Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Togo</td>
<td>P158078</td>
<td>TOGO Economic Governance</td>
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<thead>
<tr>
<th>Region</th>
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<th>Estimated Board Date</th>
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<td>29-Sep-2017</td>
<td>Governance</td>
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<th>Implementing Agency</th>
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<tr>
<td>Investment Project Financing</td>
<td>Ministry of Economy and Finance</td>
<td>Ministry of Finance</td>
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Financing (in USD Million)

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<th>Financing Source</th>
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<tr>
<td><strong>Total Project Cost</strong></td>
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Environmental Assessment Category

C - Not Required

Decision

The review did authorize the preparation to continue

Other Decision (as needed)

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B. Introduction and Context

Country Context

1. Togo is a fragile state in western Sub-Saharan Africa with a population of 6.7 million and a per capita gross domestic product (GDP) of US$ 669 in 2014. The country has started evolving into a multi-party democracy, having transformed its political system from one-party rule. In 2006, following the death of President Gnassingbe Eyadema, the leading political interest groups reached a political accord which paved the way for parliamentary elections in 2007 and donor reengagement. Since then, more or less credible multi-party elections have been held, and a somewhat more inclusive political system and open economy regime has emerged.
2. Despite the global recession, over the past three years, GDP growth has averaged approximately 5 percent, which is higher than the average observed in Sub-Saharan Africa. While Togo has been subject to several negative shocks such as the economic decline in Nigeria and lower commodity prices of its main exports (phosphates, clinker), the Government adopted an ambitious public investment program that helped sustain aggregate demand in 2015 and 2016. However, the fiscal deficit grew from 5.8 percent of GDP in 2013 to over 9 percent of GDP during this period, and central government reported the accumulation of about FCFA 60 billion in arrears at the end of 2016, representing 2.5 percent of GDP. Concurrently, the public debt to GDP ratio grew rapidly to an estimated 77\(^1\) percent of GDP, which is the highest in West Africa and greater than the threshold of 70 percent of GDP agreed-to within WAEMU.

3. On the supply side, the main drivers of economic growth have been agricultural production and extractive industries, as well as trading activities. Agricultural production, which accounts for approximately half of the country’s GDP and over 60 percent of its employment, has benefitted from good climatic conditions and recent initiatives that have led to an increase in the productivity of cereals, cash crops, and livestock breeding. Extractive industries, especially the production of clinker/cement, trading activities as well as transport and communications have also contributed to growth over the past few years. Growth is expected to remain in the range of 5.0-5.5 percent over the next three years with gradual adjustment of the fiscal deficit and public debt to sustainable levels. Inflation is projected to top off at less than two percent within the next three years.\(^2\)

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1. Togo draft Country Partnership Framework (CPF) FY2017-FY2020
narrow tax base

5. Public investment efficiency in Togo is low. Public investment in Togo has significantly increased since 2010 to a level comparable to the average of Sub-Saharan African countries. It rose sharply, from an average of 2.5% of GDP in 2009 to 8.2% of GDP from 2010 to 2015. However, public investment efficiency in Togo is still weak. Togo’s efficiency gap compared to that of the best-performing countries, stands at 70%: i.e. about two-thirds of the potential impact of the investment in the country is lost due to the inefficient public investment process. This efficiency gap is higher than the average observed in countries of SSA which stands at 57%. The public investment management assessment (PIMA) conducted by the International Monetary Fund in May 2016 revealed weaknesses in the management process which seriously limit the efficiency and impact of these investments. Much needed improvements relate to the multi-annual programming, the ex-ante evaluation of projects, the selection of projects, the multi-annual protection of investment loans, the availability of funds, and the transparency and timely processing of procurement and the award of government contracts. These weaknesses are inherent to the management of public investments irrespective of the source of financing (government or donor).

6. Weak budget preparation and execution processes negatively impact development outcomes. The execution rate of Togo’s capital budget, mainly financed by donors, has been falling remarkably, declining from 58 percent in 2012 to 40 percent in 2013. It improved significantly in 2014 and reached 73 percent in 2014. The average rate of capital expenditure implementation was 60 percent. The Public Expenditure Management and Financial Accountability Review (PEMFAR) conducted in 2016 shows that a significant part of the investment budget is not spent as intended due to weaknesses in budget preparation and execution processes. Some of the key bottlenecks include (a) the lack of technical and financial maturity of investments selected; (b) a disconnect between the annual budget cycle and the multi-year nature of many capital budget projects and commitments that leads to unfunded commitments; (c) lack of monitoring of investment projects and delays in execution; (d) inadequate use of the Public Investment Plan (PIP) as a planning tool; (e) cash flow constraints; (f) lengthy procurement processes with huge delays (average, 248 calendar days (8 months) which is 48.38 percent longer than the 120 day time period indicated by the OECD). Weaknesses in skill levels of the various actors and the lack of modern PFM tools limit the efficiency of civil servants working on financial planning, procurement, and budget execution.

