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Water, Sanitation and Urban Development Sector Unit [AFTU2]  
West and Central Africa Region  
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## CURRENCY EQUIVALENTS

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CFAF 1,000 = US\$ 1.63

US\$ 1.0 = CFAF 612.16

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## ABBREVIATIONS AND ACRONYMS

AAA:	Analytical and Advisory Activities
AFD:	<i>Agence Française de Développement</i> (French Development Agency)
AGETUR:	<i>Agence d'Exécution des Travaux Urbains</i> (Agency for Urban Works Management)
BOAD:	<i>Banque Ouest Africaine de Développement</i> , (West African Development Bank)
CAS:	Country Assistance Strategy
CBO:	Community-Based Organization
CBS:	Central Bureau of Statistics
CDB:	Bè Development Committee
CDS:	City Development Strategy
CPRS:	City Poverty Reduction Strategies
DS:	<i>Délégations Spéciales</i>
DPs :	Development Partners
EPAM:	<i>Etablissement Public Autonome pour l'exploitation des Marchés de Lomé</i> (Public Agency for the Management of the Markets of Lomé).
FSDH :	<i>Fonds Spécial pour le Développement de l'Habitat</i> . (Special Fund for Housing Dev't)
GDP:	Gross Domestic Product
GoT:	Government of Togo
ICT:	Information and Communications Technology
IDA:	International Development Agency
IMF:	International Monetary Fund
LED:	Local Economic Development
MDF:	Municipal Development Fund
MSIP:	Multi-Sector Investment Program
NCBF:	National Capacity Building Framework
NDPA:	National Development Planning Agency
NGO:	Non-Government Organization
NLAA:	National Land Administration Agency
O&M:	Operation and Maintenance
PPP:	Public-Private Partnership
QAG:	Quality Assurance Group (of the World Bank)
RDA:	Regional Development Account
RPT:	Rally of Togolese People Party
SOETEMA:	Local Solid Waste Management Enterprise
SLA:	Subsidiary Loan Agreement
SME:	Small and Medium-sized Enterprise
TdE:	<i>Société Togolaise des Eaux</i> (State Water Supply Corporation)
UAP:	Urban Action Plan
UDF:	Urban Development Fund
UNCHS:	United Nations Center of Human Settlements
UNDP:	United Nations Development Program
WSS:	Water and Sanitation Sector

## **TABLE OF CONTENTS**

Executive Summary .....	4
I. Introduction .....	5
II. Key Demographic, Urbanization & Decentralization Trends .....	7
III. The State of Urban Infrastructure and Services Provision .....	12
IV. Institutional Framework and Regulations .....	19
V. DPS Interventions & Outcomes .....	25
VI. Recommendations & Framework for Sustainable Urban Development .....	26
VII. Concrete Immediate Steps To Secure the Future of Togo's Cities .....	29
Annex 1: Attempts at Decentralization .....	33
Annex 2: DPS Interventions and Outcomes .....	36

## Executive Summary

Togo is experiencing rapid urbanization that is not backed by any appreciable levels of political and fiscal decentralization. Sub-national governance authorities/entities (SGAs) <sup>2</sup>are cash-strapped, unable to provide and maintain infrastructure services, rendering most urban and peri-urban locations difficult places to live, particularly, for the poor who are suffering disproportionately from the non-performing services provision regimes. Neglected for years without maintenance or repairs, urban infrastructures services have either deteriorated badly or broken down completely, and are inadequate to service a growing urban population.

Togo has been governed under a centralized political administration system with no power devolved to any sub-national entity since independence. Effectively, the central government (GoT) directly presides over the entire population of the country which had grown to about 5.2 million by 2004 (was 1.4 million in 1959 and 1.95 million in 1970) representing many diverse communities spread across more than 56,785 sq. km of land area (slightly smaller than the State of West Virginia in the USA). Despite the existence of many of the democratic institutions that are common in many countries, the reality is that political power in Togo has been vested in the hands of a few institutions, notably the armed forces and the ruling political party.

In response to the rapid urbanization that Togo experienced between the 70s and early 90s, the government developed a proposed framework for decentralization that was supposed to have been enacted into Law in 1988. The provisions of the then proposed decentralization Law would have allowed the country to move local governance (responsibilities for management of human, physical, technical and financial resources for services provision to SGAs) closer to the governed. This first attempt at decentralization failed and so did the second one that was initiated a decade later in 1988. A third wave, started in May 2005, is currently underway.

Since 2005, a new government has rekindled hope among urban dwellers who are voicing their opinions on how they would want their localities developed and governed. Togo's urbanized population is currently 36% of the total population. Lomé (the capital city), is home to about 1.4 million people (58% of Togo's urbanized population) and this city dominates the socio-economic production of the country contributing about 60 percent of the country's GDP (purchasing power parity was US \$8,684 billion-2004 est.). Urban Togo is Lomé. Urban areas and the SGAs are ready and striving, if the appropriate fiscal, human resources and revenue generation capability transfer mechanisms from the central government to the SGAs are put in place, to meet rising local aspirations through improving urban services, promoting local economic development and reducing urban poverty. Will the new impetus for decentralization materialize this time around? The necessary pre-conditions for this to happen are a part of the core issues of this study.

Togo's cities, especially, the city of Lomé, were among the neatest, most beautiful and functioning in the sub-region for many years, particularly between the 70s and the late 80s with many infrastructure services provision working for its urban population. Lomé was the choice destination of most tourists to the West Africa sub-region<sup>3</sup> supported by its free port, low VAT on purchases of goods, functioning infrastructure services, world standard hotels, good tourism amenities, excellent

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<sup>2</sup> SGAs consist of Regional, Prefectoral, Local and Municipal Authorities and City Councils.

<sup>3</sup> Citaftric report 2006

hospitality industry and specialized cuisine catering to fairly sophisticated clientele. However, as the fortunes of the GoT dwindled, so did Lomé's.

Today, urban poverty in Togo is high and rising. Much progress was made in the 1970s, when the urban population was only 15% of the total national population of 1.9 million. Over time, accentuated by non performing macro and micro-economy, failed decentralization processes and acute job shortages, many households, urban and rural alike, live so close to the poverty line. Indeed, more than half of Togo's people are today considered poor or vulnerable to poverty.

This review concludes that for Togo's urban and peri-urban areas to sustainably grow, issues of urban governance and development need to be approached in a comprehensive manner, driven by well - guided policies developed in partnership with the people to support SGAs in carrying out their functions efficiently. To meet evolving challenges of urbanization and decentralization, GoT must rationalize the roles of various levels of government and agencies and limit their numbers to limit duplication, strengthen the capacities of relevant sector institutions and coordinate institutional actions and investments. It is further recommended that GoT must (i) clarify the roles and functions of national, prefectural, and local governments while ensuring that coordination functions between them work well; (ii) separate urban policy and regulatory functions from implementation of urban projects by allocating implementation responsibilities to private operators or qualified state agencies under performance-based arrangements; (iii) ensure proper allocation of taxing responsibilities, develop and implement transfer of financial resources from the central government to the local governments on a transparent basis supported by simple and precise criteria; and (iv) strengthen the central government's role in policy, regulatory, coordination, oversight and supervision. Contractualization of relationships between different tiers of government and benchmarking of performance must be prominent among the guiding principles that should govern the delivery of responsibilities of GoT, SGAs and their agencies.

Finally, this necessary, first step stock-taking review of Togo's urban and peri-urban sector has revealed knowledge & data gaps that need to be filled through further analysis and studies on (a) infrastructure services provision needs as well as capacity to implement, operate and maintain them, (b) improving the functioning of the urban land market and shelter-related issues, (c) strengthening municipal financing, (d) developing city and local economic development strategies (CDS & LED), and (e) socio-economic and technical approaches to financing of slum upgrading.

## I. Introduction

1. Togo is a low-income country with good development potential but constrained by a difficult political and economic environment. Togo's macroeconomic situation is unstable, owing to weak economic management and lack of external budgetary support. There has not been an International Monetary Fund (IMF) program since 1998. The country's population (estimated to be about 5.7 million in 2005) is growing rapidly and so is urbanization (estimated at 36% of the population in 2005, was 15% in 1959 and projected to top 65% by 2025). Many urban dwellers live in peri-urban unplanned neighborhoods constrained by lack of economic opportunities, poor social, sanitary, decaying urban infrastructures and environmentally degraded conditions<sup>4</sup>.

2. Togo has been under a long and stressful continuously changing political terrain that has left many of its citizens with debilitating uncertainties regarding the future of the country. A recent political transition that had regional and international bodies<sup>5</sup> calling the GoT to follow provisions embedded in its constitution added to the uncertainties the country faced and yet, calm has returned to the body politic and the country is settling into a seemingly assured harmonious state.

3. A new government has been set up following the conclusions of the 2005 presidential elections and promises a new day for urban development. A new ministry, *Ministère de la Ville (MdV)*, was created in 2005 with a mandate to bring under one roof, the activities of many GoT ministries and agencies working on urban, decentralization and infrastructure services issues. The ministry (MdV) has been given the responsibility of mobilizing resources needed for urban development and harmonizing GoT and DPs' support mechanisms to bring Togo's cities and sub-national governance under a streamlined and managed regime<sup>6</sup>.

4. After nearly four years of absence of the World Bank (WB) from Togo's urban sector (the last WB urban project<sup>7</sup> in Togo closed in 2002), this stock-taking and urban sector review was intended to update the Bank's knowledge of the sector to gain better understanding of the current on-going trends in urbanization and decentralization in Togo as well as the infrastructure services provision in the urban and peri-urban areas. This review would enable the WB to better work with GoT and other DPs to direct targeted support to the efforts of the GoT in ameliorating infrastructure services provision to Togo's urban and peri-urban dwellers.

5. The review of sectoral information and analysis, based largely on secondary sources, were complemented by field studies conducted in Lomé and exchanges with city level stakeholder workshops and detailed discussions with elected representatives, bureaucrats, members of the private sector, NGOs and CBO/CSOs (especially those working with the urban poor), and other relevant constituents in the cities. Relevant and available data encompassing governance structures, municipal financing, urban services, land and housing, and urban poverty, has been incorporated in this report.

6. The review has helped to update information on urban structures, develop better knowledge about the latest trends in urban and peri-urban development realities and the strategic directions that GoT intends to follow to provide better infrastructure services to a growing urban population. It would also provide a better opportunity for a constructive review and dialogue with other DPs so that

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<sup>4</sup> Citafric report, 2006, estimates that almost 53% of urban dwellers in Togo's cities live in peri-urban neighborhoods

<sup>5</sup> ECOWAS, Africa Union (AU), United Nations (UN), European Union (EU) and others,

<sup>6</sup> GoT, Memorandum on the creation of the MdV

<sup>7</sup> Lome Urban Development Project (LUDP) disbursed US \$ 28.5 million.

alignment with GoT's priorities and harmonization among donors can better enhance decentralization and contribute to reducing Togo's urban and peri-urban poverty.

### Objectives of the Urban Sector Review

7. The WB is seeking to better work with GoT and together with DPs to closely support the government, its SGAs, especially municipal administrations and city councils to seize opportunities and manage the challenges of rapid urbanization and decentralization in order to improve economic efficiency, reduce poverty and enhance the quality of life in the cities and towns of Togo. To this end, the Togo urban sector review sets out to do the following:

- Take stock of Togo's urban infrastructure, obtain a quick assessment of the state and trends of urbanization and decentralization in Togo and the roles played by main stakeholders—central and local governments, private sector (formal and informal), civil society and communities—in Togo's urban and peri-urban infrastructure services provision (quantity/expandability, quality/availability, reliability, bottlenecks & affordability);
- Review, identify and report on priority areas that will require further analyses through future work to firm up recommendations on how better options for Togo's urban policy & programs implementation could be aligned to sustainably strengthen access, delivery, affordability & expansion of services to urban and peri-urban dwellers; and
- Contribute to a WB strategy framework (on specific urban & infrastructure issues) for the Bank's re-engagement dialogue with Togo.

