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Report Number : ICRR0020663

1. Project Data

Operation ID	Operation Name
P132208	TG: Economic Recov. & Govern. Credit 6
Country	**Practice Area(Lead)**
Togo	Macro Economics & Fiscal Management

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-53280,TF-13880	30-Apr-2014	14,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
05-Dec-2013	30-Nov-2014	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	14,000,000.00	375,842.00
Revised Commitment	14,000,000.00	375,640.60
Actual	13,463,564.16	375,640.60

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Policy Areas

a. Objectives

The objective of the programmatic series was to strengthen economic governance, to improve the efficiency of resource use as well as to implement growth enhancing structural reforms in agriculture, energy, telecommunications, mining, and banking (Program Document, p. vi).

b. Were the program objectives/key associated outcome targets revised during implementation

of the series?
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c. Pillars/Policy Areas

(a) Pillar 1: Enhance the efficiency and transparency of public finance management (PFM). This pillar sought to enhance the efficiency and transparency of the PFM through the public release of public finance information by strengthening external oversight and by automating procurement.

(b) Pillar 2: Strengthen economic governance and the foundations for growth. This pillar sought to strengthen economic governance in the cotton, mining, electricity and banking sectors, and strengthen the foundations for economic growth through enhanced access to fertilizer, a competitive telecommunication sector, increased mining output, a sanitized microfinance sector and a better investment climate.

d. Comments on Program Cost, Financing, and Dates

Cost and Financing: The cost of EGGC6 was SDR 9.2 million (US$14 million equivalent) at appraisal, financed through an IDA credit
Borrower Contribution: There was no Borrower contribution since this was a budget support operation.
Dates: Board approval was on December 5, 2013, EGGC6 became effective on November 14, 2014 against the original target date of June 14, 2014. EGGC6 was closed on November 30, 2014 against the original date of June 30, 2015.

Disbursement was delayed due to weaknesses in the macroeconomic framework. This was originally designed as a series, but two additional planned operations were cancelled because of concerns over the macroeconomic framework (See Section 3b).

3. Relevance of Objectives & Design

a. Relevance of Objectives

The objectives of the EGGC6 were relevant to the country conditions at appraisal and continued to be so throughout implementation. To strengthen economic governance, the program supported the Government’s action plan to modernize its PFM system. For the real sector, the program objectives aimed to support growth-enhancing structural reforms in the high potential sectors of cotton and mining. The objective for the energy sector was to support the transition toward more transparent funding of the electricity sector. For the telecommunication sector, the program aimed to increase competition. The objectives for the banking sector was to support withdrawal of the government from commercial banking and to restructure the microfinance sector.

The focus of the new development strategy of the Government of Togo (GoT) for 2013 - 2017 was on growth enhancing real sector structural reforms with the overarching objective to become a middle-income country by 2030. The program objectives and reforms supported under the EGGC6 were well-aligned with this new government strategy. With the completion of policy reforms supported by previous five single-tranche development policy operations (DPOs), this new Programmatic DPO aimed to deepen reforms by emphasizing growth and policy changes related to the real sector of the economy.

The objectives of the Programmatic DPOs were also consistent with the World Bank Group's FY12-FY13 Interim Strategy Note (ISN). They sought to support two out of three pillars of the ISN, (i) Pillar 1: Deepening the Economic Recovery Process and Promoting Sustainable Development; and (ii) Pillar 2: Improving Economic Governance and State Capacity. The GoT's development strategy was also supported by the IMF, the European Union (EU), the African Development Bank (AfDB) and other development partners (DPs). Efforts were made to avoid the duplication of reform areas by DPs. Since the EU and IMF were providing support for PFM reforms, the Bank focused more on real sector reforms in this new programmatic series.

The objectives show continuity with the past DPO programs of the Bank, and congruency with the country's and the Bank's strategies.

Rating
Substantial

b. Relevance of Design

The results framework for the Programmatic DPOs was sound. In general, it was well-articulated with clear linkages between the prior actions and triggers, the results indicators, and the policy reforms for the two areas of PFM and the real sector. For the most part, there was a clear statement of objectives, linked to intermediate and final outcomes. Prior actions and triggers were a continuation of reforms supported by the previous five single tranche DPOs. With the commitment by GoT to deepen reforms further, a choice of a programmatic approach was adequate for EGGC6, since the reforms envisaged under the program required a long-term approach.

Togo had a sound macroeconomic framework at appraisal. The Bank expected strong GDP growth of 6.0 percent in both 2014 and in 2015, supported by high levels of public investment and broad growth in the real sectors, including improvements in phosphate production. It expected modest inflation and a good fiscal outlook for 2013. Togo's external position was expected to remain largely unchanged with a projected current account deficit of 10 percent of GDP until 2015.