7. The broadening of the tax base and the improvement of the collection capacity are crucial for increasing the domestic resources needed to ensure the budget credibility. In the past 4 years the government has been actively investing in strengthening domestic resource mobilization and at 20% in 2013, the tax to GDP ratio in Togo is one of the highest in the region. Notably, Togo is also one of the first francophone countries to have created a semi-autonomous revenue authority, integrating tax and customs department in OTR (Office Togolais des Recettes). Recent increases in tax revenue collection, however, have largely resulted from a combination of legal and regulatory changes, rather than more effective revenue administration. To increase taxpayer compliance, ensure a level playing field across taxpayers, and to take advantage of the institutional reform that created a single revenue agency, further work is needed on enhancing OTR’s capacity to better leverage the integration of tax and customs functions and on strengthening the compliance management programs of OTR. Further strengthening of the operations of OTR and modernization of revenue and tax

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3 The increase of the corporate tax rate for industries to 29% from 27%; institution of a Minimum Income Tax of 1% on sales and a special tax on car sales
administration is expected to improve Togo’s capacity to mobilize domestic resources and widen the tax base. With respect to tax policy, the formation of the proposed tax policy unit in the Ministry of Finance is a critical complement to the creation of the OTR and will be critical to strengthening the Togo’s legal framework for revenue collection, rationalizing the multiple exemptions accorded through a range of instruments, and widening the tax base.

8. The 2016 PEFA assessment revealed the following main weaknesses in Togo’s public financial management system: (i) poor budget credibility due to major variations between forecasts and results of budget execution and changes made in the initial composition of the expenditure, particularly through supplementary budgets, and underestimating tax expenditure forecasts; (ii) the high level of off-budget operations (over 10 percent of total expenditures), (iii) poor predictability and inadequate supervision of budget execution. The Treasury’s single account system is still not in place in Togo; annual cash flow plans are developed but they are not systematically updated and are not operational; the current budgetary regulation mechanism is not effective as it is not based on a regularly updated cash flow plan. Payroll supervision is limited by the nonexistence of a direct link between the civil service and payroll files, and there is incomplete with respect to documentation changes made.

9. The institutional framework for public financial management was recently improved with the adoption of Law No. 2014-013 of June 27, 2014 to bring budgeting in line with the WAEMU Directives. This new law redirects the public financial system toward a more results-based approach in budgetary management to improve the effectiveness of expenditure and public policies, increase transparency in public expenditure management and adopt a performance approach based on programs, goals and results indicators. The results expected from this comprehensive reform are therefore 1) realistic and sustainable budget estimates; 2) comprehensive budget packages determined on the basis of multiyear budgetary and economic planning; 3) a more rational allocation of budgetary resources so that goals of Accelerated Growth and Employment Creation can be met; 4) increased responsibility for the principal commitment authorizers (ministers and institution presidents); 5) effective supervision by Parliament of the execution of budget laws; and 6) ex post controls to assess the effectiveness of management.

10. The overall public financial system in Togo must be modernized to ensure the effectiveness of results-based budget management and to comply with the new directives of the WAEMU, which will applicable in 2019. Treasury cash management and procurement processes, among other obstacles to budget execution, need to be fixed in order to ensure adequate service delivery and tangible development outcomes. Multiyear budget programming documents should be integrated into the budget process and relevant and measurable results and performance indicators need to be selected to establish easily the link between resources allocated and expected results.

Weak Public Administration Accountability for Service Delivery

11. Togo suffers persistent limited outcomes of public services, resulting in part from lack of adequate accountability mechanisms and the prevalence of corruption in the public sector. As highlighted by the 2016 PEFA and PEMFAR reports on Togo, public expenditures are poorly prioritized, and failures in public services are manifested in inadequate investments in key sectors like agriculture, water supply and sanitation, education, health and electricity, with consequences for the well-being and equality of opportunity of the poor, especially women, children, and the rural population. Although the government has made efforts to improve the budget process through publication of quarterly expenditure, there is limited
transparency around the preparation and execution of sector budgets. Reporting on budget execution is not supported by performance analysis and there is limited opportunity for citizens’ participation in the budget process, including in sectors that are of pressing concern to the public and civil society. Budget controls are ineffective due to weak capacity of control institutions and lack of adequate tools. This problem is exacerbated by inadequate formal mechanisms for public participation in policy processes, particularly in monitoring the delivery of public services.