## **II. Key Demographic, Urbanization & Decentralization Trends**

### Demography, urbanization and Political economy

8. Togo's total population is currently estimated to be about 5.7 million and grows annually at an average rate of 2.7%. The urbanized population constitutes about 36%<sup>8</sup> of the population compared to only about 15% in 1959. Its capital city Lomé is home to about 1.4 million people (58 percent of Togo's urbanized population) and also dominates the socio-economic production of the country contributing about 60 percent of the country's GDP (total GDP was US \$8,684 billion, 2004 est.)<sup>9</sup>. The urban population grew at a rate of about 5.5% per year between the 60s and the 70s and the total urban population is projected to top 65%<sup>10</sup> of the total population projected to grow to about 7.05 million by 2015 and 9.2 million in 2025.

#### Demographic evolution

	1959	1970	1981	1997
Total population	1.425.000	1.950.000	2.720.000	4.269.500
Rate	2,87%	3,05%	2,85%	
Urban population	220.000	400.000	700.000	1.425.000
Rate	5,5%	5,2%	4,5%	
Rural population	1.205.000	1.550.000	2.020.000	2.844.500
Rate	2,12%	2,44%	2,16%	
Urbanization level	15%	20,5%	25,7%	33,2%

<sup>8</sup> World Factbook, 2006

<sup>9</sup> World Factbook, 2006

<sup>10</sup> World Development Report, 2004

Urban/Rural pop ratio	0,18	0,26	0,35	0,51
Urbanization rate	3,38%	2,76%	2,34%	

Source: Citafric 2006

9. Urban growth is exacerbated by an increasing rural-urban migration mostly towards Lomé, which dominates Togo's other urban centers such as Sokode, Atakpamé, Dapaong, Kara and Kpalimé. Togo's urban network is skewed towards Lomé in terms population size, manufacturing & industrial production and services provision. In terms of population size, the next rung cities following on Lomé—Sokodé, hardly hosts 107, 000 inhabitants (at least 12 folds below Lomé) and even a much smaller manufacturing presence compared to Lomé. Kara follows Sokode with a population of 100, 400 inhabitants, Atakpamé, 72, 700 and Kpalimé, 71, 400<sup>11</sup> as of 2004.

10. High rate of population growth and rapid urbanization has resulted in high levels of unemployment, especially among youth. Government of Togo (GoT) drew plans for an urban development and a decentralization framework in the late 80s that was slowly implemented and produced to-date, neither an appreciable transfer nor deconcentration of either political or fiscal power to the *Sub-national governance authorities/entities (SGAs)*.

11. Subsequently, GoT has produced several other urban strategies that benefited from the support of the country's development partners (DPs)<sup>12</sup>. Most of the recommendations that emerged out of these strategies were either implemented haphazardly and abandoned midstream or not implemented at all. As a result, rapid population growth, high unemployment among urban youth, unplanned and unmanaged physical urban growth in the primary city of Lomé (as well as other secondary cities)—accentuated by lack of economic opportunities for unskilled urban residents (mainly migrants from rural areas), and poor social, sanitary and environmental conditions, have been among some of the major issues confronting cities and the urban sector.

12. A continuously changing political terrain of Togo has been under a long stress and left many people with debilitating uncertainties regarding the future of the country. From the mid 1970s, the government has continued to experience major difficulties in uniting the country behind its purpose of expanding opportunities for the populace. Simultaneously, Togo's rapid urbanization (see paragraph 1 above) accompanied by increased urban unemployment and deteriorated social cohesion as traditional rural communal social structures were abandoned for urban individualism, caused uncertainties for many in urban and peri-urban areas. Stress and the tensions increased in the body politic. More recently, the political transition that immediately followed the death of the country's former leader—namely the installation of a leader by the military, the challenges that followed and which led regional and international bodies<sup>13</sup> to insist on Togo following the provisions of its constitution for transition and the subsequent election and re-installation of a President—all added to the rapid changes and uncertainties in the country. Yet, one change that might have implications for urban development is the GoT creation in 2005, *Ministère de la Ville (MdV*- see paragraph 3 for the functions of this ministry). The implications of this change needs to be understood and worked with by the WB and Togo's other DPs.

<sup>11</sup> Citafric report, 2006

<sup>12</sup> DPs working with GoT include, among others, (i) African Development Bank (AfDB), African Union (AU), Agence Française de Développement (AFD), Banque Occidentale Afrique du Développement (BOAD), Economic Community of West African States (ECOWAS), European Union (EU), International Development Association (IDA), The World Bank (WB), United Nations Development Program (UNDP), and others

<sup>13</sup> ECOWAS, African Union (AU), United Nations (UN), European Union (EU) and others,



13. Togo was ruled for the last 38 years by a single political party. Multi-party elections instituted in the early 1990s did not change the way the country was ruled much. Togo has been governed under a centralized political administration system with no power devolved to any sub-national entity. Effectively, the central GoT directly presides over the entire population of the country which had grown to about 5.7 million by 2004 (was 1.4 million in 1959 and 1.95 million in 1970) representing many diverse communities spread across more than 56,785 sq. km of land area (slightly smaller than the State of West Virginia in the USA). Despite having many of the democratic institutions that are common in many countries, the reality is that political power in Togo has been vested in the hands of a few institutions, notably the armed forces and the ruling party. Repeated efforts, some confrontational, have been made by Togolese political forces since 1990, to set up an inclusive and open political framework that will create the conditions for peaceful and inclusive co-existence and development. The challenge for the political forces is to come to a consensus for a peaceful management of the political competition that will limit major uncertainties regarding the outputs of future elections, generate long term peace and positive outcomes for the population so that Togo can reclaim the status it enjoyed in the 70s and 80s.

14. Decentralization: Considering the rapidity of urbanization of the country in the 1980s, the government developed a proposed framework for decentralization that was supposed to have been enacted into law. The provisions of the then proposed decentralization Law would have allowed the country to move local governance (responsibilities for management of human, physical, technical and financial resources for services provision to SGAs) closer to the governed. The attempt failed and so did the second attempt in 1998 (proposed/draft Law No. 98-006)—sought to re-institute a variation of that which failed to pass in 1988, on account of the parliament failing to enact the law despite ratification by the President and cabinet.

15. The third decentralization framework built on draft Law No. 98-006 (2005-to-present), kicked in after the election of a new president in 2005. In his attempt to break the logjam on elected representation to carry forward the business of the people, and to get municipal and parliamentary elections underway (DPs condition for renewed engagement with GoT) the new authorities prepared a renewed decentralization package/framework and created *Ministère de la Ville (MdV)* to oversee governance and development of all cities, urban centers, municipalities and town councils. The proposed framework is further discussed in Annex 1.

16. It must be noted that for reasons beyond this document, nearly two decades after the initial decentralization framework was proposed, neither political nor fiscal decentralization has become effective (successful) in Togo. Real tensions exist in Togo despite the understanding by all parties and the Togolese people that peace should be the driving force to enable the country (especially Lomé) to regain its reputation as a center for trade, with highly skilled people in trans-shipment administration for trade and for managing quality service delivery. Despite this understanding, many years of state capture, strong grasp of the country's resources by a few elite through the use of some inexpedient measures have left some profound scars on society that need to be healed and the antagonism remains vivid. The new authorities are aware of this tense situation which cannot last forever and they have attempted to break the stalemate. Giving more power to the SGA could be one way of ensuring a better balance in the political arena and ensure some level of inclusiveness.

17. On the plus side, mutual interest and political co-existence of the Togolese has saved the country from plunging into conflict, civil war and political crisis. As yet, many SGAs lack the power, skills and knowledge necessary to exercise local governance authority (generate own revenue, pass

own by-laws to regulate behavior of people and businesses in their localities, etc.) This review analyzes these knotty realities and suggests that more detailed and targeted studies are required to better understand the urban transition characteristics and the decentralization needs of Togo's urban and peri-urban areas.

### Togo's Economy Performance & Urban Areas Contribution

18. Togo's economy which has been heavily dependent on subsistence agriculture in the past is increasingly dependent on industrial/commercial activities and services. These activities and services now account for employment of about 35% of its labor force but which sector makes a contribution of about 60.5% to Togo's GDP<sup>14</sup>. The country's total GDP (purchasing power parity) was estimated to be US \$8,684 billion in 2004<sup>15</sup>. As of 2003, Togo's total labor force was 1.74 million. By occupation, agriculture accounted for 65%, industry 5% and services 30% of the labor force. GDP composition by sector, however, reveals that agriculture accounts for only 39.5%, industry 20.4% and services 40.1%.

19. Togo's main natural resources – phosphates, limestone, marble, and arable land remain under-utilized. Togo was the world's fourth-largest producer of phosphate, but production fell by an estimated 22% in 2002 due to power shortages and cost of developing new deposits. The country's economic strength lies in services related to the hospitality industry, banking and commerce. Lomé port is a free port and Togo has one of the lowest value added tax (VAT) regimes in the sub-region. Many of the country's land-locked neighbors (including Burkina Faso, Niger, and Mali) take advantage of Lomé's port facilities and good trans-shipment services specialization, which has enhanced the economy of the country contributing about 18% of Togo's GDP<sup>16</sup>.

20. Lomé's economic activities contribute to about half of Togo's GDP. Overall, huge imbalances exist between Lomé and the other cities (and regions) both in terms of population size, infrastructure services availability and economic opportunities. Unemployment in all urban areas is on the rise and is currently estimated to be 37%<sup>17</sup>. Local governments have weak planning, financial, technical, program implementation and general urban management capabilities. Central government and the public sector dominate infrastructure services provision in Togo's urban and peri-urban areas (provides about 90% of all urban infrastructure services assisted by development partners), crowding out any possible private sector participation/involvement.

21. Urban Poverty: Urban poverty in Togo is high and rising. Much progress was made in the 1970s, when the urban population was only 15% of the total national population of 1.9 million, to reducing material poverty among urban dwellers. Over time, accentuated by non-performing macro and micro-economy, failed decentralization processes and acute job shortages (among others), many households, urban and rural alike, live so close to the poverty line that any blow to their well-being makes them destitute. As such, nearly half of Togo's people are today considered poor or vulnerable to poverty compared to 32% of the urban population in 1970<sup>18</sup>. Urban poverty affects the most vulnerable (women, children, orphans, the elderly, etc.) in Togo's cities more than in the rural areas due to traditional social networks and linkages that are stronger in villages than in cities.

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<sup>14</sup> World Factbook, 2005

<sup>15</sup> World Factbook, 2006

<sup>16</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

<sup>17</sup> World Factbook, 2005

<sup>18</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

22. At the rate at which poverty is currently progressing in Togo's urban and peri-urban areas, there is need for GoT and DPs to respond urgently to (a) ensure food security, (b) create jobs, (c) preserve access to critical social services, and (d) sustain local economic activity for business development and facilitation of credit extension to the poor. Togo's urban poor have limited, constrained and compromised access to land, housing, basic urban services, income opportunities and credit, ability to foster social capital formation, empowerment and participation in civil society institutions. They lack basic security and justice leaving them highly vulnerable, and often in worse conditions than the rural poor.

23. With the promise of decentralization in Togo, SGAs that draw poor communities into city planning and policy making may gain valuable guidance on development. A proactive agenda for poverty reduction, in an era of decentralization and local empowerment in Togo, would include: (a) a resumption of growth to create an environment for poverty reduction; (b) making use of decentralization for more *pro-poor* governance; (c) improving the poverty focus of public expenditures; (d) developing safety nets for the poorest; (e) expanding access to secure land and affordable housing for the poor; (f) reducing current anti-poor bias in urban infrastructure policies and supporting community-based local infrastructure, where appropriate; (g) providing greater opportunities for economic empowerment through access to credit and capital; (h) strengthening human capital of the poor with better education and health; (i) strengthening the rule of law and improving access to judicial systems by the poor; and (j) addressing the special concerns and needs of poor women in policies, programs and projects.

