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**COUNTRY RE-ENGAGEMENT NOTE**

**A JOINT FRAMEWORK FOR STRENGTHENING  
INTERNATIONAL ASSISTANCE**

**FOR**

**THE REPUBLIC OF TOGO**

**November 11, 2004**

**The World Bank Group  
Africa Region  
Country Department 13**

**United Nations Development Program- Togo**

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**CURRENCY EQUIVALENTS**  
 US\$ 1.0 = 545 CFA Franc (October 21, 2004)

**GOVERNMENT FISCAL YEAR**  
 January 1 – December 31

**ABBREVIATIONS AND ACRONYMS**

AAA	Analytical and Advisory Assistance
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
CRN	Country Reengagement Note
CSAT	Civil Society Assessment Tool
DSA	Debt Sustainability Analysis
EPPR	Emergency Program for Poverty Reduction
ESW	Economic and Sector Work
EU	European Union
HIPC	Heavily Indebted Poor Countries Initiative
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFG	International Fertilizer Group
IGR	Institutional and Governance Review
IMF	International Monetary Fund
JSAN	Joint Staff Advisory Note
LICUS	Low-Income Country Under Stress
MDG	Millennium Development Goal
NGO	Non-Governmental Organization
OED	Operations Evaluation Department
PER	Public Expenditures Review
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SMP	Staff-Monitored Program
SMT	Security Management Team
TF	Trust Fund
UNDP	United Nations Development Program

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## REPUBLIC OF TOGO

### COUNTRY RE-ENGAGEMENT NOTE A JOINT FRAMEWORK FOR STRENGTHENING INTERNATIONAL ASSISTANCE

#### EXECUTIVE SUMMARY

i. Togo presents the essential elements of a low-income country under stress (LICUS). In the 1980's, it was once a good performer in terms of economic management and poverty reduction. However, since the early 1990's, its development prospects have been adversely affected by protracted political crisis and governance failures that have levied a heavy toll on the economy. The Government's policy and institutional performances have weakened, especially with respect to the management of economic policy, delivery of social services, and efficacy of government.

ii. At the same time, major donors, in particular the European Union (EU), cut off budgetary support in the early 1990's because of concerns regarding human rights and governance in Togo, and have yet to resume full financial cooperation. These donors continue to stress the need to improve the country's democratic system in order to resume their assistance. In the absence of such aid, Togo will be unable to clear its arrears and service its debts to its creditors, particularly multilateral institutions, and would therefore remain cut off from their much needed assistance. Togo has been in non-accrual status with IDA since May 2002.

iii. The Consultations between Government and the EU, under Article 96 of the Cotonou Partnership Agreement, held in April-July 2004, and their follow-up process currently underway, have created an important opportunity for change. Within this framework, the Government committed to specific actions which, if implemented satisfactorily, would help address the root causes of the country's sociopolitical crisis, notably the need to improve respect for democratic institutions, human rights, and the rule of law. As the Government implements these actions, the European Commission is expected to resume financial assistance gradually.

iv. In this context, the Country Reengagement Note (CRN) for Togo provides a joint strategy for the Bank and UNDP reengagement, and a framework for strengthening donor assistance, over the next two years. The CRN proposes three entry points of action to support the country's priorities of overcoming the political crisis, preparing the conditions for economic recovery, and improving social indicators:

- *Building a momentum for sociopolitical change.* The re-engagement strategy will build upon the recent momentum with activities to help improve the sociopolitical situation. While the EU and other bilateral donors will lead the political dialogue and related activities on democratization and human rights, the Bank and UNDP will focus

on governance and civil society engagement, on the basis of their mandates and relative comparative advantages.

- *Preparing the ground for economic recovery and international reengagement.* The reengagement strategy includes activities to help the authorities address fundamental economic management issues which are necessary to resume external financial assistance, notably from multilateral creditors. These activities broadly fit into six categories: (i) strengthening poverty diagnosis, information systems, and statistical capacities; (ii) supporting the PRSP/MDG processes; (iii) strengthening institutional capacity in key ministries; (iv) debt sustainability and arrears analysis; (v) advising on the implementation of an IMF-supported program and HIPC initiative; and (vi) fiduciary assessments and strengthening.
- *Emergency assistance for social services delivery.* The proposed strategy comprises an emergency program which aims at reducing extreme poverty and improving access to basic social services for men, women, and children living under severe deprivation in urban and rural areas. This would be achieved through the implementation of small scale and locally-driven initiatives addressing extreme poverty, urgent needs, and priority services in the fields of basic education, primary health care, HIV/AIDS, social protection and basic infrastructure.

iv. The scope and speed of reengagement under the CRN would depend on the Government's progress towards the resolution of the country's crisis. The planning scenarios are thus based on the political and institutional situation, and on potential progress achieved in the normalization of Togo's relations with its major donors, notably in the context of the Article 96 Consultations with the EU. Conversely, substantial worsening of the sociopolitical situation, due to unsuccessful in-country dialogue prolonging the crisis and increasing the risks of social instability and conflict, would lead to scaling down the proposed activities.

v. The major risks involved in the Togo LICUS initiative are political. Indeed, the Government's commitments under the Article 96 Consultations are key to address the root causes of the crisis and, therefore, are essential conditions for resumption of foreign aid. The proposed reengagement strategy aims precisely at reducing the odds of renewed crisis by supporting implementation of selected commitments, and by preparing the ground for socioeconomic recovery and resumption of external assistance. In addition, there is the risk that Government may fail to establish a track record of policy performance due to uneven implementation of economic reform. This could delay the reengagement process, notably the establishment of the Fund-supported program. Moreover, difficulties in resources mobilization, notably from bilateral donors, could delay the arrears clearance process. To mitigate these risks, the Bank would monitor the Government's program through continued policy dialogue, together with the IMF and other partners. The Bank and other partners will also assist in preparing a credible plan of arrears clearance to be discussed and agreed upon with the main multilateral creditors.

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**INTRODUCTION**

1. Over the last decade, Togo has been trapped in a vicious cycle of socio-political impasse, economic decline, rising poverty, and donor disengagement. Until the late 1980's, Togo was ruled under a one-party system, but in 1991 the country was among the first African states to hold a national conference to introduce a democratic system of government. However, the political process deteriorated into street riots, mass civil disturbances, human rights violations, and an eight-month general strike. Since then, the opposition has boycotted several general elections, and expressed serious concerns about the integrity of all legislative and presidential elections. Most recently, the Parliament adopted amendments to the 1992 Constitution, including the abolition of the two-term limit and the reinforcement of the power of the President of the Republic. This opened the way for President Eyadema to run again, and indeed be reelected for a third term in June 2003. The opposition participated in these elections, but once again denounced their outcome, charging fraud. Overall, the elections were perceived by many stakeholders to lack adequate fairness and transparency, and failed to facilitate national reconciliation. Major donors, in particular the European Union (EU), which had cut off budgetary support in the early 1990's because of concerns regarding human rights and governance in Togo, have yet to resume full financial cooperation. These donors continue to stress the need to improve the country's democratic system in order to resume their assistance.

2. In the absence of such aid, Togo will be unable to clear its arrears and service its debts to its creditors, particularly multilateral institutions, and would therefore remain cut off from their much needed assistance. Togo has been in non-accrual status with IDA since May 2002. Arrears to IDA amounted to US\$53.6 million as of October 15, 2004. Throughout this period, the Bank has remained engaged through analytical and advisory services under the LICUS Initiative. A few partners, notably UNDP and UN specialized agencies, have also remained involved through limited programs, but most bilateral aid programs have been stagnant or scaled down. There has not been any IMF-supported program since 1998.

3. The launching in April 2004 of Consultations between Government and the EU, under Article 96 of the Cotonou Partnership Agreement, has dramatically improved the outlook over the medium term.<sup>1</sup> These consultations represent an important opportunity for Togo to resolve its protracted political crisis and build the foundations for a sustainable socioeconomic recovery through the follow-up process currently underway with the EU. Within this framework, the Government committed to specific actions which, if implemented satisfactorily, would help address the root causes of the country's sociopolitical crisis, notably the need to improve respect for democratic institutions, human rights, and the rule of law.

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<sup>1</sup> The Cotonou Partnership Agreement governs relations between the EU and Africa, Caribbean and Pacific (ACP) countries.

These actions included, *inter alia*, political dialogue with opposition parties and civil society, political freedom, free and fair elections, freedom of press, release of political prisoners, and reform of the judiciary. The EU is monitoring these actions and is expected to normalize relations in stages as Government implements these commitments. The European Commission is scheduled to issue a report on the outcome of the initial 60-day consultation period in November.

4. The Government is well aware of the importance of this process. In the absence of external assistance, and despite the Government's recent moderate macroeconomic policies, public finances have remained unsustainable and the Government has been unable to meet its financial obligations and has continued to accumulate arrears to both domestic and external creditors. Extra-budgetary sources of funding, including the phosphate sector and public banks, have also become tighter. At the same time, poverty has been on the rise. Access and quality of basic services have deteriorated despite the efforts by local communities, NGOs and the private sector to compensate for the failures of public sector to deliver essential services. Given this situation, the Government seized the window of opportunity opened up by the EU Consultations to re-engage with the donor community, including the Bretton Woods institutions.

5. This Country Re-engagement Note (CRN) aims at defining a strategic framework for Bank and UNDP re-engagements in Togo over the next 12 to 18 months. The CRN was designed on the basis of recent political developments and the current socioeconomic and poverty situation. It benefited from extensive consultations with key stakeholders, including government, civil society and donors, and a participatory approach during its formulation process. We will consult further with all parties as we field missions to help the Government formulate its economic reform program. The CRN also builds upon the Bank and UNDP experiences in LICUS countries, and of course in Togo.<sup>2</sup>

6. The report is organized as follows. Part I describes the country context, including recent economic developments, the poverty situation, and an overview of donors' involvement to date. Part II outlines a road map for further engagement under the LICUS Framework, notably the proposed strategic entry points, supporting instruments, expected results, and potential risks, including specific challenges to resume IDA's financing.

## **PART I - COUNTRY CONTEXT : MIXED ECONOMIC PERFORMANCE AND RISING POVERTY**

7. Togo is a low-income country located on the Gulf of Guinea in Western Africa. The population is estimated at 4.8 million in 2002 and is growing at the rapid rate of 2.8 percent a year. In 2002 it had an estimated per capita income of US\$270 and a gross domestic product of US\$1.4 billion. The economy has traditionally depended on primary production and services. Agricultural production is mainly rain-fed and small-scale, with concentrations in staple food crops, cotton, coffee, and cocoa.

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<sup>2</sup> See "Review of the Togo Program", April 21, 2004, Operations Evaluation Department.

8. Togo is an open economy, whose exports, mainly comprised of phosphates, cement, coffee, cocoa and cotton, accounted for 28 percent of the GNP in 2002. This export share was far below the average of 45 percent that prevailed in the eighties. The economic base is fragile as it relies heavily on subsistence agriculture, which is exposed to the vagaries of weather. Volatility in production and world prices, in turn, make export earnings extremely variable and exposes farmers to income insecurity. This volatility can have a large impact on poverty, since over 70 percent of the labor force is employed in the agriculture sector. Trade taxes represent a large portion of government revenues; in 2002, customs taxes alone represented 51 percent of tax revenue. Thus, volatility in the external sector translates directly into shortfalls in government revenues.

9. Togo depends on external aid for the financing of fixed capital formation through the public investment program. Traditionally, over 70 percent of the total investment was public and 80 percent of that public investment was externally financed by grants or loans on concessional terms. Due to the suspension of donor support, the level of public investment dropped from 13.8 percent of GDP in 1990 to 1.4 percent of GDP in 2002. This situation eroded the country's capital stock and slowed down economic growth. Per capita income declined from \$430 to \$310 in constant dollars between 1990 and 2003, and poverty has deepened and broadened throughout the country.