12. **Corruption and impunity are generally viewed as widespread in Togo.** In the Transparency International’s 2014 Corruption Perception Index, Togo ranked 126 (out of 175 countries), scoring 29 (out of 100 possible points). This assessment suggests a relatively weaker performance compared to Togo’s performance in the previous year, in which the country ranked 123 (out of 177 countries), scoring 29 out of 100. Corruption in Togo’s public sector is perpetuated by poor transparency and inadequate institutional capacity. The Government’s recent programs aimed at fighting corruption have focused on awareness-raising activities and independent audits of government agencies, resulting in an increased number of corruption allegations presented to the court. However, there have not been any prosecutions or indictments. The Government has created a National Anticorruption Commission, but the agency lacks capacity and authority to enforce sanctions.

**Relevance and Scope of Proposed Components**

13. The design and scope of this project exploits important synergies with both the Government program and other donor activities, to maximize impact. Togo is a fragile state that is still emerging from the effects of years of isolation and donor disengagement, as well as economic mismanagement that deteriorated the fiscal situation and weakened the financial management (FM) system. While the IMF’s program supports the authorities’ efforts with respect to fiscal consolidation and debt and cash management, to restore fiscal space and reduce the debt burden and accumulation of arrears, this operation aims to strengthen PFM and DRM and to improve government effectiveness. These focus areas are essential to unlock the growth potential of Togo and support long-term fiscal sustainability, and they are consistent with the findings, challenges, and recommendations of various diagnostics conducted in 2016 (especially PIMA and PEMFAR). The proposed operation would help increase public investment efficiency, domestic revenue mobilization, government accountability, and citizen engagement in the delivery of public services in key sectors that are aligned with the strategic priorities of the Government.

14. In addition, in line with the objectives of IDA 18, this project seeks to help the government to create an enabling environment for diversification and structural transformation through a mobilization of private sector resources. Strengthening the framework for transparent selection of Public and Private Partnership and improving government effectiveness and accountability mechanisms will help to de-risk the economy, and facilitate the introduction of the Cascade approach by increasing Togo’s attractiveness for the private sector to finance public investments.

15. The Government of Togo, through SCAPE and the preparation of a National Development Plan 2018–2022 seeks to promote strong and high-quality growth to improve the living conditions of Togolese while putting the country on the path of sustainable development. However, the delivery of these results depends on significant improvements in terms of the ability of the public sector to plan, budget, spend, and account for public resources efficiently and effectively. Components 1 and 2 aim to increase fiscal space for public investment and streamline budget execution and procurement processes. By strengthening civil society participation upstream in the budget preparation process and downstream in monitoring of budget execution and public services, Component 3 will foster transparency in public funds management and dialogue and feedback around public sector service delivery outcomes and consolidate accountability mechanisms.

**C. Higher Level Objectives to which the Project Contributes**
16. **The proposed Economic Governance Project is consistent and aligned with the strategic objectives of the Government’s National Development Plan.** In line with Vision 2030, the National Development Plan’s medium-term strategic objectives are (a) improving the well-being and development of the population; (b) boosting the productivity and competitiveness of growth sectors; (c) strengthening infrastructure to support growth; (d) promoting sustainable management of the territory, the environment, and living standards; and (e) strengthening governance and consolidating peace. The governance pillar focuses on reinforcing the capacity of local and national actors; mobilizing resources and strengthening the management of public finances; and creating strong institutions and partnerships, notably public and private; promoting civics, citizenship, patriotism, and entrepreneurship; strengthening human rights and democratic principles; strengthening justice, executive and legislative services and their financial and administrative autonomy.

17. **The proposed Economic Governance Project is equally aligned with the cross-cutting governance pillar of the World Bank Group CPF (2017–2021) for Togo, and the Systematic Country Diagnostic (SCD).** The CPF highlights the importance of investing in both demand and supply side governance to enhance service delivery. Key challenges highlighted in the CPF include improving the transparency and efficiency of PFM and DRM; efficiency of PIM, including PPPs; strengthening the performance of SOEs; decentralizing service delivery to bring decision making closer to citizens; enhancing citizen engagement in monitoring of budget execution and in key sectors; and reducing corruption through more effective public oversight institutions capable of implementing their mandates. In addition, the SCD highlights the fundamental link between governance and the constraints to poverty reduction across, such as poor fiscal governance, and lack of effective prioritization for public service delivery. The proposed project seeks to help the Government in building an upright economic governance system across the following dimensions: strengthening the macroeconomic and fiscal framework, institutions, and citizen engagement.

18. This operation is positioned in a context of solid reengagement and effective coordination among donors in order to address critical economic governance challenges. It complements other operations that address fiscal consolidation and improve management of public debt, such as the proposed Development Policy Operation (DPO) and the IMF program. The Economic Governance Project builds on the first pillar of the World Bank’s budget support operation that focuses on increasing fiscal space and PIM and supporting effective implementation of proposed fiscal policy and PPP Units which are seen as important for strengthening relevant policies. In addition, the European Union (EU) cofinances this Economic Governance Project and another technical assistance (TA) with the IMF that will support PFM reforms related to the budget preparation and reporting, as well as debt and cash management.

