections and develop scenarios for sustainable vehicle inspection scheme. Under the program, CITA will build capacity of the Ministry of Transport during the start-up phase, run capacity-building programs, and support the design and implementation of the vehicle inspection mechanism. CITA will be selected through single-source procurement process, and a management contract will be signed with CITA.

**Figure 1. Institutional Arrangement**



## B. Results Monitoring and Evaluation

46. **The PCU will be responsible for the M&E of the project outcomes against agreed indicators, as described in the Results Framework.** The GoT and the World Bank will evaluate progress on the indicators presented in annex 1 (Results Framework and Monitoring) through regular reporting by the PCU and implementation support missions. The PCU will collect and present data on project indicators. The PCU will hire an M&E Specialist, who will be responsible for this work and who will be funded under Component 3 (Project Management). The M&E Specialist will support the agencies involved in project implementation in systematically recording official statistics needed to monitor the project's Results Framework.

47. **In addition to the PDO-level results indicators specified in section II, progress on each of the components will be measured against intermediate outcomes.** Indicators for these intermediate outcomes will be project-specific indicators, as listed in annex 1.

## C. Sustainability

48. **Extensive capacity-building activities will take place during implementation.** Relevant agencies have been involved throughout the conception of the project. Numerous consultative workshops have been held with stakeholders. Multiparty discussions have become periodic. Throughout the project, the Ministry of Transport, Ministry of Commerce, OTR, private sector associations, and other key stakeholders will be provided with trainings, TA, and study tours to ensure the necessary knowledge and technical expertise are transferred.

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

49. **The proposed project is rated as an overall Substantial risk project.**

50. **Political and governance risk is rated High.** The World Bank still classifies Togo as fragile. The World Bank's assessment report indicates that Togo's political economy imposes high barriers for reforms aimed at opening the economy and modernizing the administration.<sup>17</sup> This resistance to reforms, together with low administrative capacity,<sup>18</sup> could pose a serious challenge to the project. To mitigate this risk, a consensual reform process will be used<sup>19</sup> and a thoroughly participative process will inform the project's preparation and implementation.

51. **Macroeconomic risk is rated High because of Togo's vulnerable fiscal condition.** Public debt has reached an alarming level, which could pose a significant risk to mobilize enough resources within the Government to achieve the PDO. The recent appointment of a new Minister of Finance and his commitment for reforms, including an engagement in the IMF program, are positive. The team will closely coordinate with the IMF and the World Bank's Macroeconomics and Fiscal Management Global Practice and Governance Global Practice to monitor fiscal management.

52. **Risk of technical design is rated Substantial.** The project is quite complex with various intertwined pieces. The project has involved all the technical expertise across the World Bank Group (Trade and Competitiveness; Transport and ICT; IFC; Fragility, Conflict and Violence; Jobs; and Learning and Innovation) for the design of the project and will continue this collaboration throughout the implementation to provide a proper oversight. The project also collaborates closely with an IFC advisory project, which allows to provide hands-on support to the Government where IDA operation cannot.

53. **Risk of institutional capacity for implementation and sustainability is rated Substantial.** There is a pervasive lack of administrative capacity as a result of four decades of highly centralized Government control and patronage. Capacity building will have to be central to the project's design. The TA provided by IFC will provide additional support to project implementation.

54. **Stakeholder risk is rated Substantial.** While economic gains of such reforms are anticipated to be net positive, there may still be losers.<sup>20</sup> The most vulnerable group will be informal transport operators, who tend to be older and illiterate. Depending on their resistance to change, they may hinder reforms. The road transporters' and truck drivers' unions have expressed strong support for the proposed reforms, recognizing the need for change, but they have insisted on additional measures for the vulnerable group. The project lays a strong emphasis on capacity building and a reskilling program for this group.

55. **There are non-categorized risks that are important to mention in this project, such as the dynamics of regional and bilateral agreements affecting Togo's reform efforts.** The competitiveness of the Port of Lomé as well as the Lomé-Ouagadougou Corridor largely depend on developments in Togo's neighboring countries. The implementation of the axle-load

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<sup>17</sup> Fragility Assessment (World Bank 2015).

<sup>18</sup> Fragility Assessment (World Bank 2015).

<sup>19</sup> Fragility Assessment (World Bank 2015).

<sup>20</sup> World Bank. 2015. *Poverty and Social Impact Assessment of Road Transport Reforms along the Abidjan-Ouagadougou Corridor*.



regulation of WAEMU is an example of regional dynamics negatively affecting the intended impact of the reforms. The regulation enforces axle-load limits to counter accelerated degradation of West African roads because of overloaded trucks. However, according to stakeholders in Togo, neighboring countries are not enforcing the regulation to the same extent, which gives the transport companies in these countries and those using other corridors an unfair advantage. The bilateral cargo-sharing agreement between hinterland countries and Togo is another example. According to the agreement, transporters from landlocked countries have the right to carry two-thirds of transit cargo and transporters from the port country, one-third. The agreement prevents competition based on price and quality and discourages companies from becoming efficient.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

56. **The economic analysis of the project shows a strong economic rate of return (ERR).** To calculate the economic impact of the project, a cost-benefit analysis was conducted and found that the project's net present value (NPV) is over US\$13 million at a 10 percent discount rate with an ERR of 36 percent over 10 years.<sup>21</sup> The benefits from the project accrue to both the Togolese economy as well as landlocked economies, namely Burkina Faso.

57. **The economic analysis for this project draws on a vast body of literature and research in the continuum of transport and logistical services with the trade facilitation area.** Given the overall project objective of enhancing the quality of trade logistics through transport and trade facilitation reforms, the expected impacts are derived from the following project outcomes:

- (a) Compliance of transport operators with the new quality licensing requirements
- (b) Reduced logistics and transport costs and time along the trade corridor
- (c) Increased reliability of international shipment delivery times

58. **The project aims to improve the efficiency of trade logistics services in Togo through, first, professionalizing the road transport sector,** building the capacity of relevant public and private sector actors, and facilitating the renewal of Togo's fleet of trucks, and second, improving trade facilitation, particularly import/export and transit clearance procedures. The latter is expected to reduce port dwell time of merchandise in Lomé as well as transit time to Burkina Faso on the Lomé-Ouagadougou Corridor. Reduced idle time increases the efficiency of trucks by improving the annual distance traveled per truck, thereby improving their revenues. As a result of these improvements, it is expected that (a) the total time to import in Togo will go down, generating cost savings for private sector buyers and sellers, and (b) the frequency with which shipments reach consignees within expected or scheduled delivery times will improve, generating additional cost savings from reduced uncertainty. Cost savings could then be passed

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<sup>21</sup> The analysis assumes project impacts will start materializing two years after the beginning of the project and will stabilize five years from then.

on to consumers and producers through a reduction in the prices of consumer goods and intermediate goods, respectively.

59. **Efficiency gains and transport sector reforms are expected to reduce the size of the truck fleet in Togo and change its composition toward more formal sector operators.** An increase in competitiveness of Togo's logistics sector should attract greater merchandise traffic to Togo, and together with the development of broader logistic services, there should be more jobs created in a long term. In the meantime, however, there will be the loss of jobs in the medium term. Along with activities funded by other development partners, this project is expected to contribute to an improved border crossing between Togo and Burkina Faso, thereby reducing the time trucks spend at the border. This is another cost expressed in terms of lost economic activity at the border from trucks that now spend less per day.

60. **Losses are expected to be eventually offset by better jobs created in the formal sector by transport operators who tend to employ more per truck at better wages.** Additionally, improved trade competitiveness and growth would lead to additional job creation in the Togolese economy.

61. **The project offers strong justification for public sector financing.** It supports a number of reforms to correct the existing market failures, which need to be implemented by the public sector. Furthermore, even for the financing of truck renewal, several market analyses in West Africa demonstrate that it is necessary to offer a de-risking mechanism with public funding to entice lenders to venture into new areas, such as the financing of trucks.

62. **The World Bank Group brings significant value added in this regard by** (a) bringing the knowledge of truck renewal as witnessed in the publication of Road Freight Transport Services Reform: Guiding Principles for Practitioners and Policy Makers and (b) partnership with IFC, which allows to mobilize other instruments to support the private sector more directly. In addition, the World Bank Group brings its global experience in the trade facilitation agenda as seen in its leading role supporting the implementation of the TFA worldwide and in financing similar trade logistics projects in West Africa and elsewhere.

## **B. Technical**

63. **The proposed project was designed to address constraints holding back the performance of transport and trade logistics in Togo.** The key challenges faced by the trade logistics in West Africa are well documented, and the activities proposed in this project are well grounded in various analyses and policy recommendations, most notably the policy measures introduced in the Regional Trade Facilitation and Competitiveness DPO and accompanying TA programs in Côte d'Ivoire and Burkina Faso. The discussion on the access to finance for the sector and the choice of the particular financial tool—leasing—is backed by the extensive experience of IFC access to finance program.

## **C. Financial Management**

64. **The MOP will be responsible for the overall strategic and technical oversight of the project.** The PCU will be responsible for coordinating the day-to-day implementation of the project, including FM, organizational aspects, and M&E.

65. **The MOP has a track record of implementing a similar project (Abidjan-Lagos Corridor Project) that involved the same variety of stakeholders.** The proposed project will build on the existing institutional arrangements in place for the previous World Bank-financed Abidjan-Lagos Trade and Transport Facilitation Project implemented by the MOP that will be strengthened by the additional mitigations measures described below. The overall FM performance of the Abidjan-Lagos Trade and Transport Facilitation Project, which closed on September 30, 2016, was considered Satisfactory and the PCU has no overdue audit reports or unaudited interim financial reports (IFRs).

66. **The FM risk mitigation measures being financed with the Project Preparation Advance are** (a) the recruitment of an FM Specialist with qualifications and experience satisfactory to the World Bank, (b) the dedication of one of the PCU's qualified staff who will serve as the Project Accountant, and (c) the purchase of a 'multiprojects' accounting software customized to fit project needs and generate useful information and financial statements.

67. **To reinforce the internal control system and mitigate fraud and corruption risks, the following actions have been incorporated into the project design:** (a) the recruitment of an External Financial Auditor who will express yearly an independent professional opinion on the project financial statements and (b) the recruitment of an internal auditor to maintain a sound control environment that will be described in the Project Implementation Manual (PIM). In line with the Togo Use of Country System (UCS) Report, the project's internal control system could be strengthened by establishing a partnership between the General Inspection of Finances (*Inspection Générale des Finances*, IGF) and the project's internal audit unit for introducing a risk-based approach and conducting periodical internal audit of the project activities.

#### **D. Procurement**

68. **Arrangements for implementing procurement activities.** Project implementation will be undertaken collaboratively through (a) the Steering Committee, (b) the PCU, and (c) focal points of the participating ministries and agencies. The PCU that will be established under the MOP through the recruited Procurement Specialist has the overall responsibility of procurement coordination and supervision of the project and will be responsible for the procurement activities.

69. **Capacity assessment.** An assessment of the capacity of the existing PCU (PCU of the Abidjan-Lagos Corridor Project) to implement procurement activities of the project was carried out during the project preparation and finalized on December 12, 2016. The assessment reviewed the organizational structure for the implementation of the project and the procurement capacity of the existing PCU. The assessment outlines the main issues and recommendations in the Procurement Risk Assessment Management System. The assessment revealed that the existing PCU under the MOP has among the staff one Procurement Specialist who has limited experience in the World Bank's procurement procedures through a trust fund implementation (TF No. 013016 - P129495).

70. **Risk mitigation measures have been discussed and agreed with the PCU.** The residual risk is assessed as Moderate after adopting the following measures:

- (a) Recruitment of a qualified Procurement Specialist to be based at the PCU to be responsible for the procurement activities of the project before effectiveness. The Procurement Specialist's TOR will be agreed by IDA.
- (b) Considering the number of ministries and agencies involved in the project and the necessity to ensure a better coordination of procurement activities, the current Procurement Specialist of the PCU will be designated as a procurement homologue of the recruited Procurement Specialist.
- (c) A manual of administrative, financial, and accounting procedures will be prepared to clarify the role of each team member involved in the procurement process of the project and the maximum delay for each procurement stage, specifically with regard to the review, approval system, and signature of contracts.
- (d) A workshop will be organized at the beginning of the project to train all key stakeholders involved in procurement on World Bank procurement procedures and policies.
- (e) An adequate filing system in compliance with the World Bank procurement filing manual will be set up for the program records at the PCU level. The project will finance appropriate equipment.