#### A. ECONOMIC PERFORMANCE

10. Over the last decade, Togo's economic performance has been uneven. Periods of growth (1994-97) correspond closely to improved political conditions, better macroeconomic management, and the partial resumption of external aid. Conversely, periods of economic decline (1991-93, and 1998-2001) were correlated with political disruption, poor economic management, and the suspension of donors' assistance. (Annex 2)

11. **Debt.** Togo's debt burden has remained high. The stock of external debt was estimated at \$1.32 billion at end-2003, of which two thirds were owed to multilateral creditors. External debt rose from about 70 percent of GDP at end-1992 to 104.2 percent at end-2003. External payment arrears to official creditors at end-1996 were cleared in 1997, and Togo's last Paris Club rescheduling was in 1998. However, with the withdrawal of most donors from budgetary assistance, arrears to external creditors began to accumulate again during the second half of 1998 and reached US\$ 360 million at end January 2004 (about 20 percent of GDP), including US\$ 69.5 million due to multilateral institutions (including IDA, ADB, EIB, IFAD, BOAD, OPEC-Fund, BADEA, IDB, Islamic Bank). The authorities are in the process of reconciling debt data with creditors, with UNDP support. This would provide key inputs to a forthcoming debt sustainability analysis (DSA) to be prepared with donors' assistance. Domestic arrears have also become a burden to both private sector and the banking system, with a stock of domestic arrears estimated at 7 percent of GDP at end-2003.

12. Togo is eligible for assistance under the enhanced HIPC initiative, but has yet to establish the required track record under a Fund-supported program. Laying the foundations for such a program will require that Government demonstrate satisfactory performance under

a staff-monitored program (SMP), develop a strategy for the clearance of arrears to multilateral creditors, and mobilize adequate financing assurances (Box 1).

13. **Recent Economic Performance.** Over the last two to three years, economic performance has improved, with GDP real growth rate estimated at 2.7 percent in 2003, after a record 4.2 percent in 2002. This growth was sustained in large part by improved performance of the agricultural sector as the result of favorable climatic conditions, and increased cotton production. Cement production and exports were also robust, as were the production and export of phosphates following the rehabilitation agreement of the phosphate company (OTP) concluded with a private investor (IFG) in 2002. The services sector, sustained by transport activities, also grew moderately, continuing a rising trend which began three years ago, spurred by increased traffic to landlocked countries following the Cote d'Ivoire crisis.

14. This uptick in economic growth in part may reflect improvements in economic policy. First, Government has also strengthened its fiscal position during this period, tightening expenditures while sustaining revenue mobilization efforts, notably through improved tax collection from large tax payers and the fight against tax evasion. The overall budget (on commitment basis and excluding grants) recorded a surplus estimated at 0.8 percent of GDP in 2003, compared with a deficit of the same magnitude in 2002. However, in view of the continued suspension of external budgetary aid, this was accompanied by further accumulation of external payment arrears. Management of government expenditures, notably budget execution and monitoring, also weakened in recent years, adversely affecting transparency and efficiency, and the quality of public finance data.

15. Second, as for structural reforms, progress was achieved over the last few years, notably continued trade liberalization in the context of WAEMU regional integration; liberalization of the telecommunications sector; and a few privatizations, including an insurance company, two banks, hotels, power distribution, port container-handling activities, and IFG/OTP management contract.

16. **The Reform Agenda.** Notwithstanding these achievements, a more ambitious reform agenda is key to accelerate economic growth and reduce poverty significantly, and can only be convincingly implemented and ultimately successful if private sector confidence is fully restored through the settlement of Togo's political disputes and the resumption of donor financial assistance. With a return of political stability, Government will need to build a stronger track record of policy performance. The restoration of a sound and stable macroeconomic framework should be the starting point. This will require further strengthening fiscal management, while essential expenditures in health, education, agriculture support services, and infrastructure are secured to rehabilitate the country's productive capacity. Fiscal management would entail reforms aimed at increasing tax revenue, improving the budgetary process, and cash management.

### **Box 1 : Securing Debt Relief for Togo**

Togo has been identified as potentially eligible for HIPC debt relief. Reducing its debt burden could free crucial resources for pursuing much needed economic and social reforms. If Togo is to qualify for relief under the HIPC initiative, sufficient progress needs to be made towards meeting the three Decision Point eligibility criteria:

1. **Qualification as a "HIPC".** Preliminary data suggests that Togo meets the requirements of low per capita income (i.e. IDA-only and PRGF-eligible) and heavily indebted (i.e. NPV of debt above 150 percent of exports or 250 percent of government revenues after simulated Paris Club stock-of-debt operations under Naples terms and comparable treatment by other bilateral and commercial creditors). The debt position would need to be confirmed through a loan-by-loan DSA.
2. **A track record of macroeconomic performance.** Currently, Togo does not have a macroeconomic program in place agreed upon by Bank and Fund. The last full Fund program (ESAF) ended in June 1998. The Fund Executive Board concluded the 2001 Article IV consultation with Togo in April 2001. An SMP covering the period April–December 2001 was established but performance was mixed. If Togo is to receive debt relief under the HIPC initiative, the Government would need to establish a strong record of economic performance through the preparation and six-month implementation of a IMF supported program (including arrears clearance with IDA and other creditors).
3. **Adoption of an I-PRSP.** Togo's Interim PRSP would need to be reviewed by a Joint Staff Advisory Note (JSAN) of the Bank and Fund Boards.

17. Government will also need to take prompt actions to improve the investment climate. First, the banking system has lost its ability to finance economic activity due to declining profitability, the burden of non-performing loans (NPLs) which represented over 17 percent of total credit in 2003, and weaknesses in the judicial framework that hamper the recovery of NPLs and the realization of collaterals. These factors have also hampered the development of microfinance services. To help address this situation, key reforms should aim at enforcing prudential regulations, increasing competition and product diversification, and improving the legal and judicial system. Secondly, Government would need to step up its privatization program. In particular, the authorities need to seek an agreement with prospective investors in major banks (e.g., SNI, BTM, BTCL) and find the resources to finance advisory services for privatization of the telecommunications company. Inadequate transparency in transaction procedures as well as inappropriate corporate governance post-privatization have also hampered the program's credibility. Thirdly, to improve the quality and access of utility services, and reverse the steady deterioration of infrastructures from a decade of inadequate maintenance and investment, institutional reforms will be necessary in order to strengthen the regulatory framework of port, telecommunications, water and electricity sectors, where private operators already play an increasing role, and to further promote private participation in other sectors.

18. Turning agriculture into an engine for economic growth will also be key to Togo's poverty reduction strategy. This is particularly the case for cotton, the major agricultural contributor to the economy and the main source of monetary income in rural areas. Cotton traditionally accounts for over 60 percent of total agricultural exports. While some progress was achieved with the partial liberalization of the sector over the last decade, it is still dominated by a state-owned company (SOTOCO) and suffers from inadequate sector policies. The reforms needed to rehabilitate SOTOCO and the sector have been delayed due to lack of commitment by the authorities. In addition, the authorities should stimulate other sources of growth, notably the phosphate industry. This would entail clarifying the corporate governance of the new joint venture company by resolving the disagreements between the Government and the private investors.

19. **Governance Issues.** Over the last decades, Togo has labored under poor governance due to the lack of political commitment and weak capacity to implement relevant reforms. Governance factors cut across sectors as indicated in the Country Policy and Institutional Assessments (CPIA). Major shortcomings included, *inter alia*: (a) poor political governance, due to lack of respect for democratic institutions and the rule of law; (b) poor empowerment of local governments, due to failed decentralization and lack of local elections; (c) deficient legal and judiciary system, weakened by interferences, corruption, and lack of resources; (d) lack of transparent budget process and execution, absence of control mechanisms, such as an Auditor General's Office or a Court of Accounts; and (e) weak and often politicized civil service. It is expected that successful implementation of Government's commitments under the Article 96 Consultations would help improve the political governance systems. However, Government will need sustained efforts and commitment to overhaul the judiciary system, improve public sector management, implement a sound decentralization process, and carry out a comprehensive civil service reform, in order to tackle governance issues in a more holistic fashion.

## **B. POVERTY SITUATION**

20. With a per capita income of \$310 in 2003, Togo is among the poorest countries in the world. The political crisis and economic decline have had a devastating impact on poverty over the last decade. During the 1988-98 decade, the GDP per capita in real terms declined at an average annual rate of 0.3 percent. A cumulative decline of three percent for the decade matched the overall decline in household income suggesting that poverty has been on the rise. According to the UNDP's 2003 Human Development Report, the Human Poverty Index (HPI-1) for Togo was 38.5 percent and the Human Development Index (HDI) was 0.501, ranking as number 141 out of 173 countries. The two indexes showed that large parts of the Togolese population lived in precarious conditions, with little access to social services and low life expectancy.<sup>3</sup>

21. The Government's draft Interim Poverty Reduction Strategy Paper (I-PRSP) estimated that 72.2 percent of the population lived below the poverty line and 57.4 percent lived under

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<sup>3</sup> For a discussion on poverty in Togo, see: "Togo: Overcoming the Crisis, Overcoming Poverty", A World Bank Poverty Assessment, 1996, still a very thoughtful and useful analysis of the matter.

extreme poverty in 2000, based on annual incomes of CFA Franc 100,800 and CFA Franc 78,400 respectively (about \$200 and \$150).<sup>4</sup> But, the incidence of poverty suggested a more complex picture according to the region, gender and social sectors. Poverty was especially widespread in rural areas, with the worst incidence in the northern and central regions of Savane and Centrale, respectively (Table 1).

22. **Social Indicators** : The collapse of living conditions and abject poverty affecting the large majority of people caused irretrievable damages to the society. This is illustrated by the deterioration of key social indicators, notably in education, health and nutrition, access to and quality of water, sanitation and other basic services, and HIV/AIDS prevalence and spread, all with gender-based and regional disparities. Social vulnerability is also on the rise and child trafficking still persist despite efforts to tackle these issues. The lack of resources forced the Government to limit its expenditures to priority sectors. Government provision of basic social services was severely hampered by both capacity and resource constraints and by inappropriate intra-sectoral allocations.

**Table 1 : Incidence of Poverty in Togo by Region**

<b>Region</b>	<b>Poverty %</b>	<b>Extreme poverty %</b>
Lomé	50.0	32.7
Maritime	80.0	68.0
Plateaux	73.5	62.9
Centrale	82.2	63.9
Kara	79.8	60.8
Savane	85.9	73.2
<b>Togo</b>	<b>72.6</b>	<b>57.4</b>

*Sources: Togo – Draft I-PRSP, June 2004*

23. In the education sector, per capita public expenditures dropped by 45 percent (in 1990 prices) from FCFA 7,000 a year in 1991 to FCFA 3,880 in 2000. Over 75 percent of the allocated budget was used to pay salaries, with the balance going to capital investment and operational expenses. In this context, improvement in access to education was due, in large part, to greater involvement of local communities and the private sector which created and financed their own schools as a response to the inadequacy of public education services. Nation-wide, net enrollment in primary school dropped from 71 percent in 1980 to 60 percent in 1994, to then pick up again to 92 percent in 2000. Female primary net enrollment increased from 49 percent in 1985 to 58 percent in 1990 and 82 percent in 2001, indicating that recent efforts to bring girls to school have produced results. However the quality of education has remained low throughout the country and inequities in access persist for girls and students in rural areas, and girl drop-out rates remain high. Average completion rate was 63 percent (but only 53 percent of eligible girls finished primary school, compared with 73 percent of eligible boys).

<sup>4</sup> Recent and reliable information on poverty in Togo is unavailable, the latest census and household data being over 10 to 20 years old. To remedy this situation, Government plans to strengthen its poverty indicators, monitoring and evaluation capacity, and overall statistical system in the context of the MDG/PRSP processes.

24. In the health sector, current indicators place Togo among the most disadvantaged countries in Sub-Saharan Africa. Government has cut public spending on infrastructure and equipment. Per capita public expenditures fell by over 7 percent (in 1995 prices) from FCFA 2,336 p.a. in 1995 to FCFA 2,167 in 2002. Service delivery is also constrained by poor capacity to plan and monitor sector operations and by shortages of medical personnel. Weak health systems and poor service provision have led to high morbidity and mortality from infectious and parasitic diseases, most of which could be prevented or treated at a low cost. The 1998 Demographic and Health Survey (DHS) found that malnutrition affected one in four children under five years, and the child mortality rate was 146 per thousand. Only 31 percent of the children were fully immunized, and 16 percent were reported to never have received any immunization at all. Togo's life expectancy was estimated at 49 years, down from 55 years in 1989. Regional and urban/rural differences are large with the Kara region for example having indicators that are considerably below the average for Togo. Indeed, access to health services is unequally distributed with 70 percent of the health personnel working in the Maritime area (50 percent in Lomé) serving 35 percent of the population.