Despite this positive economic outlook, the 2014 budget approved by Parliament on the same day as approval of EGGC 6 was based on over-optimistic assumptions on revenue growth. The budget was not acceptable to the Bank and IMF. This led to delays in disbursing ECCG6. The Government subsequently adopted a more realistic budget, and, on this basis, the Bank disbursed EGGC6. However, there was continuing concern over the adequacy of the macroeconomic framework, particularly the use of non-transparent "pre-financed contracts" to fund public investment, leading to the cancellation of the series at the end of ECCG6.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
To improve the efficiency of resource use.

Rationale

PFM reforms were more selective than in previous operations, due to EU and IMF support in the area. Two sets of policy actions supported by EGGC6 were to improve the GoT's ability to enhance the efficiency and transparency of the PFM. The following results were expected in achieving this objective: (i) improved budget transparency through on-line availability of budget data by April of the budget year, (ii) improved budget oversight through on-line availability of budget execution data by April of the budget year, and (iii) the use of Information Management System for Public Procurement (or SIGMAP) by at least four ministries. Actual achievements were as follows:

- **Improved budget transparency:** The Government has published budget data on the Government website "togoreforme.com" in the BOOST format since 2009 and at the time this ICRR was written, budget data spanning from 2009 to 2016 were available online. This achievement helped the project objective of improving transparency of the PFM.

- **Strengthened budget oversight**: The second indicator referring to the number of years for which budget execution data are available online was also met, and improved the transparency of the PFM. The Government has published budget execution data online on the Government's website from 2008 to June 2015 for a total of seven years.

- **Automated procurement systems:** In terms of the number of ministries that use SIGMAP, five ministries started to use the automated procurement system SIGMAP. These ministries were Agriculture, Transport and Infrastructure, Primary and Secondary Education, Health, Higher Education. These Ministries submitted their procurement contracts for processing through SIGMAP in 2015 and early 2016. However, in March 2016, the hard disc containing all procurement information crashed and all procurement data were lost. The

Government appears not to have had a back-up system for safeguard purposes. As such, this indicator is considered not to have been met, and the project objective of enhancing the efficiency of the PFM was not achieved.

Considering the missed targets on automated procurement systems, IEG rates the achievement of this objective as **modest**.

Rating

Modest

Objective 2

Objective

To strengthen economic governance as well as to implement growth enhancing structural reforms in agriculture, energy, telecommunications, mining, and banking.

Rationale

In order to achieve this objective, results were expected in the following seven areas: (i) the use of the revised price formula to cotton producers for at least three years, (ii) increase in the production of non-carbonated phosphate (2 million ton), (iii) increased frequency of the use of financial model to review electricity tariff (at least twice a year), (iv) increased number of Mobile Virtual Network Operators (at least 1), ISPs (at least 4), and licensed telecom operators (3), (v) privatization of two commercial banks, (vi) restructuring of at least two microfinance institutions (liquidated or another restructuring solution), and (vii) the launching of new API/ZF authority.

Achievements towards program targets were as follows:

- ***Agriculture*****:** The governance of the cotton sector has improved with the introduction of a revised price formula. A first formula was adopted in 2009 and implemented through 2012. A revised formula was adopted in 2013 and implemented in 2014 and 2015. The revised formula is effective again in 2016, making it operational for 3 years. These improvements supported the project objective of improving the transparency of the cotton sector as farmers were paid according to a clearly defined set of rules. After 2016, the authorities will review the formula to determine whether adjustments are needed. Due to the cancellation of the series at the end of EGGC6, there was insufficient support for the expected new institutional approach to distribution and pricing in the fertilizer sector.

- **Mining:** The project objective was to help enhance Togo's mining production, but it was not achieved with no significant increase in the production of non-carbonated phosphate. The production was short of meeting the annual production of 2 million tons. Production stood at 1.2 million tons in 2013, fell to 1.1

million tons in 2014 and increased slightly to 1.15 million tons in 2015. The process of extracting phosphates has become increasingly difficult and costly as reserves are depleted. Initially, phosphates could be extracted from a depth of 7 meters. Today, extraction occurs at depths exceeding 42 meters.

- **Energy:** The project objective of supporting the transitions toward a more transparent funding in the electricity sector was not achieved as little progress was made in the energy sector. There is a new financial and pricing model in place, but this model is currently not used to review electricity tariffs. The price of electricity has not been reviewed since 2013. A major current challenge, in an environment where electricity prices do not cover costs, is addressing the debt owed by the electricity company, “Communauté Energique et Electrique du Togo” to its electricity provider, “Communauté Electrique du Bénin”.