71. **A Procurement Plan (PP) for the first 18 months of project implementation has been prepared and approved.** During implementation, the PP will be updated in agreement with the project team as required, at least annually, to reflect actual project implementation needs and improvements in institutional capacity. It will be available in the project's database and a summary will be disclosed on the World Bank's external website once the project is approved by the World Bank's Board of Directors.

#### **E. Social (including Safeguards)**

72. **The project is expected to improve transportation conditions with the acquisition of new trucks and will facilitate goods and services delivery for various communities.**

73. **The main adverse impact is the need for land acquisition for a truck scrapping site.** The project will require land; however, the exact location is not yet known. A Resettlement Policy Framework (RPF) was prepared in accordance with national laws and policies and World Bank OP 4.12 on Involuntary Resettlement and based on consultations with the main stakeholders. This RPF describes the potential impacts and affected populations, the consultation process, the mitigation measures, and budget, as well as the implementation and monitoring arrangements. This will help identify project impacts, facilitate consultation with various stakeholders, develop necessary mitigation measures, and put in place implementation arrangements. During implementation, the project planning will include a social assessment and the development of a Resettlement Action Plan.

74. **Another expected adverse impact might be the risk of loss of income for untrained, non-professional drivers,** who work under precarious and unsafe conditions, often without a contract or insurance. Overall, the number of informal job losses will likely be more than

compensated by a shift to the formal sector and creation of new trade-related jobs in a medium term. In a short term, those operators whose jobs are at high risk will be prioritized for the reskilling program financed by the project. In addition, recognizing the risk, the Government plans to sponsor the revision of the collective labor agreement for the transport sector to address the systemic issue and has requested EU for support. Related to this, more efficient border crossing procedures will have an indirect adverse effect on businesses and service providers, who currently benefit from truckers spending hours of idle time at and around the border crossings. The Government has already been working on the sensitization of the community, in partnership with EU and JICA, the two donors who have been active in addressing the border crossing issue. The proposed project will join this effort.

75. **Stakeholder consultations.** The project was based on consultation and participatory planning through meetings, sharing and validating studies, surveys, and field visits with relevant stakeholders and beneficiaries. The project preparation was led by a Steering Committee, with representation from the MOP, Ministry of Transport, Ministry of Commerce, OTR, and the President's Office. On average, the stakeholders met once every two months throughout the period of project preparation to actively exchange their views. In particular, the following outcomes have been critical in guiding the project design:

- (a) A survey of transporters was shared in a workshop, which was attended by over 30 people from diverse sectors. The survey provided a snapshot of the sector today and confirmed its highly informal nature.
- (b) A working session on the profitability of transport operators, attended by over 30 people, elicited a frank discussion among operators, painting a realistic picture of the state of play of the sector. The conclusion, described in the context section of this document, provides the rationale for the proposed project.
- (c) A report on the needs for capacity development for the transport sector was prepared with a series of in-depth consultations, conducted over two missions and many meetings. The final report was validated in a workshop with 30 participants, which provided a road map for Togo's effort to professionalize the transport sector.
- (d) The assessment of the feasibility of a leasing mechanism for the renewal of trucks in Togo brought actors from several sectors, such as existing transporters, formal and informal commercial banks, Central Bank, insurers, and government representatives.
- (e) The project preparation also paid attention to the voice of truck drivers, who consider themselves to be the most vulnerable group in the implementation process of the proposed project. The project allocated resources for training, which is to help reskilling these workers to find new opportunities. During the validation workshop, they have confirmed that their concerns have been addressed in the project design.
- (f) Similarly, workshops were held with the main actors in trade and trade facilitation to ensure their endorsement of the project design and of the main issues being addressed through the project.

76. **Citizen engagement will be measured through a proxy indicator on ‘the level of satisfaction of participants in workshops’, which will be administered through a yearly survey.** A midterm review (MTR) will be undertaken to track implementation progress against the plan, identify implementation, and undertake midcourse correction, if needed. Independent consultants will undertake an MTR, which will be funded by Component 3. The project team, with the inputs of the PCU and the clients, will develop TOR for the MTR. The project will also engage citizens broadly through the elaboration and implementation of the road security strategy.

77. **The project supports women by offering capacity-building opportunities in the logistics value chain.** Although the overwhelming majority of employment in the transport and logistics sector is made up of men,<sup>22</sup> there are female workers in the sector, largely concentrated in the category of managerial work. The project provides capacity enhancement opportunities for these women. In addition, the development of new certificate programs in the non-transport logistics services value chain and the provision of training in these areas also offer new opportunities for women.

#### **F. Environment (including Safeguards)**

78. The main environmental benefit of the proposed project, through the truck-scrapping scheme, is the reduction of greenhouse gas emissions from trucks that are among the key factors responsible for global warming.

79. **The proposed project is classified as Category B - Partial Assessment.** The proposed project is primarily TA, and it is not expected to cause long-term irreversible adverse environmental impacts. The activities that may induce potential adverse environmental impacts are vehicle scrappage and rehabilitation of a training center. For that reason, OP/BP 4.01 (Environmental Assessment) is triggered on the environmental side. Consequently, an Environmental and Social Impact Assessment (ESIA) has been developed for the training center because its exact location is already known within an enclosed public domain. In addition, an Environmental and Social Management Framework has been prepared for other investments whose locations remain to be determined later, including for the truck scrapping yard, vehicle inspection center, and offices. Documents have been disclosed within Togo and at the World Bank’s InfoShop.

80. **During the implementation phase, and well before the start of the scrapping process, the ESIA will be prepared by the selected operator of the truck scrapping organization.** This ESIA will include an Environmental and Social Management Plan (ESMP), which will also be reviewed by the World Bank to ensure that it is in full compliance with the World Bank’s OP/BP 4.01 (Environmental Assessment) and with the Government’s environmental policies and procedures. The mitigation measures proposed in the ESMP will be strictly implemented by a qualified contractor, selected through a competitive process, during the truck scrapping process. An Environmental Audit will be conducted on a regular basis to ensure that the ESMP for the truck scrapping facility is being properly implemented and any unidentified adverse impacts are

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<sup>22</sup> World Bank. 2016. Trucking survey of road transporters.

handled in a proper and efficient manner. Each Environmental Audit Report will be reviewed and validated by both the Government and the World Bank.

### **G. World Bank Grievance Redress**

81. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Results Framework and Monitoring

**Country: Togo**

**Project Name: Trade and Logistics Services Competitiveness Project (P158982)**

### Results Framework

<b>Project Development Objectives</b>							
PDO Statement							
The proposed project aims to improve the efficiency of trade logistics services in Togo.							
<b>These results are at</b>	Project Level						
<b>Project Development Objective Indicators</b>							
		Cumulative Target Values					
Indicator Name	Baseline	2017	2018	2019	2020	2021	End Target
Number of logistics businesses compliant with the reformed legal and regulatory environment (Number)	0.00	0.00	0.00	5.00	10.00	20.00	20.00
Median transit time from Port of Lomé to Cinkanse border (Days)	8.00	8.00	8.00	7.00	7.00	6.00	6.00
Predictability of transit time (Days)	28.00	28.00	28.00	25.00	25.00	20.00	20.00



<b>Intermediate Results Indicators</b>							
Indicator Name	Baseline	Cumulative Target Values					
		2017	2018	2019	2020	2021	End Target
Number of recommended laws/regulations/amendments/codes enacted or government policies adopted (Number)	0.00	1.00	2.00	3.00	4.00	4.00	4.00
Certification programs for transport sector professionals established (Yes/No)	No	No	No	Yes	Yes	Yes	Yes
Number of trucks scrapped per year (Number)	0.00	0.00	0.00	10.00	15.00	20.00	100.00
Number of trips per truck per year on Lomé-Ouagadougou Corridor (Number)	1.70	1.70	1.70	1.70	2.50	4.00	4.00
Number of companies officially registered as part of the 'trusted traders program' (Number)	0.00	0.00	2.00	5.00	10.00	10.00	10.00
Average port dwell time (Days)	8.90	8.90	8.00	8.00	7.00	7.00	7.00
Transport and logistics businesses reporting satisfaction with key aspects of consultation (Percentage)	0.00	30.00	40.00	50.00	65.00	80.00	80.00

### **Indicator Description**

<b>Project Development Objective Indicators</b>				
Indicator Name	Description (Indicator Definition, and so on)	Frequency	Data Source/ Methodology	Responsibility for Data Collection
Number of logistics businesses compliant with the reformed legal and regulatory environment	Logistics businesses refer to transport companies, freight forwarders, and warehouse operators. This indicator tracks logistics businesses complying with the reformed regulations supported by the project.	Biannual	Ministry of Transport, Ministry of Commerce, and Customs	PCU

Median transit time from Port of Lomé to Cinkanse border	Median of transit time of all the shipments leaving the Port of Lomé and heading to Burkina Faso	Biannual	SEGUCE	PCU
Predictability of transit time	Standard deviation of land time of all the shipments leaving the Port of Lomé and heading to Burkina Faso	Biannual	SEGUCE	PCU
<b>Intermediate Results Indicators</b>				
Indicator Name	Description (Indicator Definition, and so on)	Frequency	Data Source/ Methodology	Responsibility for Data Collection
Number of recommended laws/regulations/amendments/codes enacted or government policies adopted	Logistics businesses refer to transport companies, freight forwarders, and warehouse operators. This indicator tracks logistics businesses complying with the reformed regulations supported by the project.	Biannual	Ministry of Transport, Ministry of Commerce, and Customs	PCU
Certification programs for transport sector professionals established	Programs in place for licensing of transport sector professionals	Biannual	Ministry of Transport	PCU
Number of trucks scrapped per year	Number of trucks scrapped per year	Biannual	Ministry of Transport	PCU
Number of trips per truck per year on Lomé-Ouagadougou Corridor	This indicator tracks the average number of trips that a truck completes in a year.	Annual	Ministry of Transport and Ministry of Commerce	PCU
Number of companies officially registered as part of the 'trusted traders program'	This indicator tracks the number of companies that are registered as part of the 'Trusted Traders Program' as defined by the OTR.	Annual	OTR	PCU
Average port dwell time	Average of number of days for shipments to leave the port after arrival	Biannual	SEGUCE	PCU
Transport and logistics businesses reporting satisfaction with key aspects of consultation	Citizen engagement: The PCU will continue to have consultations with stakeholders to ensure satisfaction with reforms.	Annual	Survey	PCU

## Annex 2: Detailed Project Description

### TOGO: Trade and Logistics Services Competitiveness Project

1. **The proposed project will include the following three components:** Strengthening the Logistics Services and the Road Transport Sector (US\$10.7 million equivalent); Improving Trade Facilitation (US\$4.8 million equivalent); and Project Management (US\$2.5 million equivalent). The first component will address the challenge of improving the quality of trade logistics services and the second component is aimed at supporting the implementation of selective TFA provisions with the view to contribute to the overall improvement in the quality of trade logistics services. The project is inspired by the recent experience of the regional DPO to improve trade facilitation on the Abidjan-Ouagadougou Corridor and accompanying TA projects for Côte d'Ivoire and Burkina Faso.<sup>23</sup>

#### **Component 1: Strengthening the Logistics Services and the Road Transport Sector (US\$10.7 million equivalent)**

2. **This component is aimed at improving the performance of the transport and trade logistics services sector.** Given the structure of the sector—being dominated by truck operators and with limited development of other parts of the logistics value chain—there is a strong emphasis on the trucking sector, but it is not exclusive. The project aims at investing in the skill development of the nascent non-transport logistics services. Through Component 1, the project aims to improve the legal, regulatory, and institutional framework for the development of the sector; encourage formalization; build the capacity of the private sector participants throughout the logistics services value chain; and improve the conditions to modernize the truck fleet.

*Subcomponent 1a: Improving the Legal and Regulatory Framework for the Transport and Logistics Services Sector (US\$4.6 million equivalent)*

3. **The project will support the review and update of the legal and regulatory framework, which defines the conditions for entry into the market.** Priority areas of the legal and regulatory framework that need attention are (a) licensing of a number of professional categories within the trade logistics services and (b) access to transport contracts.

4. **The project will fund TA to establish or improve a legal and regulatory framework to define the entry to certain professional categories and to develop an accompanying licensing and certification framework.** It is envisaged that the following professional categories will be covered: trainers for merchandise truck drivers' licensing, drivers for merchandise trucks, owners of transport companies, and freight forwarders.