24. SGAs, especially city councils, need to take good advantage while the debate on decentralization is on-going to seek the legal, institutional and financial opportunities in the proposed decentralization Law to be able to create, fund and manage specialized LED agencies and institutions with specific economic development functions with line items that can support economic projects.

25. Decentralization must benefit the poor by improving *pro-poor* governance: Togo's decentralization policy and implementation must be built on a thriving economy with stable macroeconomic and financial fundamentals—rising real wages, expanding employment and limited inflation—as insurance for reducing poverty. Equally important, these gains must be across the board and not reserved for the elite. For growth to be effective in poverty reduction, the poor in Togo's urban and peri-urban neighborhoods must have equitable access to, and fair returns on assets and products. Public policies for labor, capital (finance, savings), land and natural resources must meet the needs of the poor. Decentralization bodes well for changing the day-to-day relationships between the poor and the government and for making GoT and SGAs more accessible. The notions of “quality” and “access” should be at the heart of new SGAs and local government policies and programs for the poor.

26. Vital ingredients for a decentralized governance agenda for poverty reduction include:

- Free flow of information to create awareness about policies/programs that directly impact the poor and putting in place mechanisms for the poor to access information that matter to them;
- A voice for the poor to empower them to shape the policies and programs that affect their lives and ensure efficient and effective implementation of public service delivery; and
- Transparency and accountability in decision making, accompanied by a gradual shift from meeting physical targets to achieving specific outcomes. It is also important to visibly “appear to be”, as much as “be” transparent and fair, to elevate the confidence of the poor in the rule of law and the ability of the government to uphold it.

27. Essentials of an Urban Poverty Alleviation Strategy: Togo's drive to alleviate poverty must be driven by investment in the poor by way of poverty-focused public expenditures. Allocations of public expenditures that maintain fiscal balance and enable decentralization while benefiting the poor should be a key element of economic policy, both at national and local levels. Additionally, there is a need to:
- Improve ways of measuring poverty and strengthening the capacity of SGAs and city governments to track it ;
  - Develop the ability to analyze the impact of poverty on public expenditures across and within sectors,
  - Monitor their effectiveness, and to strengthen the capacity of SGAs and urban local governments to undertake these actions;
  - Make subvention and subsidies more effective for SGAs, especially in the extension of credit and provision of services;
  - Make fiscal decentralization pro-poor by reflecting poverty priorities in SGAs fiscal allocations to address poverty and to allow city governments to borrow for programs that support economic growth with spillover impact on poverty.
28. Developing safety nets for the poorest: While much of poverty reduction in urban areas will be accomplished by individuals, families and communities themselves, there will be pockets of poverty and groups of people that will require special attention and assistance, such as the chronically poor, the physically or socially excluded, orphans, widows and so forth. Additionally, during crisis episodes, many poor families may need extra help. Special programs are required to assist the most vulnerable. However, the success of such programs will lie in their adopting the following principles:
- Locally driven, rather than by the central government, although resources can come from various sources;
  - Limited to specific groups and/or time periods, aimed at the basics—food, health care, shelter, etc.; and
  - Government resources, but with targeting and implementation left to NGOs/CBOs.

### III. The State of Urban Infrastructure and Services Provision

29. Special place of Lomé's Urban Context: Lome has grown the fastest among all Togo's cities. Its surface area expanded from about 1,900 hectares in 1981 to nearly 13,000 hectares in 2001 (in 20 years)<sup>19</sup>. This rapid physical growth was not accompanied by any commensurate increase in infrastructure services provision (roads, drainage, solid waste, roads, etc) system or policy and neither was any minimum provision of viable urban services extended, especially, to the newly developing peri-urban areas. Despite Lomé's autonomous status, granted by Law 81.1 of June 23, 1981, the city has not been able to respond to the heavy demand for urban services due to its lack of human and financial resources and effective management tools and structures.

30. Lomé the beautiful—images of yesteryears: It must be noted that Togo's cities, especially, the city of Lomé, were among the neatest, most beautiful and functioning in the sub-region for many years particularly between the 70s and the late 80s with many services provision working for its urban

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<sup>19</sup> Citafric report, 2006

population. Lomé has been and continues to be the bread basket of Togo. It was the choice destination of most tourists to the West Africa sub-region supported by its free port, low VAT on purchases of goods, functioning infrastructure services, world standard hotels, good tour guides/guards, excellent hospitality industry and specialized cuisine catering to fairly sophisticated clientele<sup>20</sup>.

31. By the end of the 90s, cash-strapped GoT was faced with a difficult macro-economic situation and tactically withdrew from urban infrastructure financing in Lomé, Sokode and other secondary cities. This was worsened by the city's weak municipal capacity and inability to raise its own revenues. This resulted in low levels of investment and deteriorating urban infrastructure and services provision to its citizens, and exacerbated a grievous downward slide of services provision affecting the poor disproportionately.

32. The major challenges and causes of widespread deterioration in infrastructure network and services provision in urban Togo are partly, a result of, among others, unreliable, unpredictable and precarious financial resources, the failure of systemic & timely scheduled maintenance, non-renewal & under-investments in modern equipment and technical expertise of staff, etc. This lack of maintenance of Togo's urban infrastructure stock accumulated over time, and resulting worsening quality of services provision spans all infrastructure services provision in all major cities and their peri-urban neighborhoods. Lomé is the worst affected because of demographic, physical location and its pole position as 'the city' of Togo.

33. Urban Roads: of a total highway length of 7,520 km in Togo, 2,376 km is paved (1999 est.).<sup>21</sup> Urban roads' share of all highways in the country is about 3,405 km. 570 kilometers (16.7%) out of these urban roads are paved (Lome 251 km; Sokodé—109 km; Kpalimé —67 km; Kara—66.3 km; Atakpamé —75.6 km)<sup>22</sup>. Lomé's roads network has a total length of about 1,394 km (6% primary; 9% secondary and 85% tertiary). Many potholes currently line up to 75% of all city streets/roads in the Bè (CBD) area of Lomé. The situation is worse in Agoe, one of the peri-urban areas of Lomé where all roads are dirt roads except the main north-south international route that is paved. 78% of Lomé's urban roads lack drainage and maintenance, are constantly under high volume traffic stress, without adequate systemic maintenance, and are badly deteriorated. Urban-rural roads and transportation linkages are dysfunctional, impacting negatively and limiting interaction and possible economic interchange/exchange between urban and rural areas. No effective mass public transportation system exists in Lomé and in the other secondary cities. Mass transportation is provided by privately owned buses, minibuses, motorcycles/mobiletes-used as taxis, bicycles, etc. Many of these privately owned vehicles are mostly maintained or serviced on ad-hoc bases and are a huge source of urban air pollution through discharge of fumes in the atmosphere<sup>23</sup>.

34. Maintenance of urban road network, as for all other infrastructure services, is precarious. Togo has a Road Maintenance Fund (FER) created in 1988 with funding from the national budget and a mandate to maintain national road network including related urban sections. The FER was to be replenished annually by a GoT budget line item to the tune of about CFAF 8 billion. In recent years, difficult macro-economic circumstances have made it difficult for GoT's ability to transfer funds to

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<sup>20</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

<sup>21</sup> World Factbook, 2006

<sup>22</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

<sup>23</sup> Citafric report, 2006

the FER despite the fact that the fund is now saddled with more deteriorating national highways and urban roads that are maintained on an erratic basis.

35. Traffic congestion in Togo's cities is a combined result of rapidly increasing urban population, urban sprawl, high volume of commuters, road design & density, and concentration of economic activities at areas different from where people live. Congestion is greatly linked to working hours similar to comparable cities in the sub-region (peaking at business opening and closing hours).

Waste Management (SWM): Deteriorating environmental issues are of huge concern in Lomé which seem under siege of increasing informal dumps/deposits of solid waste (with a large share of plastic waste materials) springing up sporadically everywhere. The solid waste management system set up from the previous Bank funded Lomé Urban Development Project (LUDP) that closed in 2002 still functions in the Bè area of Lomé. 29% of garbage generated in Lomé is collected by government appointed contractors, 47% by informal cart pushers and the rest dumped by individuals in open spaces, empty lots and the lagoon<sup>24</sup>. *Structures Locales de Base* (SLBs) carry garbage from households to intermediary deposits but garbage discharge to the dumping site by the Municipality of Lomé remains erratic.

36. About 2/3 of peri-urban households in Souza, Nétimé and Lomnava districts in Lomé use SLBs services and pay rates that are about 80% higher than those paid by residents in the Bè (CBD) area. Most households along the lagoons are reluctant to pay SWM services rates which are about 55% to 72% more than those paid in the CBD<sup>25</sup>. The lagoons have therefore been turned into dumping sites making the environment around them filthy and generating high public health hazard conditions (cases of outbreaks of cholera, fever, typhoid, for example, have occurred)<sup>26</sup>. Every year, during the rainy season, heavy flooding does occur. Lomé city's older areas, where deep wells are mostly used as the primary water source, become virtual sewers collecting effluent from open-air latrines and from spontaneous garbage dump sites contributing to deplorable environmental and sanitary conditions throughout the city. In other areas in Lomé such as Bè-Kpota and Bè-Hédzè, solid waste is sometimes used for 'repairing' streets, or ending up in informal deposits or in lagoons<sup>27</sup>.

37. About 98% of drainage canals in Lomé are found in its low-lying areas and linked to 58% of paved roads in the Bè district where most open drainage canals are often silted and choked with dumped solid waste. The lagoons and storm water retention ponds contribute to flood reduction, but only when the pumping stations that drain them operate efficiently. The pumps oftentimes break down, contributing to the city's vulnerability to flooding.

38. In yet another cycle, the 2006 rainy season started with a vengeance and failed drainage systems in the city of Lomé caused heavy flooding throughout the city during which many households lost valuable goods and shelter. The poor are having a tough time recuperating from this intensive downpour which put over 75% of the landmass of Lomé under floods (see photos below). A drainage master plan for Lomé was approved by the GoT in 2004<sup>28</sup> and is being implemented, piecemeal depending on financial resource availability. Works on portions of this plan (along the *route du 13*

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<sup>24</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

<sup>25</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

<sup>26</sup> *Ministère de la Ville (MdV)* 2006 submission to the World Bank

<sup>27</sup> SOETEMA report on SWM in Lomé, 2004

<sup>28</sup> Ministry ....

janvier) have been recently completed under *Banque Ouest Africaine de Développement* (BOAD) funding<sup>29</sup>. The lagoons system rely on the Bè pumping station to drain. The pumping station though, has remained un-operational since 2003 and caused high retention of water exacerbating severe flooding that also negatively impacted water tables, wells, latrines and public health, especially in the peri-urban areas of Lomé. Similar situations are observable in Togo's other urban centers and their peri-urban neighborhoods. Many of the roads are impassable due to huge pot-holes and are prone to flooding. Many adjoining neighborhoods to some of the major roads are constantly under floods during the rainy season and scarcity of alternative land has hampered possible relocation of some households to create better serving drainage systems<sup>30</sup>.

**Photos 1:** Lome neighborhoods during the onset of the 2006 rainy season



39. Storm Drainage: Total length of drainage associated with urban roads is about 57 km in Lomé (it is less in secondary cities) servicing less than 5% of urban roads networks. Lack of maintenance, exacerbated by narrow, uncovered/unprotected drainage canals (80% of all drainage canals in Lomé are 'open') and culverts where they exist (9 miles in Lomé) cause heavy flooding even in light rainfalls. In a survey conducted in 2003<sup>31</sup>, 39% of Lomé residents reported that they experienced flooding in their streets every year during the rainy season; 12% experienced flooding inside their homes (56% of such homes were flooded ankle deep). Nearly 35% of those surveyed, reported that they had spent at least 20% of their monthly incomes on damage repair from floods<sup>32</sup>. Engineering failures in drainage design lining the roads exacerbate recurrent flooding during the rainy seasons (just a revelation of the dearth of the drainage/sanitation/public health hazard problems that the city of Lomé has to confront).