- **Telecommunications:** The project objective of increased competitions did not take place in the telecommunication sector. After launching a call for tenders for a third telecom operator, the selection process for a Mobile Virtual Network Operator was cancelled. No additional entry of licensed Internet Service Providers in the market, and efforts by the Bank to encourage the Government to open the sector to a third telecom operator have not yielded results.

- **Banking:** The main project objective of supporting the withdrawal of the government from commercial banking was not achieved. The privatization of two state-owned banks did not take place. The government still holds the majority stakes in the Banque Togolaise de Commerce et de l’Industrie and the Union Togolaise des Banques. Both banks have negative equity position and the acquisition offers were not attractive. According to the Privatization Committee in charge of the public bank divestiture process, the current plan of the Government is to merge these two banks into a single entity.

For real sector reforms, the program fell short of meeting most of the target indicators and the key project objective of implementing growth enhancing structural reforms, except for the cotton sector, and little progress was made in other key sectors of the economy, IEG rates the achievement of this objective **negligible**.

Rating
Negligible

5. Outcome

Although the relevance of the objectives was substantial as EGGC6 was aligned with the reform program of the Government and the World Bank Group's FY12-FY13 ISN, its relevance of design was modest, and the program was not able to achieve its objectives. The efficacy of Objective 1 is rated modest and the efficacy of Objective 2 is rated negligible. In real sector reforms under the Objective 2, the Program fell short of meeting most of the target indicators, except the cotton sector.

a. Outcome Rating

Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

This section reviews the likelihood that some changes may occur that are detrimental to the ultimate achievement of the PDO, and the impact on the PDO if these changes materialize. The series 7 and 8 of the Programmatic DPO was cancelled mainly due to the concerns about the adequacy of the macroeconomic framework after the disbursement of the first series 6. Togo's macroeconomic situation remains weak, and this will pose continuous risks to the PDO. Public debt, including refinancing debt, domestic arrears, and public enterprise debt increased substantially from 48.6 percent of GDP in 2011 to 80.8 percent in 2016 (76.2 percent excluding public enterprise debt), which is the highest in West Africa and greater than the threshold of 70 percent of GDP agreed to within West African Economic and Monetary Union. The three-year US$241.5 IMF facility approved in May 2015 will help to reduce the overall fiscal deficit, but the macroeconomic risks remain high.

Although the achievements were only modest, there is a high risk to the outcome. Only the first out of three Programmatic DPOs was completed with the limited progress for the reforms envisaged under the program.

a. Risk to Development Outcome Rating

High

7. Assessment of Bank Performance

a. Quality-at-Entry

This Programmatic DPO was fully aligned with the government's priorities, and in line with the Bank's ISN FY12-13. The reforms were focused on two areas of: (i) PFM; and (ii) real sector reforms, where the Bank has been engaging in the past five DPOs, continuing its support in the same areas and sectors. The coordination with DPs was sound. The Bank avoided the duplication of efforts by focusing more on real sector reforms under this EGGC6 Programmatic series, since the EU and the IMF were providing their support for PFM reforms. The team did not coordinate with IFC for the preparation and supervision of the Programmatic DPOs because IFC's portfolio in Togo was small.

The operation's design was based on the Country Procurement Assessment Report, the Political Economy

Analysis, the Public Expenditure Management and Financial Accountability Review, the Country Economic Memorandum and the Poverty Assessment. Bank team members actively engaged in preparing several background notes, including a study on Togo's political economy, which was an explicit recommendation of the ICRR of ERGC-5.

Shortcomings in identifying risk-mitigation measures were a major design weakness. Many risks the Bank team identified have materialized, but the mitigation measures were not adequate to sustain the programmatic series beyond EGGC6. The risks identified included (i) political risk, (ii) vested interests risk, (iii) macroeconomic risks, and (iv) implementation risk.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank team responded promptly to the changing macroeconomic conditions and coordinated well with other DPs. With the deterioration of the macroeconomic stability after the Board approval of the program in December 2013, the Bank fielded a mission in January 2014 to assess the latest macroeconomic environment, and recommended that the EGGC6 should not be disbursed. The second mission was fielded in June 2014 to assess the preparation of a revised 2014 budget, and it recommended that the Government should include some identified off-budget spending (pre-financed contracts) in the revised 2014 budget prior to the disbursement. In addition to these two missions, the Bank and the government continued the dialogue on key budget issues during the Spring and Annual Meetings of 2014. The Bank team also coordinated well with the IMF. EGGC6 was disbursed only after the confirmation that the revised 2014 budget and a draft 2015 budget were acceptable to the IMF.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The government's ownership towards continued reforms under EGGC6waned as the economy took off and the government could access other financing sources, since the regional financial market as well as domestic banks became very liquid and buoyant (ICR page 14). This affected not only the implementation of EGGC6, but also the government's commitment towards reforms. Since EGGC6 aimed at deepening reforms supported by prior DPOs, it required continued support to reforms and actions that were planned under subsequent operations to ensure full implementation and application (page 30). Unfortunately, in the absence of continued Bank support after the cancelation of EGGC7 and 8, and the change in Government priorities, the Government did not sustain the agreed reform efforts envisaged under EGGC7 and 8.