5. **The project supports capacity building of the public sector to improve the ability to design and carry out reforms.** In particular, the project emphasizes the support to a multistakeholder knowledge-sharing platform to facilitate exchanges on successful and failed

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<sup>23</sup> The Regional Trade Facilitation and Competitiveness DPO (P129282) was approved in May 2015. The Transport Sector Modernization and Corridor Trade Facilitation Project (P156900), which provides an accompanying TA to the budget support, was approved in June 2016.

experiences and innovations. The platform provides both programmatic long-term exchanges between the stakeholders and solutions to ad hoc requests with the view to improve trade logistics in Togo through a participative process. The knowledge-sharing platform will provide the following: (a) regular multistakeholder experience sharing meetings; (b) printed materials; (c) a mobile trade logistics website and app that provide quick access to latest knowledge; (d) knowledge-sharing tools such as text messaging; and (e) development of structured learning offering based on latest innovations, local examples, and cases of successful trade facilitation. Existing platforms such as the National Transport Facilitation Committee will be central to the support.

**6. The legal and regulatory framework in Togo will be developed in close coordination with its neighboring countries in the context of regional trade integration.** A model of these various professional definitions and frameworks has already been developed in Burkina Faso through the regional DPO for Côte d'Ivoire and Burkina Faso. Given the importance of the Lomé-Ouagadougou Corridor for Togo, the Togolese authorities believe it is beneficial to have a framework that is largely harmonized with that of Burkina Faso. The project supports an enhanced policy dialogue as well as peer-to-peer learning of the existing experiences with the neighboring countries, by financing travel and other logistics cost to attend workshops and meetings.

**7. The project will also finance the design and establishment of a registry where information on professionals can be properly recorded.** To ensure the adequate supervision of the sector, once a new legal and regulatory framework is adopted, the project will invest in a registry so that the relevant government agencies—Ministry of Transport or Ministry of Commerce, depending on the sector in question—can monitor the sector. The project will finance both hardware and software necessary for the registry.

*Subcomponent 1b: Building Capacity of the Trade Logistics Services Sector (US\$3.1 million equivalent)*

**8. This subcomponent is aimed at the capacity building of private sector actors in trade logistics.** The subcomponent is composed of the following activities: (a) development/improvement of a certification/accreditation program; (b) development of a vocational training program; (c) provision of professional training/upskilling of professionals already working in transport and trade logistics; and (d) support for formalization. The project will cover a wide range of participants across the trade logistics services value chain, including drivers, managers of trucking companies, freight forwarders, warehouse pickers, warehouse clerks, warehouse operators, customs brokers, and traffic planners.

**9. The project will enhance the relevance of training provided in Togo through developing or improving the certification and accreditation system.** The project will fund TA that defines and classifies trade logistics services competencies and links them to different levels of training to ensure industry-wide recognition of qualifications. The project plans to develop a certification program for drivers, managers of transport companies, customs brokers, and freight forwarders.

10. **These programs will draw extensively from existing models around the world.** Rather than developing every program from scratch, the project will introduce what is already available globally, developed by major international professional bodies, and then adopt their certification and accreditation programs. For the transport sector, a design of the certification system is inspired by the existing model in France and will be consistent with the program to be developed in Burkina Faso under the World Bank-supported regional trade facilitation project. For the logistics services sector, programs from well-established institutions such as the International Federation of Freight Forwarders Associations, Chartered Institute of Logistics and Transport, Council of Supply Chain Management Professionals, the International Customs Brokers Association, and *Bundesvereinigung Logistik* will be studied.

11. **The project will fund the development of a vocational training program.** The training program proposed here is targeted at workers who are not currently performing trade logistics services functions. In particular, the project prioritizes those whose jobs are at risk because of the reforms proposed in the project as well as youth. The activity will provide opportunities for people to develop marketable skills for immediate employment in operational-level jobs in logistics (for example, forklift drivers, and warehouse pickers). This activity is particularly important to address the potential adverse social impacts of the reforms. This subcomponent could also include an institutionalized internship program and the development of a financing mechanism to help young people gain practical skills for enhancing their employability.

12. **The program will finance the delivery of training, for the start-up phase, and support stakeholders to devise plans for financial sustainability over the medium term.** The program entails the financing of training programs that are either run centrally or by a specialized agency, for example, by a certified training agency. Training will be provided for a range of logistics services functions: operational, administrative, supervisory, and/or managerial jobs. The focus will be on operational and administrative functions, for example, traffic planners, customs brokers, freight forwarders, and warehouse pickers. For the transport sector, the objective of the training is to certify attendees to be professional drivers or managers. Given the dire situation of the transport sector, as described in the Context section, businesses will need support to contend with the improved regulatory environment and its obligations. The project will assist private sector actors most affected by the introduction of the sector reform by paying for the training and certification required under the updated legal and regulatory regime. However, stakeholders from both the Government and the private sector will be supported to develop a solution that allows for financial sustainability of the training program. The project will also cover the start-up cost to jump-start the capacity building, by financing equipment and refurbishing training facilities to carry out training for both the transport and non-transport sector.

13. **For the abovementioned activities, multistakeholder collaboration is critical.** The certification/accreditation program and vocational training must be relevant for the targeted industries. The sponsoring ministries—Ministry of Transport, Ministry of Commerce, and Ministry of Higher Education—must work closely together and hand in hand with the private sector that will be employing the trained individuals once they leave the program. In response to this need, the project will support a public-private partnership to promote skills development by coordinating the efforts of organizations involved in logistics, that is, businesses that provide and use logistics services, industry associations, cooperatives, training providers, labor unions,

professional institutes, and government entities engaged in logistics and education/professional training. The project will finance the cost of logistics to organize stakeholder meetings and to undertake communication activities.

14. **The project will support the formalization of the transport sector.** First, the project will finance any additional studies and assessments needed to foster formalization. For example, the Government has requested support to develop an action plan to improve the functioning of the *Cooperative Nationale des Transporteurs du Togo* (National Cooperatives for Transporters in Togo). Second, the project will finance the actual stakeholder dialogues to address challenges of formalization and find solutions. Third, the project will finance a sensitization and communication campaign to ensure that the information on the process and requirement of formalization is properly communicated. Fourth, the project will finance the actual capacity building for all the entities that are taking steps toward formalization. In particular, many informal micro operators are likely to be more successful as an association, and special training and guidance will be provided to those willing and likeminded operators to become successful associations. The capacity building consists of basic legal training, accounting, Business Acumen 101, and so on.

15. **The GoT identified IRU as a TA partner for the capacity building related to the trucking sector.** The IRU is an international association of not-for-profit organizations working in the road and transport sectors in over 100 countries and has a consultative status with the United Nations Economic and Social Council. The World Bank and IRU signed a memorandum of understanding for cooperation in 2012. The IRU Academy is mandated to disseminate professional standards in the transport sector. The organization is well positioned to provide the GoT with the global experience in setting the professional standard of the transport industry. The IRU will support the improvement of the legal and regulatory framework for the transport sector, design the certification system, develop a curriculum for training, build capacity of the training center during the start-up phase, provide operational support to the training center in the initial phase, run capacity-building programs, and support the design and implementation of the formalization program. The IRU will be selected through single-source procurement process, and a management contract will be signed with the IRU.

*Subcomponent 1c: Improving the Conditions to Modernize Trucks (US\$3.0 million equivalent)*

16. **This subcomponent is aimed at improving the enabling environment to provide financing for the modernization of trucks, which is expected to become available in the medium term.** The project provides TA for the introduction of leasing as a financial instrument to support the renewal of trucks. The subcomponent will finance three activities: supporting the introduction of the legal and regulatory framework to allow leasing activities in Togo, building capacity of both the supply and demand sides of the leasing market, improving the system of periodic mechanical checkups to have a way to eliminate extremely old trucks from the market, and introducing a buyback scheme of old trucks.

17. **The project will support the adoption of the UEMOA leasing law and introduction of any necessary legal amendment to encourage leasing in Togo.** The project will fund all the costs of undertaking the processes necessary to adopt the UEMOA leasing law, the review of legal and regulatory gaps to apply the UEMOA law in Togo, and the drafting of the legal

instruments to fill the gaps. The project will also finance all the stakeholder dialogues necessary to move forward with the reforms.

18. **Leasing is a financial tool that could be suitable for financing newer trucks and for which a legal and regulatory framework in Togo is forthcoming.**<sup>24</sup> In other parts of the world, the use of leasing has become quite common.<sup>25</sup> However, such a financial instrument is not available widely in West Africa yet. If adopted, the leasing law prepared by the UEMOA provides a good framework to undertake leasing activities in Togo. In addition, certain aspects can be improved at the national level. First, there is a need for adequate fiscal measures to ensure that leasing is attractive with regard to the taxation of leases. Second, a system to ensure that assets secured by leases can be seized in the event of default needs to be sufficiently developed. Finally, given its novelty, capacity building will be needed for financial institutions to be able to offer such an instrument and for potential borrowers to become attractive to financial institutions (especially in their ability to account for funds and properly manage their activities as a business). Many informal micro-transport operators will need to associate with one another to pool resources and create economies of scale, especially because they are currently unprofitable.

19. **The project will also finance the capacity building necessary to implement the leasing law and start using the financial instrument in Togo.** Financial institutions in Togo—there are seven of them—need to be ready to offer leasing products to their clients. Of the seven, two (Ecobank and Orabank) announced that they already have a plan to roll out leasing in the subregion, including Togo, but there may be other commercial institutions that may be persuaded to consider the product. For the interested financial institutions, there needs to be a capacity-building program to enable them to develop and offer the product. Therefore, the project will finance both sensitization and actual training programs for financial institutions to offer leasing. IFC has solid expertise in the area of designing and implementing TA for financial institutions in the area of leasing. The GoT will work closely with IFC to leverage its expertise.

20. **Potential borrowers also need significant capacity building to be eligible for financing through the leasing mechanism.** The use of leasing still has certain criteria imposed on borrowers, and significant capacity gaps need to be filled. First, potential borrowers must be a formal entity recognized by law. This is why the abovementioned formalization support becomes critical. The World Bank Group's experiences in this area have shown that recently formalized entities are not easily made bankable (see the Lessons Learned section). To remedy this, the project will finance a capacity-building program for potential borrowers to teach the basic requirements to be imposed by commercial institutions and equip them with adequate knowledge and capacity to make them ready for financing.

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<sup>24</sup> Leasing is a contract between two parties wherein one party provides an asset for use to another party for a fixed period in exchange of periodical payment. It is a financial tool often used in the acquisition of equipment, machinery, vehicles, and property. Leasing is based on the premise that income is earned through the use of assets, rather than from their ownership. It focuses on the lessee's ability to generate cash flow from business operation to service the lease payment, rather than on the balance sheet or on credit history.

<sup>25</sup> Leasing penetration rates are 14.5 percent in Tunisia, 13 percent in Morocco, two percent in Sub-Saharan Africa, and 5 percent in Nigeria.

21. **The project will work closely with IFC, through facilitating the dialogue between IFC and the GoT and/or financial institutions.** The project was designed with strong inputs from IFC. Based on the assessment conducted by IFC itself, it was concluded that the transport sector in Togo today is not immediately bankable, and all the measures laid out in this project document will be necessary building blocks to allow more direct intervention by IFC in the future.

22. **To eliminate some extremely old trucks from the market, the project support aims to improve the existing technical visits and inspection of trucks.** The project will fund capacity building for the Ministry of Transport to enforce mandatory, periodic, and mechanical inspection regulations, as well as increasing the actual capacity of scrappage of retired trucks by investing in necessary equipment.

23. **The project will also support the creation of a truck buyback scheme to encourage the current owners of extremely old trucks.** This will include the cost of a consultant to design the scheme by clarifying all the operational details, such as criteria and procedure, as well as the financing to run the actual scheme. It should be noted that the buyback scheme is to be run as an integral part of the abovementioned access to finance through leasing program, and it is not expected to be launched until various capacity-building milestones are met.

#### **Component 2: Improving Trade Facilitation (US\$4.8 million equivalent)**

24. **Component 2 will support the implementation of the WTO's TFA with the view to improve the enabling environment to achieve higher-quality trade logistics services,** including the necessary support to enhance the efficiency of customs administrations as well as other border and trade management agencies to improve overall trade facilitation. Specifically, the component will support the implementation of the new customs code, the improvement of the risk management system, and the regional dialogue to improve transit. The component will be implemented in close coordination with IFC advisory.