<sup>29</sup> BOAD project implementation report, 2005

<sup>30</sup> CBD submission to World Bank, 2006

<sup>31</sup> Ministry of Health, Department of Public Health, 2005

<sup>32</sup> Citafric report, 2005

40. Water & Electricity Supply face difficult challenges : In Lomé, 27% have in-house piped water; 39% use borehole and 34% do not have access to potable water and depend on wells<sup>33</sup>. Low levels and rather erratic investment in infrastructure for water supply has been the main cause of the relative low levels of access. Access rates are much lower in secondary cities with average access to potable water in the range of 21-23% of households. The Togolaise des Eaux (TdE) is the sole operator in charge of the whole process of programming, financing, implementing, operating and maintenance of potable water facilities throughout the country. Lomé potable water network makes about 35 km mains; 18 production units and 13,250 m<sup>3</sup> storage capacity along with 860 km distribution network. Technical performance of the network is low (about 45% of unaccounted for water) due to leakages from poor maintenance and rather old pipes mainly in inner parts of the city<sup>34</sup>.

41. Electricity: Togo obtains a bulk of its electricity supply from Ghana. Much of Ghana's electricity is generated from the Volta Lake. Recently, low rainfall levels within the catchments area of the dam has caused the water level in the dam to drop substantially and subsequently, electricity production has also reduced. Ghana is therefore not able to transmit to Togo the megawatts of electricity it previously supplied. Supply of electricity to households in Togo has therefore been constrained a lot lately as distribution to businesses takes precedence over residential neighborhoods. As of May 2006, about 1/3 of households within Lomé city lines and 45% of Lomé's peri-urban areas are without access to electricity. In secondary cities, about 60-75% of households have no access to regular supply of electricity and the situation is even worse in the peri-urban neighborhoods in these secondary cities. This affects household productivity and negatively impact poverty reduction in urban Togo.

42. Sanitation: Sanitation services are provided through household latrines and other outside sanitation facilities in Togo's cities with about 80% of the population of Lomé using these facilities. Public latrines are patronized by about 17% of households in Lomé mainly along lagoons (but higher in places such as the districts of Amoutivé—39%, Bè-Apéyémé—35% and Bè-Hédjé—25%)<sup>35</sup>. Public latrines exist also in many secondary cities (about 81 identified) with 12 in Dapaong, 10 in Sokodé and 9 in Kara among which about 28% are not functioning. In Lomé, 16% of households have access to a sewer system; 44% to septic tanks; 36% use covered pit latrine; and 14% use the bush<sup>36</sup>. Lomé has a networked sewage disposal system dating from the early 60s with its main network within the *boulevard circulaire*, two autonomous networks for the administrative district and secondary branches in Tokoin area (hospital, secondary school and military camp)<sup>37</sup>. The main network is made of primary (3,370 ml), secondary (2,305 ml) and tertiary (25,000 ml) pipes and four pumping stations which transport waste water (without any treatment) into the ocean<sup>38</sup>.

43. Urban Land Market in Togo: Land and housing markets interplays and mechanisms of functioning are among the least understood of Togo's urban development issues. These two areas call for review and studies to unlock details of how best these important resources could be managed to bring economic and social relief to urban dwellers, particularly, the poor. In well functioning economies, urban land use is primarily determined by competition, the availability of land, ownership

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<sup>33</sup> Citafric report 2004

<sup>34</sup> TdE report of 2005

<sup>35</sup> SOETEMA report, 2005

<sup>36</sup> Citafric report, 2005

<sup>37</sup> CDB submission to the World Bank, 2006

<sup>38</sup> MdV, Sanitation Board, 2005 report



patterns, public policy and the regulatory environment. Interactions between these variables determine price and create a dynamic and efficient land market. Togo lacks a well-functioning land market. As a result, urban development and housing have been stifled, so too, related economic development.

44. A major constraint to infrastructure services provision in Togo's cities is land affordability and timely availability for investment. Land market dynamics is a critical factor negatively impacting on urban and peri-urban poverty reduction efforts in Togo. Land in Lomé is mostly privately owned and managed. Procedures for releasing land for public investment is complex and "forcible land grabbing" tactics/methodologies have been used by GoT to acquire land for public use without any compensation to land owners in the past. Today, tension exist between landowners and GoT and without incentives of appropriate compensation, owners are not willing to let GoT take over their lands<sup>39</sup>. This state of affairs has affected the private sector and there is no coordinated ways for releasing land for future development purposes. The poor people of Lomé have suffered huge consequences of this impasse. Infrastructure investments have lagged behind housing/cities expansion as informal deals with landowners release chunks of land to individual developers at areas of the city where GoT infrastructure plans have not yet been laid out, negatively impacting the livelihoods of the poor.

45. Any solid and sustainable revival of economic growth in Togo and its likely impact on urban productivity and economy is expected to place a heavy demand on land, housing and infrastructure. A combination of outdated policies and regulations, questionable government practices in urban land administration and development, poor institutional capacity, outdated land registration systems and limited structures for long-term loan financing have limited the supply of land that can be developed. Although these problems are hardly unique, urban growth and the concomitant demand for urban land, rigidities in land supply, weak land administration have resulted in losses in Togo's urban economy.

46. Constraints on the Functioning of Urban Land Markets:

- Outdated and incomplete regulatory framework, most of the laws and regulations date back to 1907.
- Poorly-developed and inefficient land registration system as only a small percentage of plots have registered titles in Lome, a city of over 1.4 million inhabitants.
- Formal and informal land development, since most of the development in Lome is taking place in haphazard manner in peri urban areas lacking the basic infrastructure services.
- Land markets deficiencies and impact on land availability is a challenge that must be fixed quickly, perhaps, through decentralization of land administration.
- Weak urban land use planning and management, since cities have neither short term nor medium term planning models to charter their spatial development over time.
- Poor organization and weak capacity to manage land at the central and at the SGAs level.

47. Urban Housing Sector in Togo.

Togo's national housing strategy estimates that (starting from 2005 for the next two decades) an annual housing production of about 8,000 serviced plots and nearly 23,000 houses would be needed by all urban centers to bridge the housing backlog the country faces and to bring the housing stock to an acceptable level<sup>40</sup>. In 2005, the need for housing in Lomé alone was estimated at about 45% of the

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<sup>39</sup> Bè Community report to the World Bank, 2006

<sup>40</sup> *Direction Générale de l'Habitat* Report 2006

then housing stock of the city. A strategy to provide adequate housing for urban dwellers was launched in 2004 but lacks effective implementation due to diverse constraints among which is lack of financial resources. GoT's inability to timely set up the *Fonds Spécial pour le Développement de l'Habitat* (FSDH), a vehicle envisaged to make financial resources available to the Banks so more mortgage loans can be advanced to citizens, is one of the major constraints. The establishment of such a fund was proposed in the middle of the 70s, was created only in 1988 and has not been functional as GoT failed to deposit requisite amounts into it<sup>41</sup>.

48. Other related agencies established to work with the Fund could not perform without financial resources and were subsequently abolished<sup>42</sup>. GoT deposited about \$US 9.5 million via the Treasury (*Trésor et Comptabilité Publique*) into the FSDH Fund but it has remained dormant and is still not operational. The new MdV is working on a framework to turn FSDH into a *Banque de l'Habitat*. Recently, GoT stated its commitment to creating conditions for improving urban investment environment and for building appropriate partnerships including with municipalities and private sector for the housing strategy to perform better. Meanwhile, housing needs continue to be met for about 90% of Togolese, by informal investment with increasing speculation in land management leaving the poor in more difficult and precarious position.

49. Housing is an important economic sector, contributing to job creation and creation of household wealth in most economies. It can also be a powerful tool for equity and social well-being. For instance, about 20% GDP of the US economy is housing related/based<sup>43</sup>, 23 percent in Malaysia, 13 percent in Thailand<sup>44</sup>. What are the figures in Togo? What is the size of the housing market? How much is the sector's contribution to the national economy and what is its growth and what could be its growth potential are questions that cannot be answered now due to data gaps. Other questions that need to be answered in relationship to housing include—what is precluding the functioning of the Housing Market? What is the demand? What can be considered as affordable housing? What are the supply mechanisms? Who are the housing providers? Why the fragmented GoT policy and institutional framework for housing still prevalent? How is decentralization affecting urban housing, etc.? Available information is so scarce and unreliable to answer these questions. Separate studies are needed to unveil the possibilities inherent in Togo's housing sector and economy in general.

50. A preliminary vision for Togo's national housing policy could consider the following:

- Creating a stable and transparent regulatory and political environment for facilitating devolution of responsibilities, encouraging private investments in housing development and improving linkages to the financial sector and supporting low-income housing.
- Improving the supply of serviced land with different levels of services to reduce land costs and meet the needs for housing for different segments of the population.
- Strengthening housing finance systems by expanding the reach of the housing finance market; addressing credit, legal and administrative risks; accessing long-term funding; mitigating liquidity risks and improving credit quality. For immediate action, GoT must

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<sup>41</sup> *Direction Générale de l'Habitat* Report 2006

<sup>42</sup> *L'Agence des terrains Urbains (AGETU)*, the land development agency was disbanded in 1989 together with *TOGO-PROMO*, an institution that was mandated to build public facilities for urban dwellers. The land valuation agency (*La Société Immobilière du Togo, SITO*) was also disbanded in 1996.

<sup>43</sup> US housing finance agency Freddie Mac, 2006

<sup>44</sup> World Bank—Indonesia Cities in Transition, 2005

- Reform institutional frameworks and expand the group of financial institutions that make housing loans; Institute targeted, flexible and market-friendly housing assistance programs for the very poor people;
- Put in place new institutions and instruments—credit bureaus, mortgage default insurance, community-based housing finance institutions and micro-financing networks—for better risk management and strengthen regulatory oversight;
- Develop secondary-mortgage facilities, strengthen capital markets and enhance access to funds from markets for housing institutions.
- Providing housing assistance through programs that are transparent, well-targeted, on-budget, administered in an efficient and effective manner, and tailored to meet the varied needs of lower-income households in differing circumstances. To achieve this, GoT must provide,
  - Assistance to moderate-income households to access housing finance through mortgage insurance support for saving on down payments and reducing default risks;
  - Flexible, upfront subsidy for low-income households who would not qualify for a mortgage loan even with mortgage insurance.

#### IV. Institutional Framework and Regulations

51. Togo is organized for administrative purposes into five regions—Maritime, Plateaux, Centrale, Kara and Savanne. Each Region is further divided into prefectures and sub-prefectures with each prefecture comprising urban and rural communes administered by municipalities and local governments. There are a total of 23 municipalities including all prefecture capitals and Lomé.

52. The proposed decentralization framework of GoT still allows the central government to retain responsibility for the judicial system, religious affairs, national defense and security, macro-economic planning, fiscal and monetary affairs, standardization and international relationships. Other duties that could have devolved to SGAs are still under GoT's responsibility, including, public works, health, education, trade and industry, investment, environment, agriculture, cooperatives, and labor. In effect, real power and decision-making will reside with GoT and SGAs will continue to have inadequate resources, revenues and institutional capacities to fulfill any aspirations to self-governance.

53. The current institutional framework (decentralization & urban development/management) for Togo's urban development is complicated and fuzzy and has been hampering the on-going decentralization process and urban management. Elected local governments have been replaced, since 2002, by nominated *délégations spéciales*. Weak coordination between stakeholders and overlapping management, obsolete regulations and ineffective land tenure practices have also contributed to poor urban management practices in Togo's cities.

54. Coordination and complementarity roles expected of diverse ministries and other state agents that have overlapping responsibilities for managing urban issues are completely missing. GoT recognizing this deficiency, recently created the Ministère de la Ville (MdV) to better manage and coordinate operational efforts of the varying other line ministries responsible for urban development and management—including the *Ministère de l'Équipement, des Transports, des Postes et Télécommunications, des Mines, de l'Énergie et de l'Eau* and the *Ministère de l'Administration Territoriale et de la Décentralisation*. To date, not much is working or being orchestrated institutionally, to address issues of growth poles, regional development, city-rural linkages, youth and employment generation and the attendant bulk

infrastructure services provision that is needed to strategically position Togo's cities to better compete, even at the sub-regional level, and to contribute to the development of the country.