25. HIV/AIDS. The burgeoning incidence of HIV/AIDS threatens to overwhelm Togo's health infrastructure, to destroy its human capital, and to blight future development. With an estimated 6 percent prevalence rate (9 percent in Lomé), Togo was already at the higher end of the spectrum in the sub-region in 2001. Inadequate support by the donor community would place the country at a high risk of undermining the entire region's efforts to stop the AIDS epidemic, given its location at a cross-roads of transit traffic moving both east-west and north-south. Since 2002, the Government has stepped up the implementation of its strategy with support of over \$50 million grants from the Global Fund to Fight HIV/AIDS.

### **C. THE POVERTY REDUCTION STRATEGY & MILLENNIUM DEVELOPMENT GOAL PROCESSES**

26. ***MDG Report***. By adopting the Millennium Declaration at the UN General Assembly of September 2000, Togo has committed to achieving its Millennium Development Goals (MDGs). An MDG country report was prepared and validated during a national seminar in October 2003 and adopted by the Government in March 2004 to inform the wider public and policy-makers of progress towards poverty reduction. The report showed that, unless special efforts were undertaken in terms of country investments and donor engagement, Togo was unlikely to achieve any of the MDGs by the horizon of 2005-2015 (Annex 6).

27. ***I-PRSP Process***. The Government issued a draft interim poverty reduction strategy paper (I-PRSP) in November 2002 on which donors' feedback was sought. In March 2004, the I-PRSP was presented and discussed in the Council of Ministers and a *communiqué* was issued. The final I-PRSP was validated in a national seminar in June 2004, and will be subsequently adopted by the government. The report provides an analysis of strategies and policies to reduce poverty. It reviews key policy measures for sustained growth, public programs to assist the poor, and mechanisms for monitoring and evaluating the strategy. It outlines gaps in poverty data and analysis, and indicated steps to fill these gaps. It also calls for several sectoral studies and identifies areas of technical assistance to complete a full PRSP within 18 months, including organizing household surveys, improving the quality of data

needed to deepen poverty social impact analysis, and the development of a monitoring system for social indicators.

28. However, the draft I-PRSP also had shortcomings, *inter alia*, lack of a credible macroeconomic framework, poor analysis of Togo's crisis and its socioeconomic impacts, poor mechanisms to evaluate the poverty impact of government programs, weak institutional arrangements for fiduciary accountability of public resources, and lack of a financing plan for the PRSP preparation. The authorities plan to address these issues in the final I-PRSP. Once completed, the report would also provide detailed cost implications for preparation of the full PRSP, for which Government plans to seek donor support and funding.

#### **D. DONORS' INVOLVEMENT**

29. As discussed above, the flow of external assistance to Togo has been declining since the early 1990s. Over the last decade, multilateral and bilateral donors accounted for about 60 percent and 32 percent of Togo's external assistance, respectively, and international NGO contributed for the remaining 8 percent on average. Overseas development assistance (ODA) to Togo fell by three quarters, from \$212 million in 1990 to \$53.9 million in 2001. This translated into in a 80 percent drop of the level of ODA per capita from \$53.3 to \$11.4 during this period.

30. The major development partners of Togo included, *inter alia*: IDA, IMF, UNDP, the EU, ADB, France, Germany, the United States, and UN specialized agencies (WHO, UNICEF, FAO, UNFPA, UNAIDS). These partners have been active in various aspects of socio-economic development, and some have played key roles in supporting the promotion of democracy and human rights. To date, there is a small and well coordinated donor group that regularly shares information on the sociopolitical situation and collaborates closely on economic and sector work in the field. Development partners in the field have also set up thematic groups to facilitate inter-agency cooperation within key sectors (e.g., health, education, HIV/AIDS, agriculture and rural development, community-driven development initiatives, etc). A summary of their programs is presented in Annex 3.

31. Despite the suspension of budgetary assistance, many donors have continued project support, increasingly through non-government entities and local communities, with emphasis on the social sectors. However, there is a pressing need to further develop the capacity of these organizations. Coordination of donors' interventions also needs strengthening, most particularly when they are channeled outside government; and better alignments of these interventions with the country's poverty reduction programs and priorities are necessary. In this context, the Government's capacity for donor coordination also needs to be enhanced. The PRSP process would provide an integrated framework to achieve these objectives.

## PART II - ENGAGEMENT UNDER THE LICUS FRAMEWORK

### A. THE LICUS INITIATIVE: PRINCIPLES, WINDOWS OF CHANGE AND OPPORTUNITIES

32. Togo presents the essential elements of a LICUS. Its policy and institutional performances are exceptionally weak, especially with respect to the management of economic policy, delivery of social services, and efficacy of government. This is illustrated by the CPIA ratings. Over the last three years, Togo's ratings were in the fifth quintile, among the worst performing countries in Sub-Saharan Africa. This poor performance resulted from, *inter alia*, the protracted sociopolitical crisis, social inequities and exclusion, poor governance, and economic mismanagement.

33. The strategy proposed in this CRN is articulated around four pivotal principles:<sup>5</sup>

- *Upfront Risk Assessment*: The strategy recognizes the very high political risks associated with Government's compliance with its commitments under the Article 96 Consultations. This is the most important factor, but also the most uncertain, to resolve the country's protracted crisis. In addition, extreme poverty and low access to public social services, notably in the rural areas, are potential sources of frustration that could lead to unrest, especially for young people in a situation with limited voice or outlooks for improvements.
- *Selectivity*: The strategy is selective and focuses on key actions which promise to have the largest pay-off with regard to breaking the cycle of political impasse, economic decline, and poverty. It is knowledge-intensive and reaches out to both Government and civil society for capacity building and knowledge sharing. It also supports limited grant-funding for basic social services delivery directly to the poorest communities. By focusing on areas in which the Bank and UNDP have comparative advantages, the proposed strategy aims to complement activities planned or underway by other donors or local stakeholders.
- *Results-based*: The strategy is based on results (Annex 1). The scope and extent of assistance to be provided will depend on tangible achievements on the ground.
- *Consensus Building*: The re-engagement strategy formulation and implementation will be based on a continued process of consensus building. The proposed CRN is a joint UNDP/World Bank undertaking, and the ADB is preparing a re-engagement strategy with similar analysis and entry points. It also has been extensively discussed with the other key donors. Finally, the strategy was formulated in close collaboration with Government authorities and benefited from consultations with representatives of civil society organizations, the business community, and other stakeholders.

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<sup>5</sup> These principles also draw from the Lessons of Past Experiences and Recommendations from the OED Review of the Togo Program (Annex 8).

34. On the basis of the above principles, the re-engagement strategy intends to seize the following windows of opportunity:

- ***A Momentum for Sociopolitical Change.*** The Article 96 Consultations have created a unique window of opportunity for change. In this context, given the Government's specific commitments to address the root causes of the crisis, a main thrust of the donor partnerships will be to help the authorities implement these commitments, in order to improve the political and governance situation in the country. Donors would provide relevant support according to their mandates, with the EU and bilateral partners assuming key roles on political issues, and other development agencies supporting them on the economic governance agenda (notably UNDP and, to some extent, IDA through selected AAA and civil society engagements).
- ***And for Full International Reengagement.*** Timely access to economic opportunities and basic social services are essential elements to consolidate political transitions. Only a full resumption of donor aid could provide the amounts of resources necessary to both expand access and quality of services in a sustainable fashion, and to stimulate economic recovery. The proposed strategy therefore stresses the need for preparing the ground for full international reengagement, as a priority for both Government and donors. This will require satisfactory progress in Article 96 Consultations and a comprehensive policy dialogue to help Togo build a track record of economic performance, eventually under a Fund-supported program; develop a strategy for the clearance of arrears to creditors; and mobilize adequate external financing resources.
- ***Emergency Social Services.*** The LICUS Initiative reflects a shared assessment by the authorities and donors of the disquieting situation in the social sectors. In the face of growing urgency, waiting for resumption of financial assistance to Government will be socially very costly and there is a strong case for supporting non-governmental or community-based social service delivery structures. To this end, key donors agreed to help the authorities and other stakeholders prepare a relevant emergency program for social services delivery. Program preparation is now underway, led by the Bank and UNDP, in close collaboration with the EU, FAO, France, Germany, the USA, and other partners.

## **B. PLANNING SCENARIOS**

35. Given current circumstances and uncertainties, the scope of reengagement would depend on Government's progress towards the resolution of the country's crisis. This would enable donors to expand or reduce their assistance accordingly. The planning scenarios are thus based on the political and institutional situation, and on potential progress achieved in the normalization of Togo's relations with its major donors, notably in the context of the Article 96 Consultations with the EU.

- ***Transition Scenario:*** Government makes progress towards the resolution of the crisis, as reflected in the outcomes of Consultations with the EU. This would pave the way for normalization of Togo's relations with its major donors. The range and

timing of our assistance activities, and eventually the resumption of external financial assistance, will depend on the scope and speed of improvement in the sociopolitical situation.

- ***Worst Case Scenario:*** Substantial worsening of the sociopolitical situation, due to failure of the Article 96 Consultations or unsuccessful in-country dialogue prolonging the crisis and increasing the risks of social instability and conflicts. In this context, the prospect for resumption of donors' financial aid will remain weak.

36. The implications of each scenario in the reengagement process are discussed in Section D. below.

### **C. STRENGTHENING DONOR COORDINATION**

37. Under the LICUS initiative, donors will aim at enhancing the effectiveness of their assistance programs through closer cooperation and coordination. By the same token, they will help strengthen Government's capacities in this area. The proposed strategy offers further opportunities to achieve these goals. It would enable donors to plan their reengagement processes within an integrated framework, taking account of the countries' priorities in the short to medium term. Eventually, upon satisfactory progress towards the normalization of Togo's relations with its major partners, a joint multi-donor assessment mission would be organized, followed by an informal donor meeting to discuss Togo's financing needs (e.g., "Meeting of Friends of Togo"). Later, a donors' forum on resource mobilization would also be planned with Government (e.g., Round Table Meeting).

### **D. STRATEGIC ENTRY POINTS**

38. The Bank and UNDP have jointly identified three strategic entry points for action, on the basis of the country priorities of overcoming the political crisis, preparing the conditions for economic recovery, and stabilizing social indicators particularly for the poorest people. These entry points provide a common framework for both institutions' engagement, and a platform for strengthening collaboration with other partners in the short to medium-term. The entry points are:

- Building the momentum for change in the country
- Preparing the conditions for full international reengagement
- Emergency social services delivery to the poorest people in underserved areas

#### **Strategic Entry Point # 1 : Building Momentum for Sociopolitical Change**

39. ***Objective.*** The EU Consultations have created an important opportunity for change. The re-engagement strategy will build upon this momentum with activities to help improve the sociopolitical situation. In this context, the strategy aims to support Government in implementing its specific commitments to address democratic institutions, respect for human rights, and the rule of law, which are the root causes of Togo's stress to date. It will also help

strengthen civil society engagement and accountability with a view to promote good governance.

40. **Partnership Approach.** The EU and bilateral donors will lead the political dialogue and related activities on democratization and human rights in the context of the Consultations. The Bank, UNDP, and others will lend assistance as appropriate, focusing on governance and civil society engagement, on the basis of their mandates and relative comparative advantages.

41. **Activities.** Building on the ongoing efforts of UNDP, EU, and other agencies, donors will help Government review and prepare a modernization plan of the judiciary system, including training and capacity strengthening. This is intended to support the implementation of Government's commitment to improve the rule of law and human rights. UNDP will continue to play a key role in this regard. Together with other partners, it will also provide analytical and advisory support to decentralization. This would follow-on the recommendations of a national seminar on decentralization sponsored by the UNDP and EU in March 2004, which brought together all stakeholders concerned and resulted in a draft master plan on decentralization. The proposed assistance is intended to help the authorities carry out their commitment to implement an effective decentralization program, including local elections, within 12 months.

42. In addition, the Bank and UNDP will step up their institutional support to civil society organizations (CSOs). UNDP will finalize the electronic directory of these organizations, and the Bank will complete the on-going civil society assessment tools (CSAT) and civic accountability mechanisms. These tools aim at strengthening and building CSO capacity to demand and monitor accountability in the use of public resources, good governance, and services delivery. These activities will help the civil society become a more effective partner and agent of changes and public advocacy, particularly during crisis periods. Moreover, the Bank will seek WBI's help for training leadership in managing reform processes, in order to strengthen the country leaders' capacity to manage the socioeconomic transition.