**C. Proposed Development Objective(s)**

**Development Objective(s) (From PAD)**

The project development objective is to improve public investment management, domestic revenue mobilization and public accountability and monitoring mechanisms for better service delivery in priority sectors.

**Key Results**

19. The expected outcomes of the project are increased effectiveness in public investment management, domestic revenue mobilization, and a wider fiscal space as well as improved public accountability and monitoring mechanisms for service delivery in priority sectors. With respect to the resource mobilization component, work on tax administration will be captured through disbursement linked indicators, the PDO level
results indicators for this component thus only relate to the work on the policy unit at the Ministry of Finance. The key results are as follows:

20. **Key performance indicators defined at the level of the PDO are:**

   (a) Public investment projects approved for financing that have been appraised in line with Public Investment Management appraisal guidelines (an increase of 50 percent);

   (b) Share of total registrants post taxpayer census in Lomé increased by 15 percent and 30% increase in regular filing income taxpayers with a turnover exceeding CFA F 10 million;

   (c) Satisfaction of large taxpayers with the responsiveness of OTR (an increase from 43.8% to 60%), and

   (d) Citizens satisfied with quality and access to basic services in maternal and child health, primary education, and urban water supply (an increase of 15 percent).

21. **Intermediate results indicators will include:** predictability in planning and budget execution of public investments, domestic revenue mobilization, and improved citizen-oriented measures to enhance government accountability, proactive disclosure of information and systematic citizen engagement. The results are captured by:

   (a) Systematic use of economic and cost-benefit analyses for appraisal of major public investments (for projects valued at over 2 billion FCFA)

   (b) Difference between the PIP, sectoral medium-term budget framework (Multiyear Expenditure Programming Documents [Documents de Programmation Pluriannuelle de la Dépense, DPPD]) and Finance Laws in priority sectors;

   (c) Reduction of national tax instruments from 29 to a maximum of 15 );

   (d) OTR operational staff are qualified and deployed for field audits (15 percent of OTR qualified operational staff);

   (e) Full automation of cross checking of taxpayer returns for VAT and customs declarations;

   (f) Reduced length of time to address taxpayer requests (by 50%);

   (g) Regular publication of citizens’ national budget;

   (h) Introduction of citizen report cards to provide MDAs with citizen feedback on quality and access of service delivery for maternal and child health, primary education, and urban water supply; and

   (i) Number of Government and CSO staff trained in new accountability, citizen engagement mechanisms, and PFM, of which at least 20 percent are women.

The project combines a standard TA, for which disbursements will be based on inputs, with results-based financing (RBF), that links disbursements to the achievement of agreed-upon performance indicators (DLIs). The
Eligible Expenditure Programs (EEP) to be financed under Subcomponents 2.2 and 2.3 of the project supports the OTR’s compliance management, revenue risk analysis and enforcement capacity, to sustainably improve revenue collection. Recent increases of tax revenue collection have largely resulted from a combination of legal and regulatory changes rather than improved administration effectiveness. Informal economic activity and unfair competition from semi-informal businesses competing on tax avoidance are a significant constraint for both tax administration and business community. The OTR is well organized with qualified staff and has proven to be an authority that carries out its mandate effectively. Applying the RBF to the two subcomponents whose activities will be directly implemented by the OTR will not only reinforce its operational capacity but also incentivize the OTR to take fully advantage of the synergies from the merger of the Tax and Customs departments and enhance revenue mobilization by improving the effective operational integration of tax and customs functions, audit efficiency and taxpayer services.

D. Project Description

22. The proposed operation is a five-year technical assistance (TA) grant which seeks to enhance the effectiveness and efficiency of public resource mobilization and use by improving: (i) the implementation of public investment management; (ii) domestic resource mobilization (especially tax collection); and (iii) public accountability by formal oversight bodies and citizen engagement in the budget process and service delivery in selected sectors. Closing persistent implementation gaps and setting up effective reforms require involving key stakeholders in the identification of problems and fostering collaboration among them to develop long-term solutions to critical governance and implementation challenges. The project will thus put a high premium on multi-stakeholder collaboration, in order to forge consensus on key actions, and build joint action plans to prioritize and implement critical reforms. This is particularly critical in a low capacity, fragile environment, to ensure that implementing agencies and units are aligned on reforms and receive the support necessary to achieve expected results.