55. Urban Institutions and arrangement for governance in Togo are complex and calls for clearer and better coordinated responsibilities of agencies with similar mandates. The current institutional and legal framework for urban development and management appears marked by disparate service providers and policy regulators who are not talking to each other and whose coordination needs strengthening. In particular, the legal framework outlining the responsibilities of the varying actors and their roles is weak and not enforced. Many regulations are obsolete, regulatory institutions are weak and staff motivation is low culminating in major inefficiencies in urban development and management. Some regulations enacted far before Togo's independence in 1960 are still in force as is the case of land management Act dating back to 1907.

56. Other major basic regulations in urban sector are in variance with master plans, investment incentives, building regulations, land and property titling, cadastre etc. Institutional responsibilities to enforce these legal and regulatory mechanisms lack clarity with often overlapping assignments resulting in major inefficiencies. Difficult enforcement of law and related regulations as well as GoT and SGAs' inability to provide serviced plots and properly plan extensions to urban areas, have combined to give impetus to stretching the official limits and physical boundaries of the cities causing intrusion into prefectures beyond the management responsibilities of the municipalities.

57. Urban planning and management responsibilities: At the present, the GoT's central ministries and agencies are in-charge of (i) setting urban policy to guide interventions and develop responsibility and accountability at local level; (ii) putting in place rules, regulations and standards for effective development and management; (iii) making decisions on programming and implementation of public investment of national interest; and (iv) fostering decentralization, supporting local governments and overseeing their action.

58. These GoT functions are carried out by a number of GoT line ministries that have direct responsibilities for various aspects of urban development in the country—viz., (i) *Ministère de la Ville*, (ii) *Ministère de l'Équipement, des Transports, des Postes et Télécommunications* and (iii) *Ministère des Mines, de l'Énergie et de l'Eau*. The actions of these ministries were mainstreamed through a 2005 GoT adopted Urban Action Plan (UAP) that aims to reduce urban poverty and foster urban growth. GoT's UAP seeks to rationalize, harmonize, strengthen, refine and foster inter-ministerial institutional partnership framework to improve synergies between line ministries and remove overlapping management responsibilities to better improve efficiency of services provision.

59. The Urban Action Plan (UAP): spells out specific responsibilities for key government technical agencies<sup>45</sup> that are mainly assigned to (i) oversee policy, rules, regulations and proper standards enforcement; (ii) program, design and implement public investments funded through the national budget; and (iii) strengthen local governments' capacities. The lead GoT agency in this effort is the *Direction Générale de l'Urbanisme et de l'Habitat*. Other agencies highlighted as key institutional stakeholders in the *Décret No 2006-011/PR du 8 Février 2006 portant attributions du ministère de la ville*,

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<sup>45</sup> The lead GoT agency in this effort is the *Direction Générale de l'Urbanisme et de l'Habitat*. Other agencies are the *Guichet Unique du Foncier Urbain et de l'Habitat* for land management and titling; the *Direction Générale de la Cartographie et du Cadastre* for mapping; the *Direction Générale des Equipements et des Infrastructures Urbains* specializing in urban infrastructure development and management ; *Citafric—Agence de Développement Urbain et Municipal*, a specialized municipal consultant and the *Agence d'Exécution des Travaux Urbains (AGETUR-TOGO)*

*Article 45* are the *Guichet Unique du Foncier Urbain et de l'Habitat* for land management and titling; the *Direction Générale de la Cartographie et du Cadastre* for mapping; the *Direction Générale des Equipements et des Infrastructures Urbains* specializing in urban infrastructure development and management ; *Citafric—Agence de Développement Urbain et Municipal*—a specialized municipal consultant and the *Agence d'Exécution des Travaux Urbains (AGETUR-TOGO)*—for contracts management and supervision of public infrastructure works (construction and development).

60. There are also:

- the *Direction Générale des Travaux Publics* dealing with roads network development as well the *Fonds d'Entretien Routier* for maintenance funding (urban roads funded in practice but not mandatory) within the *Ministère de l'Équipement, des Transports, des Postes et Télécommunications*;
- the *Direction Générale de l'Hydraulique et de l'Assainissement* and the companies dealing with water and electricity service delivery including the *Société Togolaise des Eaux (TdE)* and *Togo-Electricité* within the *Ministère des Mines, de l'Énergie et de l'Eau*

62. With a plethora of agencies working to provide similar services within same locations, the need for better coordination among them or reduce their numbers as well as the appropriate strengthening of their human and financial capacities/resources to allowing them deal with their respective assignments more effectively and in a sustainable manner, cannot be over-emphasized. The creation of *Ministère de la Ville (MdV)* was GoT's response to the need for urban development coordination in Togo. Some of these technical agencies are centrally based in Lomé with no deconcentration of their personnel and equipment to the Regional and/or Prefecture and city levels. Their ability to provide needed support for urban development is constrained. A typical case in point is the *Direction Générale de l'Urbanisme et de l'Habitat* which, so far, has no representation at city, prefectural nor regional level of governance. It's responsibilities to implement Togo's national urban policy and enforce urban management rules, regulations and standards are impaired at the sub-national level.

63. GoT's urban development strategy, closely aligned to the 1998 proposed decentralization law aims to: (i) improve living conditions of urban populations; (ii) creating conditions for more balanced urban network while strengthening urban contribution to national economy; and (iii) clarifying roles between central and local governments in urban development and management.

64. Based on identified critical constraints to effective urban development, the proposed policy highlights specific needs mainly for (i) more effectively taking into account land ownership and management in further urban planning and investments programming processes; (ii) strengthening local governments' human, technical and financial capacities; (iii) improving grass-root stakeholders' participation in local investments programming, budgeting, implementation and maintenance.

65. GoT's UAP envisages strong central role to be played by SGAs. However, missing in the proposed decentralization Law is the linkages that needs to be created to foster Regional cooperation among & between cities and their rural hinterlands, linkages with national organizations and associated investment promotion. A dialogue with GoT centered on how best to advance the institutional structures, expenditures and programs for regional and inter-city cooperation for regional development must be led by the WB and other interested DPs.

66. Private Sector in Urban Development: The role to be played by private sector in Togo's urban development is not explicitly outlined. Though GoT rhetoric leans towards cooperation with the

private sector to participate in infrastructure services provision in urban and peri-urban areas, yet, its action points in the other direction. The provisions of the 2005 Urban Action Plan would reinforce public agencies dominance of service provision and GoT plans on improving capacities of public agencies in infrastructure services provision through the creation of new state-owned agencies. Among the agencies to be created, the GoT plans state-owned agencies to (i) act as operators for discharging garbage to the dumping site; (ii) for operating public transportation system; (iii) for servicing land and making it available to private housing investors, and (iv) for running a housing bank. But Togo's private sector potential seems large and opportunities real and with good mechanisms to effectively harness their contribution, improvement in urban services provision will be highly enhanced.

67. Few business people interacted with the urban team and they complained endlessly about corruption, additional tax burdens and lack of infrastructure and claimed that instead of the SGAs concentrating on economic development strategies for Togo's cities, they seem only interested in mere politics. Instead of ambitious strategies at the local level, SGAs should aim to address a range of tangible shortcomings—roads, SWM, telecommunications, power, water supply, urban management and local incentives for businesses to be able to hire more unemployed people—and on the pervasive corruption that poisons most land dealings. Local research revealed that the sales, purchases, planning, development licensing, zoning, taxation and administration of building regulations in Togo are all occasions for bribery.

68. Lack of reliable and updated data: to determine the level of resources per capita, the sources of municipal funds to determine the share of locally generated vs. central government transferred for local governance and development, portions of funds allocated to staff salary vs. allocated to hard infrastructure investment, etc., needed for benchmarking. However, it is believed that nearly 80% of resources accruing to agencies in the public sector responsible for infrastructure development in Togo are applied to staff salaries payment, leaving little else for investment, and therefore the acute lack of urban infrastructure and decayed systems. The secondary cities are saddled with systems that are deficient and inefficient.

#### SGAs (Municipal/Local Governance) Financing

69. Municipal financing in Togo is based wholly on GoT transfers to the SGAs. No formula for revenue sharing between GoT and the SGAs exists and no regulatory mechanism ensures that the transfers occur regularly. SGAs have no access to own-revenues (derived from local taxes); none to borrow funds from any sources and their financial systems are managed as appendages of GoT ministries.

70. SGAs (Local government) revenues: The only real source of revenue available to SGAs is inter-governmental transfers. In 2001, SGAs/city governments' own source of revenues (from user fees, etc.) represented approximately 0.7 percent of total revenues<sup>46</sup>. SGAs revenue sources are stifled by GoT foraging into all areas for central government taxes. There is lack of any dedicated local tax base for SGAs. In major urban areas in most developed economies, hotel, restaurant, gaming, entertainment, land, property, and advertising taxes are among the major revenue sources for local governments but in Togo, any taxes from such sources accrue to GoT not to the city management. Boldly, GoT must provide the necessary transfer of taxation authorization to SGAs so as to increase

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<sup>46</sup> Citafric report, 2006

their revenues. It is recommended that GOT should devolve to SGAs the authority for setting, collecting and administering taxes within limits set by the central government.

71. SGAs (Local government) borrowing: Taxes alone are an insufficient source of funds for major capital investments that require long-term financing, as is the case for urban infrastructure.

- In the long term, it is critical that local governments have sustainable financing mechanisms with linkages to capital markets (even if done incrementally). However, many problems exist between that ideal and the present. Among them are: (a) non-existent remedies under the existing GoT financing schemes for SGAs borrowers who default; (b) lack of interest among private banks and investors in lending to SGAs because of their perceived financial and political risks; and (c) absence of a long-term debt market in a weak capital market in Togo.
- The constraints outlined above makes it imperative for the GoT to continue to be involved in local government financing in the short-to-medium term. Accordingly, for most local governments, the critical issue will be to have an efficient channel for intermediation between the central and SGAs, backed by policies that would, over time, enhance local governments' creditworthiness—financial management and reporting policies and work out procedures. In parallel, it is also important that the central government introduce policies promoting the development of capital markets and prepare SGAs to seek funding of their development from such markets.

72. Weak public resources (central and local) for urban infrastructure investment: Overall, SGAs revenue sources are weak compared to central government as it appears in the table below.

Municipalities Revenues as a percentage of central government's (GoT) revenues

CITIES	Year 1995 <sup>47</sup>	Year 2000	Year 2004	Year 2005
Lomé			2 224 388 483	2 440 781 011
<b>Other cities</b>				
Atakpamé	89 885 170	69 324 453	56 212 134	
Kpalimé		41 565 663	60 411 378	
Sokodé	13 715 998	36 778 423	52 951 972	
Dapaong	20 686 794		48 034 904	
<b>Total revenue for other cities</b>	<b>124 287 962</b>	<b>147 668 539</b>	<b>217 610 388</b>	
<b>Lomé + Other cities (sub 2)</b>	<b>124 287 962</b>	<b>147 668 539</b>	<b>2 441 998 871</b>	<b>2 440 781 011</b>
<b>Total GoT Ressources<sup>48</sup></b>		<b>99 693 453 770</b>	<b>146 869 648 200</b>	<b>143 706 785 615</b>
<b>Lome total/GoT Resources</b>		0,00%	1,51%	1,70%
<b>Total Lomé &amp; other cities/GOT Ressources</b>		0,15%	1,66%	1,70%

Source: Citafric 2006 report

73. Revenues of the city of Lomé were about 1.5% of central government's revenues in 2004 (despite an increase rate of 14% between 2004 and 2005) that of the next four main secondary cities amounted to only 0,15% of central government's revenues in 2004. On the other side average revenues of these four secondary cities have represented about 2.45% of Lomé's revenues in 2004.

<sup>47</sup> Pierre Laye, Christophe Casas, Etienne Hautdidier 1998, Data From Progress Report on IUCP Report, page 31-32

<sup>48</sup> Data on budgetary receipts from the Department of the Treasury and Public Accounts.