25. **The project supports the implementation of the updated customs code, modifying the 2014 Customs Code (which was aligned notably with Revised Kyoto Convention and the TFA).** Once the updated customs code is approved by Parliament, regulations and related operating procedures will be required as well as it being necessary to create awareness and prepare for the implementation of the new legislation as this will affect the operations of stakeholders. Project support is required to work with the various clients (importers, exporters, clearing agents, carriers, warehouse operators, and so on) to prepare for implementation. This would entail stakeholder mapping and needs identification, development of training material per client category, training the trainers, and workshops/training sessions.

26. **The project will fund the capacity building for the customs administration (OTR) on performance monitoring tools, such as Time Release Study (TRS) and others developed by World Customs Organization (WCO) and United Nations Conference on Trade and Development (UNCTAD).** This will entail support to apply the WCO TRS methodology, including workshops and training to measure border agencies and logistics service providers. The TRS and other tools will be used by the OTR for process mapping to review and improve border agencies and logistics service providers' current processes, for transit, clearance, and



export, at the port and the land borders. These new processes will then enable an informed assessment of the need for potential specific equipment such as closed-circuit televisions at ports of entry and barcode scanners to link gate controls with the Automated System for Customs Data (ASYCUDA) World. If deemed necessary, the latter will be financed under the project.

**27. The project will support a holistic risk management program with the following two elements:**

- (a) The first is the development of a methodology and a tool to identify noncompliant behaviors (such as under-invoicing), which is a major concern of the OTR. By capturing the declared values of high duty/risk goods, the OTR will be able to use the valuation control module in ASYCUDA that is not used at the moment. The WCO recently undertook a revenue diagnostic at the OTR and provided recommendations on how this can be done in compliance with WTO valuation agreement. The project's support will be given to implement the recommendations in collaboration with the WCO.
- (b) The second element is the trusted traders program. This program is in line with the TFA Authorized Operator concept and aims to reward high compliance levels with facilitation benefits. According to the OTR, a legal basis has been developed and two pilot companies identified. The project could support the training of audit staff (including the development of a training program); stakeholder workshops (benefits, standards, and methodology); and an assessment of the pilot and mapping of the way forward to expand it and align with the Authorized Operator concept.

**28. Lastly, the project will support Togo's effort to enhance the dialogue with neighboring countries to coordinate the trade facilitation agenda.** JICA is currently financing, through the UEMOA, customs information systems integration between Burkina Faso and Togo. The project will support the Togolese delegation to engage with the Government of Burkina Faso to improve the coordination of customs and other agency activities at the border. The project will also support Togo in reviewing options for monitoring transit trade under the interconnection of customs.

**29. IDA support will be complementary to the TA managed by IFC.** Through the Trade and Competitiveness Global Practice, IFC is implementing a TA program covering the areas mentioned earlier. As it is a World Bank-executed assistance, the project allows to extensively mobilize IFC and World Bank experts on the TFA to provide hands-on assistance to the stakeholders. Specifically, the following areas of support requested by the Government were deemed more appropriate under IFC advisory and excluded from direct World Bank financing:

- **Compilation of trade-related information for the Trade Information Portal.** IFC will support the identification and collection of all information related to trade facilitation procedures and classify and publish them. To complement IFC's support, the present Investment Project Financing will finance equipment and software to establish the Trade Information Portal, if it is deemed relevant.

- **Categorization of commitments under the WTO TFA.** Togo needs to submit the categorization of the WTO TFA commitment to the WTO within one year of the protocol coming into force (February 22, 2017). To do so, the Government needs to organize workshops with all the stakeholders to confirm the categorization including providing technical expertise to assist in the categorization exercise and facilitate discussions. Given the time-sensitive nature of this work, IFC will finance and support the workshops and an expert to facilitate the discussion.

**Component 3: Project Management (US\$2.5 million equivalent)**

30. **The project will establish a small unit to coordinate the implementation of project activities, fiduciary management, M&E, and reporting.** This coordinating unit will be housed in the MOP, a coordinating ministry, and will be staffed by individuals solely employed in the implementation of the project.

## Annex 3: Implementation Arrangements

### TOGO: Trade and Logistics Services Competitiveness Project

#### Project Institutional and Implementation Arrangements

1. **Project implementation period.** The proposed project will be implemented over a period of about five years, with an expected closing date of June 30, 2022.
2. **Implementation arrangements feature several players whose roles will be further detailed in the PIM, the elaboration and approval of which is a condition of effectiveness.** These arrangements consider capacity limitations in the Government and relevant agencies.
3. **The proposed activities require the engagement of several sectoral ministries.** The Ministry of Commerce is responsible for improving the SEGUCE and implementing the WTO TFA (Bali Accord) as well as for fostering vocational training for logistics, while the Ministry of Transport is responsible for formalizing the road transport industry and opening the freight market. The proposed activities are fully aligned with the National Strategy for Road Transport championed by the Ministry of Transport, which will be adopted shortly. The Ministry of Transport already hosts a national committee for transport facilitation, established by the ECOWAS, whereas the Ministry of Commerce has set up a national committee of trade facilitation, dedicated to the implementation of the Bali Accord. Customs falls under the Ministry of Finance through the OTR.
4. **Given the multisectoral nature of the project that requires strong coordination capabilities, the Government authorities designated the MOP as the implementing agency of the project.** In addition to its coordination role in the Government that positions it as a strong candidate to house the project, the MOP has a track record of implementing a similar project (Abidjan-Lagos Corridor Project) that involved the same variety of stakeholders.
5. **Project governance will be structured in two layers:** a two-level Project Steering Committee (PSC) composed of the following:
  - (a) **Strategic Committee.** An SC consisting of ministerial rank officials will be established to provide overall strategic oversight and guidance on project implementation. The SC will review and approve work plans and budgets and serve as the ultimate authority to solve potential impasses that may arise with respect to specific reforms and strategic decisions. The SC will be chaired by the minister responsible for planning and shall also include the ministers responsible for trade, transport, and finance, as well as the secretary general of the President's Office and the OTR general commissioner. The SC will meet every six months.
  - (b) **Technical Committee.** The SC is supported by a Technical Committee (TC) manned by director-level staff who will be more involved in providing technical inputs to project implementation. The TC will supervise project implementation (for example, ensuring that implementation is in line with the objectives and scope of the project, ensuring that the annual work plan to achieve the project objectives is within the agreed time frame and budget, and managing risks and issues that arise during

the project implementation). The Technical Committee will be chaired by the Ministry of Transport and will include representatives from the Ministry of Commerce, OTR, the PCU coordinator, the union of professionals certified by customs, employers' organization, and the recipient's chamber of commerce. The TC will meet on a quarterly basis and ad hoc, as needed.

### **Project Coordination Unit**

6. A PCU will be housed inside the MOP, with a team of dedicated staff, who can be either staff or consultants but solely dedicated to the implementation of the project. The PCU staff consist of a Procurement Specialist, an FM Specialist, an M&E Specialist, a Transport Sector Specialist, a Private Sector Development Specialist, an Environmental and Social Expert, and support staff.

7. The PCU will be responsible for all procurement, disbursement, accounting and FM, M&E, and reporting project progress and ensuring the auditing of project accounts. The Project Coordinator will report to the PSC at least once every quarter on the progress achieved, highlight implementation issues and challenges, and seek guidance and direction from the PSC on project implementation. The PCU will function as the Secretariat to the PSC. The Project Coordinator will also report to the TC at least every two months.

### **Implementation Arrangements for the Components**

8. The PCU will work in close collaboration with the different ministries and agencies involved in the project, as well as with private sector representative bodies and other stakeholders (professional associations and so on), through designated focal points. The focal point in each beneficiary ministry or agency will be responsible for the activity. These agencies/ministries and beneficiaries include the MOP, the Ministry of Commerce, the Ministry of Transport, the Ministry of Finance, the President's Office, the tax authority, and the national statistical agency.

9. The focal point will be responsible for preparation of the component annual work plan, budget, and results to be achieved, including targets; the TOR for hiring TA and technical specification for goods and works to be procured under the component; participation in the procurement process, including updating the PP; M&E of the components; supervision missions; and preparation of periodic reports on component implementation progress.

10. **The GoT identified the IRU as a TA partner for the capacity building related to the trucking sector.** The IRU is an international association of not-for-profit organizations working in the road and transport sectors in over 100 countries and has a consultative status with the United Nations Economic and Social Council. The World Bank and IRU signed a memorandum of understanding for cooperation in 2012. The IRU Academy is mandated to disseminate professional standards in the transport sector. The organization is well positioned to provide the GoT with the global experience in setting the professional standard of the transport industry. The IRU will support the improvement of the legal and regulatory framework for the transport sector, design the certification system, develop a curriculum for training, build capacity of the training center during the start-up phase, provide operational support to the training center in the initial

phase, run capacity-building programs, and support the design and implementation of the formalization program. The IRU will be selected through single-source procurement process, and a management contract will be signed with the IRU.

11. **The GoT identified CITA as a TA partner for the capacity building related to the vehicle inspection mechanisms.** CITA is an international association of vehicle inspection companies, public, private and mixed, working in over 50 countries and has a consultative status with the United Nations Economic Commission for Europe which is the United Nations body in charge of the development of the international transport instruments. The organization is well positioned to provide the GoT with the global experience in setting the technical standard of the vehicle inspections. CITA will support, jointly with the World Bank-managed Global Road Safety Fund, the assessment of the legal and regulatory framework for the vehicle inspections and develop scenarios for sustainable vehicle inspection scheme. Under the program, CITA will build capacity of the Ministry of Transport during the start-up phase, run capacity-building programs, and support the design and implementation of the vehicle inspection mechanism. CITA will be selected through single-source procurement process, and a management contract will be signed with CITA.

**Figure 3.1. Institutional Arrangement**



### **Financial Management, Disbursements, and Procurement**

12. An FM assessment of the PCU, designated to manage the Trade and Logistics Services Competitiveness Project, was carried out in December 2016. The objective of the assessment was to determine whether the PCU has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with due attention to consideration of economy and efficiency. The FM assessment was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Board on March 1, 2010.

13. The FM arrangements are acceptable if they are capable of accurately recording all transactions and balances, supporting the preparation of regular and reliable financial statements,

and safeguarding the project's assets and are subject to auditing arrangements acceptable to the World Bank. These arrangements should be in place when project implementation starts and be maintained as such during project implementation.

14. Overall, the residual FM risk for the project is rated Substantial. It is, however, considered that the FM will satisfy the World Bank's minimum requirements under OP/BP 10.00 (Investment Project Financing) once the mitigation measures mentioned in the FM action plan in table 3.1 have been implemented.

**Table 3.1. FM Action Plan**

No.	Activity/Action	Target Completion	Responsibility
1	Appoint an FM Specialist with experience and qualifications satisfactory to the World Bank.	Before effectiveness	PCU
2	Prepare the PIM, including acceptable financial and accounting procedures.	Before effectiveness	PCU
3	Set up a 'multiproject' computerized accounting system to fit project needs and generate useful information and financial statements.	Not later than 4 months after effectiveness	PCU
4	Appoint the external auditor acceptable to IDA.	Not later than 4 months after effectiveness	PCU
5	Recruit an internal auditor to maintain a sound control environment.	Not later than 4 months after effectiveness	PCU
6	Sign an agreement between the IGF and the PCU for strengthening the internal control system through ex post reviews conducted by the IGF.	Not later than 6 months after effectiveness	PCU
7	Dedicate one of the PCU's qualified staff who will serve as the Project Accountant.	Before effectiveness	PCU

### ***Country Issues***

15. The 2016 Public Expenditure and Financial Accountability assessment revealed the following main weaknesses in Togo's public financial management (PFM) system: (a) budget credibility is poor, particularly concerning expenditures; (b) budgetary coverage and transparency are limited by the high level of off-budget operations (over 10 percent of total expenditures); (c) budgeting experience based on public policies still needs to be improved; and (d) predictability and supervision of budget execution are still limited. The capacities of the state internal audit entities still need to be developed, given the scope of their missions and their areas of responsibility. The accounting and recording of financial data was reorganized in 2009 but the system still requires improvement. The independence of the supreme audit institution is hindered by jurisdictional limitations in the Constitution and the lack of freedom to publish an annual report.