23. The three components are interlinked and address various aspects of government effectiveness. The first and second components aim at increasing fiscal space for public investment and streamlining budget execution and procurement processes. By strengthening civil society participation upstream in the budget preparation process and downstream in monitoring of budget execution and public services, the third component will facilitate and foster transparency in public financial management, dialogue and feedback around public sector service delivery outcomes, and consolidate accountability mechanisms to fight fraud and corruption. The introduction of a customer service orientation through simplification of tax procedures and taxpayer services will create conditions for a more accessible tax administration to citizens and better tax compliance and underscores the important of citizen engagement in domestic resource mobilization based on international experience. Public investment management will be strengthened initially in the same sectors which are being targeted for citizen feedback in service delivery, thereby creating a feedback loop that could help to inform investment prioritization by sector ministries and other relevant public service providers.

4 Tailored support to customs administration is envisaged in a separate trade project (P158982), which is under preparation by the Trade and Competitiveness practice of the WBG. TA for OTR under this project is more focused on tax administration and on leveraging customs and tax information for coordinated compliance management.
Component 1: Public Investment Planning and Execution (US$ 6 million)

24. This component aims to improve the effectiveness of public investment management in Togo in order to support the realization of the ambitious objectives of the National Development Plan 2018-2022 and Togo Vision 2030. Through a close collaboration between the Ministry of Planning and key Ministries -- Education, Health, the Agriculture and Infrastructure, the component will help to strengthen inter-ministerial coordination and appraisal methodologies necessary to: (i) improve the alignment between public investment planning and revenue estimates; (ii) improve the quality of technical and non-technical preparation and hence the maturity of priority public investment projects; and (iii) strengthen the contract management, monitoring and evaluation mechanisms for public investments at the sectoral level as well as for whole of government. These aims will be achieved through four sub-components: (1.1) Enhancing Planning of Public Investments; (1.2) Ensuring the Selection and Budgeting of High Quality Public Investments; and (1.3) Improving the Implementation of Investment Projects;

Sub-component 1.1: Enhancing Planning of Public Investments including Public-Private Partnerships (US$ 3 million)

25. Objective: This sub-component aims to enhance due diligence in the selection of investment projects and to improve the operating efficiency of the Public Investment Plan (PIP) and turn it into a multi-annual planning tool in line with the sectors' multi-annual expenditure planning documents (DPPD) and used for the preparation of the Finance Law. It aims also at supporting the efforts of the Government of Togo to set up a transparent PPP selection and supervision framework.

26. Togo is about to embark on the preparation of a national development plan 2018-2022 which will pursue the actions of the SCAPE. The effectiveness of this plan can be improved significantly by creating clear links between planning, programming and budgeting. To provide adequate support resource allocation, the national development plan 2018-2022 should be consistent with the list of mature projects provided in its baseline scenario. In addition, the Government intends to develop Public-Private Partnership (PPP) and projects that can be implemented as PPP are being identified.

27. This sub-component will fund: (i) support the investment committees to improve effective coordination between sectors, planning and budget units, (ii) development of tools for the management of public investments such as directives and clear instructions on the identification, selection criteria including gender and climate impacts, presentation of project profiles, monitoring and evaluation; (ii) standardized analysis of cost-benefits of projects to be registered with the PIP and publication of results; (iii) reorganization and provision of adequate tools to structures in charge of public investments planning and programming in the selected key sectors and effective coordination between the Ministry of Planning and Development and the Ministry of Economy and Finance (iv) set up a sustainable professional development system to increase the number of professional in the areas of planning and public investment and (v) support a TA facility to strengthen the public investment planning chain, including strengthening the framework for transparent selection and supervision of PPP.

Sub-Component 1.2: Ensuring the Selection and Budgeting of High Quality Public Investments (US$1 million)
28. The objective of this sub-component is to ensure that criteria for the selection and prioritisation of projects can lead to the budgeting of mature and high-priority projects and reduce deviation between PIP and annual budget allocations and to put in place adequate system that secure medium-term investments by providing a multiannual commitment (AE) for overall project costs and the carry-over of appropriations.

29. The activities planned to improve the selection of projects relate to (i) providing support for the identification of a comprehensive pipeline of investment projects that have been meticulously examined and are eligible for financing from the study funds set up by the Government, in order to have a pipeline of mature projects; (ii) securing the budgets allocated to investment projects by effectively adopting budgeting in commitment appropriation and payment appropriation, supporting the development of annual performance plans (PAP), annual procurement plans (PMP), annual work plans (PTA), and plans for the utilization of appropriations (PCC) and annual performance reports (RAP) of selected ministries; (iii) adapting the information management system to the new requirements.

**Sub-component 1.3: Enhancing the implementation of Public investments (US2 million)**

30. This sub-component aims at strengthening procurement and cash flow management capacities, which are the major bottlenecks in the public investment implementation phase. The overall objective of this subcomponent is: (i) to improve public procurement practices by enhancing the efficiency, performance, and accountability of procurement process in education, health, and infrastructure and (ii) strengthen the management of cash to ensure cash is available to meet commitments and obligations for service delivery and eliminate arrears accumulation and long delays of payment.