Lending to Municipalities—Experience of Other Countries: Many countries around the world, including the advanced market economies, have established institutions that specialize in municipal lending. The GoT will need to develop a system that conforms to its own needs, to the circumstances of its municipalities and of its domestic credit markets. The GoT could consider a number of institutional mechanisms in formulating its approach.

- Columbia and the Czech Republic have set up second-tier institutions that facilitate lending by commercial banks to local governments. These institutions rediscount loans made by commercial banks to local governments, providing liquidity to the banks and allowing them to make loans of longer tenure than would have been possible otherwise.
- Certain European countries, including the Netherlands, Norway, Denmark, Finland and Sweden, have established municipal financial institutions that are, at least in part, owned by borrowing municipalities. These institutions follow a “credit union” style of banking. They are all highly rated by credit agencies and float bonds to fund their lending activities.
- In Tamil Nadu, India, a publicly owned municipal development fund was restructured by bringing in private investors and private sector management. Although the Government remains a majority equity holder, the fund is managed by a private fund manager that has its equity in the fund. The restructured fund was able to successfully float a bond on the domestic capital market to complement resources provided by a World Bank loan.
- In Parana, Brazil, a non-profit private sector corporation has a contract to operate a publicly-owned municipal fund.



## V. DPS Interventions & Outcomes

74. Past World Bank Intervention in Urban Togo and Lessons Learned: As of February 2005, the World Bank had approved **49 projects** for Togo for a total amount of approximately **US\$765.3 million**. The Bank's most recent urban intervention in Togo was the Lomé Urban Development Project (LUDP) implemented from 1995 to 2002. The project fully achieved its objectives<sup>49</sup> (project ICR, 2003) though it is unlikely to be sustained mainly due to low progress in Togo's decentralization process but also lack of continuity in the Bank's & other DP's support. The project implementation contributed mainly to (i) strengthening the ability of the municipality to manage urban growth through municipal services reorganization; (ii) improving urban environmental management through grass-root activities which helped mitigate pollution and erosion in the Bè lagoon and extend solid waste management to the entire city; (iii) preparing reforms in local resources mobilization, mainly in calculation and collection of municipal tax revenues.

75. Specifically, the project contributed to more effective mobilization of local resources through (i) development of a cartographic urban land registry; (ii) assignment of street addresses and numbering of land parcels; (iii) property values and income tax evaluation methods; and (iv) improved tax collection procedures. Also market fees collection had been improved under the project with the establishment of EPAM<sup>50</sup>, an agency specializing in market management and working with vendors to enhance their operations. Under the window of opportunity created by the Article 96 consultations, the Bank prepared a Country Re-engagement Note (CRN) for Togo, in collaboration with UNDP, aimed at defining a strategic framework for donors' re-engagement in the medium term, and which was discussed by the WB Board in 2004. It laid out a process that would ultimately lead to a clearance of Togo's arrears to IDA and other major creditors, and a full resumption of Bank operations in the country. In the context of the CRN the Bank approved in July 2005 a LICUS grant in the amount of about US\$2.7 million for a community-driven Emergency Program for Poverty Reduction (EPPR), which aims at bringing small support to a huge problem of extreme poverty and the deterioration of social welfare, particularly, for women and children. This amount though, is tiny compared to the size of the problem and would make, practically, very little difference, if any.

76. Other DPs—Agence Française de Développement (AFD): As of May 2006 a new proposed development project<sup>51</sup> was under preparation and supported by the *Agence Française de Développement* (AFD). Feasibility study for this operation is currently scheduled for the period - June to August, 2006 with the agency's Board approval expected in November 2006. This proposed operation which AFD is eager to implement soon without any political conditionalities, for an amount of about US\$8 million, will focus on the rehabilitation of the Bè pumping station as well as on improving the overall lagoons system. Along with other investments expected within the framework of Lomé's drainage master plan this operation will likely contribute somehow to improving drainage effectiveness in the city.

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<sup>49</sup> World Bank, 2003, LUDP project implementation completion report

<sup>50</sup> EPAM: Etablissement Public Autonome pour l'exploitation des Marchés de Lomé.

<sup>51</sup> Development operation that would create new, expand on existing and/or support maintenance of infrastructure investments in a country by DPs in concert with governments and communities.

## VI. Recommendations & Framework for Sustainable Urban Development

77. This concluding chapter of Togo's urban and peri-urban review Note presents a proposed strategic framework for sustainable urban growth agenda and outlines areas for further research including a possible reform agenda that will support such a framework. The expectation is that this review and report would provide initial grounding for future research and studies to better support the GoT's proposed decentralization agenda and thus contribute to ushering Togo's cities to the next level of appropriate governance, institutional strengthening, service delivery and economic wellbeing of its urban and peri-urban dwellers.

78. Guiding Principles: Issues of importance to urban Togo and its development need to be approached in a comprehensive, research-guided, policy-formulation process rooted in the Togolese people and supporting SGAs to form lasting, organic institutional systems that enable them to achieve their aspirations. To meet evolving challenges of urbanization and decentralization, GoT needs to rationalize the roles of various levels of government and agencies and limit their numbers to curb duplication, strengthen the capacities of relevant sector institutions and coordinate institutional actions and investments. This can be achieved through (i) clarification of the roles and functions of national, prefectural, and local governments and ensuring that coordination functions between them work well; (ii) separation of urban policy and regulatory functions from implementation of urban projects by allocating implementation responsibilities to private operators or qualified state agencies under performance-based arrangements; (iii) ensuring proper allocation of taxing responsibilities, develop and implement transfer of financial resources from the central government to the local governments in a transparent basis supported by simple and precise criteria; and (iv) strengthening the central government's role in policy, regulatory, coordination, oversight and supervision.

79. Approaching the urban sector comprehensively and synergistically: This urban sector review focused on the following key strategic areas: (i) urbanization and decentralization, (ii) governance institutions including their roles in poverty reduction, LED, land and housing markets development, and (iii) urban infrastructure service delivery. The dynamic interplay of these dimensions, interpreted in the urban spatial setting, is the key to a comprehensive understanding of cities as "living organisms" that evolve dynamically. Togo urban and peri-urban areas confront developmental challenges that seem insurmountable, exacerbated by issues ranging from economic stagnation and poor services to rising urban poverty and weak SGAs capacities for planning, managing and sustaining rapidly developing urban and peri-urban centers.

80. Meeting the Challenges of Urbanization and Decentralization: Urbanization that is rapidly occurring and the GoT's proposed decentralization framework that needs to move as rapidly (if not faster) as urbanization is naturally occurring, will inevitably create winners and losers, with Togo's cities that provide good governance and efficient management likely to attract more resources and have greater growth. Adapting to the changes wrought by urbanization and decentralization will require the GOT to: (i) adapt right institutional and incentive framework to induce local governments to embrace reforms, (ii) institutionally and financially sustainable and replicable interventions; (iii) expanded learning and innovation to deepen understanding of complex urban issues, to learn from both national and global experience; and (vi) a demand-driven (in line with the national agenda on decentralization and democratization), competitive selection of cities for enhanced support by GOT based on strong commitment and ownership of change and growth.

81. Togo urban and peri-urban areas management must be strung onto the introduction of professional city managers and merit-based compensation systems (for all workers) as an important step in a direction that would leave the day-to-day management free of the politics of the era. A National Capacity Building Framework (NCBF) for Decentralization and Urban Management needs to be instituted to provide systematic and long term career development and professional enhancement for urban and peri-urban areas management.

82. The GoT and SGAs including local governments, together with civil society groups, need to develop institutional and regulatory mechanisms to secure effective citizen participation, transparency of administration and accountability of city officials. Direct election of mayors and city councils would significantly enhance the accountability of Mayors office and the *Ministere de la Ville*.

83. Tackling corruption will require two parallel approaches. First, it is important to enhance the fiduciary responsibility of SGAs and ensure adequate safeguards for the people. National level regulations requiring competitive procurement procedures and sound financial management systems should be adopted and applied at the local level. Basic procurement and financial management manuals should be prepared at the central level, made available to SGAs and their use made mandatory. To enable this to happen efficiently, technical assistance and training should be provided to local government officials to introduce new procurement procedures and financial management system. Second, it is critical to change the underlying incentives that foster corruption. Civil service reforms that reward merit and private sector participation in provision of urban services (under a transparent regulatory framework) are medium-term remedies that needs to be considered and pursued.

84. The various SGAs and other GoT line ministries involved in urban development require effective vertical and horizontal coordination mechanisms. Assuring these regulatory reforms would require systematic, renewal of operational systems, procedures, and training of personnel. Decentralization regulations that are still unclear, need to be further defined to eliminate unnecessary confusion and conflict, and to support intergovernmental regional coordination among different levels of governments. At the operational level, innovative use of Information and Communications Technologies (ICTs) can promote good governance, and cut in shreds corruption, by facilitating information flows between the center and local governments, supporting regional cooperation, strengthening capacity building, developing transparent information sharing with civil societies and the population and by disseminating knowledge and experience among Togo's urban and peri-urban dwellers.

85. Urban Poverty Reduction: Togo cities have insufficient information and data on the poor living within their jurisdiction making it difficult to target programs and to monitor progress. Most have inadequate financial and institutional capacity to assume poverty reduction roles and yet, the GoT proposed decentralization framework puts urban poverty reduction squarely on the shoulders of SGAs. In addition, most poverty alleviation programs, typically those financed by GoT and donors, are on a project-to-project basis. Sustainability is uncertain once the projects end. To overcome some of these maladies, community involvement and support of intermediaries should be integral to urban poverty reduction efforts.

86. An essential first step is to obtain accurate information on urban poverty. Local governments need to design poverty alleviation programs that target the right population, reflect the real needs of the poor, set specific and measurable poverty reduction goals, and monitor progress.

Support should be provided to cities to develop capacity in collecting data and information on the urban poor, analyzing them and developing effective poverty alleviation strategies and programs. These efforts by Togo's cities should be supported by GoT and they should benefit from technical assistance provided by GoT.

87. Togo cities will need to rely on a more systematic and homegrown approach for successful poverty reduction, one that does not depend heavily on GoT's budgetary support or donor funding. Poverty alleviation activities should be mainstreamed within local government budgets. As the first step toward this goal, local governments should formulate city poverty reduction strategies (CPRS) as integral parts of comprehensive and participatory City Development Strategies (CDSs). The needs of the urban poor require provision of subsidies targeted to the poor especially those who live in urban and peri-urban neighborhoods.

88. To effectively reach the poor, local officials need to understand community priorities and become accountable to residents. In turn, communities must be organized, able to aggregate and prioritize their needs and articulate these to the government. The capacity for carrying out these tasks is weak at the local government and at the community level in Togo, as it is in other countries. Therefore, it is important to empower the poor by transferring resources directly to them to provide social, financial and physical services at the community level, and to enable communities to determine their own priorities. This can be further strengthened by promoting partnerships between local governments and communities through intermediaries like NGOs. As a part of this approach, micro-financing schemes for income generation in Togo's cities, incorporating worldwide best practices, should be strongly supported.

89. Well-functioning land and housing markets are important to Togo's poor people. Current land regulations are not well-disposed to the poor. GoT and the SGAs need support to advance land titling efforts and improve housing conditions through the institution of urban land reforms in tandem with a comprehensive housing sector reform program, aimed primarily at low to lower-middle income households in the informal sector, who have no official land title and no access to formal mortgage financing.

90. Missing in Togo's cities is the economic and social value of urban land, a huge premium on urban space, that characterize many other world urban centers and their inhabitants but which is not yet valued much in Togo. Efficient use of urban land has the potential to transform urban areas into dynamic human and economic agglomerations as has happened in places such as Abidjan and San Pedro in Cote d'Ivoire. Policy deficiencies, institutional shortcomings, financing limitations and human capacities constrain urban land and housing markets in Togo.