16. The overall inherent risk of the PFM system in Togo is rated High. However, actions are being taken to address all these issues. The GoT is updating the PFM actions plan based on recommendations from various recent studies (Public Expenditure Management and Financial Accountability Report and Public Investment Management) to address the main weaknesses inherent to the country PFM system.

**Financial Management and Disbursements Arrangements**

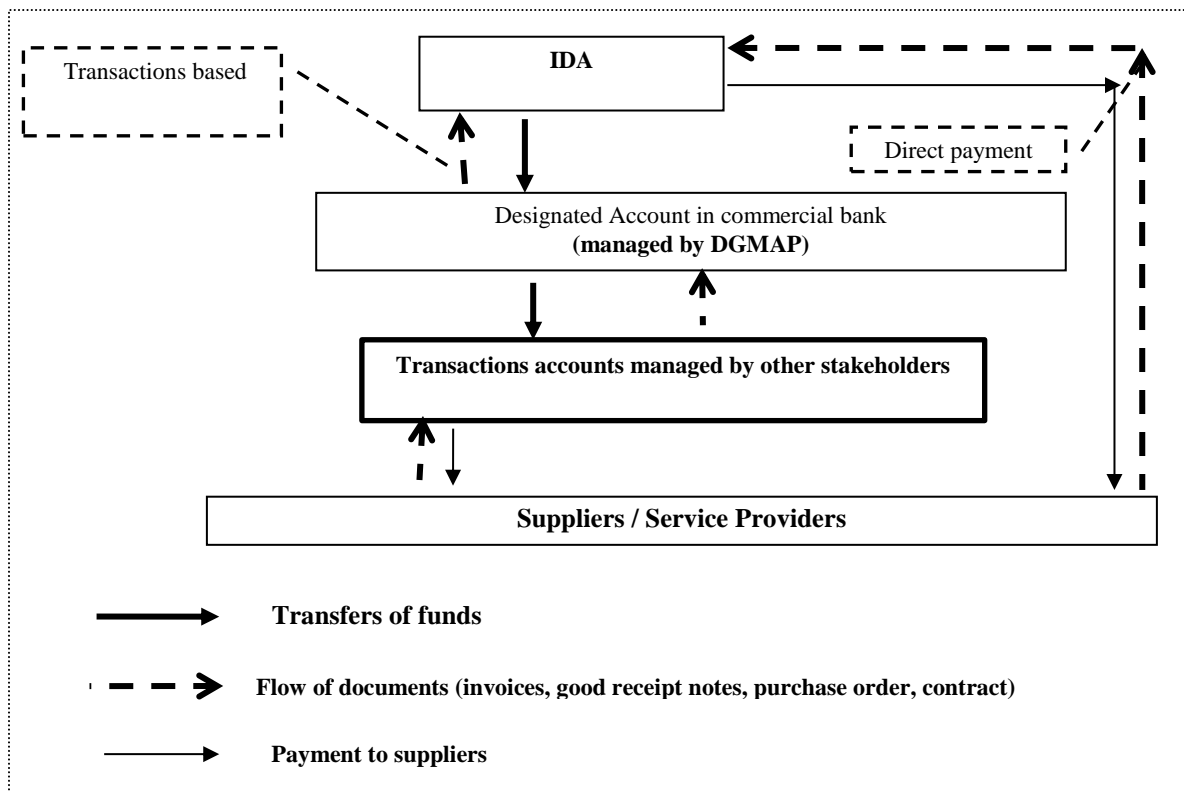
17. The PCU will handle the overall responsibility of the FM aspects of the project, including budgeting, disbursement, FM, reporting, supervision, management of the Designated Account (DA), and auditing.

**Budgeting**

18. The project budgeting process will be clearly defined in the PIM and the budget will be reviewed and adopted by the PSC before the beginning of the calendar year. Annual budgets will be submitted to the World Bank’s no-objection before adoption and implementation. The recipient shall create, and thereafter maintain throughout each calendar year of project implementation, a specific budget line entry in the state budget (especially in the targeted sectoral budgets) to keep track of the corresponding expenditures incurred during project implementation.

**Funds Flow and Disbursement Arrangements**

**Figure 3.2. Funds Flow and Disbursement Arrangements**



**Designated Account**

19. A DA will be opened at a commercial bank acceptable to IDA. Its ceiling is determined as FCFA 600,000,000. The Project Coordinator and the FM Specialist will be the signatories of the DA. The account is set up to fund eligible expenditures based on the approved annual activity plans.

### *Disbursement Methods and Processes*

20. Disbursements under the project will be transaction based. In addition to making advances to the DA, other disbursement methods (reimbursement, direct payment, and special commitment) will be available for use under the project. Further instructions on disbursement and details on the operations of the Withdrawal Applications and Direct Payments will be outlined in the Disbursement Letter and details on the operation of the DA will be provided in the PIM.

21. Table 3.2 sets out the expenditure categories to be financed out of the credit proceeds.

**Table 3.2. Disbursement Categories**

<b>Category</b>	<b>Amount of the Loan (in US\$, million)</b>	<b>Percentage of Expenditures to Be Financed (inclusive of taxes)</b>
Goods, consultants' services, non-consulting services, training, workshops, and operating costs under Component 3	18.0	100
<b>Total</b>	<b>18.0</b>	<b>100</b>

22. **Accounting and reporting.** SYSCOHADA is the assigned accounting system in West African Francophone countries. Project accounts will be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the PCU in accordance with the SYSCOHADA but taking into accounting specificities related to external-financed investment projects. Accounting and control procedures will be documented in the FM Manual.

23. The PCU will prepare quarterly project IFRs reflecting operations of the DA and submit them to the World Bank within 45 days after the end of the calendar quarter. The format of IFRs has been agreed on and comprises the following: (a) report on the sources and use of funds cumulative (project to date, year to date) and for the period, showing budgeted amounts versus actual expenditures, including a variance analysis; and (b) forecast of sources and uses of funds. The PCU will purchase a 'multiproject' computerized accounting system to fit project needs and generate useful information and financial statements.

24. **Internal control and internal auditing arrangements.** FM and administrative procedures will document the FM and disbursement arrangements, including internal controls, budget process, and assets safeguards, and clarify roles and responsibilities of all the stakeholders. In line with the UCS Report, the IGF will oversee the internal audit function of the project. An internal auditor will be recruited to maintain a sound control environment that will be described in the PIM. In line with the Togo UCS Report, the project's internal control system could be strengthened by establishing close collaboration between the IGF and the project's internal audit unit for conducting periodical internal audit review on the project activities.

25. **Annual financial audit.** An external independent and qualified private sector auditor will be recruited to carry out the audit of the project's financial statements. The auditing firm will express an opinion on the annual financial statements and perform the audit in compliance with International Standards on Auditing. A Management Letter detailing observations and



comments, providing recommendations for improvements in the accounting system and the internal control environment, will also be issued. The audit report on the annual project financial statements and activities of the DA will be submitted to IDA within six months after the end of each project fiscal year.

### *Financial Covenants*

- (a) The borrower shall establish and maintain an FM system, including records, accounts, and preparation of related financial statements, in accordance with accounting standards acceptable to the World Bank.
- (b) The financial statements will be audited in accordance with international auditing standards. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the project fiscal year.
- (c) The borrower shall prepare and furnish to the Association, no later than 45 days after the end of each calendar quarter, unaudited IFRs for the project, in form and substance satisfactory to the Association.
- (d) The borrower will be compliant with all the rules and procedures required for withdrawals from the DA of the project.

### *Procurement*

26. As the Project Concept Note was prepared in March 2016, procurement activities will be carried out in accordance with (a) the ‘Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits Grants by World Bank Borrowers’ (Procurement Guidelines), dated January 2011 and revised in July 2014; (b) the ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ (Consultant Guidelines), dated January 2011 and revised in July 2014; and (c) the provisions stipulated in the Financial Agreement. The World Bank’s Standard Bidding Documents and evaluation forms will be used where applicable.

27. All expenditures for procurable items will follow the World Bank’s Procurement Guidelines, dated January 2011 and revised in July 2014, or the Consultant Guidelines, dated January 2011 and revised in July 2014, with PPs acceptable to IDA. Expenditures entirely financed by other financing sources, including government funding, can follow national procurement guidelines.

28. All procuring entities, as well as bidders, suppliers, and contractors, shall observe the highest standards of ethics during the procurement and execution of contracts financed under the project in accordance with the World Bank’s ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated October 15, 2006 and revised in January 2011.

29. **Advertising.** A comprehensive General Procurement Notice will be prepared by the borrower and published in the United Nations Development Business (UNDB) online following the Board approval, to announce major consulting assignments and any International

Competitive Bidding (ICB). The General Procurement Notice shall include all ICB for works, goods, and non-consulting services contracts and all large consulting contracts (that is, those estimated to cost US\$100,000 or more). In addition, a Specific Procurement Notice in UNDB online is required for all works and goods to be procured under ICB. Requests for Expressions of Interest (EOIs) for consulting services expected to cost more than US\$100,000 shall be advertised in UNDB online. An EOI is required in the national gazette or a national newspaper or on an electronic portal of free access for all consulting firm services regardless of the contract amount. In the case of National Competitive Bidding (NCB), a Specific Procurement Notice will be published in the national gazette or a national newspaper or on an electronic portal of free access. Contract awards will also be published in UNDB online, in accordance with the World Bank's Procurement Guidelines (paragraph 2.60) and Consultant Guidelines (paragraph 2.28).

30. **Procurement of works.** Contracts for works estimated to cost US\$5,000,000 equivalent or more per contract shall be procured through ICB. Contracts estimated to cost below US\$5,000,000 but greater than US\$200,000 equivalent may be procured through NCB. Relevant NCB works contracts, which are deemed complex and/or have significant risk levels, will be prior reviewed. Such contracts will be identified in the PPs. Contracts estimated to cost less than US\$200,000 equivalent per contract may be procured using shopping procedures in accordance with paragraph 3.5 of the World Bank Procurement Guidelines and based on a model request for quotations satisfactory to the World Bank. At the minimum, this could be achieved by soliciting quotations through written invitations from not less than three qualified contractors. Direct contracting may be used in exceptional circumstances with the prior approval of the World Bank, in accordance with paragraphs 3.6 and 3.7 of the Procurement Guidelines

31. **Procurement of goods.** Contracts for goods estimated to cost US\$500,000 equivalent or more per contract shall be procured through ICB. To the extent possible and practicable, goods orders shall be grouped into larger contracts wherever possible to achieve greater economy, at the procuring entity level. Contracts estimated to cost less than US\$500,000 but equal to or above US\$100,000 equivalent per contract may be procured through NCB. Contracts for goods and commodities estimated to cost less than US\$100,000 equivalent per contract and contracts for the purchase of vehicles and fuel estimated to cost less than US\$300,000 equivalent per contract may be procured using shopping procedures, in accordance with paragraph 3.5 of the Procurement Guidelines and based on a model request for quotations satisfactory to the World Bank. Direct contracting may be used in exceptional circumstances with the prior approval of the World Bank, in accordance with paragraphs 3.6 and 3.7 of the Procurement Guidelines.

32. **Selection of consultants.** Each contract estimated to cost US\$500,000 equivalent or more will be awarded following the procedure of Quality- and Cost-Based Selection (QCBS). Consulting services estimated to cost less than US\$300,000 per contract under the project will be procured following the procedures of Selection Based on the Consultants' Qualifications (CQS). Selection under a Fixed Budget (FBS) and Least-Cost Selection (LCS) methods will be applied in the circumstances as respectively described under paragraphs 3.5 and 3.6 of the Consultant Guidelines. For all contracts to be awarded following QCBS, LCS, and FBS, the World Bank's Standard Request for Proposals will be used. Procedures of Selection of Individual Consultants will be followed for assignments that meet the requirements of paragraphs 5.1 and 5.3 of the Consultant Guidelines. LCS procedures will be used for assignments for selecting the auditors. Single-Source Selection (SSS) procedures will be followed for assignments that meet the

requirements of paragraphs 3.10–3.12 of the Consultant Guidelines and will always require the World Bank’s prior review regardless of the amount.