Government Performance Rating

Unsatisfactory

b. Implementing Agency Performance

The coordination between (i) the Ministry of Economy and Finance (MoEF), which was responsible for the overall implementation of the program, and (ii) the respective technical departments in the sector ministries, was not adequate. Day-to-day monitoring of the reform program was undertaken by the Permanent Secretariat in charge of Monitoring Policies and Financial Programs (ICR p. 30). The MoEF was unable to do a proper job of coordinating the implementation of reforms. The Permanent Secretariat which oversaw the day-today monitoring of the reform program was seriously under-staffed and existing personnel in the Secretariat did not have the required experience and expertise to fulfill their responsibilities.

Furthermore, the highly centralized approach to decision-making in the MoEF as practiced by the Minister of Finance at the time was not conducive to ownership of the reforms. This contributed to poor communication within the Ministry and between the Ministry and line ministries. Staff within the MoEF, while tasked with implementation of the operation and monitoring, had little direct ownership as they simply followed directions handed down from the top and were not fully engaged at the decision-making or even at the analytical level. This led to some lethargy and lack of interest around implementation and monitoring among those assigned the task in both the central ministry and line ministries.

Implementing Agency Performance Rating

Unsatisfactory

Overall Borrower Performance Rating

Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design was sound. It had relevant and measurable result indicators to assess the progress of the envisaged reforms under EGGC6, 7, and 8. In general, the results framework articulated the linkages between policy objectives, reform actions, and results indicators. For some result indicators, the attribution of the prior actions to results indicators was weak. For example, prior actions and triggers for non-carbonated phosphate under the program were key factors that would contribute to an increase in production, but actual investments in the production facilities and other inputs would have needed to realize production increases.

b. M&E Implementation

The overall implementation and monitoring was the responsibility of an existing high-level team within MoEF. This arrangement was to ensure the continuity of the team and policy dialogue with previous five DPOs. The MoEF was supposed to provide quarterly reports to IDA on implementation progresses against the established timetables and the agreed upon performance indicators. As reported in ICR (p. 23), the MoEF did not monitor indicator progress. The lack of information from official sources made it difficult to supervise the program. The Bank team obtained information necessary to monitor the program from IMF and other DPs from their regular reviews of their own programs.

c. M&E Utilization

With the cancelation of EGGC7 and 8, the use of the M&E system was limited to reforms envisaged under this Programmatic DPO.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

Not applicable.

b. Fiduciary Compliance

No fiduciary concerns were raised.

c. Unintended impacts (Positive or Negative)

None.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Unsatisfactory	Unsatisfactory	---
Risk to Development Outcome	High	High	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Unsatisfactory	Unsatisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR presents several useful lessons. These include the importance of selectivity and consensus building for reform programs.

(i) Selectivity: Policy operations in situations of limited government capacity should avoid overly ambitious reforms across many areas. In this case, the lack of government capacity manifested itself as one of the major obstacles to achieving development outcomes. The EGGC6 should have been more selective in its support for reforms, given the government's capacity constraints.

(ii) Consensus Building: A consultative approach can help build consensus for difficult reforms. As recognized in the ICR, many of the results under the EGGC6 were not achieved due to the lack of a critical mass of support for reforms. Vested interests were identified as a key risk during appraisal, but the Program failed to build a broad consensus among stakeholders in support of reforms.

IEG also agrees with the ICR that Bank operations can be enhanced when there is good cooperation with other DPs, taking advantage of respective comparative advantages.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written, informative, and candid in assessing the performance of the Bank, the Borrower, and the Implementation agencies. It has relevant facts and information on factors that led to the cancellation of the Programmatic DPO before completing the second (EGGC7) and the third (EGGC8) operations. It provides all the necessary information to carry out IEG's review of the ICR.

a. Quality of ICR Rating
Substantial