43. Under the Worst Case Scenario, the proposed support to decentralization and judiciary sector reforms, and the above leadership program would be scaled down. The main risks of this component are political and refer to Government's compliance with its commitments under Article 96 Consultations.

### **Strategic Entry Point # 2 : Preparing the Ground for Economic Recovery and International Reengagement**

44. **Objectives.** The strategy includes activities to help the authorities address fundamental economic management issues which are necessary to resume external financial assistance, notably from multilateral creditors. The strategy also proposes ESW and TA activities to help strengthen institutional capacity and the knowledge base on Togo.

45. **Partnership Approach.** The component will be implemented in coordination with donors involved in poverty reduction and economic management (e.g. IDA, IMF, UNDP, EU, ADB, France). It will also involve other multilateral creditors concerned with the arrears

clearance process. The Togolese counterparts will include the ministries in charge of economy and finance, social sectors, and private sector development; and the PRSP/MDG stakeholders.

46. *Activities.* The proposed activities would broadly fit into six categories:

- (i) *Strengthening Poverty Diagnosis, Information Systems, and Statistical Capacities.* The proposed ESW aims to strengthen and update poverty diagnosis to inform the PRSP/MDG process. Data on poverty and social sectors are outdated, with latest available census and household data being over 10 to 20 years old. The LICUS initiative offered a good opportunity to update them. Preparation of a census is planned, with funding from UNFPA, UNDP, the EU and others. Work is also underway to conduct a household survey. The Bank and UNDP sought financing for a Core Welfare Indicators Questionnaire (CWIQ), a survey instrument that could provide new data in relatively short time span, and for strengthening the poverty monitoring capabilities of the national statistical office.
- (ii) *Supporting the PRSP/MDG Processes.* The proposed ESW will support Government in preparing the full PRSP, and finalizing on-going sector development strategies (e.g., education, health). Assistance will also be provided to hold broad-based regional consultations and to enhance the quality of the participatory process, within and outside Government.
- (iii) *Strengthening Institutional Capacity.* UNDP will work closely with the African Capacity Building Foundation (ACBF) and other partners, including the Bank, to help the authorities carry out a national capacity assessment, leading to a national strategy and action plan for capacity building. Initial assessments will focus on specific activities, including basic services delivery and economic management.
- (iv) *Debt Sustainability Analysis and Arrears Clearance Process.* The Bank will complete a debt work-out and sustainability analysis, in close coordination with the IMF and other creditors. This work would analyze the amounts and trends of debt built up over the past ten years, identify major creditors, assess debt service affordability, and prepare an evaluation of the possible timing as to when the arrears could be cleared under different aid flow scenarios. This will be a key input to helping the Government prepare a credible plan of arrears clearance.
- (v) *IMF-supported Program and HIPC Initiative.* If Togo is to receive debt relief under the HIPC initiative, the Government would need to establish a track record of macroeconomic performance through the preparation and six-month implementation of an IMF supported program. As a first step, the I-PRSP would need to be reviewed in a JSAN and discussed by the Bank and Fund Boards. In this context, the strategy includes activities to help the authorities identify and carry out the zero-generation reforms that would set in motion the above process.

- (vi) *Fiduciary Assessments and Strengthening*. A key element of the proposed strategy is to conduct and help implement core fiduciary analysis to improve effectiveness and transparency in the use of public resources. On the basis of the Update of the CPAR carried out in 2003, the Bank together with ADB and other partners will help Government strengthen its procurement functions and capacity. A combined public expenditure review (PER) and financial accountability assessment (CFAA) will also be carried out. It will focus on accountability, transparency, conformity with rules, and sound budgetary processes, and will specifically address critical governance issues which hampered the delivery of basic services. Over time, to further promote good governance, the Bank and UNDP will collaborate with others to prepare an Institutional and Governance Review (IGR).

47. Under the Worst Case Scenario, only the activities listed under (i), (ii), (iii), and the core fiduciary reports in (vi) would be carried out.

### **Box 2 : Road Map for Resuming IDA's Lending**

The resumption of IDA's lending would broadly follow three phases: step 1 corresponding to the current non-accrual status; step 2 focusing on pre-arrears clearance; and step 3 leading to normalization of operations and new lending.

**STEP 1:** No immediate resumption of full financial assistance by the European Union and major bilateral donors. Togo remains in non-accrual status. This corresponds to present conditions. At this stage, the Bank will continue its current activities aiming at improving the socio-economic situation through policy dialogue and analytical and advisory services.

- Triggers to Next Step. The EU reaches agreement on the resumption of financial cooperation following progress on Government's commitments made during the Article 96 Consultations. Step 1 would last until the conditions for resumption of EU financial aid are met.

**STEP 2:** The EU provides assurances of financial assistance. In this context, Government would seek agreement with the IMF on a (6-month) staff-monitored program. Government would also seek arrangements for clearance of arrears to multilateral creditors. In response, the Bank would provide AAA to help Government build a track record of policy performance. It would also help the Government prepare a credible plan of arrears clearance to be agreed upon and supported by the main international creditors. In addition, the Bank will accelerate the groundwork needed to resume financing, including preparing priority development policy and sector investment lending.

- Triggers to Next Step. External financing needs and funding plans have been identified. A new IMF program is in place. Key assumptions of this phase relate to the pace of arrears clearance. This would depend on the pace of EU funds release and on Government's capacity to mobilize adequate resources from other donors in a timely fashion. It is assumed that, once the EU has provided assurance of financing, it would take about six months to work out the arrears clearance process and complete Step 2.

**STEP 3:** A satisfactory macroeconomic framework is in place. Government has cleared its arrears to IDA. At this stage, the Bank would resume new lending in support of PRSP priorities to be reflected in an Updated CRN or a new CAS. IDA assistance levels would depend on Government's policy and institutional performance as measured by the CPIA.

### **Strategic Entry Point # 3 : Emergency Assistance for Social Services Delivery**

48. **Objective.** The proposed LICUS Initiative includes an Emergency Program for Poverty Reduction (EPPR). This program intends to reduce extreme poverty and to improve fair access to basic social services for poor men, women, and children living under severe deprivation in urban and rural areas. This would be achieved through the implementation of small scale and locally-driven initiatives addressing extreme poverty, urgent needs, and priority services in the fields of basic education, primary health care, HIV/AIDS, social protection and basic infrastructure.

49. **Partnership Approach.** Preparations for the EPPR are underway in close cooperation with Government authorities and other stakeholders. The World Bank and UNDP have led the initial preparations, and other partners have been invited to join subsequent work. It is envisaged that the EPPR will be financed through donor pooled funding (e.g., a multi-donor trust fund), with adequate fiduciary and safeguards to ensure that the proposed funds are efficiently used for well-targeted poverty reduction interventions. Program preparations and appraisal are scheduled to be completed in FY05, and a first round of resource mobilization will follow the CRN presentation to the Bank Board in December 2004. Funding will be sought from the UNDP, the World Bank's LICUS Trust Fund, IFAD, and other donors.

50. The project would fund sub-projects at the village level aimed at strengthening community infrastructure and social service delivery in the fields of basic education, primary health care, HIV/AIDS and social protection. The EPPR is primarily intended to strengthen service delivery through channels outside government, bearing in mind the need not to undermine the role of the state in the longer term, and it would include building capacity of communities and contractors. The project would also include institutional capacity building of government at the local level, when donors agree that progress in the decentralization process makes this possible. In this context, assistance would be provided to help the authorities finalize and implement key sector policies, regulations, and contracting procedures that are necessary to ensure adequate Government oversight and to guide the collaboration between the State, local communities, and CSOs in basic services deliveries, notably in health and education. The project would aim for quick and visible results by building on project opportunities emerging from already existing village planning activities, donor experience, and previous programs in grassroots and community-driven development (e.g., CDD projects funded by UNDP, IDA and EU respectively; French-sponsored community-driven school initiatives; and FAO-supported pilot projects on food security and income-generating activities).

51. Under a Low Case Scenario, the EPPR would still proceed on the basis of existing potential funding sources. An eventual deterioration of country conditions would require adequate ring-fencing mechanisms to ensure that project resources continue to be channeled to beneficiaries. Given the limited amount of money that could be mobilized from the above sources, the program would face considerable uncertainty and funding constraints in the absence of external financial support by major donors. These and other project-specific risks

will be assessed and adequate mitigating measures recommended during the EPPR preparation.

**Table 2 : Summary of CRN Activities for Togo (FY05-FY06)**

Strategic Entry Points	Core Tasks	Activities Planned under a Transition Scenario (Core tasks plus the following activities)	
	<i>Consultations stalled, renewed impasse, no prospects for budget support in medium term</i>	<i>Moderate progress towards resolution of crisis. There are some prospects of gradual resumption of EU financial aid.</i>	<i>Substantive progress, leading to good prospects for full resumption of external assistance.</i>
<b>1. Building momentum for sociopolitical changes</b>	- Civil society (CS) engagement and accountability	- Review of judiciary system; training and modernization plan  - AAA on decentralization	- Institutional and governance review  - Leadership programs
<b>2. Preparing the ground for economic recovery and international reengagement</b>	- Strengthening poverty diagnosis and statistical capacities  - Supporting PRSP/MDG process  - Fiduciary strengthening (CPAR, PER, CFAA)	- Debt sustainability assessment  - AAA for building track record of economic performance  - Preparing HIPC decision point	- Supporting arrears clearance process  - Policy advice on SMP  - Preparing new IDA lending (to be approved after arrears clearance)
<b>3. Emergency assistance for social services delivery</b>	- EPPR program  - Projects on HIV, TB, malaria (GFHTM)	- Capacity strengthening of local services providers	- Scaling up EPPR

**E. RESOURCES, RESULTS, AND RISKS**

**(i) Partnerships and Financing**

52. There is a consensus among key development partners that engagement should be very selective and knowledge-intensive in the transitional period. Finance would be limited to grants, until donors resume budgetary support, Government mobilizes adequate financing assurances to clear its arrears, and multilateral creditors are able to resume lending again. (Table 3)

53. The Bank will seek to mobilize funding from the Bank-wide LICUS Trust Fund to support key activities, including the proposed EPPR and related technical assistance. Initial funding requirements are estimated at about \$2.5 million for FY05-06. The Bank will also seek seed money to carry out selected capacity building and community outreach activities (e.g., PRSP and CSAT trust funds). When the suspension is ultimately lifted, the Bank would resume new lending as would be described in a new Country Assistance Strategy (CAS).

Subject to the findings of this new CAS, the lending program could include an emergency economic recovery credit, an HIV/AIDS project, and selected sector operations in support of PRSP priorities .

54. Similarly, UNDP has endorsed the proposed CRN as its interim assistance framework to Togo, and plans to deploy its aid instruments accordingly. These would include relevant policy advice, technical assistance, economic and sector work, and poverty reduction interventions, notably the proposed EPPR. These activities are consistent with the priorities spelled out in the joint United Nations Development Assistance Framework (UNDAF) for the period 2002-2006, and its mid-term review report dated May 2004.

55. The International Fund for Agriculture Development (IFAD), together with FAO, has committed over \$1.2 million to support specific investments under the EPPR aiming at improving nutrition, fighting HIV/AIDS, and alleviating extreme poverty. Additional support will also be sought from other donors, as appropriate.

**Table 3 : Sources and Use of Resources**  
(US\$ million)

	Entry Point #1	Entry Point # 2	Entry Point # 3	Total
<b>World Bank</b>	0.5	1.0	2.5	4.0
<b>UNDP</b>	0.5	0.5	3.0	4.0
<b>IFAD</b>	...	...	1.2	1.2
<b>Beneficiaries</b>	0.1	0.2	0.3	0.6
<b>Others</b>	0.2	...	...	0.2
<b>TOTAL</b>	1.3	1.7	7.0	10.0

#### **(ii) Monitoring and Evaluation**

56. *Managing for Results.* The re-engagement strategy proposes to assess performance against a set of indicators aimed at measuring progress towards intended outcomes and results on the ground. Such indicators should be simple, measurable, and easy to monitor, taking account of the relative weaknesses of existing statistical and information systems. A framework for the proposed results-based country reengagement is enclosed in Annex 1.