33. **Consultancy assignments.** Assignments estimated to cost the equivalent of US\$100,000 or more and engineering design and contract supervisions estimated to cost the equivalent of US\$300,000 or more will be advertised for EOIs in UNDB online and the World Bank’s external website through Client Connection and in at least one newspaper of wide national circulation. In addition, EOIs for specialized assignments may be advertised in an international newspaper or magazine. In the case of assignments estimated to cost less than US\$100,000 for consultancy assignments and US\$300,000 for engineering design and contract supervisions, the assignment will be advertised nationally. The short list of firms for assignments estimated to cost less than US\$100,000 for consultancy assignments and US\$200,000 for engineering design and contract supervisions may be made up entirely of national consultants. However, foreign consultants who wish to participate should not be excluded from consideration.

34. **Operational costs.** These costs financed by the project are incremental expenses arising under the project and based on annual work plans and budgets approved by the Association. Such costs may include office rent and maintenance; utilities (including electricity, water, and gas); communications (including telephone and Internet charges); equipment rent, operation, and maintenance; office materials and supplies (stationery and other consumables but not the purchase of equipment); lease of vehicles, operation, maintenance, and repair; and travel and transport cost of the staff associated with project implementation. These items will be procured by using the procedures detailed in the manual of procedures, which was reviewed and found acceptable to the World Bank.

35. **Capacity building, training programs, workshops, seminars, conferences, and so on.** A number of target trainings and workshops are anticipated under the project to build capacity of implementing agencies to ensure efficient implementation, provide required knowledge, and ensure sustainability. All training and workshop activities will be carried out based on approved annual programs that will identify the general framework of training activities for the year and approved TOR, including (a) the type of training or workshop; (b) the personnel to be trained; (c) the selection methods of institutions or individuals conducting or attending such training; (d) the institutions that will conduct the training; (e) the justification for the training and how it will lead to effective performance and implementation of the project and/or sector; (f) the duration of the proposed training; and (g) the cost estimate of the training. Upon completion of training, a report by the trainee will be required.

36. **Procurement responsibilities and accountabilities.** The PCU under the MOP has the overall procurement responsibility through the recruited Procurement Specialist.

#### *Procurement Prior Review Thresholds*

37. The PP shall set forth those contracts that shall be subject to the World Bank’s prior review. All other contracts shall be subject to post review by the World Bank. However, relevant contracts below prior review thresholds listed in Table 3.3, which are deemed complex and/or have significant risk levels, will be prior reviewed. Such contracts will also be identified in the

PP. A summary of prior review and procurement method thresholds for the project is given in Table 3.3.

38. All TORs for consultants' services, regardless of contract value, shall also be subject to the World Bank's prior review.

**Table 3.3. Thresholds for Procurement Methods and Prior Review**

No.	Expenditure Category	Contract (C) Value Threshold <sup>a</sup> (equivalent US\$)	Procurement Method	Contracts Subject to Prior Review (equivalent US\$)
1	Works	$C \geq 5,000,000$	ICB	$\geq 10,000,000$
		$200,000 < C < 5,000,000$	NCB	None
		$C \leq 200,000$	Shopping	None
		No threshold	Direct contracting	All
2	Goods, IT, and non-consulting services	$C \geq 500,000$	ICB	$\geq 2,000,000$
		$100,000 < C < 500,000$	NCB	None
		$C \leq 100,000$	Shopping	None
		No threshold	Direct contracting	All
3	National shortlist for selection of consultant firms	$C < 100,000$	QCBS; LCS; CQS; other for consulting services	None
		$C \leq 200,000$	QCBS; LCS; CQS; other for engineering and construction supervision	None
4	International shortlist for selection of consultant firms	$C \geq 100,000$	QCBS; LCS; CQS; other for consulting services	$\geq 1,000,000$
		$C > 200,000$	QCBS; LCS; CQS; other for engineering and construction supervision	$\geq 1,000,000$
5	Selection of individual consultants	All values	IC	$\geq 300,000$
6	Direct contracting	All values	—	As agreed in the PP
7	Training, workshops, and study tours	All values	Based on approved annual work plan and budgets	None

Note: CQS will be applied for contracts below US\$200,000; IC = Selection of Individual Consultants.

a. The threshold for shopping is defined under paragraph 3.5 of the Procurement Guidelines and should normally not exceed US\$100,000 for off-the-shelf goods and commodities and US\$200,000 for simple civil works. Based on country-specific needs and circumstances, shopping thresholds for the purchase of vehicles and fuel may be increased up to US\$500,000. The threshold for the use of CQS shall not exceed US\$300,000 other than in exceptional situations, in accordance with paragraph 3.7 of the Consultant Guidelines.

39. **Revision.** The prior review thresholds and other measures to be taken to mitigate procurement risk should be reevaluated once a year with a view to adjusting them to reflect changes in the procurement risk that may have taken place in the meantime and to adapt them to specific situations. In case of failure to comply with the agreed mitigation measures or World Bank guidelines, a reevaluation measure of both types of thresholds, ICB and prior review, may be required by IDA.

40. **Supervision.** In addition to prior reviews to be carried out from IDA offices, the capacity assessment recommended two field supervision missions and at least one procurement post review per year. The Procurement Specialist in the Lomé country office will provide continuous

support to implementing agencies. Independent procurement reviews will be carried out if necessary.

**Table 3.4. Procurement Plan with Methods and Time Schedule**

**(a) Goods**

Ref. No.	Contract (Description)	Estimated Amount (US\$, thousands)	Procurement Method	Prequalification (Yes/No)	Domestic Preference (Yes/No)	Prior Review (Yes/No)	Expected Bid-Opening Date	Start Date	Comments
1	Road transport registry	750,000	ICB	No	No	No	January 1, 2019	March 12, 2019	

**(b) Works**

Ref. No.	Contract (Description)	Estimated Amount (US\$, thousands)	Procurement Method	Prequalification (Yes/No)	Domestic Preference (Yes/No)	Prior Review (Yes/No)	Expected Bid-Opening Date	Start Date	Comments
1	Rehabilitating and equipping a center for training and professionalization of road transport jobs	1,000	NCB	No	No	No	January 6, 2018	March 13, 2018	

**(c) Consultancy Assignments with Selection Methods and Time Schedule**

Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Prior Review (Yes/No)	Expected Proposals Submission Date	Comments
1	Developing and drafting a road safety manual for students, training of trainers, and organizing a road safety awareness campaign for schools and markets along the Lomé-Ouagadougou and Abidjan-Lagos Corridors	280,000	QCBS	No	March 3, 2018	
2	Developing the road safety policy along with a strategy and action plan	200,000	QCBS	No	April 9, 2018	

### *Environmental and Social (including Safeguards)*

41. **Project context.** The proposed project is a TA project. The activities that may induce potential adverse environmental impacts are vehicle scrapping for which the site is not yet identified and rehabilitation of a training center (the site is identified). As such, it is classified as Category B - Partial Assessment, and only safeguard policy OP 4.01 on Environmental Assessment is triggered.

42. **Environmental impacts.** The proposed project is not expected to cause long-term irreversible adverse environmental impacts. An Environmental and Social Management Framework was prepared and disclosed at the InfoShop. In addition, an ESIA for the rehabilitation of the training center was also prepared and disclosed. In addition, an Environmental and Social Management Framework has been prepared for other investments whose locations remain to be determined, including for the truck scrapping yard, vehicle inspection center, and offices. Documents have been disclosed within Togo and at the InfoShop.

43. During the implementation phase, and well before the start of the scrapping process, the ESIA will be prepared by the selected operator of the truck scrapping organization. This ESIA will include an ESMP, which will also be reviewed by the World Bank to ensure that it is in full compliance with the World Bank's OP/BP 4.01 and with the Government's environmental policies. The mitigation measures proposed in the ESMP will be strictly implemented by a qualified contractor, selected through a competitive process, during the truck scrapping process. An Environmental Audit will be conducted on a regular basis to ensure that the ESMP for the truck scrapping facility is being properly implemented and any unidentified adverse impacts are handled in a proper and efficient manner. Each Environmental Audit Report will be reviewed and validated by both the Government and the World Bank.

44. The main environmental benefit of the proposed project is observed in the activity of the truck-scrapping scheme and renewal of fleets. By scrapping old trucks and introducing new and greener fleets, it contributes to the reduction of greenhouse gas emissions.

### *Social Impacts*

45. The main adverse impact is the need for land acquisition for a scrapping site and a vehicle inspection center (if the Government chooses to start a new center). The project will require land; however, the exact location is not yet known. An RPF was prepared in accordance with national laws and policies and World Bank OP 4.12 on Involuntary Resettlement and is based on consultations with the main stakeholders. This RPF describes the potential impacts and affected populations, the consultation process, the mitigation measures, and budget, as well as the implementation and monitoring arrangements. This will help in identifying project impacts, facilitating consultation with various stakeholders, developing necessary mitigation measures, and putting in place implementation arrangements. During the implementation, the project planning will include a social assessment and the development of a Resettlement Action Plan.

46. Another expected adverse impact might be the risk of loss of income for untrained, non-professional drivers, who work under precarious and unsafe conditions, often without contract or insurance. Overall, the number of informal job losses will likely be more than compensated by

shift to the formal sector and creation of new trade-related jobs in a medium term. In a short term, those operators whose jobs are at high risk will be prioritized for the reskilling program financed by the project. In addition, recognizing the risk, the Government plans to sponsor the revision of the collective labor agreement for the transport sector to address the systemic issue and requested EU for support. Related to this, more efficient border crossing procedures will have an indirect adverse effect on businesses and service providers who currently benefit from truckers spending hours of idle time at and around the border crossings. The Government has already been working on the sensitization of the community, in partnership with EU and JICA, the two donors who have been active in addressing the border crossing issue. The proposed project will join this effort.

47. The project is expected to improve the transportation conditions with the acquisition of new trucks and will facilitate the community benefit for goods and services delivery.

48. However, in the case where adverse impacts are associated with land acquisition and potential inconvenience on road traffic and crossing, these concerns will be discussed with the design engineers and they will be incorporated into the technical design during implementation. All necessary mitigation measures and alternatives will be taken in consultation with the communities.

### ***Monitoring and Evaluation***

49. The PCU, with support from the Ministry of Transport, Ministry of Commerce, SEGUCE, and OTR, will be responsible for M&E of the project outcomes against agreed indicators, as described in the Results Framework. The project's institutional strengthening activities include supporting the Ministry of Transport in upgrading its registry and other data collection mechanisms. A trucking survey has served as a useful instrument to gather baseline data for the project, and it is envisaged that the same survey instrument will be deployed throughout the project life cycle.

50. The GoT and the World Bank Group will evaluate progress on the indicators presented in annex 1 (Results Framework and Monitoring) through regular reporting (quarterly and annually) by the PCU and implementation support missions. The PCU will collect and present data on project indicators and core sector indicators. The PCU will hire an M&E Specialist, who will be responsible for this work, which will be funded by Component 3 (Project Management). The M&E Specialist will support the agencies involved in the project implementation in systematically recording the information needed to monitor the project's Results Framework.



## Annex 4: Implementation Support Plan

### TOGO: Trade and Logistics Services Competitiveness Project

#### Strategy and Approach for Implementation Support

1. The strategy for implementation support describes how the World Bank Group and other development partners will support the implementation of the risk mitigation measures and provide the technical advice necessary to achieve the PDO. It was developed based on the nature of the project and its risk profile. Supervision and field visits will be carried out semiannually and focus on the following:

- (a) **Close coordination between the World Bank Group, the implementing agencies, and partners.** The World Bank Group task team will bring a comprehensive set of instruments and expertise to advise on project activities and implementation. It will work closely with the implementing agencies to ensure project success.
- (b) **Technical.** The task team will review and supervise the execution of the project with partner institutions to ensure that activities are implemented in line with the PDO and make adjustments to the design and PP when necessary. Ongoing support for M&E will be provided to strengthen the World Bank's and the PCU's ability to both monitor project progress and assess the impact of interventions.
- (c) **Fiduciary.** The World Bank's FM and Procurement Specialists will (i) support the PCU in its familiarization with World Bank guidelines and procedures, (ii) prepare PCU staff to work with the Procurement Guidelines, (iii) ensure the PCU's capacity to manage flow of funds and accounting procedures in line with FM guidelines, and (iv) work with the PCU in building its overall FM and procurement capacity to improve and facilitate project management. Supervision of the project's FM arrangements will be conducted semiannually. Implementation support will focus primarily on contract management and in improving proficiency and efficiency in implementation, according to the World Bank guidelines; reviewing procurement documents; and monitoring procurement progress against the detailed PP.
- (d) **M&E.** The World Bank Group will review the updated Results Framework submitted quarterly by the PCU during the supervision mission or as a desk review. The Task Team Leader (TTL) will discuss the progress and deviations with the PCU to identify any areas where additional help from the World Bank Group is needed. The TTL will facilitate the use of the M&E data to promote awareness of the project results.
- (e) **Client relations.** The TTL and the team will (i) coordinate World Bank supervision to ensure consistent project implementation, as specified in the legal documents (that is, Financing Agreement and Project Operations Manual), and (ii) interact regularly with the client and PCU to gauge project progress in achieving the PDO and address implementation bottlenecks as they may arise.