31. The project will support three line ministries: Education, Health, and Infrastructure, to establish functional procurement units appropriately staffed with trained procurement personnel from the civil service to enhance procurement practice. The Activities to be financed will include the following:

(a) **TA to contracting authorities.** Sub-activities include (i) developing and disseminating techniques and procedures for the use of new procurement tools in particular contracts under framework agreements and multiyear contracts and building capacity of the actors to improve application of these tools, (ii) developing electronic systems to enable information tracking systems within the contracting authorities; and (iii) improving the contracts database for statistics and archiving purpose; and establishing procurement compliant review and auditing mechanisms.

(b) **Professionalization of the procurement function.** A consultant will support the Procurement Regulatory Body to conduct a procurement capacity and training needs assessment and study possibilities to introduce minimum required qualifications for the procurement function and a certification process to ensure standard qualification and increase the number of procurement professionals. Possibilities of partnership with training institutions will be developed to provide sustainable public procurement training.

(c) **Cash management tools:** development of cash management tools and cash flow forecasting model to improve forecasts of cash requirements from MDAs and ensure that all tax revenues are paid promptly into Treasury accounts. These tools would focus on ensuring that the forecast cash flow plan is supported by credible procurement plans and credit consumption plans which are updated quarterly in order to provide input in quarter treasury plans. These tools will be coordinated with TA operation from IMF and EU.
Component 2: TA and Results Based Financing (RBF) to support domestic resource mobilization (US$ 7Million)

32. **Objective:** This component seeks to support domestic resource mobilization by strengthening tax policy and its implementation. The government is keen on improving performance of the newly created Togolese Revenue Authority (Office Togolais de Revenue – OTR) and streamlining the tax code. The component combines technical assistance (TA), for which disbursements will be based on inputs with results-based financing (RBF), linking disbursements to the achievement of agreed-upon performance indicators (disbursement-linked indicators (DLIs)). The work on tax and customs administration at the OTR is entirely structured as a RBF. The work on enhancing tax policy at the level of the Ministry of Finance is delivered under the standard TA approach.

**Subcomponent 2.1: Strengthening the Capacity of the Tax Policy Unit (US$ 2 Million)**

33. The subcomponent will provide TA to strengthen tax policy formulation at the level of the Ministry of Finance with the goal of strengthening the Togolese legal framework for revenue collection. The Project would intervene after the Tax Policy unit has been effectively established to help in its operationalization.

34. Activities that are supported include the formation of the tax policy unit, training and analytical support to review and address specific tax policy challenges. More specifically, the subcomponent will be aimed at helping the tax policy unit to determine priorities and develop steps to implement policy reforms. Specific outputs that will be supported include: (i.) a review of fiscal incentive policy, covering both direct and indirect tax instruments, ii.) guidance on potential simplification of tax system, (iii.) an assessment of all para-fiscal charges introduced by line ministries or local authorities, (iv) a review of risk areas for the erosion of the tax base linked to international taxation; (v.) targeted trainings for staff in the policy unit covering core functions of the unit such as revenue forecasting, economic impact assessments.

**Subcomponent 2.2 - Administrative Measures to Broaden Tax Base (US$ 4 Million)**

35. This Subcomponent aims at enhancing the operational capacity of OTR. The component supports OTR’s compliance management, revenue risk analysis, and enforcement capacity, in order to improve taxpayer compliance and widen the tax base.

36. **Activities to be financed:** Support to strengthening OTR’s capacity needs to be closely coordinated with activities of other development partners, most notably the IMF and the African Development Bank. Sub-activities are:

37. (i.) **Registration Campaign:** The project will support a registration campaign aimed at identifying informal economic operations. The identification exercise will draw on a combination of site visit by OTR teams in different pre-determined zones (blocks) and systematic reviews other relevant information sources. The objective is to identify non-registered businesses and offer targeted services to taxpayers that are identified

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5 Linked to its three-year extended credit facility (ECF) to Togo, the IMF is supporting public financial management, including technical assistance to improve the efficiency of OTR operations.
during the campaign. The focus of the exercise will be on activities above subsistence level in order to ensure its cost-effectiveness and to minimize the disruption of micro entrepreneurs.

38. (ii) Data management and analysis to strengthen risk-based audit selection: This activity will support efforts at OTR to integrate customs and tax information more effectively in the newly created data warehouse with the objective of supporting joint tax and customs audit activity and an integrated risk analysis. The initial focus is on allowing for an automated matching of information from VAT returns and customs declarations. The activity also aims at the effective integration of external information sources from other public institutions and third party providers.