57. Implementation of the strategy will be monitored on an on-going basis, through regular consultations with Government authorities, key Togolese stakeholders, and donors. A participatory mid-term review will be carried after one year to re-visit the strategy design and make any mid-course corrections and modifications. This flexible approach would allow for revisions to the proposed activities if the sociopolitical situation improve and Government make tangible progress towards normalization of relations with its major donors.

58. It is expected that at the end of the CRN period, donors would have helped Government, *inter alia*: (a) establish a track record of policy performance, eventually under a Fund-supported program; (b) build-up sector knowledge to underpin the PRSP process and

future lending; (c) prepare an enabling fiduciary framework for fast-disbursing loans; and (d) improve basic services delivery to the poorest and most vulnerable people through community-driven development approaches. These activities would be carried out under the proposed CRN. However, the subsequent steps, notably donors' funding for arrears clearance purpose and new lending in support of PRSP priorities, would be reflected in an Updated CRN or a new CAS.

59. Key indicators of donor engagement in the LICUS framework will include, *inter alia*: (i) *sociopolitical indicators*, reporting progress on the resolution of the crisis, with a focus on governance, rule of law, and progress on decentralization and judiciary reforms; (ii) *economic indicators*, reporting progress on Government's growth and poverty reduction strategy under the PRSP process; arrears clearance plan; and financing assurances mobilization to support a credible macroeconomic framework; and (iii) *social indicators*, evaluating improvements in access and quality of basic services from the EPPR, as measured through baseline studies.

### **Box 3 : Zero-Generation Reforms**

- A highly focused reform agenda would be identified with Government, key stakeholders, and main donors, including the IMF, to track Government's economic performance. These reforms should be selective, effective to establish a track record of policy performance, feasible in sociopolitical terms, and likely to result in rapid and substantial payoffs.
- For instance, on the basis of the weakest areas of the 2002 CPIA, the following agenda could be considered. It also comprises the most pressing reforms of the Government's policy agenda for sustained growth and poverty reduction (draft I-PRSP):
  - *Restoring macroeconomic stability*: managing fiscal sustainability, ensuring that Togo does not fall back into non-accrual status due to debt service defaults;
  - *On economic management*: improving revenue mobilization, and strengthening expenditures management to enhance effectiveness and transparency in the use of public resources;
  - *On social issues*: monitoring and analyzing poverty outcomes and impacts, and strengthening institutional capacities, in order to better inform policy-making and the PRSP process; and
  - *On structural issues*: a priority reform agenda supporting economic growth would be identified through the PRSP's participatory process, and a program would be prepared closely with the IMF and other key partners.

### **(iii) Risks and Mitigation**

60. *The major risks involved in the Togo LICUS initiative are political.* Political factors present the most important opportunities and threats to a full utilization of the LICUS potential. Indeed, satisfactory compliance of Government's commitments under the Article 96 Consultations are key to address the root causes of the crisis and, therefore, are essential conditions for resumption of foreign aid. Modest compliance is likely to delay the normalization of donors' relations, and failure to act decisively would prolong the political impasse and could trigger a renewed wave of turmoil and civil unrest. These risks would be monitored in the context of the overall country situation and relations with the EU and major donors. The proposed support aims precisely to help efforts in reducing the odds of renewed

crisis, by supporting implementation of selected commitments (e.g., efforts towards decentralization and judiciary reforms), and by preparing the ground for socioeconomic recovery and resumption of external assistance.

61. ***Difficulties on the reform path.*** Government may fail to establish a track record of policy performance in a timely fashion due to uneven implementation of its economic reforms. This could delay the reengagement process, notably the establishment of the Fund-supported program. Moreover, difficulties in resources mobilization, notably from bilateral donors, could delay the arrears clearance process. To mitigate these risks, the Bank would monitor the Government's program through continued policy dialogue, together with the IMF and other partners. The Bank and other partners will also assist in preparing a credible plan of arrears clearance to be discussed and agreed upon with the main multilateral creditors. Finally, the reform program will be consistent with the LICUS principles and take into account the socio-political environment and the technical capacity of Government (Box 3).

## Annex 1 : Results Framework and Monitoring

<b>Strategic Entry Point # 1 :</b>			
<b>Building Momentum for Sociopolitical Changes</b>			
<b>Outcome:</b> Improved governance and respect for rule of law, through more effective decentralization policies and review of the legal and judiciary system.			
<b>Impacts:</b> Progress in resolving the sociopolitical crisis and implementing Government's commitments under the Article 96 Consultations.			
<b>Partners:</b> (a) Donors: EU, UNDP, World Bank, France, others; (b) Government authorities, notably ministries in charge of justice, decentralization, human rights, and law enforcement; and (c) parliament, civil society organizations (CSO) involved in policy advocacy and the promotion of good governance, and media responsible for outward communication and feedback to policy makers.			
<i>Results</i>	<i>Outputs</i>	<i>Indicators</i>	<i>Inputs Budget Estimate</i>
Review of legal and judiciary system, with a view to improve respect for human rights and the rule of law	<ul style="list-style-type: none"> <li>- Report on the modernization of judiciary system</li> <li>- Establishment of codes of conduct for law enforcement officers, with respect to human rights and rule of law</li> </ul>	<p># (person/days) of magistrates and law enforcement officers trained in new system</p> <p>Client and user satisfaction surveys of judiciary services</p>	<ul style="list-style-type: none"> <li>- Policy dialogue</li> <li>- Consultancies</li> <li>- Technical assistance</li> <li>- Training</li> <li>- Publications</li> </ul> <p>----- @ \$1.3 million</p>
New decentralization, law is enacted, transferring effective authority and resources to local governments.	<ul style="list-style-type: none"> <li>- Draft decentralization law and implementing decrees</li> <li>- IGR/Decentralization study</li> <li>- Training programs for local governments' capacity building</li> </ul>	<p>Capacity assessment of local administrations and training of relevant institutions</p> <p># (person/days)of training programs</p>	
Enhanced capacity of CSOs and medias in policy advocacy and social accountability, leading to citizen empowerment, better services delivery, and improved governance	<ul style="list-style-type: none"> <li>- Updated CSO e-database</li> <li>- Baseline data on service providers in rural areas and their capacity.</li> <li>- Research reports : "Top-down assessment" of CSOs and "Bottom-up" beneficiary assessment</li> </ul>	<p># CSO capacity strengthened through CSAT and support to umbrella organizations, as measured by baseline evaluations.</p> <p>Client and user satisfaction surveys of CSO services</p>	
Enhanced leadership capacity to manage sociopolitical transitions and crisis recovery	Training program on crisis recovery and conflict management	# (person/days) of leaders and policy-makers trained.	

<b>Strategic Entry Point # 2 :</b>			
<b>Preparing the Ground for Economic Recovery and International Reengagement</b>			
<b>Outcome:</b> Broad-based consensus on a growth and poverty reduction strategy, eventually supported by a credible policy framework, with financial assistance from major donors.			
<b>Impacts:</b> Improved economic management and track record of policy performance. Other impacts would eventually include establishment of an IMF-supported program, mobilization of adequate financing assurances, plan for arrears clearance, and access to HIPC.			
<b>Partners:</b> (i) Donors: WB, IMF, ADB, EU, UNDP, UN specialized agencies, France, etc; (ii) Government authorities, notably Ministry of Economy and Finance, and sector ministries concerned with poverty reduction programs; and (iii) PRSP/MDG stakeholders.			
<i>Results</i>	<i>Outputs</i>	<i>Indicators</i>	<i>Inputs Budget Estimate</i>
Poverty diagnosis, information system, and statistical capacities have been strengthened	<ul style="list-style-type: none"> <li>- Household surveys</li> <li>- Development of monitoring system for social indicators</li> <li>- Capacity enhancement in poverty social impact analysis</li> <li>- Capacity building of Statistics Office</li> </ul>	<p>Updated poverty data</p> <p>National capacity to carry out adequate poverty diagnosis and analysis</p> <p>MIS installed at Statistics Office</p>	<ul style="list-style-type: none"> <li>- Policy dialogue</li> <li>- Consultancies</li> <li>- TA</li> <li>- Training</li> <li>- ESW</li> </ul> <p>-----</p> <p>@ \$1.7 million</p> <p><i>of which</i></p>
Government has adopted its interim PRSP, and has prepared a full PRSP and MDG progress report	<ul style="list-style-type: none"> <li>- Interim PRSP</li> <li>- MDG progress report</li> <li>- Action plan for broad-based participation</li> </ul>	Joint Staff Assessment (JAS) of I-PRSP	<p>@ \$0.5 million for poverty analysis and capacity building;</p> <p>@ \$0.7 to support the PRSP process; and</p>
Government has implemented an IMF-supported program (SMP)	<ul style="list-style-type: none"> <li>- Debt sustainability assessment (DSA)</li> <li>- Plan for arrears clearance</li> <li>- SMP Program</li> </ul>	<p>Assessment of Government's track record of policy performance</p> <p>Qualification for HIPC Decision Point</p>	@ \$0.5 million for other AAA and core fiduciary assessments.
Fiduciary systems are in place to enhance transparency and effectiveness in use of public resources	<ul style="list-style-type: none"> <li>- Public expenditure review PER/ CFAA</li> <li>- Action plan, and gradual and pragmatic recommendations, for short and medium-term implementation</li> </ul>	<p>CPAR short-term action plan implemented</p> <p>Mechanisms of accountability and conformity with rules are in place for delivery of basic social services</p>	
A national strategy and action plan for capacity building have been prepared	<ul style="list-style-type: none"> <li>- Strategy and action plan for capacity building, starting with a few key institutions.</li> </ul>	Capacity assessment of 3/4 key ministries, (e.g., health, education, PSD, finance)	

**Strategic Entry Point # 3 :  
Emergency Assistance for Social Services Delivery**

**Outcome:** Improved access and quality of basic social services for poor men, women, and children living under severe deprivation in urban and rural areas; and capacity strengthening of local service providers.

**Impacts:** Addressing extreme poverty, urgent needs, and priority services in the fields of basic education, primary health care, HIV/AIDS, social protection and basic infrastructure. This will be achieved through the implementation of small scale and locally-driven initiatives.

**Partners:** (i) Donors: WB, UNDP, EU, IFAD, FAO, UNAIDS, WHO, UNICEF, SCAC, GTZ, etc.; (ii) Government authorities, notably ministries concerned with poverty reduction programs; and (iii) local communities and services providers. To enhance partnership and leverage resources, the proposed activities would be financed through donor pooled funding mechanisms (e.g., multi-donor trust fund).

<i>Results</i>	<i>Outputs</i>	<i>Indicators</i>	<i>Inputs Budget Estimate</i>
Improvement of living standards of poor men, women and children benefiting from the program, through demand-driven delivery of services in the fields of basic education, primary health care, HIV/AIDS, social protection and basic infrastructure	- Community sub-projects completed	Selected benchmarks for education, health, HIV/AIDS, nutrition, and sanitation outcomes.  # sub-projects benefiting from EPPR financing  # improved access to quality basic social services in poor areas;  # drinking water facilities installed throughout the program	Emergency program for poverty reduction (EPPR) ----- @ \$7.0 million for initial project costs.
Capacity of services providers, including local communities, CSOs, and local governments, have been strengthened	- Capacity of communities, CSOs and local government in targeted areas increased, as measured through baseline studies	Capacity building of:  a) <u>Communities</u> *financial records document sound resources management; *community services infrastructure operating and well maintained; *at least 50% of the community level people trained are women.  b) <u>CSOs &amp; local government</u> # (person/days) of staff trained as trainers and/or TA providers  *% of beneficiary communities satisfied with the quality of training and TA received.	