- (f) **Safeguards.** World Bank environment and social specialists and consultants will work with the PCU in the implementation of the Environmental and Social Management Framework and will (i) support the PCU and stakeholders with familiarization of the World Bank’s instruments; (ii) ensure the PCU capacity to undertake social and gender analysis and develop mitigation approaches; and (iii) ensure regular and close supervision of progress and implementation of these plans.

## Implementation Support Plan

**Table 4.1. Implementation Support Plan**

Time	Focus	Skills Needed	Number of Trips	Resource Estimate (Staff Weeks)
First 12 months	Project management, coordination, and supervision	TTL	4	10
	FM experience, knowledge of World Bank FM norms, and training	FM Specialist	0	4
	Procurement experience, World Bank’s procurement norms knowledge, and training	Procurement Specialist	0	3
	Environmental and safeguards, World Bank norms knowledge	Environmental/Safeguards Specialist	2	3
	Implementation support and monitoring	Trade, Transport, Logistics, and Customs Specialists	6	6
12–48 months	Project management, supervision, and coordination	TTL	4 per year	8 per year
	FM (FM reviews and supervision, training, and monitoring)	FM Specialist	0	4 per year
	Procurement management (reviews and supervision, training as needed)	Procurement Specialist	0	4 per year
	Environmental and safeguards (supervision and monitoring, training as needed)	Environmental/Safeguards Specialist	2 per year	4 per year
	Implementation support and monitoring	Trade, Transport, Logistics, and Customs Specialists	4 per year	6 per year

**Table 4.2. Skills Mix Required**

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL	16	34	Based in Côte d’Ivoire
FM Specialist	0	16	Based in Côte d’Ivoire
Procurement Specialist	0	15	Based in Benin
Trade, Transport, Logistics, and Customs Specialists	18	24	Based in Washington, DC
Environmental and Safeguards Specialist	8	15	Based in Côte d’Ivoire

2. Based on the outcome of the FM risk assessment, the following implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout the project’s life.

**Table 4.3. FM Activity and Frequency**

<b>FM Activity</b>	<b>Frequency</b>
<b>Desk reviews</b>	
IFR review	Quarterly
Audit report review of the project	Annually
Review of other relevant information such as interim internal control systems reports	Continuous as they become available
<b>On-site visits</b>	
Review of overall operation of the FM system	Twice per year (implementation support mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit, and other reports	As needed
Transaction reviews (if needed)	As needed
<b>Capacity-building support</b>	
FM training sessions	During implementation and as and when needed

## **Annex 5: Economic Analysis**

### **TOGO: Trade and Logistics Services Competitiveness Project**

1. The economic analysis for this project draws on a vast body of literature and research in the continuum of transport and logistical services with the trade facilitation area. Given the overall project objective of enhancing the quality of trade logistics through transport and trade facilitation reforms, the expected impacts are derived from the following project outcomes:

- (a) Compliance of transport operators with the new quality licensing requirements
- (b) Reduced logistics and transport costs and time along the trade corridor
- (c) Increased reliability of international shipment delivery times

2. The project aims to improve the efficiency of trade logistics services in Togo through, first, professionalizing the road transport sector, building the capacity of relevant public and private sector actors, and facilitating the renewal of Togo's fleet of trucks, and second, improving trade facilitation, particularly import/export and transit clearance procedures. The latter is expected to reduce port dwell time of merchandise in Lomé as well as transit time to Burkina Faso on the Lomé-Ouagadougou Corridor. Reduced idle time increases the efficiency of trucks by improving the annual distance traveled per truck, thereby improving their revenues. As a result of these improvements, it is expected that (a) the total time to import in Togo will go down, generating cost savings for private sector buyers and sellers and (b) the frequency with which shipments reach consignees within expected or scheduled delivery times will improve, generating additional cost savings from reduced uncertainty. Cost savings could then be passed on to consumers and producers through a reduction in the prices of consumer goods and intermediate goods, respectively.

3. Through professionalizing the road transport sector, building the capacity of relevant public and private sector actors, and facilitating the renewal of Togo's fleet of trucks, the project aims to improve the quality of transport and logistics services in Togo. Through improving trade facilitation, particularly import/export and transit clearance procedures, the project is expected to reduce port dwell time in Lomé as well as transit time to Burkina Faso on the Lomé-Ouagadougou Corridor. Reduced idle time increases the efficiency of trucks by improving the annual distance traveled per truck, thereby improving their revenues. As a result of these improvements, it is expected that (a) the total time to import in Togo will go down, generating cost savings for the private sector, and (b) the frequency with which shipments reach consignees within expected or scheduled delivery times will improve, generating additional cost savings from reduced uncertainty.

4. The analysis considers the following: (a) the costs to the Togolese economy, (b) the benefits to the Togolese economy, and (c) the benefits to landlocked economies (namely Burkina Faso).

## Costs to the Togolese Economy

5. The analysis considers the following three cost categories related to the project:
- Project costs.** The costs of US\$18 million are assumed to be disbursed along an S-shaped curve over the project lifetime of five years.
  - Lost wages from employment reduction.** Reduced idle time for trucks, coupled with the introduction of quality licensing under the new regulatory and legal regime (including on the physical condition of trucks through mechanical checkups), is expected to increase the efficiency of trucks, thereby decreasing the number of active trucks in Togo's road transport sector. The reforms will also change the composition of truck operators, which will eventually comprise more formal sector operators than informal sector operators. Formal sector operators have different characteristics from informal sector operators, including with regard to the number and types of jobs per truck (see Table 5.1 for a list of assumptions). While the reforms may initially lead to a loss of jobs, assuming the truck fleet will decrease by five percent per year over five years starting two years after the beginning of the project, this will eventually be offset by new and better paid jobs created by formal sector operators. Job losses over the first ten years after the beginning of the project will result in US\$3.8 million in lost wages.<sup>26</sup>
  - Lost activity at the border crossing.** Activities at the border crossing supported by other donors and required to complement impacts from this project are expected to reduce the border crossing time. Assuming, as a result, truckers will now spend one less day in Cinkanse, and assuming a trucker spends on average US\$10 per day at the border on food and other expenses, it is expected that over US\$1 million per year in economic activity will be lost from 300 trucks crossing the border every day.<sup>27</sup>

**Table 5.1. Assumptions Used in Calculating Impact on the Road Transport Sector**

	Without the Project		With the Project	
	Domestic Transport	Transit Transport	Domestic Transport	Transit Transport
Annual change in truck fleet (%) <sup>a</sup>	0		-5 (over five years)	
Share of formal sector trucks (%) <sup>a</sup>	15		40 by Year 7	80 by Year 7
Direct formal sector employment (employees per truck) <sup>b</sup>	1.5			
Direct informal sector employment (employees per truck) <sup>b</sup>	2.2			
Direct formal employment wages (CFAF per month) <sup>c</sup>	70,000			
Direct informal employment wages (CFAF per month) <sup>c</sup>	50,000			

Source: a. Task team assumption; b. Nathan Associates study; c. Trucking survey commissioned as part of project preparation.

<sup>26</sup> Similar job effects will occur for indirect employment in the sector, which includes parts suppliers, mechanics, and others whose jobs depend on trucking.

<sup>27</sup> JICA impact study on joint border posts.

## Benefits to the Togolese Economy

6. **Improved trade competitiveness.** Reduced port dwell time owing to trade facilitation reforms and the resulting efficiency gains for trucks (coupled with a younger truck fleet that is more efficient and breaks down less frequently) are expected to reduce the time to import in Togo. Assuming a three percent reduction per year over five years from the current 29 days to import,<sup>28</sup> a four-day reduction is expected by Year 7. Time reduction translates into cost savings of US\$14.4 million for firms by reducing inventory costs, spoilage costs, capital carrying costs, and the cost of documentation. Cost reductions are expected to improve trade growth through trade elasticity by 0.25 percent per year by Year seven over and above the expected growth rate<sup>29</sup> (see Table 5.2 for the assumptions used in this calculation). While not included in the analysis, improved trade competitiveness and growth would lead to additional job creation in the Togolese economy. Cost savings could then be passed on to consumers and producers through a reduction in the prices of consumer goods and intermediate goods, respectively.

7. **Reduced uncertainty.** Reduced delays in shipments are expected to increase the frequency with which shipments reach consignees within scheduled or expected delivery times, thereby improving reliability and reducing the cost of uncertainty for firms. Uncertainty leads to hedging costs for traders who need to plan for overstocks to avoid empty shelves or interruptions in production (when products are an input into a productive process). Assuming the difference between the maximum delivery time (taken to be the five percent worst-case scenario) and the minimum delivery time (taken to be the five percent best-case scenario) is reduced from 27 days to 18 days by year seven, there will be cost savings of US\$10.9 million owing to reduced hedging costs for firms. The formula used to calculate hedging cost is as follows (see Table 5.3 for assumptions used):

Hedging cost = Value of goods<sup>30</sup> × (Maximum delivery time – Minimum delivery) × Daily interest rate

**Table 5.2. Implied Trade Cost Savings Calculation Assumptions**

	Without the Project	With the Project
Annual reduction in the number of days to import (%)	0	3
Attribution factor for trade facilitation	—	0.1
Share of trade affected by trade facilitation reform	—	1
Firms' willingness to pay for time reduction in trade (% of value of goods)	—	0.6
Trade elasticity	—	1

*Source:* Guidelines for calculating the Implied Trade Costs Saving Indicator. World Bank Investment Climate Unit. December 2014.

## Benefits to the Landlocked Economies

8. **Reduced uncertainty.** Similar to the benefits to the Togolese economy, reduced delays and uncertainty will also benefit transit imports to landlocked countries, namely Burkina Faso

<sup>28</sup> Doing Business 2016.

<sup>29</sup> Assumed to be eight percent per year based on historical World Bank data from 1960 to 2015.

<sup>30</sup> Goods refers to containerized goods, for which hedging uncertainty is relevant.

(for which a significant share of transit imports goes through Lomé). This will yield an additional US\$9.7 million in benefits from reduced hedging costs for firms.

**Table 5.3. Hedging Costs Calculation Assumptions**

	Without the Project		With the Project	
	Togo Imports	Transit Imports	Togo Imports	Transit Imports
Maximum delivery time (days)	30	35	21	27
Minimum delivery time (days)	3	3	5	5
Interest rate (%)	20			
Number of days in a year	365			
Twenty-Foot Equivalent Unit (TEU), 2015 as of end of June <sup>a</sup>	36,328	21,943	36,328	21,943
Average value of TEU (US\$)	10,000			

Note: a. Port of Lomé data.

9. Beyond the benefits listed above, additional benefits not considered in the calculation of the ERR include (a) improved profitability for trucking companies given the efficiency gains from the project (likely to be reinvested in the companies in the form of new trucks or better facilities); (b) increased revenues for the OTR from more formal (and more profitable) trucking companies that are paying corporate income tax and from additional customs duties from improved trade growth; and (c) reduced number of road accidents caused by old trucks that break down on the road and a related reduction in road maintenance costs (also thanks to improved awareness around road safety).

10. To calculate the total net benefits from the project, the analysis considers a 10-year horizon, assuming the fleet size and trade reforms stabilize in Year 7, and uses a 10 percent discount rate to obtain the NPV and ERR. Costs include the project costs, the loss of wages from direct employment, and the lost activity at the border. Benefits include trade cost savings from time reduction and reduced uncertainty. Based on these inputs, the project NPV is estimated at over US\$13 million, with an ERR of 36 percent.

### Sensitivity Analysis

11. A sensitivity analysis on the key assumptions above (see Table 5.4) reveals robust results with positive NPVs in all scenarios. The results are most affected by changes in the assumptions related to trade cost savings.