39. (iii) Improving Audit effectiveness and consistency: The project will support targeted capacity building for auditors at OTR. Specific activities include trainings on (i) sector specific audits, (ii) valuation approaches, (iii) management of exemption schemes and the Free Zone to minimize related revenue leakage, (iv) strengthening of capacity to deal with international taxation, in particular with respect to the administration of transfer pricing and related anti-abuse measures, (v) the implementation of effective international exchange of information to inform audit activity and (v) the development of audit manuals and administrative guidance in these areas.

40. (iv) Set up an electronic system of taxpayer filing and documentation: The project will support the electronic archiving of taxpayer files and online easy access to the documentation. Specific activities include (i) the centralization of all the tax documentation in a unique platform, (ii) user-friendly online access to the system by taxpayers and interaction with OTR and (iii) tracking system of mails and taxpayer requests.

Subcomponent 2.3 Taxpayer Service to Promote Voluntary Compliance (USD 1 Million)

41. This subcomponent aims at enhancing voluntary compliance of Togolese taxpayers by providing clarity and predictability of tax rules for relevant taxpayer segments and sectors and by instituting an effective feedback mechanism to improve taxpayer services.

42. The project will finance the implementation of surveys to better target and monitor OTR’s taxpayer services. These surveys will provide gender-disaggregated data (where feasible as in the case of individual taxpayers). The first survey will be completed in the first year of implementation of the project and will be used to establish a baseline for the level of satisfaction of taxpayers and the quality of OTR’s services. Information captured in the survey will be analyzed to address taxpayer grievances and survey results and an ensuing action plan will be published on OTRs website. To increase taxpayer certainty, the component will support the development of implementing regulations and administrative guidance at OTR. The project will also support the development and implementation of a targeted outreach and information campaign. This will include the development of tailored information material and a range of education and communication activities aimed at increasing voluntary compliance among specific taxpayer groups. Seminars will for instance be developed for large, medium or small business taxpayers as well as tax professionals and industry organizations in Togo.

Component 3: Citizen Engagement and Public Accountability In Budget Processes and Priority Sectors (US$ 3.8 million)

43. This component aims to increase public accountability and citizen engagement in Togo by strengthening formal public accountability mechanisms, citizen engagement in the budget preparation and execution processes, and citizen feedback on the quality and accessibility of public services in priority sectors (Agriculture,
Education, and Health). Specifically, this component will: (i) strengthen the internal audit capacity of the General Inspectorate of Finance (IGF); (ii) reinforce the external audit capacity of the Court of Accounts (Cours de Comptes --CdC), and the fiduciary and budgetary oversight capacity of the Finance and Economic Development Committee of the National Assembly; and (iii) introducing platforms and mechanisms through which civil society and citizens groups can provide feedback and engage in dialogue with government on budget priorities, budget execution, and citizens can provide feedback on the quality and accessibility of public services in targeted sectors.

Subcomponent 3.1: Strengthening Capacity of Formal Oversights and Accountability Institutions (USD 1.3 million)

44. This subcomponent aims to strengthen the capacity of the IGF and Cour des Comptes (CdC) to conduct high quality and timely financial audits and facilitate effective implementation of the audit recommendations., and that the Finance and Economic Development Committee of the National Assembly develops the capacity to carry out ex-post reviews of audited accounts and audit reports, and to also facilitate the Public Access to Information about the Parliamentary

45. Key Activities will include: (i) development of Internal Audit Framework and Strategy as well as Internal Audit Manuals; (ii) introducing the risk based approach and executing multi-year strategic audit plans built on risk mapping of key line ministries ; (iii) strengthening internal audit capacity in conducting systematic audit follow-ups on audit recommendations, (iv) twinning with Supreme Audit Institutions with strong and relevant capacity in external audit practices and conducting financial audit of state-owned enterprises and special audits, (; (v) reviewing current methods of informing the civil society about committee proceedings to enhance citizen relations; and (vi) building capacity of members of the Commission des Finances, through seminars, workshops, and study tours, to implement the new PFM directives and carry out reviews of audit reports and audited accounts.

Subcomponent 3.2 Strengthening Civil Society Engagement in the Budget Process (USD 0.5 million)

46. This subcomponent aims to build the capacity of government and civil society to enter into a constructive and evidence based dialogue on overall budget priorities linked to the National Development Plans and Vision 2030, as well as on budget execution. The subcomponent will build government capacity to provide transparent and easily accessible data to the public that can be easily accessed and used for analysis and advocacy by civil society groups. The component will also build civil society capacity to analyze macro-budget and sectoral budget data.