**Annex 2: Key Economic Indicators, 1990-2003**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP growth (annual %)		0,2	-3,1	-15,0	11,6	4,7	7,1	3,5	-2,3	2,4	-0,8	0,2	4,3	2,0
GDP per capita, Atlas method (CFAF)	139 471,0	138 698,3	132 556,0	105 054,2	156 929,1	190 613,4	203 819,4	230 958,2	212 504,8	211 126,9	204 385,0	205 547,4	211 252,8	202 050,4
GNI (CFAF billion)	514,2	521,4	523,1	420,6	634,4	810,5	871,5	1 027,4	975,4	990,7	973,8	1 009,4	1 073,8	1 059,9
GNI per capita, PPP (current CFAF)	147 242,5	145 027,9	141 330,7	110 438,6	161 928,9	201 016,1	211 057,0	240 598,5	221 385,6	215 546,8	210 368,8	212 944,9	221 224,4	213 257,1
GDP per capita (constant 1978 CFAF)	75 093,0	73 109,6	68 823,9	56 858,6	61 690,0	62 741,0	65 645,1	65 715,3	62 209,4	61 080,9	60 168,0	58 865,5	59 941,9	59 713,5
GDP per capita growth (annual %)		-2,6	-5,9	-17,4	8,5	1,7	4,6	0,1	-5,3	-1,8	-1,5	-2,2	1,8	-0,4
Agriculture, value added (% of GDP)	22,0	20,6	22,8	30,1	22,9	25,0	29,1	30,9	27,5	29,3	26,2	29,3	29,4	25,5
Manufacturing, value added (% of GDP)	7,2	7,9	8,6	6,6	7,0	7,3	7,0	6,1	6,9	6,4	8,4	8,9	9,1	9,7
Services, etc., value added (% of GDP)	28,4	27,9	27,6	21,4	29,2	25,2	25,3	24,4	24,8	25,8	27,6	27,0	26,4	27,0
Exports of goods and services (% of GDP)	37,1	35,6	28,7	18,7	29,7	24,5	34,8	30,2	31,3	29,2	31,9	32,3	35,0	44,0
Imports of goods and services (% of GDP)	-47,3	-44,2	-40,9	-26,6	-33,0	-32,9	-47,7	-41,3	-44,3	-39,3	-45,3	-48,6	-49,2	-61,6
Current account balance (% of GDP)	-4,7	-4,0	-5,5	-7,9	-3,4	-8,4	-9,4	-6,9	-8,8	-8,1	-10,5	-12,7	-9,5	-12,1
Total debt service (% of exports of goods and services)	24,3	23,5	23,5	40,5	40,8	29,5	28,6	26,1	26,5	29,1	30,1	28,0	26,6	25,4
External debt (% of GNI)	61,4	63,5	65,1	86,5	115,7	90,7	89,8	76,8	83,9	87,1	96,0	93,8	82,9	78,0
Gross international reserves in months of imports	5,8	6,5	5,9	5,2	4,8	4,2	3,0	3,3	3,0	3,7	4,4	4,0	4,1	3,0
Gross domestic savings (% of GDP)	5,4	4,9	-0,4	-7,4	5,1	1,2	10,7	-0,1	3,2	1,6	2,0	0,0	1,8	-0,2
Inflation, consumer prices (annual %)	1,1	0,4	1,6	0,0	47,5	9,7	4,7	5,3	1,0	-0,1	1,9	3,9	3,1	-0,9
Population (million)	3,5	3,6	3,7	3,8	3,9	4,0	4,1	4,3	4,4	4,6	4,6	4,7	4,9	5,0

*Source : Ministry of Economy, Finance, and Privatization (Direction of Economy)*

### **Annex 3 : Summary of Donors' Activities in Togo**

1. Below is a summary of activities of the main donors in Togo, *inter alia*: EU, UNDP, World Bank, IMF, France, Germany, the United States, and UN specialized agencies.

2. **European Union.** The EU is Togo's most important donor. It suspended budgetary assistance in 1993 due to major human rights and democratization issues. However, the EU has continued to provide project and community-based assistance to help alleviate poverty. Its current portfolio amounts to over 92 million euros. This includes, *inter alia*, micro-projects for income-generating activities and community-driven development, and other projects in the education, health, HIV/AIDS, social protection, environment, rural development, and basic infrastructure sectors. These activities were financed out of STABEX compensation funds and remaining resources from the 6<sup>th</sup> and 7<sup>th</sup> European Development Fund (EDF). To date however, these resources are fully committed. Togo did not benefit from the 8<sup>th</sup> EDF which was negotiated while the country was under suspension. Consultations for the 9<sup>th</sup> EDF would begin if and when the EU normalizes its relations with Togo. The country's allocations under the 9<sup>th</sup> EDF could reach over 45 million euros. In addition, it would benefit from over 25 million euros from the STABEX compensation funds.

3. **UNDP.** The UNDP portfolio currently comprises four major operations totaling \$6.1 million and addressing: (a) capacity building and the promotion of good governance; (b) poverty reduction interventions; (c) community-driven, and micro and small enterprise development; and (d) social infrastructure projects aiming to strengthen the capacity of NGOs and local government agencies. To help alleviate poverty, UNDP supported grassroots communities around grounding actions such as socio-collective infrastructure constructions. These initiatives have permitted to promote dialogue with local communities through the UNV's and to carry out about 50 "Village Action Plans". With regard to economic governance, UNDP helped strengthen the capacities of institutions responsible for economic management, such as the economics, statistics, and national accounts departments at the Ministry of Finance. In 2003, UNDP was designated as executing agency of the three grants provided to Togo by the Global Funds against HIV/AIDS, TB, and Malaria (GFHTB) [in the amounts of \$20 million, \$5.0 million, and \$3.0 million], respectively.

4. **World Bank Activities.** The Bank provided substantial project assistance to Togo during the past decade despite unfavorable policy environment (Annex 4). The last Country Assistance Strategy (CAS) for Togo was presented to the Board in 1995. It was updated twice through CAS Progress Reports in 1997 and 2000, respectively. The CAS's main objective was to promote sustainable economic growth and poverty reduction, addressing both short-term emergency needs and longer-term development objectives. This strategy was reinforced in 2000, through a poverty focus of the existing portfolio, addressing the HIV/AIDS pandemic and supporting the PRSP process. However, implementation of the strategy was severely hampered by several prolonged periods of suspension, due to an accumulation of payment arrears to IDA since mid-1998. Portfolio implementation deteriorated during this period and became unsatisfactory. The last project in the portfolio closed down in March 2003. The last suspension has been in effect since January 2002 and the non-accrual status since May 2002. Arrears to IDA amounted to US\$ 53.6 million as of October 15, 2004,. During the current non-accrual period, the Bank has continued to provide analytical and advisory assistance (AAA) on key aspects of socio-economic development. A list of AAA, fiduciary assessments, and capacity building initiatives completed, underway or planned is enclosed (Annex 5). Together with other partners, the Bank also supported the Government's efforts to prepare its I-PRSP and development strategies in key sectors, such as health, education, agriculture and rural development, HIV/AIDS. A road map for resuming IDA lending is summarized in Box 3 above.

5. Throughout this period, the Government authorities have continued to participate in all regional projects, as appropriate, in order to enable the country to fully benefit from these operations when the Government clears its arrears to IDA. These included, *inter alia*, West African Capital Market Development Project, West Africa Gas and Power Pool Project, Abidjan-Lagos Corridor Project to Fight HIV/AIDS. Disbursements to Togo were suspended from Bank-funded projects, due to the non-accrual status. However, the Bank granted an exception to this rule for the HIV/AIDS Corridor Project which is now implemented in Togo as well as other countries in the corridor.

6. **Relations with the IMF.** Togo has no arrears towards the IMF. The last enhanced Staff-Monitored Program (SMP) covered the period April-December 2001. In the context of the 2003 Article IV consultations, the IMF carried out a mission to Togo in November 2003. It laid out a priority reform agenda to stabilize the economy, stimulate economic growth, and reduce poverty. The Government's 2004 approved Budget adhered to the principles of this program. The "Staff Report for the 2003 Article IV Consultation" was discussed at the IMF Board on April 28, 2004, concluding the 2003 Article IV Consultation.

7. **France** resumed normal cooperation with Togo since 1999. The current portfolio of the French Cooperation Service (*Service de coopération et d'action culturelle - SCAC*) comprises six projects totaling 6.8 million euros, active in education, health, community-driven activities, and micro and small enterprise development. In addition, the French Development Agency (*Agence française de développement - AFD*) recently approved three projects aiming at basic services delivery in the social sectors, that were consistent with the proposed "Strategic Entry Point # 2" of the re-engagement strategy. These projects would be implemented within the LICUS framework, in close cooperation with the proposed EPPR. They included: (a) a 6.3 million euros grant approved in July 2003 to co-finance an education project in the northern region of Kara. This operation would also help integrate the system of community-driven schools (*Ecole d'Initiative Locale - EDIL*) into the national education system, by promoting a contracting process between the State and local communities; (b) a 5.5 million euros grant approved in August 2002 to fund basic health services in the middle region of Plateaux; and (c) a 1.4 million euros project to support rural hydraulic development and related capacity building of local communities. In addition, AFD has remained active in other infrastructure projects, including road, electricity, water and sanitation.

8. **Germany** has maintained humanitarian assistance but has discontinued budgetary support to Togo over the last decade. In this context, the German development agency (GTZ) is implementing a 2.4 million euros project to support health services and the fight against HIV/AIDS in Lomé and the Central Region (*Projet d'Appui au développement du système de santé -PADESS*). The German Embassy runs a small grant program (about 90,000 euros per year) which is channeled through NGOs for micro projects, income-generating activities, and community-driven development.

9. **USA** assistance to Togo amounted to about \$10 million in FY03. It focused on the promotion of democracy and good governance. It also supported selected programs in the areas of HIV/AIDS, child protection, and micro-projects for income-generation and community-driven development. These resources were channeled through civil society organizations (e.g., Peace Corps, Population Services International – PSI Togo, NGOs).

10. **African Development Bank.** ADB's disbursements to Togo have been suspended since August 2001, due to Government's default on debt service payment. Arrears to the Bank amounted to about US\$ 7.3 million as of June 30, 2004. Despite this situation, the Bank has remained involved through policy dialogue and selected economic and sector work. Working closely with IDA and UNDP, the ADB is preparing a re-engagement strategy with similar analysis and strategic entry points as the proposed CRN.

11. ***Other United Nations Agencies*** (WHO, UNICEF, FAO, UNFPA, UNAIDS, etc.) remain active in their areas of specialty. Their priorities are outlined in the UNDAF (2002-2006) and include, *inter alia*, good governance, human rights, human development, and poverty reduction. Together with UNDP, these agencies launched a joint HIV/AIDS project in the amount of \$3.1 million in September 2002.

**Annex 4 : IDA Commitments, Disbursements, and Net Transfers (1984-2003)**  
(in millions of US\$ as of November 14, 2003)

<i>Fiscal Year</i>	<i>Gross Commitments</i>	<i>Gross Disbursements</i>	<i>Net Disbursements*</i>	<i>Net Transfers**</i>
1984 stock	215.8	112.7	111.8	107.7
1985	46.4	25.0	24.6	23.4
1986	16.9	34.4	33.9	32.2
1987	27.6	49.0	48.3	46.5
1988	111.6	28.9	27.9	25.1
1989	26.1	38.5	37.5	35.3
1990	0.2	45.5	44.1	41.3
1991	93.4	53.8	52.2	49.6
1992	2.8	28.6	27.2	23.7
1993	--	20.2	18.6	15.1
1994	26.2	9.1	7.2	4.2
1995	36.6	28.1	25.0	20.9
1996	50.0	58.6	55.1	51.3
1997	--	19.3	15.6	11.6
1998	106.2	39.2	33.7	29.3
1999	5.0	30.2	23.5	19.0
2000	--	14.1	7.1	2.7
2001	--	9.5	4.7	1.8
2002	--	16.0	9.0	5.7
2003	--	-0.05	-0.05	-0.05
<b>Ending Stock</b>	<b>764.7</b>	<b>660.6</b>	<b>607.1</b>	<b>546.3</b>

Source: World Bank

\*Net Disbursements are Gross Disbursements minus Principal Repayments

\*\*Net Transfers are Net Disbursements minus Interest And Fees

## Annex 5 : World Bank's Economic and Sector Work Proposals on Togo

Product	Business Process	Completion Year	Objective
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### *Completed*

Development Policy review	ESW	FY03	KG, PD, PS
Agriculture & Rural Development Strategy Note	ESW	FY03	KG, PS
Health Sector Strategy Note	ESW	FY04	KG, PS
FPSI Strategy Note	ESW	FY04	KG, PS
Country Procurement Assessment Review	ESW	FY04	KG, PD, PS
OED Review of Togo Program	ESW	FY04	KG, PD, PS

### *In process*

Country Re-engagement Note	Strategy	FY05	KG, PD, PS
Emergency Program for Poverty Reduction	Grant	FY05	FL, CB
Education Sector Strategy Note	ESW	FY05	KG, PD, PS
Poverty Analysis	ESW	FY05	KG, PD, PS
Civil Society Assessment Tool	TA	FY05	CB, PS
Support to I-PRSP Process	TA	FY05	CB, PD
Public Expenditure Review/CFAA	ESW	FY05	KG, PD, PS

### *Planned*

Debt Sustainability Analysis	ESW	FY05	PD, PS
Leadership Training Program	Training	FY05	KG, PS
JSAN on I-PRSP	Strategy	FY05	PD, PS
Country Assistance Strategy	Strategy	FY06	KG, PD, PS
JSAN on PRSP	Strategy	FY06	PD, PS
Institutional and Governance Review	ESW	FY06	KG, PS
Sources of Growth Study	ESW	FY06	KG, PD, PS
Economic Recovery Credit	LEN	FY06	FL
HIV/AIDS MAP Project	LEN	FY06	FL

**Legend:** Knowledge generation (KG), public debate (PD), problem-solving (PS), financing or lending (FL), capacity building (CB), technical assistance (TA), economic and sector work (ESW).