**Table 5.4. Sensitivity Analysis on Key Assumptions**

Change in Assumption	NPV (US\$)	ERR (%)
Truck fleet decreases by 10% per year	10,546,243	31
Formal sector wages similar to informal sector wages	11,827,055	33
Higher spending per truck at the Cinkanse border (US\$15)	11,039,813	31
Slower reduction in the time to import (2% per year)	8,809,646	28
Higher uncertainty in shipment delivery time for Togolese imports (maximum 25 days)	8,617,603	27
Higher uncertainty in shipment delivery time for transit imports (maximum 30 days)	9,826,642	30

**Annex 6: Analytical Framework for Regional Trade Facilitation (Extract from Abidjan-Ouagadougou Corridor DPO - P129282)**

**A - Professionalizing and Formalizing the Trucking Industry**

***A1 - Business-enabling environment promoting professionalization and formalization of the trucking industry***

1. Free and uncontrolled access to the freight industry by poorly qualified operators is an important impediment to an effective functioning of the transport industries. In addition to distorting the market, the prevalence of nonprofessional transporters operating dilapidated equipment outside any constraining regulatory framework or strict standards causes considerable safety risks. The current legislation does not contain specific conditions for transport companies to be registered as such nor does it define precisely what a transport company is. For instance, there are no clear boundaries between public (commercial, for third party) and private (for own account) transport.

2. The first step toward professionalizing the trucking industry and helping it become more efficient and profitable is to ensure that transport companies are efficiently managed (by defining and enforcing strict criteria for access to the profession, including professional competence) and operate trucks in good condition (by imposing technical criteria for the truck fleet) and ensure that those trucks are driven by properly trained drivers (by requiring theoretical and practical training for the driving license). The reform of access to the profession is in line with best international practices. It does not aim at restricting access to the market but rather at ensuring a level playing field for all operators who can meet essential criteria and letting market forces match the supply and demand for transport services.

**Table 6.1. Modes, Nodes, Information, and Procedures**

Modes		Nodes	Information and Procedures	
<b>A - Professionalizing and formalizing the trucking and logistics industries</b>	<b>B - Modernizing the organization of the trucking and logistics markets</b>	<b>C - Enhancing the competitiveness of maritime and inland gateways</b>	<b>D - Improving customs clearance</b>	<b>E - Facilitating transit</b>
A1. Legal and regulatory framework	B1. Transport contract	C1. Regulation of the terminal concessions (port and dry ports)	D1. Single Windows and TIP (IFC)	E1. Interconnection of customs (JICA)
A2. Structuring industry representation	B2. Bilateral transport agreements	C2. Improving platform operations (access and port-city interface, land-port interface)	D2. Promoting compliance: risk management and AEO for traders	E2. Transit regimes (guarantee, interoperability of GPS tracking) (JICA)
A3. Promoting compliance (axle load, road safety, and so on)	B3. Support to fleet modernization	C3. Promoting containerization to the hinterland	D3. Promoting compliance: ethics and governance for public officials	E3. One-stop border posts



## ***A2 - Professional organization representing the trucking industry***

3. Reform of the legal and regulatory environment of the trucking industry needs to be accompanied by support for the industry to adjust to the new environment and meet the new criteria. In this context, it will be important to foster effective representation of the industry.

## ***A3 - Implementation of axle load regulations***

4. The systematic violation of rules and regulations by truckers is creating significant distrust between enforcement agencies and the trucking industry. Most notably, these violations are used as a justification for the large number of roadblocks established by police and security forces, which impede traffic and increase costs by creating opportunities for bribery and corruption. Although the impact of road blocks on the trade costs is not as large as that of other factors, roadblocks create delays and are an important governance indicator. At the same time, effective axle load enforcement is critical to ensure the sustainability of the road infrastructure, reduce maintenance costs, improve the efficiency of the fleet, and increase safety for truckers and their freight.

5. For operators to be willing to comply with axle load limits and other legislation, they need to be certain that their competitiveness will not be undermined by other operators who take advantage of loopholes to avoid compliance. Hence, effective control of axle load limits will need to be preceded by reform of access to the profession. In addition, given that vehicles are currently old and below minimal technical standards, and that overloading is still largely perceived as a quick win, fleet renewal will be a further crucial prerequisite. Consequently, effective enforcement of axle load compliance is a medium-term objective.

## **B - Modernizing the Organization of the Trucking Market**

### ***B1 - Efficiency of road transport operations through better contractual relations between trucking companies and shippers***

6. Promotion of greater efficiency of transport operations will require (a) measures to improve the transparency of transport prices; (b) measures to promote formal contractual relations between shippers and carriers; and (c) a new agreement between Côte d'Ivoire and Burkina Faso governing the carriage of goods by road between the two countries, including the allocation of freight among their operators.

### **Freight Exchange**

7. The gap between trucking costs and prices paid by shippers for trucking services has been highlighted in several studies on trade costs in West Africa. This gap has been attributed to opaque practices for access to freight, resulting from a combination of methods such as the queuing system for trucks (*tour de role*), quota systems, oligopolistic behavior, multiple intermediaries with predatory behaviors, and lack of professionalism among stakeholders. As a result, the supply and demand for transport services are not efficiently coordinated and are subject to various distortions, and road transport prices are not transparent.

8. At the UEMOA level, consensus has been reached on how to develop matching mechanisms between supply and demand through freight exchanges (*bourses de fret*) that will eliminate unnecessary intermediaries between shippers and truckers. As a result, trucking prices will decline, while the share of revenue directly collected by truckers will increase. The World Bank has supported this effort through the development of a pilot freight exchange mechanism in Burkina Faso. The freight exchange targets the market structure and also the operational challenges of the logistics chain. It will facilitate transport by reducing the number of empty backhauls and the time between trips through (a) faster access to freight and (b) prices received by the trucking company broadly in line with marginal cost, as a result of the elimination of the commissions retained by intermediaries.

### **Contractual Relations between Shippers and Carriers and Issuance of Consignment Notes**

9. International best practices such as the Convention on the Contract for the International Carriage of Goods by Road recognize the desirability of standardizing the conditions governing such contracting, particularly with respect to documentation, and to the liability of the carrier. Such standardized conditions apply to every contract for the carriage of goods by road for reward (commercial transport). In general, they are applied to international transport, but they could be equally applied to domestic transport, especially in countries where formal contracts do not exist. A legal framework for consignment notes exists in West Africa, in the form of regional regulations.

#### *Revised Bilateral Agreement*

10. Regional and bilateral road transport conventions and agreements aim at facilitating the cross-border provision of trucking services. However, the current instruments are no longer fully appropriate, as they focus on limiting the conditions for access to freight rather than facilitating the provision of regional trucking services. A new bilateral agreement should include (a) a comprehensive set of measures covering transport regulation; (b) principles of liberalization of transport trade; (c) harmonized and simplified requirements, including those not directly related to transport, such as insurance and security rules; and (d) an effective institutional arrangement.

#### ***B2 - Efficiency of road transport operations through a more efficient truck fleet***

11. Currently, only a limited number of trucking companies and individuals are in a position to conduct trucking businesses in a manner that would allow the purchase of new trucks, even under an assisted (subsidized) scheme. However, meeting the new criteria will require the purchase of new trucks, given that most trucks are excessively old.

### **C - Enhancing the Competitiveness of Maritime and Inland Gateways**

#### ***C1 - Port and terminals operational efficiency and prices***

12. Several crucial logistics services at the maritime gateway are provided by operators in an oligopolistic market structure, without proper regulation. This enables them to maintain stricter control of their shipping assets, such as containers, given that third-party logistics providers are likely to pay less attention to the return of containers. To remedy this situation, it will be

necessary to open the market for deliveries to third-party trucking companies that offer a sufficient level of confidence.

## **D - Improving Customs Clearance**

### ***D1 - Availability of information on trade procedures and regulations***

13. International trade is governed by an increasingly complex corpus of regulations, notices, and rules from different agencies. Compliance presupposes that this information is available for traders and logistics operators and is correctly used. To address that issue, the UEMOA is developing a regional framework for a network of Trade Information Web Portals that will make trade regulations available to users. Also, the recent WTO Agreement on Trade Facilitation has set up a framework of mandatory rules for clearance and transit.

14. As the objective is to make information available to traders, the measure of success is the volume of information accessible through the portal. Moreover, to assess whether that information is useful to the traders, the portal could include a survey module that would guide further developments.

### ***D2 - Customs clearance procedures and reward of compliance***

15. While complex and pervasive controls hinder the smooth movement of goods, control agencies in West Africa are reluctant to eliminate the abundance of controls, principally because of the generally low level of compliance of traders and transport operators in the region with the rules in place. However, this low level of compliance is precisely the outcome of the market distortions discussed above, which create a low-productivity equilibrium as well as incentives for noncompliance, especially the overloading of trucks. Public agencies have, until recently, been quite reluctant to implement differentiated procedures and incentives for different operators, such as fast lanes at borders or white lists. Compliant operators face an uneven playing field and are caught up in this inefficient environment, which is detrimental to trade as a whole. Investors are also affected, since they have to face a system that is not compatible with their way of doing business in other regions and/or face a premium in terms of logistics costs. Lack of incentives is also preventing the growth of local businesses in trade and logistics services.

### ***D3 - Professional standards for customs and logistics service providers***

16. The role of border management agencies, notably customs, has been evolving from a pure control focus to a more balanced approach that includes trade facilitation. The environment for these agencies is also changing with the deepening of regional integration and the increased reliance on IT tools. The professional capability of border agencies' personnel not only affects the documentation flow at the gateway and inland offices but also directly affects the operations of the trucking industry, through delays that occur during border crossings and customs checks. In addition to this, unethical behaviors by some customs officials represent a source of unofficial cost and uncertainty for traders. Likewise, customs brokers are often poorly trained and do not comply with regulations and procedures, which is a source of errors, delays, and revenue loss for customs. This justifies the need for reforms aiming at improving professional standards for both customs officials and brokers, including by strengthening controls. A comprehensive capacity-building program should also accompany the reforms. This would promote a balanced role for

border management agencies and ensure a high level of compliance with the existing regulatory framework while facilitating trade and enhancing the competitiveness of the region.

## **E - Facilitating Transit**

### ***E1 - Border crossing procedures***

17. Border crossings in Africa are notoriously difficult, and regional economic communities have developed programs to remedy the situation by converting the main crossings into joint facilities and fostering cooperation among border management agencies. Joint border facilities have an infrastructure dimension, but the most important efficiency gains are in the coordination of border crossing procedures across agencies and countries and the reliance on IT, to reduce transit and transport times.

### ***E2 - Transit regime***

18. The transit regime is a mechanism that enables goods to proceed from the maritime gateway to the location where the final clearance takes place while the payment of the duties is suspended (whether inland in the coastal country or at a remote destination in a landlocked country). The regime ensures the protection of customs revenue in the case of diversion of the goods. In the present system in West Africa, the transit regime is a succession of national insurance schemes that, from the perspective of customs, does not provide sufficient protection against revenue loss. With a view to preempting losses, customs administrations therefore secure revenue through multiple controls and checks.

## **Annex 7: Key Guiding Documents for the Project's Design**

Facilitating trade in West Africa, including Togo, is challenging. The proposed project is informed by the following diagnostics:

- Transport and Logistics Costs on the Lomé-Ouagadougou Corridor (United States Agency for International Development [USAID] 2012)
- Impact of Road Transport Industry Liberalization in West Africa (USAID 2012)
- Growth and Poverty Reduction Strategy Paper 2013–2017 (Government of Togo, published by the International Monetary Fund)
- Logistics Cost Study of Transport Corridors in Central and West Africa (Nathan Associates, commissioned by USAID, 2013)
- Obstacles to Trade in the West Africa Monetary Zone (WAMZ): Promoting Integration within ECOWAS (World Bank 2014)
- Study on Customs Procedures and Operations of the Lomé-Ouagadougou Corridor (JICA 2014)
- Project Appraisal Document for Regional Trade Facilitation and Competitiveness Development Policy Operation (World Bank 2015)
- Fragility Assessment (World Bank 2015)
- Connecting Food Staples and Input Markets in West Africa (World Bank 2015)
- Poverty and Social Impact Assessment of Road Transport Reforms Along the Abidjan-Ouagadougou Corridor (World Bank 2015)
- Logistics Performance Index (World Bank 2016)
- Making the WTO Trade Agreement Work for SMEs (United Nations 2016)
- Leasing Feasibility Study in Togo (IFC 2016)
- Trucking Survey in Togo (World Bank 2017)
- Systematic Country Diagnostic for Togo (World Bank 2016)
- Draft Country Partnership Framework for Togo (World Bank 2017)