47. Key Activities under this subcomponent would include: (i) the introduction and regularization of a Citizen’s Budget, to be issued annually, that simplifies the overall national budget, provides a clear overview of sectoral allocations, and is disseminated widely to citizens by government in collaboration with CSOs; (ii) Training for CSOs and government officials on the use of the BOOST expenditure monitoring and analysis tool which was development for Togo. The BOOST provides well-classified and highly disaggregated budget data available for policy makers and practitioners within government, researchers, and civil society and promote their effective use for improved budgetary decision-making, analysis, transparency and accountability; and (iii) Capacity building for CSOs in budget tracking and monitoring of budget execution.
Subcomponent 3.3 Citizen Engagement in Priority Sectors (USD 2 million)

48. Under subcomponent 3.3, support will be provided to the Ministries of Education, Health, and Water Supply and Sanitation, and Civil Society Organizations to introduce evidence-based feedback on quality and accessibility of key services in these sectors, and to develop a platform for dialogue and joint problem solving. While there is an informal engagement mechanism with civil society at the level of the Ministry of Education, within that sector, and across the range of services in Togo, citizen feedback on service delivery is very limited, which overall quality of service delivery is low. Given the novelty of the approach in the context of Togo, the project will focus on key subsectors within the three priority sectors, which will be finalized through collaborative discussions between the three sector ministries, CSOs and other important sector stakeholders. The report cards and service delivery monitoring and feedback systems can be extended to other subsectors later, based on lessons learned and multi stakeholder demand.

49. Key activities will include: (i) Development of Citizen Report Cards for key subsectors within the three sectors, Water supply and Sanitation, Health, and Education; (ii) Design and implementation of a framework for discussion and dissemination of report card results and for follow-up joint action plans led by concerned MDAs, and involving all key government and non-government stakeholders; (iii) Competitive grants provided to civil society to implement innovative proposals and methodologies for report cards, monitoring of budget execution, open contracting in sectors, and sector specific tracking of inputs and outputs from national government budgets to front-line service providers.

Component 4: Support for Project Implementation (US$2.5 million)

50. The objective of this component is to establish an effective and efficient project coordination and administration function during the implementation of the project.

Subcomponent 4.1: Project Management and Reform Coordination (US$1.5 million)

51. The objective of this subcomponent is to support a coordination function that will provide leadership and management of the overall governance program including this project and to ensure that the specific project objectives are met on time, ensuring quality, and in line with the allocated funds. It will also be responsible for providing technical leadership in articulating, guiding and monitoring the overall PFM reforms across the Government of Togo. The PFM reform Coordination Unit (PFMCU) established under the Ministry of Economy and Finance will be the focal point for coordinating the PFM reforms under the PFM reform strategy.

52. Key activities to be financed will include TA support to the implementing units, consultancies, goods, including computers and accessories expenses, operational expenses, project coordination, procurement of goods and services, FM, and training/sensitization.

Subcomponent 4.2: Monitoring, Evaluation, Independent Review, and Communication (US$1 million)

53. Objective. The objective of this subcomponent is to enhance the project performance through effective tracking of project activities to allow continuous assessment of the overall performance of the project and provide quality feedback to the project institutional coordination mechanism and stakeholders.

54. Activities to be financed under the subcomponent will include (a) strengthening the monitoring and evaluation (M&E) capacity to coordinate work plans and identify key indicators of progress for each activity and
report to management and focal points on implementation of all activities; (b) conducting regular independent reviews of the project; and (c) strengthening communication to link closely with the M&E by responding to areas of slow progress with appropriate change management activities.

Component Name:  
Public investment planning and execution and management of public private partnerships

Comments (optional)

Component Name:  
TA and Results Based Financing (RBF) for Domestic resource mobilization

Comments (optional)

Component Name:  
Citizen engagement and public accountability in budget process and priority sectors

Comments (optional)

Component Name:  
Project implementation and Reform Coordination

Comments (optional)

Component Name:  
Bank-executed activities

Comments (optional)

E. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

F. Environmental and Social Safeguards Specialists on the Team
IMPLEMENTATION

SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>No</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
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<td>Forests OP/BP 4.36</td>
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<td>Pest Management OP 4.09</td>
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<td>Physical Cultural Resources OP/BP 4.11</td>
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<td>Indigenous Peoples OP/BP 4.10</td>
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<td>Involuntary Resettlement OP/BP 4.12</td>
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<td>Safety of Dams OP/BP 4.37</td>
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<td>Projects on International Waterways OP/BP 7.50</td>
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<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
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KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

There is no safeguard policy issue inherent to this project.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with
an emphasis on potentially affected people.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?
Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?
Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
NA

Have costs related to safeguard policy measures been included in the project cost?
NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
NA

CONTACT POINT

World Bank

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APPROVAL

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<th>Keith W. McLean</th>
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<th>Approved By</th>
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<tr>
<td>Safeguards Advisor:</td>
<td>Maman-Sani Issa</td>
<td>12-Jul-2017</td>
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<td>Practice Manager/Manager:</td>
<td>Chiara Bronchi</td>
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<td>Country Director:</td>
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