**Annex 6 : Togo's Progress towards the Millennium Development Goals (1990 –2015)**

MDGs	1990	1995	2000 2001	2001 2002	2015 Target
<b><u>Goal 1: Eradicate extreme poverty and hunger</u></b>					
<i>Target 1:</i> Halve, between 1990 and 2015, the proportion of people whose income is less than a dollar a day					
1. Population below \$1.0 dollar a day (percent)	....	....	....	....	....
2. Poverty gap ratio a day	....	....	....	....	....
3. Share of income or consumption held by poorest 20 percent (percent)	....	....	....	....	....
<i>Target 2:</i> Halve, between 1990 and 2015, the proportion of people suffering from hunger					
4. Prevalence of child malnutrition (percent of children under 5)	24.6	19.0	25	....	[12.3]
5. Population below minimum level of dietary energy consumption (percent)	28.0	....	23.0	....	[14.0]
<b><u>Goal 2: Achieve universal primary education</u></b>					
<i>Target 3:</i> Ensure, by 2015, children will be able to complete a full course of primary schooling					
6. Net primary enrollment ratio (% of age group)	74.7	85.0	92.3	....	[100]
7. Percentage of cohort reaching grade 5	38.7	28.3	59.1	....	....
8. Youth literacy rate (percent ages 15-24)	63.3	69.6	74.0	....	....
<b><u>Goal 3: Promote gender equality and empower women</u></b>					
<i>Target 4:</i> Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education by 2015					
9. Ratio of girls to boys in primary education (%)	65.0	69.0	80.0	82.0	[100]
- in secondary education – 2 <sup>nd</sup> degree	41.0	43.0	50.0	52.0	
- in secondary education – 3 <sup>rd</sup> degree	20.0	21.0	27.0	27.0	....
- in higher education	11.0	17.0	21.0	20.0	
10. Ratio of young literate females to males (percent ages 15-24)	60.1	66.9	76.0	....	....
11. Share of women employed in the on-agricultural sector (percent)	....	....	....	....	....
12. Proportion of seats held by women in the national parliament	4	1	6	6	

MDGs (contd.)	1990	1995	2000 2001	2001 2002	2015 Target
<b><u>Goal 4: Reduce Child mortality</u></b>					
<i>Target 5:</i> Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate					
13. Under-5 mortality rate (per 1,000)	152	146	146*	140	[50]
14. Infant mortality rate (per 1,000 live births)	88	83	80*	78	....
15. Immunization against measles (percent of children under 12 months)	64.6	53	58	....	....
<b><u>Goal 5: Improve maternal health</u></b>					
<i>Target 6:</i> Reduce by three-fourths, between 1990 and 2015, the maternal mortality ratio					
16. Maternal mortality ratio (per 100,000 live births)	....	980	478*	....	....
17. Proportion of births attended by skilled health personnel	31.3	....	49*	....	....
<b><u>Goal 6: Combat HIV/AIDS, malaria, and other communicable diseases</u></b>					
<i>Target 7:</i> Halt by 2015, and begin to reverse, the spread of HIV/AIDS					
18. HIV prevalence among females )(percent ages 15-24)	1.0	....	6.0	....	....
19. Contraceptive prevalence rate (percent of women ages 15-49)	34.0	....	....	....	....
20. Number of children orphaned by HIV/AIDS	....	....	61,000	....	....
<i>Target 8:</i> Halt by 2015, and begin to reverse, the incidence of malaria and other major diseases					
21. Prevalence of death associated with malaria	....	....	7.2	....	....
22. Share of population in malaria risk areas using effective prevention and treatment	....	....	....	....	....
23. Incidence of tuberculosis (per 100,000 people)	....	....	32.2	....	....
24. Tuberculosis cases detected under DOTS (percent)	....	20.0	27.5	....	....

\* Data for 1998

MDGs (contd.)	1990	1995	2000 2001	2001 2002	2015 Target
<b>Goal 7: Ensure environmental sustainability</b>					
<i>Target 9:</i> Integrate the principles of sustainable development into policies and programs. Reverse the loss of environmental resources.					
25. Forest are (percent of total land area)	6.2	4.5	2.8	....	....
26. Nationally protected areas (percent of total land area)	....	7.9	7.9	7.9	....
27. GDP per unit of energy use (CFAF/ kcal)	0.15	0.21	0.23	....	....
28. CO2 emissions (metric tons per capita)	0.40	0.60	0.90	....	....
29. Proportion of population using solid fuels	....	....	....	....	....
<i>Target 10:</i> Halve by 2015 the proportion of people without access to safe drinking water					
30. Access to improved water source (percent of population)	51.0	55.0	48.0	....	[75.5]
<i>Target 11:</i> Achieve by 2020 significant improvement for at least 100 slum dwellers					
31. Access to improved sanitation (percent of population)	37.0	41.0	40.0	....	....
32. Access to secure tenure (percent of population)	....	....	....	....	....
<b>Goal 8: Develop a global partnership for development</b>					
<i>Target 16:</i> Develop and implement strategies for productive work for youth					
45. Unemployed date of population ages (15-24 (total)	....	....	....	....	....
<i>Target 17:</i> Provide access to affordable essential drugs					
46. Proportion of population with access to affordable essential drugs	....	....	....	....	....
<i>Target 18:</i> Make available new technologies, especially information and communication					
47. Fixed-line and mobile telephones (per 1,000 people)	....	6.5	30.7	....	....
48. Personal computers (per 1,000 people)	....	3.6	21.5	....	....

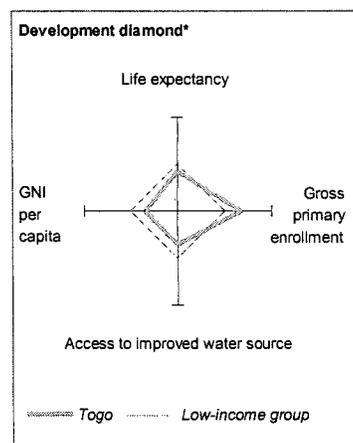
Source: *Premier Rapport sur le Suivi des Objectifs du Millénaire pour le Développement*, 2003, Ministère de l'Economie, des Finances et des Privatisations. PNUD.

Targets 12-15 and Indicators 33-44 were excluded because they cannot be measured on a country-specific basis. They relate to official development assistance (ODA), market access, and the HIPC Initiative.

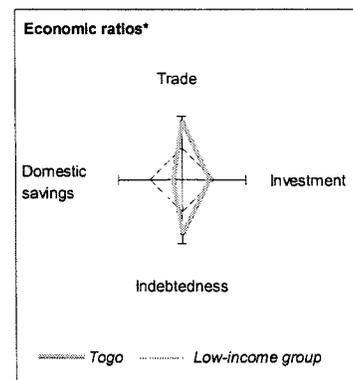
# Annex 7 : Togo at a Glance

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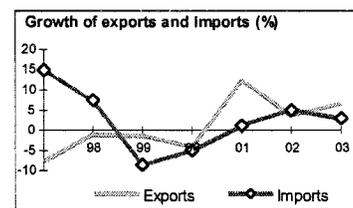
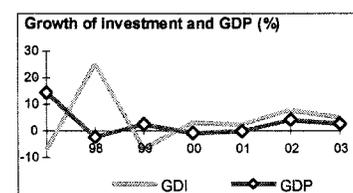
POVERTY and SOCIAL	Togo	Sub-Saharan Africa	Low-income
<b>2003</b>			
Population, mid-year (millions)	4.9	703	2,310
GNI per capita (Atlas method, US\$)	310	490	450
GNI (Atlas method, US\$ billions)	1.5	347	1,038
<b>Average annual growth, 1997-03</b>			
Population (%)	2.9	2.3	1.9
Labor force (%)	3.1	2.4	2.3
<b>Most recent estimate (latest year available, 1997-03)</b>			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	34	36	30
Life expectancy at birth (years)	50	46	58
Infant mortality (per 1,000 live births)	87	103	82
Child malnutrition (% of children under 5)	25	..	44
Access to an improved water source (% of population)	54	58	75
Illiteracy (% of population age 15+)	39	35	39
Gross primary enrollment (% of school-age population)	124	87	92
Male	136	94	99
Female	112	80	85



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1983	1993	2002	2003
GDP (US\$ billions)	0.77	1.2	1.5	1.7
Gross domestic investment/GDP	..	8.1	18.5	18.9
Exports of goods and services/GDP	45.5	24.4	33.8	33.8
Gross domestic savings/GDP	19.3	0.4	0.6	5.3
Gross national savings/GDP	18.2	1.5	4.3	7.3
Current account balance/GDP	-12.4	-6.7	-14.3	-11.7
Interest payments/GDP	3.5	0.6	0.0	1.2
Total debt/GDP	119.7	104.9	106.8	..
Total debt service/exports	18.3	7.8	2.2	..
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..
	<b>1983-93</b>	<b>1993-03</b>	<b>2002</b>	<b>2003</b>
(average annual growth)				
GDP	1.2	4.3	4.1	2.7
GDP per capita	-1.7	1.3	1.9	0.6
Exports of goods and services	-0.9	3.3	3.6	6.6



STRUCTURE of the ECONOMY	1983	1993	2002	2003
(% of GDP)				
Agriculture	34.5	44.1	38.1	40.8
Industry	21.4	20.7	18.5	22.2
Manufacturing	6.8	9.1	9.1	9.3
Services	44.1	35.2	36.3	37.1
Private consumption	63.4	83.5	91.0	84.8
General government consumption	17.2	16.1	8.4	9.8
Imports of goods and services	46.7	32.1	51.7	47.4
	<b>1983-93</b>	<b>1993-03</b>	<b>2002</b>	<b>2003</b>
(average annual growth)				
Agriculture	4.6	3.1	7.0	-0.9
Industry	1.3	4.3	10.9	14.0
Manufacturing	3.7	7.1	10.6	6.3
Services	-1.5	3.3	-1.3	-8.3
Private consumption	3.1	5.1	6.9	-1.7
General government consumption	-0.3	1.7	-14.2	17.1
Gross domestic investment	-4.4	10.2	7.7	5.0
Imports of goods and services	-0.7	5.9	5.0	2.9

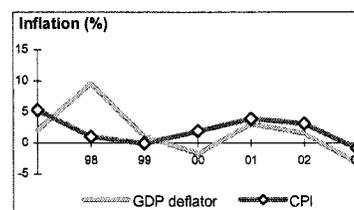


Note: 2003 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

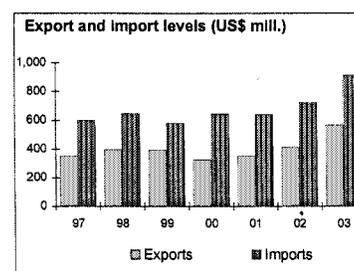
## PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
<b>Domestic prices</b>				
(% change)				
Consumer prices	9.4	-0.1	3.1	-0.9
Implicit GDP deflator	14.3	-8.2	1.5	-3.2
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	27.5	10.7	12.6	15.8
Current budget balance	1.5	-13.6	0.9	2.6
Overall surplus/deficit	-6.5	-15.8	-0.5	1.4



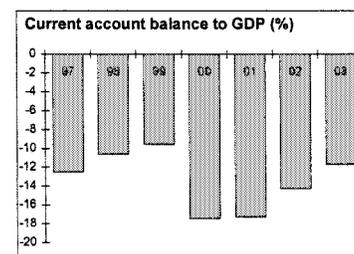
## TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	242	215	415	568
Phosphates	74	53	43	68
Cotton	17	46	68	77
Manufactures	59	75	112	184
Total imports (cif)	340	291	724	914
Food	109	82	276	339
Fuel and energy	27	26	129	151
Capital goods	45	58	88	103
Export price index (1995=100)	..	42	71	92
Import price index (1995=100)	..	48	97	121
Terms of trade (1995=100)	..	87	74	76