91. Clarifying institutional frameworks, modernizing the land registration system and reforming land tax policies are considered time consuming and politically inexpedient in the short run in Togo. However, done correctly, urban land values could unleash a wealth of resources for citizens and SGAs in their quest to manage Togo's urban and peri-urban areas. Reviewing outdated regulations and strengthening urban land offices would be a good starting point. A transparent and time-bound program for divesting excess government land into open markets is also important.

92. Cities and urban strategies including aspects of local economic development (LED) can help to provide better structured directions for planning and managing urban development in Togo. Used systematically and continuously as planning tool, LED and CDS could provide better

insights into relationships with business community and how to harness their expertise and financial resources for developing urban and peri-urban areas of Togo. For example, cities can stimulate their local economies by effectively utilizing urban land in tandem with the business communities in an open process that would contribute to reduce corruption, rent seeking and other deleterious practices.

93. Developing Sustainable Urban Finance Mechanisms: In spite of the ever-increasing demand for urban infrastructure investments and poverty alleviation programs, Togo has yet to develop sustainable urban financing mechanisms, a task that will require reforms at the central and local levels. At the central level, GoT should establish clear policies for fiscal transfers and local taxation. GoT taxation systems need to be refined to reduce regional disparities and to match expenditure needs with revenue capacity of SGAs to attract them to cooperate more with the private sector in infrastructure development. Other special grant mechanisms to support national priority areas—for example capacity building, poverty alleviation or environmental management, should be spelled out.

94. GoT can use more technical assistance from its DPs, to formulate relevant policies and undertake required reforms, to better instruct urban and peri-urban areas on how better to generate greater resources by themselves through local taxation, cost recovery, borrowing, rationalizing expenditures, promoting public-private partnerships in service provision and utilizing urban land as an important revenue resource. Other areas for strengthening own-source financing for SGAs and local governments include reform of property taxes and improving cost recovery for services, such as water supply and solid waste management. At the national level, in support of cities, GoT needs to formulate clear policies for local government borrowing and develop a lending mechanism for assisting local governments. Given the weak financial position of most local governments, the central government needs to maintain its direct budgetary channel and develop a financial intermediary with access to the financial markets over the long term.

95. Improving Urban Service Delivery: Deficiencies in providing basic services to their inhabitants, buttressed by financial constraints on both GoT and SGAs make any progress in increasing coverage of urban services for urban dwellers unlikely in the short-term. Given that cities and the central government are unable to finance all of their required infrastructure investments on their own, they will need to mobilize substantial resources from the private sector. This requires creating an institutional and regulatory environment that would attract sustainable private investment in infrastructure, by reforming laws and regulations, and by introducing cost-reflective pricing. It must be kept in mind that any threat to macro-economic stability which affects local governments' revenues would oblige them to reduce development spending. The consequences of that will affect the poor in peri-urban areas more than anywhere else.

96. At the city level, local bureaucrats need to adopt bottom-up participatory approaches involving multiple stakeholders. Lack of experience of elected local government officials, civil society, the checks and balances in the democratic system, add to the challenge. Additional risks arise from weak institutional capacities, combined with the absence of mature control systems to check corruption and rent seeking at the local level. Finally, cities may not be able to generate enough resources for financing required investments. If these risks materialize and the cities cannot respond quickly to the demands of their citizens, the momentum for democracy and civil society participation may fade away.

## VII. Concrete Immediate Steps To Secure the Future of Togo's Cities

97. GoT must pass the new proposed decentralization law to move personnel, equipment and fiscal resources to the SGAs. The decentralization law must, in its provisions, separate central government responsibilities in the economy from those of the SGAs by specifying, in concrete terms, key roles, expectations and responsibilities of the different levels of government.

- The decentralization Law must include provisions for specific responsibilities of SGAs in SWM, drainage, urban environment and public health, water supply, roads construction and traffic management as well as maintenance of all urban infrastructure services provision facilities.
- GoT must transfer taxation authority/power on issues such as land and property, vehicle registration, hotel and hospitality, gaming, alcohol and liquor, and such taxes to SGAs. This should form the basis of the SGAs' power to tax these activities and generate their own financial resources sustainably. In the interim, GoT must continue to use intergovernmental transfer system that is more transparent, reliable and done on the basis of a formula that is well understood by all citizens of the country, to make funds available to SGAs for their development.
- Land transactions must be placed in the hands of landowners who should have the options to dispose of their lands in ways they deem fit. Land market must be in the hands of private operators who would buy chunks at a go from land owners and with the appropriate incentives, sub-divide these lands and provide rudimentary services (e.g. roads, bulk water and electricity to the land and some level of security via the use of services of surveyors to properly provide demarcations that would reduce land disputes). GoT's role must remain the processing of such purchased lands and issuing land titles. Citizens with titles must have the option to trade the land or develop it. Building permits and their regulations must be brought to a minimum to enable poor people to build their shelters on incremental basis.
- GoT must facilitate small loans possibilities for poor people and target subsidies to enable them to access local building materials for the construction of the shelters. GoT and SGAs should promote strongly the use of local building materials to bring construction costs down to support poor people's access to appropriate housing. Self-regulation of housing standards without the cumbersome construction standards that are too oppressive to poor people will make it possible for higher rates of participation in housing ownership for poor people.
- GoT must begin to advertise in national dailies and on the government's website the amounts transferred to SGAs budgets to put more information in the public domain and create better avenues for citizens' monitoring of SGAs spending on development projects.
- GoT must begin to advertise in the national dailies and its website the financial audit reports of SGAs and municipalities to put pressure on the SGAs to better manage their fiscal resources. Generate database and begin yearly report card publications on the performance of the SGAs/municipalities would be reinforce accountability and improve service delivery. This will create incentives and accountability among them and then the "who-is-who" in Togo's urban scene would cause more competition for better performance between urban areas.
- SGAs and municipalities must begin to take full responsibility for all the people under their jurisdiction, particularly, the urban poor people. This can be started by the

- municipalities (through local census) making every effort to know the number of people under their jurisdiction, where they live, their condition, their needs for infrastructure and other services, their aspirations and their afflictions.
- SGAs must make every effort to involve their citizens in designing, implementing and monitoring all development projects in their areas. This would require the services of Community Development Specialists and the SGAs must look for these experts and employ them to help facilitate community mobilization and participation in the affairs of the SGAs. The share of SGAs investment programs based on communities' needs should be part of the performance contracts the SGAs sign with the GoT as a result of transferred funds from the central level to the municipalities.
  - SGAs and municipalities must be made to sign performance contracts for specific time frames, say three years at a time, to achieve specific outputs and outcomes—viz. give communities a voice in decision-making on issues that affect their welfare, complete a certain number of projects, for example, extending water supply services to say extra 10% of people who hitherto had no such connection, etc. These contracts need to be monitored and incentives built in for those who perform according to the contracts. Those who fail must receive reappraisals and sanctions that will provide them the needed enthusiasm to perform better.
  - SGAs and municipalities will be able to better perform their functions if they have the requisite qualified and motivated personnel. It is recommended that: (a) Competitive selection of technical and administrative personnel becomes the new way of SGAs employing personnel. To achieve this objective, (i) Clear job descriptions and terms of reference be developed for key positions in all sub-national governments (SGAs) and properly advertised to seek/attract and competitively select good caliber personnel to the administrations of these SGAs; (ii) provision of on-the-job training to enhance the technical proficiencies of personnel must be instituted, funded and maintained to ensure that appropriate modern management tools are put at the disposal of all personnel for better performance and execution of tasks
  - Municipal Finance: Taxes alone are an insufficient source of funds for major capital investments that require long-term financing, such as is the case for urban infrastructure. To create a systematic and sustainable financing mechanism for local governments to borrow for infrastructure finance it is strongly recommended that—two central lending mechanisms, SGAs / Regional Development Account (RDA) and Subsidiary Loan Agreement (SLA) need to be put in place soon. At the inception these funds, SGAs must be restricted to borrow for financing infrastructure that “generates revenues.” However, for long term development reasons they could be allowed to borrow for slum upgrading or environmental protection. Such a systematic loan financing mechanisms should exclude all SGAs from borrowing from foreign sources without GoT guarantees and agreements—to ensure that possible financial meltdown as occurred in some parts of Latin America and East Asia does not repeat in Togo.

**Time Line for Implementation of the Recommendations:** If GoT officials are serious about making a difference in the urban agenda for the country, progress must be made to make these proposed recommendations work for Togo's cities in the next three years so Togo's cities can be more competitive and not completely overshadowed by their regional competitors.

98. **Areas For Further Research & Studies:** From the knowledge gathered and the information gaps identified, the following areas are hereby strongly recommended for immediate steps to be taken to conduct further detailed research/study on the broad issues regarding: (i) land and housing markets; (ii) CDS for strategic planning for Togo's cities and LED—investment climate, regional economic planning, roles and interface of SGAs, local business communities and civil society to enhance service delivery and create more jobs; (iii) slum upgrading mechanisms and options; (iv) infrastructure audits to better understand the extent of deterioration and estimate rehabilitation and maintenance cost; and (v) municipal finance audits and projects quality audit (value-for-money audits).

99. There are risks that the current momentum for decentralization may lead to challenges but the move towards the establishment of democratic and autonomous city governance must be seen in the bigger picture of Togo's march for democracy. Part of the World Bank's mission will be to work together with the GoT, DPs, the SGAs, regions and local authorities as well as their stakeholders to insure that measures in addressing urban challenges mentioned earlier translate into progress in enhancing local governance, improving urban services, strengthening the local economy and reducing urban poverty.



## Annex 1: Attempts at Decentralization

### Three waves of attempted decentralization

100. Rapid urbanization and high levels of social and political unrest drove the country into high social and political tensions, leading many Togolese to grope for a new governance structure that was closer and more accountable to their localities. The response by GoT was a proposed decentralization framework (first wave that started in 1988 and lasted about a decade) that was to move responsibilities for management, governance, human and financial resources for services provision to SGAs so communities would manage their own affairs and yet, remain controlled by the central government. The framework envisaged under the first wave of decentralization effort in Togo was, at the time, one of the most advanced (in thinking and promise) in the sub-region. Implementation, though, was slow due to the political crisis of the early 1990's and to lack of local level capacity. The “deliberately, slow moving targeted” decentralization framework proposal and its implementation, orchestrated by GoT, was never enacted into law despite it being approved by the cabinet. GoT made feeble attempt to implement some of the provisions nonetheless, but the process was, overall, a failure.

101. A second wave of decentralization, started in 1998 and went on till 2005, emanated from another citizen agitation and challenge to GoT to make localities autonomous and bring governance closer to the governed. The result of a presidential election (1998) that was supposedly won by the incumbent (Gen. Eyadema and his RPT party) was challenged in court by a coalition of opposition parties on grounds that the vote had been rigged and which almost drove the country to a civil war. The opposition parties lost the case in court and then went ahead to boycott the scheduled parliamentary and municipal and elections for that year. The mandate of the then elected municipal officials run out and the GoT went ahead, in the absence of the scheduled general municipal elections, to appoint *délégations spéciales* who were to govern the cities until new local elections could be scheduled for an indefinite period. That has been the case since then.

102. The third and current wave of decentralization (2005-to-present), kicked in after the election of a new President of the country. In his attempt to break the logjam on elected representation to carry forward the business of the people, and to get municipal and parliamentary elections underway faced with lots of pressure from DPs and the African Union, the Government put together a renewed decentralization package / framework and created *Ministre de la Ville* to oversee governance and development of all cities, urban centers, municipalities and town councils. The Government also ordered MdV to do substantial revisions to the 1998 proposed decentralization framework proposal and seek consensus through a national political dialogue on how best to open up governance in the country at the central and municipal levels to citizen participation. The fine details of GoT's proposed decentralization framework are further discussed in paragraph 109 below.