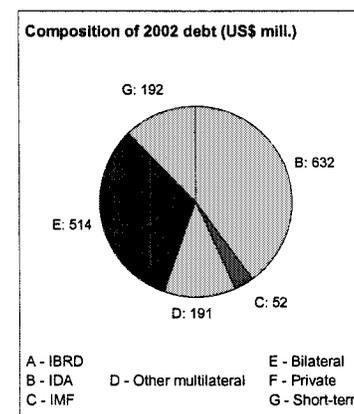
## BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	311	301	500	655
Imports of goods and services	408	396	766	954
Resource balance	-96	-95	-266	-299
Net income	-43	-28	-20	-9
Net current transfers	45	41	75	97
Current account balance	-95	-82	-211	-210
Financing items (net)	..	-22	232	230
Changes in net reserves	N/A	104	-20	-20
<b>Memo:</b>				
Reserves including gold (US\$ millions)	178	156	205	..
Conversion rate (DEC, local/US\$)	381.1	283.2	694.8	593.7



## EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed	917	1,294	1,581	..
IBRD	3	0	0	..
IDA	101	469	632	..
Total debt service	59	27	13	..
IBRD	1	0	0	..
IDA	1	6	0	..
Composition of net resource flows				
Official grants	..	..	..	..
Official creditors	54	14	12	..
Private creditors	-4	0	0	..
Foreign direct investment	1	-12	75	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	80	0	0	..
Disbursements	40	9	7	..
Principal repayments	0	2	0	..
Net flows	40	7	7	..
Interest payments	1	4	0	..
Net transfers	39	3	7	..



## **Annex 8 : OED Review of the Togo Program - Lessons from Past Experience and Recommendations**

1. The World Bank Country Department (AFC13) asked the Operations Evaluation Department (OED) to conduct a review of the Togo program in order to draw lessons for the Bank's possible re-engagement in Togo. Below is an abstract of the main Findings and Recommendations.

### ***Findings***

2. The Bank's program in the past fared poorly. Only 34 percent of the value of projects that have closed and been evaluated since 1991 had a satisfactory outcome, with sustainability rated likely in only 3 percent. This compares negatively with Bank-wide outcome ratings (82 percent satisfactory) or results for the Africa Region (73 percent satisfactory). Even more striking, the Bank's performance was judged to be unsatisfactory in over half of the projects by value.

3. Issues of poor governance, weak performance of the implementing agencies, and lack of counterpart funds have emerged in nearly all of the projects in the portfolio. These project-generic issues are major factors and might have led—even without the lack of disbursements due to the Non-accrual situation—to the same negative outcome and the lack of sustainability.

4. One difficulty in Togo is the absence of able regional-level and district/municipal level institutions. The NGOs that operate within Togo function outside of the governmental agencies, which is necessary for the implementation of their projects, but it has not helped to build institutional capacity in the line ministries<sup>6</sup>. OED's interviews with country team management and staff revealed substantial frustration regarding the weak implementation capacity in the Government.

5. Political unrest and vested interests within the Government frequently undermined reform progress. However, the positive outcomes of the Road Transport and Lomé Urban Development Projects show that it is possible to successfully safeguard against these risks by involving early on a broad range of stakeholders and focusing on "non-controversial" areas of reform.

6. The Bank's performance in Togo has had problems of its own, which contributed to the overall negative outcome. The projects were frequently too complex, did not take into account the weak implementation capacity in Togo and lacked a realistic assessment of the political feasibility. Furthermore, project officers seem to have been unaware of the experiences and outcomes of other projects in Togo.

7. One of the major omissions of the Bank's past work has been the failure to safeguard against Togo's looming debt problem. Despite having recognized a fragile budgetary situation in early 1995, the Bank did not set sufficiently specific triggers, either in the 1995 CAS or in the 1997 and 2000 CAS Updates, to enable Management to manage risks and to stop or review lending in the case of further deterioration. The Bank should have been more ready to cancel or drop projects under the prevailing political and economic environment, which made project implementation extremely difficult.

### ***Recommendations***

8. The Bank is moving to results-based Country Assistance Strategies with specific outcome indicators, and these could serve as a useful guide for the specification of the Togo work. OED's

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<sup>6</sup> As long as the institutional capacity in the line ministries remains weak, the Bank will likely need to rely on the NGOs for assistance in project implementation.

findings in this review indicate that there needs to be a clear linkage *between the CAS, ESW activities, and project implementation performance*. The design of specific triggers in the planned Re-engagement Note and in the next CAS will be needed—triggers that will allow the Bank to manage risks more closely. One key risk to guard against would be a recurrence of the non-accrual status.

9. If the Bank re-engages fully with Togo, there is a substantial risk that the pattern of the past could be repeated. In the absence of decentralized government structures, making it difficult to decentralize responsibilities to municipal and local entities, and the lack of a transparent budgetary process, reforms in the various sectors will likely continue to be difficult to achieve. *A substantial strengthening of public expenditure management is therefore warranted.*<sup>7</sup>

10. To safeguard against vested interests and political instability, *beneficiaries and key stakeholders should be more actively involved in building a broad and sustainable consensus for reform*. Such participatory efforts should be started as early as possible in the reform process and in project design. The Community-Driven Development (CDD) approach should be actively considered for Togo.<sup>8</sup>

11. A central part of Togo's problems over the last few years has been the absence of a stable political compromise between the main players.<sup>9</sup> A way for the Bank to move forward would be to *focus attention on non-contentious issues* (for example, not on major privatizations given the record of the past), where various parties could come together with Government and work on concrete objectives.

12. As regards sectoral re-engagement, the regional management might want to consider two or three projects out of the following sectors. *Given the deteriorating social indicators in the country, OED recommends involvement in the social sectors, such as meeting primary education goals, providing basic health services, and addressing the population's high fertility rate*. Access to water services is important to achieving the Millennium Development Goals, which would argue for a greater Bank program in this sub-sector than it has had in the past. Furthermore, projects in transportation and power could help consolidate earlier achievements, thus helping to build ownership for more far-reaching reforms in other sectors. Although private sector development (particularly privatization) and reforms in the agricultural sector remain important, they appear to be politically difficult to achieve and should therefore be postponed.

13. Even if the EU resumes its financial assistance and Togo starts again to service IDA debt, the financial situation of Togo needs to be closely monitored. *Projects should include measures to protect against the possibility of renewed periods of Non-accrual and suspended disbursements*. Grant funding, alongside loan funds, has been used in some of the projects in the past. Where possible, grant

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<sup>7</sup> Various donors as well as the Bank have pointed to the need to strengthen public expenditure management and revenue collection.

<sup>8</sup> The CDD approach has been classified into four categories: measures that help the enabling environment (policy and institutional reforms oriented toward increased control of decisions and resources by communities); those that embody community control and management of investment funds; those that embody community control without giving them management of investment funds; and those that use local governments, usually where there are elected local governments that make decisions on planning and implementation. See "Community Driven Development: Lessons from the Sahel," OED Working Paper, 2003 by Nalini Kumar, page 5.

<sup>9</sup> The unsatisfactory outcome of the national elections in mid-2003 were contested by the Opposition. Local elections which were planned for early 2004 did not occur.

funding sources should be sought in the future, using formal co-financing arrangements. This has two benefits: it lowers the average costs of funds, and it could potentially enable greater flexibility in implementation.<sup>10</sup> Further reliance on semi-autonomous institutions operating in the country with a secure financial situation (such as the Road Fund or Social Funds with a local/community focus) should also be considered.

14. Although not lending, the Bank is resuming its role in donor coordination. The Bank is currently engaged with other donors in two main areas: firstly in the AAA work and support to the I-PRSP, as well as in the context of discussions on the proposed Emergency Program for Poverty Reduction (EPPR); and secondly, the Bank "leads" a number of sectors/themes such as poverty and economic management, while other donors play similar roles elsewhere (e.g., French Development Agency in the field education, WHO in health, UNDP in governance, EU in community-driven development, etc.) However, *the Bank needs to sharpen its ESW focus and complete priority tasks and not be distracted by tasks that may be interesting, but are not urgent.*<sup>11</sup> This review suggests that the following five ESW topics/tasks, some of which are already underway, are of highest priority:

- A Public Expenditure Management Study and an Institutional and Governance Review; these could be separate or combined tasks.
- a targeted study to identify those civil society groups (NGOs, community groups, etc.) with whom the Bank could work closely under a LICUS Framework (underway);
- an updated Poverty Assessment, linking in with the PRSP (underway)
- a Debt Work-out and Sustainability Analysis —this work would need to be closely coordinated with the IMF; and
- an Education Strategy Note (recently completed).

15. Analyses for the first three topics should focus on identifying key problems in the delivery of public services, the political feasibility of suggested reforms, and the identification of possible social and community groups through which support could best be channeled, in addition to, or instead of, Government agencies. A national capacity assessment, leading to a national strategy and action plan for capacity building, could form part of the first two priority tasks listed in para. 14. The debt workout study should be done jointly by the country economist and selected project officers so that macroeconomic constraints can be more clearly taken into account in the future when designing counterpart funding requirements on projects. The study should also involve the HIPC Unit. The discussion of the Education Strategy Note with the Government should help to restore the dialogue which had deteriorated after the unsuccessful outcome of the previous project. OED supports the approach of the Country Department to make *the ESW program the center of the Bank's dialogue, especially in this LICUS period.*

16. The Government did not implement the recommendations made in the Bank's Country Procurement Assessment Report of 1997. Meanwhile, the Bank has completed an Update of the CPAR. *The Bank should ask the Government to explain what steps it is taking to improve its procurement functions and capacity, given that two CPARs have been done and little action has been*

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<sup>10</sup> Under parallel co-financing arrangements the implementation of bilateral aid might still be able to proceed while World Bank disbursements are blocked due to a Non-accrual status.

<sup>11</sup> For example, the Gender Equality Study (one of the Region's proposed studies), which addresses a long-term problem, where a lot of material already exists on other countries that can be readily disseminated to officials in Togo. The Region notes that they are reviewing their ESW plans with a view to focusing on the most immediate priorities.

taken by the Government. This issue goes to the heart of IDA being able to resume any project funding.

17. *Dissemination of findings from other countries (e.g. Best Practices) should become a key element of the Bank's strategy in Togo. For the dialogue, the Bank might consider a shift from pressuring what is clearly a reluctant Government to helping build more consensus across interest groups in the country, in order to develop a broad-based coalition for reform.*

18. The bulk of staff who used to work on Togo have been deployed on other countries. The Bank continues to keep its field office open in Lomé, with about a dozen staff. *The Country Team should re-assess the functions for the field office under various scenarios -- re-engagement or non-re-engagement, clearance of arrears (and timetable), or non-clearance of arrears in the short to medium term. In the short term, during this LICUS phase, the Resident Mission continues to be involved in mapping out a possible program. The office should use this opportunity to foster a closer dialogue with Togolese civil society. Depending on what the prospects are for re-engagement, the Africa Region may wish to review the cost-benefits of keeping an office open in Lomé, and assess whether the program could in fact be managed out of the Benin office instead.*

19. *Overall, the Bank needs to achieve greater efficiencies in its work. This will require a careful sequencing of tasks and propitious use of the administrative budget. This review recommends greater selectivity. Clear benchmarks of performance will need to be designed that are mutually accepted by all of the stakeholders. The Country Team should devise ways of achieving closer working synergies between country and sector staff. The tendency among various teams to work "in silos" needs to be addressed. Furthermore, the Bank should strengthen its review of the Financial Management Systems (FMS) in project work, if project lending is to resume. If re-engagement occurs, a tight review of project supervision is warranted, especially on project ratings, outcomes, and institutional impact.*

20. In the past, the stop-and-go involvement that has resulted from the various periods of suspension and from the shifts in Bank policies has led to pronounced disappointments. Mobilization of support from key stakeholders could lead to greater frustration if their efforts are not translated into concrete results. *Close collaboration between the Bank and donors is therefore warranted. Togo's LICUS status indeed makes this possible*

MAP SECTION