103. It must be noted that for reasons beyond this document, nearly two decades after the initial decentralization framework was proposed, not even political decentralization has become effective (successful) let alone fiscal decentralization and accompanying responsibility of SGAs for recruiting and managing their own personnel, planning and executing their own development plans and most importantly taking full charge of their revenue generation, accountability and management. Some actions by GoT, in the face of strong opposition to its rule (throughout the 1990s and intensified towards the end 2005), undermined the decentralization process. In particular, the GoT's replacement of elected local government officials, whose term in office had long since expired, with central government appointees (*délégations spéciales*) who were to govern the cities until new local

elections could be organized caused many DPs and other donors to suspend their activities in support of decentralization.

104. Urbanization has progressed rapidly. The urban population today is about 36% of the total national population. By 2025, it is projected that, nearly 65 percent of the population will live in the country's urban centers. Urban local governments face enormous challenges as a result. Their success is crucial to Togo's revival, as well as its future economic growth and poverty reduction. In 1999, three out of five urban Togolese were counted as poor. Over the next decades, urbanization will bring more, not fewer, destitute individuals and families into urban slums, as primary rural livelihoods (based on agricultural practices) continue to dwindle and the appetite & craving for light and blitz by many Togolese youths increase.

105. On the positive side, some semblance of political co-existence of the different and opposite political forces is taking place, the country has so far avoided, through varying and disparate means, plunging into conflict, civil war and inextricable political crisis. However, the impact of the repeated crises has had a huge toll on the country's economic landscape and the worsening of poverty. As yet, many SGAs (local authorities) and jurisdictions lack the skills and knowledge necessary to exercise any local governance authority. As yet, most local authorities are not able to generate the revenues needed to meet their expenditure responsibilities and the central government still collects taxes on their behalf. This review analyzes these knotty realities and suggests that more detailed and targeted studies are required to better understand the urban transition characteristics and the decentralization needs of Togo's urban and peri-urban areas.

#### The third wave of decentralization—processing the framework differently

106. To rejuvenate the decentralization process that has stalled since the proposed Decentralization Law No 98-006 of February 11, 1998 failed to be enacted by parliament; a new cabinet approval was obtained at the end of 2005. GoT has earnestly begun the legal and legislative processes to remove various constraints holding back the country from fully realizing the purpose of the new decentralization framework. Major complementary rules and processes waiting to be enacted include, among others:

- three proposed laws to be voted by the National Assembly related to (i) decentralization and local liberties, (ii) territorial administration organization and (iii) status of traditional authorities;
- five draft laws related to (i) local governments' personnel status, (ii) local public services management, (iii) cooperation and partnership between local governments, (iv) governors and prefects' status and (v) civil society organization, et al, awaiting enactment too.

107. These legal and regulatory measures, as well as the various studies underway, are intended to shape the decentralization environment through (i) better definition of central versus local governments' roles, relationships and responsibilities, (ii) setting partnership framework between local governments, private sector, CSOs and citizens, and (iii) establishing clearer status for central and local governments civil servants as well that of traditional authorities.

108. The new impetus to enabling the realization of the long and overdue decentralization efforts in Togo attempts to streamline, upfront, the institutional relationships between major stakeholders, including the various tiers of government (central, municipal, local, cantons, etc), civil society and communities. In the case of the capital city, it is proposed that the Commune of Lomé is to be accorded a special status—A Council for the commune will be elected alongside elected bodies

for each of the five *arrondissements* to be created. The commune of Lomé will be joined with the surrounding communes within the Golfe prefecture area *and be called Communauté Urbaine du Golfe*.

109. This arrangement is in recognition of the intrusion of the original boundary of the city of Lomé into the prefecture. The issues on which no current studies are being carried out nor reports exist include, municipal finance, land administration, public expenditure review in relationship to infrastructure, youth employment creation using public works and training as well as public management, community participation in infrastructure services provision and monitoring, urban indicators and city development strategies for Togo cities. To further strengthen this framework, GoT's newly created MdV is saddled with the responsibility to oversee the process of putting in place the most essential legal and regulatory frameworks for devolving the central government machinery, transferring responsibilities and revenue resources for service delivery to the local governments and shifting of over 360,000 civil servants from the central government agencies to the sub-national entities, the SGAs.

110. MdV is currently struggling to get the appropriate legal and regulatory framework together and there are problems managing the process. Managing this transition is not easy by any measure particularly when it is happening in an era still characterized by (i) rapid urbanization, (ii) deteriorating poverty amongst the increasing urban populace, (iii) non-performing national macro-economic regime, (iv) increasing youth unemployment, (v) deteriorating urban infrastructure services, (vi) undecided development partners and several other uncertainties and challenges. It is going to require special skills and management proficiency to carry out the mandate of MdV with minimum disruption to Togo's urban and national life.

## Annex 2: DPS Interventions and Outcomes

### Past Bank intervention in urban Togo and lessons learned

111. As of February 2005, the World Bank had approved **49 projects** for Togo for a total amount of approximately **US\$765.3 million**. The Bank's most recent urban intervention in Togo was the Lomé Urban Development Project (LUDP) implemented from 1995 to 2002. The main objective of the project was to help the Government implement its urban development policy and to reinstate economic growth hindered by the political turmoil. Longer-term objectives were to: (a) strengthen the ability of local government to administer the city with better defined lines of authority, responsibility and sources of revenue; (b) lay the groundwork for innovations needed to reform the management of urban development in Togo; (c) bring about progressive and permanent improvement in urban environmental management; and (d) contribute to poverty alleviation.

112. The project fully achieved its objectives (project ICR, 2003) though it is unlikely to be sustained mainly due to low progress in Togo's decentralization process but also lack of continuity in the Bank's & other DP's support. The project implementation contributed mainly to (i) strengthening the ability of the municipality to manage urban growth through municipal services reorganization; (ii) improving urban environmental management through grass-root activities which helped mitigate pollution and erosion in the Bè lagoon and extend solid waste management to the entire city; (iii) preparing reforms in local resources mobilization, mainly in calculation and collection of municipal tax revenues.

113. Specifically the project contributed to more effective mobilization of local resources through (i) development of a cartographic urban land registry; (ii) assignment of street addresses and numbering of land parcels; (iii) property values and income tax evaluation methods; and (iv) improved tax collection procedures. Also market fees collection had been improved under the project with the establishment of EPAM<sup>52</sup>, an agency specializing in market management and working with vendors association. The project relied on civil society associations in dealing with the management of many local activities among which solid waste and sanitation. A draft municipal code was also an output achieved under the LUDP although not yet enforceable because it still awaiting the vote of the National Assembly.

114. The ICR issued further to the IDA-funded LUDP drew lessons largely still relevant within Togo's current environment for Bank's possible intervention in urban sector. The ICR concluded that LUDP had project outcomes that were unsustainable despite successful output achievements. This was as a result of Togo's political and economic situation assessed as limiting the resources and commitment needed to safeguard project gains. The ICR further makes difference between:

- facilities whose management was turned over to private associations or contractors (for example, Bè Community Center was given responsibility for the management of and latrines), and autonomous public institutions (such as, Amoutivé and Bè markets management and waste collection system from households etc.) and states that those activities were likely to be sustained because of their dependence largely on local community's who has already demonstrated evidence of ownership and commitment to maintaining those facilities;

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<sup>52</sup> EPAM: *Etablissement Public Autonome pour l'exploitation des Marchés de Lomé* (Public agency for the management of the markets of Lomé).

- facilities that rely on local governments for operation and maintenance: many facilities constructed or improved under the LUDP (in particular roads, erosion control works and planted trees) were turned over to the city of Lomé, which was unfortunately short of human and financial resources, a situation that hasn't improved so far.

115. The ICR states that the project's institutional sustainability would be questioned. It points out that a key factor of sustainability would be further development of community-based organizations in the absence of strong local governments. This assertion has been reinforced by the Government having failed to follow through on reforms supported by the project to enhance local government capacity and responsibility. The City of Lomé, similarly, had been slow to adopt recommended reforms. But how long effective community-based development could last out of any local government involvement? The ICR outlines that even in a centralized governance structure decentralization could be supported through effectively linking local communities with local governments which the LUDP failed to do the city of Lomé having been treated as a recipient of assistance rather than an active participant to the project.

116. Lessons learned from LUDP include, amongst others, (i) the reluctance in the adoption of a number of reform measures by the city of Lomé because it was not adequately involved in the dialogue on project objectives and the means to attain them. Consequently, much effort was expended during implementation to explain project reforms to the municipal authorities and get their acceptance. Additionally, the Government was, and largely remains, reluctant to accept delegated contract management, despite proof of its effectiveness during the project; (ii) Institutional strengthening measures should be tied to a specific investment activity to enhance learning by doing and prove the applicability of the tool or skill being transferred.

117. The resource mobilization component of the project and training, for example, were not directly linked to improved investment and/or maintenance. Such a linkage would have provided incentives and provided a practical opportunity to utilize newly acquired skills; and (iii) when promoting SME development, it is necessary to provide for practical and theoretical training for the enterprises and engineering offices from the outset and to continue to offer more advanced training throughout the project. SMEs involved in the project encountered difficulties in drawing up their bids (cost estimates and work schedules) and in carrying out the work. Community development activities must be accompanied by timely support. Credibility, and the resultant behavioral change, suffers if a community makes a commitment or mobilizes funds and the partner, be it the Government or the donor, does not provide its support quickly.

118. WB's Country Assistance Strategy to Togo: The Bank's last Country Assistance Strategy (CAS) to Togo was adopted by Board in 1995. This CAS was designed while the country had been recovering from a political crisis with adverse impact on the economy and social infrastructure. The approach adopted in the CAS was to assist Togo to address both short-term needs (among which was restoration of urban services, and rehabilitation of essential transport and energy infrastructure), and long term objectives while flagging political instability as well as weak government commitment to reforms as major risks for the CAS to deliver effectively.

119. The CAS progress report issued in 1997 concluded with improved indicators and some progress on structural reforms, especially in the areas of market liberalization and public enterprises restructuring. But it also stressed that sustainability of the economic and social progress then achieved would depend on further improvements on the political front, including transparency

of the then up-coming 1998 presidential and 1999 legislative elections which were major condition for resumption of assistance by the EU and bilateral donors.

120. Under the window of opportunity created by the Article 96 consultations the Bank prepared a Country Re-engagement Note (CRN) for Togo, in collaboration with UNDP, aimed at defining a strategic framework for donors' re-engagement in the medium term, and which was discussed by the WB Board on December 14, 2004. It laid out a process that would ultimately lead to a clearance of Togo's arrears to IDA and other major creditors, and a full resumption of Bank operations in the country. In the context of the CRN the Bank approved in July 2005 a LICUS grant in the amount of about US\$2.7 million for a community-driven Emergency Program for Poverty Reduction (EPPR), which aims at halting extreme poverty and the deterioration of social indicators.

121. Towards a New National Urban Policy: Lessons from experience: Currently, Togo's has no poverty reduction strategy in implementation. Togo which was in the 1980's a good performer in terms of economic management and poverty reduction had turned into a lasting political crisis in the early 1990's that has adversely affected its development prospects. The situation further deteriorated when opposition parties contested the 1998 presidential elections results and boycotted the legislative elections. This political crisis led to major donors, in particular the European Union (EU), cutting off budgetary support because of concerns regarding human rights and governance in the country. IMF suspended its program with the country in 1998 and the WB suspended its disbursements in early 2002 due to accumulated debt service arrears.

122. This context had led to the creation in 1999 of an 'inter-Togolese dialogue' framework between the ruling party and opposition parties which resulted in the signature of the *Accord-Cadre de Lomé* laying out principles for the organization of free and transparent legislative elections to be supervised by an Independent National Electoral Commission (INEC). As result of this dialogue a new electoral code was adopted in March 2000 and members of the electoral commission nominated in June 2000. Despite this relative progress, uncertainty persisted leading to a 'wait-and-see' attitude among key development actors, including private sector (both local and foreign investors). Moreover major governance shortcomings in managing public resources led to overall slow-down of economic activity.

123. In July 2004, the EU concluded its Article 96 Consultations with the Government of Togo. The Commission further ruled in November 2004 that Togo had made sufficient progress to warrant the resumption of some frozen projects conditioning possible full normalization on the holding of credible and transparent legislative elections under conditions acceptable to all political parties.